

18th Annual Report

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Partnering
for
end to end Solutions



Suven Life Sciences Limited

2006 - 07



CEO'S COMMUNIQUE



Dear Shareholders,

Globally healthcare expenditure is rising and all over the world governments are under tremendous pressure to reduce the cost on health care which in turn bringing the pressure mainly on Pharmaceutical companies to reduce costs.

Rising costs per successful new drug launching and rising overall industry R&D expenditures are alarming. The main reason for this is mainly because of increased spending on R&D due to high attrition rate in NCE's and declining R&D productivity leading to anemic pipe line. Recent years trade journals referring drug companies has "dry", "weak" or "strangled" pipelines and New York Times concluded that the " research drought " has grown worse. "The number of drugs approved by the FDA has fallen by more than half since 1996..." while "R&D spending has more than doubled."

In addition to this many block buster lost their patents to generics and combined with governmental pricing pressure the bottom lines of big pharma are under tremendous pressure thus hurting bottom line. Faced with pressure from financial institutions to grow earnings and realize high rates of return and to shore up the anemic pipelines, drug companies are re-tooling their strategies. New initiatives adopted by the big pharma are to outsource, collaborate and partner with strategic players who are equipped to provide end to end solutions.

To be a partner of choice for global pharma majors your company has adopted a thoroughly thought out strategy way back in 1995 by launching **CRAMS** (Contract Research And Manufacturing Services), **DDDSS** (Drug Discovery and Development Support Services) in 2005 and **CRP** (Collaborative Research Partnership) in 2006, thus providing end to end solutions from discovery, development and manufacturing.

Suven CRAMS brings in new technologies and cost savings in manufacturing.

DDDSS brings in speed in preclinical development and clinical trials thus reducing time and money spent.

CRP brings in Innovation thus helping the big pharma to boost up their anemic pipeline.

With all the three components under one roof Suven can provide seamless transition of the project from phase to phase by offering end to end solutions thus becoming a strategic partner to global pharma majors.

GLOBAL HEALTH CARE SCENARIO

SUVEN STRATEGY



SUVEN DRUG DISCOVERY

Since 2003, more than 20% of the revenues have been spent on our drug discovery program to discover drugs for unmet medical needs in Neurosciences. All our focused efforts lead to the filing of Suven's first **Investigational New Drug (IND) application of our lead preclinical candidate SUVN-502 for CNS disorders viz Alzheimer Disease and Schizophrenia.**

This is the first step of preparing for the proof of concept, the first indication in patients that the new medicine works and later for full scale development. This involves clinical trials comprising of 3 phases before the drug can be approved for marketing.

Phase I trials typically involve healthy volunteers. These trials study the safety of the drug and its interaction with the body, for example, its concentration and duration in the blood following various doses, and begin to answer such questions as whether the drug inhibits or amplifies the effects of other medicines that might be taken at the same time.

Phase II studies enroll patients with the illness an investigational drug is designed to treat. These trials evaluate whether the drug shows favorable effects in treating an illness and seek to determine the proper dose. They provide an opportunity to explore the therapeutic potential of the drug in what may be quite different illnesses. The evaluation of safety continues.

If Phase II results have been encouraging, **Phase III trials**, the largest part of a clinical-development program, go forward. Phase III trials are designed to provide the substantial evidence of efficacy and safety required, in addition to data from earlier-phase trials, before regulatory agencies will approve the investigational drug as a medicine and allow it to be marketed.

We expect in the phase-I of the clinical trial, first dosing of healthy volunteer to take place in the 3rd quarter of this year and the trial to finish by 1st qtr of next year. In addition to this new drug candidate we have several other candidates which are at various phases of pre-clinical development for various CNS diseases like Parkinson's, anxiety, depression and obesity.

We hope to file at least one IND every year if not more so that we have rich pipeline of drug candidates under development in addition to shoring up our discovery pipeline. Our pipe line has created huge interest with many global pharma majors who have expressed their interest in collaborating and co-developing these molecules which are first in class and are for unmet medical needs using novel mechanism of action.

With your unrelenting support and the management's focused approach lead to the **building up of many intangible assets and the time has come for unlocking the value of those assets.** This occurrence will make your company a force to reckon with, in the pharmaceutical world for developing innovative and cost effective medicines to prevent and cure diseases, to ease the suffering and to enhance the quality of life for many of the unmet medical needs.



COLLABORATIVE RESEARCH PARTNERSHIPS

As you are well aware that we have established a Collaborative Research Partnership with Eli Lilly during the year 2006 which is going very well. With the positive outcome of the first ever research collaboration we expect Lilly to extend this collaboration into a second collaboration for a new disease during this year.

In addition to Lilly Collaboration, we expect to establish additional Collaborative Research Partnership (CRP) with another global pharma major during this year with whom we are in discussions with.

INFRASTRUCTURE

As you all aware that we have the basic infrastructure to do drug discovery and collaborative Research Partnership based drug discovery. In order for us to ramp up the activity on both the fronts, we need to set up a **dedicated drug discovery facility including animal facility**. We hope to start this activity during this year and estimated time of commencement of operations by end 2009 where in we can take many more collaborative research partnerships in addition to more in house drug discovery programs.

Our Vision of Emerging as a leading player by providing full spectrum of services in drug discovery, development, manufacturing and support services under collaboration with leading global life sciences players **has been achieved..**

FUTURE

Next step is to develop and launch drugs globally which are discovered at Suven, which we hope to achieve sooner than later.

I thank all of our shareholders for your unrelenting and continued support for achieving this milestone. Our combined goal is striving to make Suven a global player.

Your Sincerely

Venkat Jasti

Partnering for end to end solutions



BOARD OF DIRECTORS

| | |
|--------------------------|---------------------|
| Shri Bodhishwar Rai | Chairman |
| Shri Venkateswarlu Jasti | Vice-Chairman & CEO |
| Smt. Sudha Rani Jasti | Wholetime Director |
| Shri T. R. Prasad | Director |
| Dr. M.R. Naidu | Director |
| Dr. K.V. Raghavan | Director |
| Dr.S.Ramachandran | Director |

REGISTERED OFFICE

SDE Serene Chambers,
Road No.7,
Banjara Hills
Hyderabad - 500 034.

FACTORY

Unit 1 : Dasaigudem (V), Suryapet (M),
Nalgonda Dist, Andhra Pradesh - 508 213

Unit 2 : Plot No.262, 263 IDA, Pashamylaram,
Isnapur, Medak Dist. Pin - 502 300.

RESEARCH CENTRE - I

Plot No.18/B, Phase III
IDA Jeedimetla
Hyderabad - 500 055.

RESEARCH CENTRE - II

Bio-Pharmaceutical Lab
5th Floor, Serene Chambers,
Road No.7, Banjara Hills, Hyderabad

AUDITORS

Karvy & Company
Chartered Accountants
No.2, Bhooma Plaza, Street No.4
Avenue 7, Banjara Hills, Hyderabad - 500 034.

COST AUDITOR

K.S.N. Sarma
216, HMT Satavahana Nagar
Kukatpally, Hyderabad - 500 072.

BANKERS

State Bank of India
Overseas Branch
Abids, Hyderabad.

REGISTRARS & SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Limited
Plot No. 17 to 24
Vittal Rao Nagar, Madhapur,
Hyderabad - 500 081.

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NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of Suven Life Sciences Limited will be held on Thursday the 27th day of September 2007 at 10.30 a.m. at **KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce & Industry [FAPCCI], 11-6-841, Red Hills, Hyderabad -500 004** to transact the following businesses:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and the Audited Profit & Loss Account for year ended 31st March, 2007 together with Director's Report and Auditor's Report thereon.
2. To declare a Dividend
3. To appoint a director in place of Shri Bodhishwar Rai, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Dr KV Raghavan, who retires by rotation, and being eligible, offers himself for re-appointment
5. To appoint M/s. Karvy & Co., Chartered Accountants, Hyderabad, the retiring Auditors as Auditors for the year 2007-08 and to fix their remuneration.

Special Business

ITEM NO 6

To consider and if thought fit, to pass, with or without modification, the following resolution as a special resolution.

"RESOLVED that pursuant to the provisions of Section 81(1A) and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provision of the Articles of Association of the Company, the Listing Agreement entered into between the Company and various stock exchanges, the guidelines and clarifications issued by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Government of India (GOI) and any other statutory/regulatory authorities, and subject to all such other approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall also include any committee thereof), the consent and approval of the Company be and is hereby accorded to the Board for issuance of the Company's securities (as defined below) in pursuance of one or more International or Domestic Public Offerings, by way of direct issuance and allotment of shares including in the form of

Global Depository Receipts (GDRs) and / or American Depository Receipts (ADRs) and / or any other securities linked to shares and / or any other convertible instrument or securities such as Convertible Debentures, Bonds, Foreign Currency Convertible Bonds (FCCBs), Convertible Warrants (hereinafter referred to as securities) to be subscribed by foreign / domestic investors including but not limited to NRIs, FIIs, Qualified Institutional Buyers (QIBs), Mutual Funds, Banks, Insurance Companies, other institutions/ corporate bodies and / or individuals or otherwise whether or not such investors are members of the Company, in any Foreign Currency or Indian Rupees, subject to such conditions as the Board may consider appropriate, provided that the amount for which the Securities to be issued shall not exceed U.S. \$ 50 million (U.S.Dollar Fifty million) or its equivalent of any other Foreign / Indian currencies in one or more tranches and shall be in accordance with all applicable laws and regulations. The Board be and is hereby authorized subject to applicable laws and regulations to issue the aforesaid securities to the investors, in such manner as they may deem appropriate in their absolute discretion in one or more tranches and at a premium to market price(s), and if necessary, in consultation with Lead Managers and / or Underwriters and / or other Advisors of the Company concerned with the offering, as they may deem appropriate."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issuance of the securities may have to be subject to such terms or conditions as are in accordance with prevalent market practices and applicable laws and regulations including but not limited to the terms and conditions relating to payment of interest, dividend, premium on redemption, the terms for issue of additional shares or variations in the price or period of conversion of Securities into Equity shares or terms pertaining to voting rights or options for redemption of Securities or conversion rights and that the Company is also entitled to enter into and execute all such arrangements with any Lead Managers, Underwriters, Guarantors, Depositories, Custodians and all such Agencies as may be involved or concerned in such offerings of securities and to remunerate all such agencies including by way of commission, brokerage, fees or the like, also to seek the listing of such securities or securities representing the same in one or more Domestic / International Stock Exchanges, in accordance with all applicable laws and regulations."

"RESOLVED FURTHER THAT the Company and / or any Agency or Bodies as are authorized by the Board may issue Depository Receipts (including by way of GDRs or ADRs or FCCBs) represented by underlying shares in the capital of the company or such other Securities as may be required with such features and attributes as are prevalent in International / Domestic capital markets for instruments of this nature and to provide the tradability and free transferability thereof in accordance with market practices and subject to applicable laws and regulations and the Articles of Association of the Company."



"RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of securities as may be required to be issued and allotted upon conversion of any Securities (referred to above) or as may be necessary in accordance with the terms of offering."

"RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board is hereby authorised to do all such acts, deeds, matters and things as the Board may in its absolute discretion deem necessary or desirable for such purpose, including but not limited to entering into arrangements for managing, underwriting, marketing, listing, trading, and appointing Lead Managers, Underwriters, Guarantors, Depositories, Custodians, Registrars, Trustees and such other agencies and to issue any Prospectus or Offering Document and sign the same and all other required applications, filings, deeds, documents and writings and to pay any fees, commissions, remuneration and expenses and to resolve any doubts or question that may arise in the issue and allotment of securities relating to the Offerings ".

"RESOLVED FURTHER THAT the consent of the Company be and is hereby accorded, in terms of Section 293 and other applicable provisions, if any, of the Companies Act, 1956 and subject to compliance with all applicable laws and regulations to the Board to issue Securities or raise loans, by the creation of mortgage(s) and / of charges and / or lien(s) on all or any of the Company's immovable and / or movable assets both present and future in such form and manner and on such terms and conditions as may be deemed fit and appropriate by the Board."

"RESOLVED FURTHER that the Board be and is hereby empowered to delegate all or any of the powers described above to any Committee of Directors or to Vice-Chairman and CEO or any Director or any officers of the Company. "

By Order of the Board

Place : Hyderabad
Date : 31st July 2007

K Hanumantha Rao
Company Secretary

NOTES

- 1.1. A member entitled to attend and vote at this Annual General Meeting is entitled to appoint a Proxy to attend and vote instead of himself/herself on a poll and Proxy need not be a member of the Company. The instrument of Proxy in order to be valid, duly completed and signed, must be deposited at the Registered Office of the Company atleast 48 hours before the commencement of the meeting.
2. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special businesse(s) is annexed hereto.
3. Members holding shares in physical form are requested to notify any change in their address/bank details immediately to the Registrars and Transfer Agents Karvy Computershare Pvt. Ltd., Hyderabad and in case of Members holding shares in electronic form are requested to notify any change in mailing address/bank details to their respective Depository Participants.
4. The Members are requested to bring their copies of the Annual Report to the meeting, and handover the attendance slips at the entrance hall of the meeting.
5. The Register of Members of the Company and share transfer books will remain closed from -25th September 2007 to 27th September 2007 (both days inclusive). Share transfer requisitions received at M/s. Karvy Computershare Pvt. Ltd., or at the Registered Office of the Company by 5.30 p.m. on 24th September 2007 will be in time for payment of dividend subject to provisions of section 206A of the Companies Act, 1956.
6. Dividend if declared at the Annual General Meeting, will be paid to the members whose names appear on the Register of Members as on the Book Closure date in respect of shares held in physical form and in respect of shares held in electronic form (Demat), dividend will be paid to the beneficial owners as per the list to be provided by the Depositories, as on the book closure date.
7. Members desiring to have any information on the accounts are requested to make a request for the same at least one week before the date of meeting. So that the requisite information will be made available at the meeting.



EXPLANATORY STATEMENT

(Pursuant to section 173(2) of the Companies Act, 1956)

ITEM NO 6

The Board of Directors in their meeting held on 31st July 2007 has decided to raise funds either from the international capital markets by way of the issue of American Depository Receipts (ADRs) / Global Depository Receipts (GDRs) / Foreign Currency Convertible Bonds (FCCBs) and / or other securities (debt instruments) to international investors and / or through domestic offerings to various investors, for purpose of meeting its R&D expenditure for conducting Clinical Trials upto proof of concept (Phase 2) of our New Chemical Entity (NCE) SUVN - 502 for Alzheimer's disease and for creation of dedicated Drug Discovery Centre.

The ADRs / GDRs / FCCBs / or other securities will be listed in one or more foreign stock exchanges and will be convertible into equity shares of your company at a conversion price to be decided between the Company and such investors.

The detailed terms and conditions for the offer and the rights and privileges of the holders of ADRs / GDRs / FCCBs will be determined in consultation with the lead managers, advisors and underwriters to be appointed by the Company. Since the pricing of these debt instruments could be decided at a later stage, the resolution did not state the issue price or the precise number of securities to be issued. The

Board of Directors or any committee constituted for this purpose shall finalize the terms and conditions in consultation with the agencies afore said in accordance with the applicable laws, guidelines, rules and regulations in this regard.

As per Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and as per the terms of listing agreement with the stock exchanges, the further issue of shares / offer and allotment of shares to the persons other than the existing shareholders would require approval of the members in the general meeting authorizing the Board of Directors to issue securities as stated in the resolution.

The Board recommends the resolution for your approval.

None of the Directors of the company is in any way concerned or interested in the resolution.

By Order of the Board

Place : Hyderabad
Date : 31st July 2007

K Hanumantha Rao
Company Secretary

Brief profile of the Director seeking appointment / re-appointment at the Annual General Meeting

1. Shri Bodhishwar Rai was former Chairman & Managing Director of Allahabad Bank, Calcutta; former Managing Director of S.B.I Funds Management Limited, Bombay. Mr. Bodhishwar Rai with rich and varied experience in Banking Industry, Financial Management is the Chairman of the Board of Directors for guiding the Company's top management. Shri Bodhishwar Rai holds 7250 shares as on 31st March 2007 in the Company

Shri Bodhishwar Rai is also a Director on the Board of Sutlej Textiles & Industries Ltd, Madhya Bharat Papers Ltd., Oriental Carbon & Chemicals Ltd, Texmaco Ltd., Hindustan Wires Ltd, Magma Leasing Ltd, West Coast Paper Mills Ltd, NRC Ltd, Jubilant Organosys Ltd, HB Estates Developers Ltd, Domino's Pizza India Ltd, Dhir & Dhir Asset Reconstruction & Securitization Co.Ltd

Shri Bodhishwar Rai is Chairman of the Audit Committee of the Board of your Company and holds Chairmanship of the Audit Committee of the Boards of Madhya Bharat Papers Ltd, Oriental Carbon & Chemical Ltd, Hindustan Wires Ltd, Jubilant Organosys Ltd, and Shri Bodhishwar

Rai is member of Audit Committee of Sutlej Textiles & Industries Ltd, Magma Leasing Ltd, HB Estates Developers Ltd.

Shri Bodhishwar Rai is also a member of Investor Grievances Committee of Oriental Carbon & Chemicals Ltd., Jubilant Organosys Ltd,

2. Dr. K.V. Raghavan is a Fellow of the National Academy of Engineering, Indian Institute of Chemical Engineers (IICChE) and A.P. Academy of Sciences and a Distinguished Fellow of University of Grants Commission (UGC). He was appointed as the Director of Central Leather Research Institute (CLRI), Chennai in 1994. He took over the Directorship of Indian Institute of Chemical Technology, Hyderabad in 1996. On successful completion of this tenure, he was appointed as Scientist in Director's Grade at IICT in October 2003. He took over as the Chairmanship of Recruitment and Assessment Centre of DRDO in May 2004

Dr. K.V. Raghavan is also Director on the Boards of Godavari Sugar Mills Limited Dr. K.V. Raghavan holds 500 shares as on 31st March 2007 in the Company



DIRECTORS' REPORT

Your Company's Board of Directors has pleasure in presenting this 18th Annual Report together with Audited Accounts of the Company for the financial year 2006-07.

Financial statements for the year 2006-07 prepared in substantial compliance with US GAAP are also included in this Annual Report.

FINANCIAL RESULTS

| | Current Year Ended 31-03-07 (Rs in Millions) | Previous Year Ended 31-03-06 (Rs in Millions) |
|------------------------------------|--|---|
| Sales and other incomes | 1145.19 | 830.08 |
| Gross Profit | 178.50 | 136.03 |
| Less: Interest | 30.27 | 16.47 |
| Depreciation | 40.14 | 33.90 |
| Profit before Tax | 108.09 | 85.68 |
| Less: Provision for Taxation | (5.09) | 1.05 |
| Profit after Tax | 113.17 | 77.59 |
| Add: Balance brought forward | 45.88 | 29.75 |
| Profit available for appropriation | 159.05 | 107.34 |
| Appropriations: | | |
| Dividend | 28.82 | 25.00 |
| Dividend tax | 4.89 | 3.50 |
| Transfer to General Reserve | 45.00 | 3.8 |
| Balance carried forward | 80.34 | 29.75 |

REVIEW OF OPERATIONS

Your Company has recorded a total income of Rs 1145.19 Mn during the year 2006-07 consisting of exports of Rs 878.78 Mn, domestic sales of Rs 136.30 Mn, Contract Technical Services of Rs 44.35 Mn, Clinical Trials Services of Rs 43.43 Mn, Process Development Charges of Rs 27.76 Mn and other income of Rs 14.56 Mn. Profit before tax (PBT) increased by 20.73% to Rs 108.09 Mn from Rs 85.68 Mn when compared to previous year PBT. The EPS (in Rs) has also increased to 4.32 this year over the previous year EPS (in Rs) of 3.39.

EXPORTS

Your Company has achieved an export turnover of Rs 878.78 Mn when compared to the previous year exports of Rs 636.98 Mn. The exports revenue has been increased by 27.52% over the previous year exports revenue.

DIVIDEND

Your Directors are pleased to recommend a dividend @ 25% (Re 0.25 paise per share) for the financial year 2006-07 which will absorb a sum of Rs 33.71 Mn including tax on dividend on the post bonus issue paid up capital of the Company, which is above the average quantum of dividend amount

declared and paid by your Company over the immediately preceding 3 financial years. If approved in the Annual General Meeting the dividend will be paid to the shareholders who are on the Register of Members of the Company as on the book closure date.

ESOPS

During the year, Compensation Committee of the Board has granted 300,000 stock options to the eligible employees of your Company as well as to the employees of Wholly Owned Subsidiary at USA and with this the total number of stock options granted stood at 10,50,000 out of 12,50,000 options reserved under the plan. The disclosures as required under the SEBI Guidelines on ESOPs are annexed to the Directors Report.

INCREASE IN SHARE CAPITAL

During the year under review, the issued and paid up capital of your Company has gone up from Rs 500,00,000 to Rs 576,33,250 due to allotment of equity shares to shareholders of Asian Clinical Trials Limited pursuant to scheme of amalgamation with your Company as sanctioned by the Hon'ble High Court of Andhra Pradesh and due to allotment of equity shares to employees of your company and its subsidiaries who have exercised the stock options. The Company announced issue of Bonus Shares in the ratio of 1:1 and the shares have since been allotted in the month of April, 2007.

SIGNIFICANT EVENTS

SUVEN has been given Best Management award by the State Government of Andhra Pradesh for the outstanding contribution in maintenance of Industrial Relations, Labour Welfare and Productivity and was accorded National Safety award by the National Safety Council. Your Company's Unit III at Pashamylaram, Medak District a cGMP compliant plant has secured USFDA acceptance for supply of active pharmaceutical ingredients (APIs)

RESEARCH AND DEVELOPMENT

Suven's major thrust on R&D in Drug Discovery continues with an expenditure of Rs. 270.38 Mn recording about 23.91% of the turnover for the year under review. Your Company has signed its first Collaborative Research Partnership (CRP) agreement with Eli Lilly and Company, a U.S. based global pharmaceutical company, to collaborate on the pre-clinical research of molecules in the therapeutic area of central nervous system disorders (CNS). During the year your Company has secured a Patent from European Patent Office (EPO) on Novel Serotonin Receptor Ligands and the treatment of Disorders associated with Neurodegenerative diseases

QUALITY ASSURANCE

At SUVEN Safety, Health and Environment (SHE) is of paramount importance. To validate SHE policy as a global



standard, your Company has appraised the systems through an external agency. Our Company's comprehensive environmental management system complies with the requirements as stipulated in the standard: ISO 14001: 2004 and Occupational Health and Safety management system (OHSAS) complies with the requirements as stipulated in the standard: OHSAS : 1999 for all three units of Suven. . In addition Suven has recertified it's quality system ISO 9001 : 2000. cGMP & GMP practices across Suven manufacturing facilities and preparation of dossiers have been consistently followed during the year. Various quality audits conducted by the international customers during the year were successful. The Focus on "Customer satisfaction" remains as our top priority.

SUBSIDIARY

The consolidated and standalone financials of Suven Life Sciences USA LLC a Wholly Owned Subsidiary (WOS) -- at New Jersey are also presented in this Annual Report.

SOCIAL RESPONSIBILITY

The ISO 14001 and OHSAS 18001 are voluntary initiatives for the Safety and well being of our workers and the communities around our manufacturing units while protecting the environment and conservation of resources to the maximum. We knew these as a significant component for long term sustainability of our business and we stand committed to them. Your Company continues to shoulder its social responsibility and has made contributions to various charities like education, sports, spiritual and cultural programmes and supplied drinking water to the neighboring villages around the plant facilities during the year.

DIRECTORS

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Bodhishwar Rai and Dr KV Raghavan retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment..

The brief profile of the director(s) seeking appointment/re-appointment at the ensuing Annual General Meeting is presented in the Annual Report.

INVESTOR SERVICE

Your Company's share registry operations (physical as well as electronic form of holdings) will continue with Karvy Computershare Private Limited, Registrars and Transfer Agents. They can be contacted at plot no-17 to 24,Vittalrao Nagar ,Madhapur ,Hyderabad -500 081 (Phone Nos. 040-23420818,23420828 fax no.040-23420814) for any query relating to Shares.

The shares of the Company are listed on National Stock exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE), and The Hyderabad Stock Exchange Limited, Hyderabad (HSE) (Regional Stock Exchange).

REPORT ON CORPORATE GOVERNANCE

A detailed Report on Corporate Governance prepared in substantial compliance with the provisions of Listing Agreements with the Stock Exchanges together with the Auditors' Certificate regarding the compliance of conditions of corporate governance, forms part of Annual Report. A Report on Management Discussion and Analysis is prepared and attached to the Director's Report.

COST AUDIT

In pursuance of Section 233(B) of the Companies Act, 1956, the Central Government has directed audit of the Cost Accounting Records of your Company. The Cost Audit Report for the Financial Year 2006-07 is in process and the Report will be submitted to the Central Government within the prescribed time limit.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000 the Board of Directors confirms that:

- i) The applicable accounting standards have been followed in the preparation of the Annual Accounts.
- ii) Accounting policies have been selected and applied consistently and judgements and estimates made when required that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The Annual Accounts have been prepared on a going concern basis.

PUBLIC DEPOSITS

Your Company has not accepted any Deposits from the Public during the year under review.

AUDITORS

The Auditors, Karvy & Company, Chartered Accountants retire at the conclusion of this Annual General meeting and being eligible, offer themselves for reappointment.



PERSONNEL

Statement of particulars of employees pursuant to the provision of Sec 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 as amended.

| Name of Employee | Age | Designation/ Nature of Duties | Gross Remuneration Rs. in Millions | Qualification | Experience in years | Date of Commence- ment | Particulars of last Employment |
|-------------------------|-----|---|--|----------------------------------|------------------------|------------------------------|--|
| Mr. Venkateswarlu Jasti | 58 | Vice-Chairman & CEO. | 5.90 | M.Pharm.M.S (Indus. Pharmacy) | 33 Years | 09-03-1989 | Business in U.S.A |
| Mrs. Sudha Rani Jasti | 53 | Wholetime Director | 3.81 | B.Sc. | 26 Years | 09-03-1989 | Business in USA |
| Dr. N.V.S.Ramakrishna | 46 | Vice-President (Discovery Research) | 4.58 | M.Sc, P.hd | 18 Years | 04-03-2002 | Vice-President (Discovery Research) Zydus Cadila |

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

The information required under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988 with respect to these matters is enclosed herewith and forms part of the Report.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their gratitude to Shareholders for the confidence reposed by them and thank all the shareholders, customers, dealers, suppliers and other business associates for their contribution to your Company's growth. The Directors also wish to place on record their appreciation of the valuable services rendered by the executives, staff and workers of the Company.

Your Directors also thank the Central Government and State Government, the Financial Institutions and Banks for their support during the year and we look forward to its continuance.

On behalf of the Board

Place : Hyderabad,
Date : 31st July, 2007

Bodhishwar Rai
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

CONSERVATION OF ENERGY

Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 and forming part of Directors' Report.

Power and Fuel Consumption

| | | | Current year ending 31.03.2007 | Previous year ending 31.03.2006 |
|----|--|--|-----------------------------------|------------------------------------|
| 1 | Power and fuel Consumption | | | |
| a) | Purchased Units | In KWH | 8,539,762.00 | 8,104,347.00 |
| | Total Amount | Rs. | 31,123,624.60 | 29,902,668.60 |
| | Rate/Unit | Rs. | 3.64 | 3.69 |
| b) | Own Generation - | Units | | |
| | Diesel Generator | In KWH | 530,840.00 | 376,368.00 |
| | Units / Liter of Diesel Oil | In KWH | 2.86 | 2.61 |
| | Cost/Unit | Rs. | 12.06 | 13.13 |
| 2 | a) Steam coal 'C' Grade Used in Boiler to generate steam for the process | | | |
| | Quantity | In Mts | 6,952.99 | 6,370.09 |
| | Total Cost | Rs. | 17,923,664.00 | 15,707,103.79 |
| | Average Rate/MT | Rs. | 2,577.84 | 2,465.76 |
| | b) Furnace Oil | | | |
| | Quantity | In KL | 372.00 | 348.00 |
| | Total Cost | Rs. | 7,495,886.00 | 6,672,215.02 |
| | Average Rate/KL | Rs. | 20,150.23 | 19,173.03 |
| | c) Consumption per unit of Production | Company is manufacturing different Products using the same facilities at the same time it is not possible to give Consumption per unit of production | | |

TECHNOLOGY ABSORPTION

I Research and Development

1. **Specific areas in which R&D is carried out by the Company.**
 - A. Completed safety profile of SUVN-502 which is an enabler for filing Investigational New Drug (IND) application.
 - B. Continued the development of SUVN-504 for obesity indication.
 - C. Development of non infringing proceses which are patentable.
 - D. Improving the yield by process development of existing products.
2. **Benefits derived as a result of the above R&D.**
 - A. SUVN-502 ready for IND filing.
 - B. SUVN-504 entering into safety profiling in preparation for IND filing.
 - C. Filed 2 process patents.
 - D. Improvement in throughput and profits on the existing products.
3. **Future plan of Action.**
 - A. Clinical development of IND candidates
 - B. Entering into new therapeutic areas in drug discovery
 - C. Enhancing the activity in process research to develop non-infringing patentable processes for niche generics.



4. Expenditure on Research and Development.

| | Current Year Ended 31-03-07 (Rs. in Millions) | Previous Year Ended 31-03-06 (Rs. in Millions) |
|--|---|--|
| a) Capital | 80.36 | 87.14 |
| b) Recurring | 190.02 | 131.39 |
| c) Total | 270.38 | 218.53 |
| d) Total R&D Expenditure on Total Turnover | 23.91% | 26.59% |

II. Technology Absorption, Adoption and Innovation

- Efforts, in brief, made towards technology absorption, adoption and innovation.
 - Process technologies developed in house has been scaled up to commercial production.
 - Customer lab processes were optimized and later scaled up to pilot level.
- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
 - Commercial sales have taken place based on technologies developed and scaled up in house.
 - New sales have occurred due to optimization of customer's lab processes.
- In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.
 - Technology imported Nil
 - Year of import NA
 - Has technology been fully absorbed NA
 - If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action. NA

FOREIGN EXCHANGE EARNINGS & OUTGO

For details of foreign Exchange Earnings and out go, please refer to Notes on Accounts- Schedule T'

On behalf of the Board

Place : Hyderabad,
Date : 31st July, 2007

Bodhishwar Rai
Chairman



ANNEXURE TO THE DIRECTORS' REPORT

Details of Stock Options

Pursuant to SEBI guidelines on Stock Options

Employees Stock Option Plan - 2004 as on 31st March 2007

| Sl.No | Description | 2004 Plan |
|-------|---|--|
| | No of Options earmarked under the plan | 1,250,000 |
| (a) | Options granted | 10,50,000 |
| (b) | The pricing formula | At Market price; as per SEBI pricing formula |
| (c) | Options vested | 1,50,000 |
| (d) | Options exercised | 91,625 |
| (e) | The total number of shares arising as a result of exercise of option | 91,625 |
| (f) | Options lapsed | 1,83,025 |
| (g) | Variation of terms of options | Nil |
| (h) | Money realised by exercise of options | Rs.68,58,131 |
| (i) | Total number of options in force | 7,75,350 |
| (j) | Employee wise details of options granted to Senior managerial personnel during the year | |
| | Dr N V S Ramakrishna | 10000 |
| | Mr V S N Murthy | 7000 |
| | Mr M Mohan Rao | 7000 |
| | Dr A Veera Reddy | 7000 |
| | Dr C Rajendren | 7000 |
| | Mr Ch V S L Kameswara Rao | 2500 |
| (ii) | Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year. | Nil |
| (iii) | identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant; | Nil |



ANNEXURE TO THE DIRECTORS' REPORT

| Sl.No | Description | 2004 Plan |
|-------|--|---|
| (k) | Diluted Earnings Per Share (EPS) pursuant to issue of shares on Exercise of option calculated in accordance with [Accounting Standard (AS) 20 'Earnings Per Share']. | Rs.4.32 |
| (l) | Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on Profits and on EPS of the company shall also be disclosed. | The company has used the intrinsic value method to compute the employee compensation cost on account of ESOP in the financial year 2007. Had the company used the fair value method, the ESOP cost in the financial year would have been Rs 2,87,34,471 and net profit would have reduced by this amount. The EPS (in Rs) would have been 2.93. |
| (m) | Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock | Number of outstanding options as on March 31st 2007 were 7,75,350. The weighted average exercise price of the outstanding options as on March 31st 2007 was Rs 90.01 and the weighted average fair value of the outstanding options as on March 31st 2007 was Rs 37.06 |
| (n) | A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (i) risk-free interest rate, (ii) expected life, (iii) expected volatility, (iv) expected dividends, and (v) the price of the underlying share in market at the time of option grant. | The company has opted to use the Intrinsic value method for accounting of compensation cost arising out of ESOP. However for disclosures in Para 12 above the following assumptions have been made 6.5% 48 months 50% 1.33% Date of grant Market price 18-09-2004 Rs 74.85 30-07-2005 Rs 88.65 29-04-2006 Rs 82.45 30-09-2006 Rs 101.15 |



MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry Outlook and opportunities ----- Global

The global Pharmaceuticals Market has demonstrated consistent strong growth patterns in the last five years generating total revenues of US\$ 640 Billion in 2006. Much of the growth in the Global Pharmaceutical industry can be attributed to the change in the disease profile of the global population and also finding medications for the unmet medical need like Alzheimer's etc.. Increasing incidence of lifestyle related diseases and also the diseases related to old age because of longevity in lifespan have led to an increase in demand for drugs for these particular categories. North America remains the largest Pharmaceutical market constituting 49% of the worldwide market followed by Europe and Asia-Pacific. Pharmaceutical market across the world is witnessing increased opportunities in the area of Bio Pharmaceuticals, Pharmacogenomics and Biologics market. The smaller national markets in Asia-Pacific and Latin America are expected to grow significantly and will increase their presence in the global Pharmaceutical landscape in the years to come.

Industry Outlook and opportunities----- India

The Indian Pharmaceutical Industry today is fully matured generic industry with wide ranging capabilities in the complex field of drug manufacture and technology. A highly organized sector, the Indian Pharma Industry is estimated to be worth \$ 8.5 billion, growing at about 8 to 9 percent annually. It ranks very high in the third world, in terms of technology, quality and range of medicines manufactured. It ranks 13th in value terms and 4th in volume basis globally.

Research & Development is the key to the future of pharmaceutical industry in India. Moving from generic space into innovation will take into global leadership which is a possibility due to Intellectual Property (IP) protection. There is considerable scope for Collaborative Research Partnerships (CRPs) in India. India can offer several strengths to the international R & D community. These strengths relate to availability of excellent scientific talents who can develop combinatorial chemistry, new synthetic molecules and plant derived candidate drugs.

The R & D expenditure by the Indian pharmaceutical industry is less than 2% of the industry's turnover. This obviously, is very low when compared to the investment on R & D by foreign research-based pharma companies. They spend 10 - 16% of the turnover on R & D. However, now that India is entering into the Patent protection area, many companies are spending relatively more on R & D.

SWOT Analysis of Indian Pharmaceutical Industry:

Strengths :-

1. Access to pool of highly trained scientists,
2. Cost Competitiveness
3. Developed Industry with Strong Manufacturing Base
4. Well Established R&D infrastructure
5. Strong marketing & distribution network Rich biodiversity
6. Competencies in Chemistry and process development

Weaknesses:-

1. Low investments in innovative R&D.
2. Lack of resources to compete with MNCs for New Drug Discovery, Research and commercialization of molecules on a worldwide basis.
3. Lack of strong linkages between industry and academia.
4. Low medical and healthcare expenditure in the country
5. Inadequate regulatory standards.
6. Production of spurious and low quality drugs.

Opportunities :-

1. Significant export potential.
2. Licensing deals with MNCs for NCEs and NDDS.
3. Marketing alliances for MNC products in domestic market and international market.
4. Contract manufacturing arrangements with MNCs
5. Potential for developing India as a centre for international clinical trials.
6. Niche player in global pharmaceutical R&D with Collaborative Research Partnerships (CRP).



Threats :-

1. Product patent regime can pose serious challenge to domestic industry unless it invests in research and development
2. R&D efforts of Indian pharmaceutical companies hampered by lack of enabling regulatory requirement.
3. Drug Price Control Order puts unrealistic ceilings on product prices and profitability
4. Export effort hampered by procedural hurdles in India as well as non-tariff barriers imposed abroad.

Financial and Operating performance

Your Company has recorded a total income of Rs 1145.19 Mn during the year 2006-07 consisting of exports of Rs 878.78 Mn, domestic sales of Rs 136.30 Mn, Contract Technical Services of Rs 44.35 Mn, Clinical Trials Services of Rs 43.43 Mn, Process Development Charges of Rs 27.76 Mn and other income of Rs 14.56 Mn. Profit before tax (PBT) increased by 20.73% to Rs 108.09 Mn from Rs 85.68 Mn when compared to previous year PBT. The EPS (in Rs) has also increased to 4.32 this year over the previous year EPS (in Rs) of 3.39.

Internal Controls

The company and its subsidiaries have put in place sound internal controls. Qualified team ensures that the internal controls are complied with. The objectives of the internal control system is to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: transactions are executed in accordance with management's general or specific authorization; transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles/standards or any other criteria applicable to such statements, and (2) to maintain accountability for assets; access to assets is permitted only in accordance with management's general or specific authorization; action taken with respect to any differences. in accordance with generally accepted accounting principles and includes those policies and procedures that: (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and

that receipts and expenditures of the Company are being made only in accordance with authorizations of management and (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets that could have a material effect on the financial statements

An independent firm of chartered accountants conducts the internal audit. The Audit Committee of the Board of Directors monitors the internal audit performance and places special emphasis on the protection of Intellectual Property developed.

Subsidiary

Suven Life Sciences USA LLC , a 100% subsidiary of Suven Life Sciences offering front end project management services to overseas customers on real time basis. It has been our an effective channel for procuring and managing high-end work in C-R-A-M-S and DDDSS.

Human Resources

When moving from process regime to product regime we need to have better bandwidth for people in research and development. Our core focus is to select the right candidate and to train them.

Collaborative Research Partnership is doing part of this training and other contract research projects are enhancing their bandwidth by practicing more technologies. Continual training and exposure to more areas of technology is indirectly retaining the talent. Empowerment of employees bringing good results both quantitatively and qualitatively.

Safety, Health and Environment.

Safety, Health and Environment (SHE) is of paramount importance. To validate SHE policy as a global standard, your Company has appraised the systems through an external agency, Intertek of UK. Our Company's comprehensive environmental management system complies with the requirements as stipulated in the standard: ISO 14001 : 2004 and Occupational Health and Safety management system (OHSAS) complies with the requirements as stipulated in the standard : OHSAS : 1999 for all three units of Suven. In addition Suven has re-certified it's quality system ISO 9001 : 2000. cGMP & GMP practices across Suven manufacturing facilities and preparation of dossiers have been consistently followed during the year. Various quality audits conducted by the international customers during the year were successful.



REPORT ON CORPORATE GOVERNANCE

1) Company's Philosophy

SUVEN assigns paramount importance to good Corporate Governance as a business philosophy. The guiding forces of Corporate Governance at Suven are its core values - Transparency, Quality operations, Customer satisfaction, Shareholders value, Belief in people and Research & Development. Suven's goal is to offer Contract Research And Manufacturing Services (C-R-A-M-S) to its customers and to achieve pursuit of excellence in Drug Discovery activities. While fulfilling its commitments, Suven endeavors to adopt the best of global practices in accounting, manufacturing and accountability to stakeholders.

2) Board of Directors

For the financial year ended 31st March 2007, the Board comprised of 7 Directors of which 5 including Chairman were Non-Executive Independent Directors. The detailed composition of the Board is given below:

| Sl. No. | Name of Director | Position | No. of Director Ships held in other Public Limited Companies | No. of Board meetings held during the last Financial Year | No. of Board meetings attended | Whether attended at last AGM |
|---------|--------------------------|---|--|---|--------------------------------|------------------------------|
| 1 | Shri Bodhishwar Rai | Chairman Independent and Non-Executive Director | 13 | 7 | 6 | Yes |
| 2 | Shri Venkateswarlu Jasti | Vice-Chairman & CEO Promoter | Nil | 7 | 6 | Yes |
| 3 | Dr. M.R. Naidu | Independent and Non-Executive Director | 1 | 7 | 6 | Yes |
| 4 | Shri T R Prasad* | Independent and Non-Executive Director | 6 | 7 | 6 | Yes |
| 5 | Dr K V Raghavan | Independent and Non-Executive Director | 1 | 7 | 3 | Yes |
| 6 | Smt Sudha Rani Jasti | Whole Time Director Promoter | Nil | 7 | 6 | Yes |
| 7 | Dr S Ramachandran | Independent and Non-Executive Director | 1 | 7 | 6 | Yes |

During the year under review 7 (Seven) Board Meetings were held on April 29th 2006, July 31st 2006, September 30th 2006, October 30th 2006, December 6th 2006, January 29th 2007 and March 10th 2007. The time gap between any two Board meetings did not exceed more than four months.

The information as required under Clause 49 of the listing agreements with Stock Exchanges has been placed before each meeting of the Board. All details relating to financial and commercial transactions where Directors may have a potential interest were provided to the Board and interested Directors abstained from the proceedings.

Total Committee Membership positions held by each Director in other companies where they are Directors as well as the Committees constituted by your Company are as follows.

| Sl. No | Name | No of committees | No of Chairmanships |
|--------|--------------------------|------------------|---------------------|
| 1 | Shri Bodhishwar Rai | 10 | 5 |
| 2 | Shri Venkateswarlu Jasti | Nil | Nil |
| 3 | Dr. M R Naidu | 2 | Nil |
| 4 | Shri T R Prasad | 4 | 1 |
| 5 | Dr K V Raghavan | Nil | Nil |
| 6 | Smt. Sudha Rani Jasti | 1 | Nil |
| 7 | Dr. S Ramachandran | 2 | 1 |



3) Remuneration of Directors

The Board of Directors of the company fixes the remuneration of the executive directors and sitting fee of the non-executive directors for attending the Board meetings and Committee meetings of the Company. Details of annual remuneration to Executive Directors and sitting fee to Non-Executive Directors are given hereunder.

a) Executive Directors

(Rupees)

| Particulars | Shri Venkateswarlu Jasti | Smt. Sudha Rani Jasti |
|----------------------|--------------------------|-----------------------|
| Salary | 52,47,697 | 28,50,000 |
| Contribution to P.F. | 6,48,000 | 3,42,000 |
| Commission | - | 5,89,570 |
| Perquisites | - | 29,692 |
| Total | 58,95,697 | 38,11,262 |

b) *Non Executive Directors:* A sitting fee of Rs 10,000/- is paid for attending the Board Meeting; the sitting fee paid for each Committee Meeting is Rs 1,000/-.

4) Audit Committee

a) Composition, Names of members and Chairman

The Audit Committee consists of only Independent Directors as under.

- 1) Shri Bodhishwar Rai - Chairman
- 2) Shri T R Prasad
- 3) Dr.M.R.Naidu
- 4) Dr. S.Ramachandran.

b) Terms of reference

The Committee reviews all matters such as Reports of Internal Auditors/Statutory Auditors, and discusses their findings, suggestions and other related issues. The Committee also determines major accounting policies followed by the Company and sets out control systems, scope of audit etc. The entire internal audit process has been reviewed by the Committee and Internal Auditors role induced with requisite adequacy.

c) Meetings and attendance during the year

During the year Audit Committee met 5 times on April 29th 2006, July 31st 2006, September 30th 2006, October 30th 2006, January 29th 2007. The Chairman Shri Bodhishwarrai attended five meetings. Shri T R Prasad attended four meeting and took leave for one meeting. Dr S Ramachandran attended four meetings and took leave for one meeting. Dr M.R.Naidu attended four meetings and took leave for one meeting.

5) Investor Grievances Committee

a) In order to redress the grievances of Investors and to strengthen investor relations, your Company has constituted an Investor Grievances Committee to look into grievances relating to transfer of Shares, Dematerialization/Rematerialisation, Payment of Dividends, Non-receipt of Annual Reports and other related issues.

b) Constitution and composition

The Committee has been constituted with two Independent Director and one Executive Director. During the year under review the Committee met four [4] times. The committee functions under the Chairmanship of Dr.S.Ramachandran, an Independent and Non-Executive Director. The other members of the Committee are Smt Sudha Rani Jasti, Wholetime Director and Dr M.R.Naidu Independent and Non-Executive Director.

c) Name and designation of Compliance Officer

Mr. K.Hanumantha Rao, Company Secretary monitors the complaints of investors and reports to the Committee.

Your company has created an e-mail-ID - investorservices@suven.com to address the various queries/grievances of investors in terms of SEBI's requirement. Shareholders may write their queries / grievances, if any, to this designated email id.

d) Details of shareholders complaints received during the year 2006-2007

The total number of complaints received and attended to during the year was 154. There were no valid requisitions for transfer of shares pending as on 31st March 2007.



6) Share Transfers Committee

To ensure quicker investor services and expeditious disposal of the share transfer approvals, this Committee has been constituted with the following members of the Board.

- a) Shri Venkateswarlu Jasti, Vice-Chairman & CEO is heading the Committee and
- b) Smt. Sudha Rani Jasti, Whole Time Director is a member.

The Committee meets as and when the transfer date is intimated by the Karvy Computershare Pvt. Ltd. (Registrars and Transfer Agents) and accords its approvals to the share transfer requisitions reported in the memorandum of transfers.

The Committee met fifteen (15) times during the financial year 2006-07.

7) ESOP Compensation Committee

During the year the Board of Directors has constituted a Compensation Committee to administer the Employees Stock Option Plans of the Company and to decide various aspects under ESOP policies & procedures. The Compensation Committee consisting of majority of independent directors and functions under the chairmanship of Dr M. R. Naidu - independent director. The other members of this Committee are Dr S Ramachandran - independent director and Shri Venkateswarlu Jasti - Vice-Chairman & CEO.

During the year the committee met twice and granted 3,00,000 stock options to eligible employees of your Company and its subsidiaries

8) General Body Meetings

- a) The detailed particulars of the last three Annual General Meetings (AGMs) of the Company:

| Financial Year / Date of the AGM | Venue | Time of meeting | No. of Special Resolutions |
|----------------------------------|---|-----------------|----------------------------|
| 2005-06 30.09.2006 | Hotel Green Park, Greenlands, Begumpet, Hyderabad | 3.00 p.m. | Two |
| 2004-05 12.09.2005 | Hotel Green Park, Greenlands, Begumpet, Hyderabad | 3.00 p.m. | Two |
| 2003-04 17.09.2004 | Hotel Green Park, Greenlands, Begumpet, Hyderabad | 3.00 p.m. | Three |

- b) *Information on Directors seeking appointment/re-appointment.*

This information is provided in the Notice under the heading "Brief profiles of the Directors seeking appointment/re-appointment at the AGM."

9) Disclosures

There were no instances of non-compliance by the Company and no penalties or strictures imposed on the Company by the Stock exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

10) Means of Communication

- a) Quarterly Results - the un-audited quarterly results are filed with the Stock Exchange(s) immediately after these are approved by the Board. The results are published in the Business standard and Andhra Jyothi (Vernacular) newspapers in accordance with the guidelines of Stock Exchange(s). The un-audited Results for all the quarters for the financial year 2006-07 were published as per the statutory requirement.
- b) Management Discussion and Analysis forms part of this Annual Report and is attached to the Director's Report.

11) General Information to Shareholders

AGM: *Date, time and venue*

Schedule of 18th Annual General Meeting

| | |
|-------|---|
| Date | Thursday 27th September 2007 |
| Time | 10.30 a.m. |
| Venue | KLN Prasad Auditorium, FAPCCI, Red Hills, Hyderabad |



Financial calendar

Financial year from 01/04/2006 to 31/03/2007

| | |
|--|---|
| Date of Board Meeting for considering of Annual Accounts and Dividend Recommendation | 31st July 2007 |
| Book Closure dates | 25th September 2007 to 27th September 2007 |
| Date of A.G.M. | 27th September 2007 |
| Posting of Annual Reports | 3rd September 2007 |
| Expected dates of dispatch of Dividend Warrants | Between 8th October 2007 to 15th October 2007 |

Date of Book Closure

The Register of Members and Share Transfer Books will remain closed from 25th September 2007 to 27th September 2007 (both days inclusive).

Dividend Payment Date

The Dividend, if declared at the Annual General Meeting by the Members for the financial year ended 31st March 2007 will be paid to the eligible members within 30 days from the date of declaration.

Listing on Stock Exchanges

Your company's shares are listed on The Hyderabad Stock Exchange Limited (HSE) (Regional Stock Exchange), Hyderabad, Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Limited (NSE). The annual listing fee for the financial year 2007-08 has been paid to these Stock Exchanges.

Stock Code

BSE scrip code : 530239

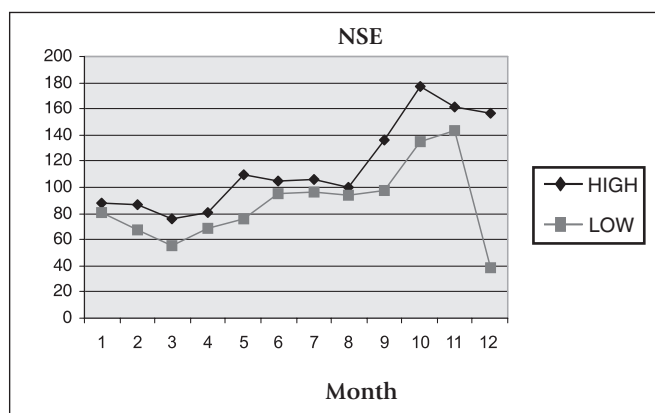
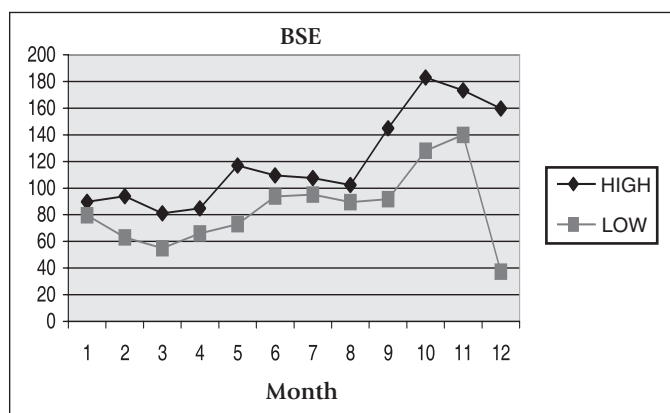
NSE scrip code : symbol "SUVEN" series "EQ"

Market Price Data:

Monthly high and low equity share (Rs 2/- per share) quotations on **Bombay Stock Exchange Limited** for the financial year 2006-07.

Monthly high and low equity share (Rs 2/- per share) quotations on **National Stock Exchange of India Limited** for the financial year 2006-07

| BSE | | | | NSE | | | |
|--------------|----------|---------|--------------|--------------|----------|---------|--------------|
| Month & Year | High Rs. | Low Rs. | Volume (Qty) | Month & Year | High Rs. | Low Rs. | Volume (Qty) |
| Apr-06 | 89.75 | 79.60 | 354231 | Apr-06 | 87.65 | 80.4 | 691485 |
| May-06 | 94.00 | 63.05 | 273791 | May-06 | 86.35 | 67.6 | 465518 |
| Jun-06 | 81.00 | 55.00 | 168771 | Jun-06 | 75.7 | 55 | 353601 |
| Jul-06 | 84.70 | 66.05 | 195918 | Jul-06 | 81.05 | 68.9 | 367696 |
| Aug-06 | 117.00 | 73.00 | 2043466 | Aug-06 | 109.05 | 76.2 | 2828337 |
| Sep-06 | 109.50 | 93.60 | 669508 | Sep-06 | 105.3 | 95.4 | 870144 |
| Oct-06 | 107.50 | 95.10 | 342206 | Oct-06 | 105.65 | 96.2 | 502881 |
| Nov-06 | 102.45 | 89.55 | 193474 | Nov-06 | 99.9 | 94.4 | 223137 |
| Dec-06 | 144.90 | 91.60 | 1538274 | Dec-06 | 135.6 | 97.65 | 1642611 |
| Jan-07 | 182.95 | 128.00 | 1278605 | Jan-07 | 177.1 | 135.25 | 1150236 |
| Feb-07 | 173.40 | 140.00 | 314058 | Feb-07 | 161.05 | 143.75 | 138681 |
| Mar-07 | 159.80 | 37.25 | 517231 | Mar-07 | 156.8 | 38.3 | 551759 |



Registrar and Transfer Agents
(Physical and Electronic)

KARVY COMPUTERSHARE PRIVATE LIMITED

Plot No.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081

Phone Nos. 040-23420818,23420828, Fax No. 040-23420814

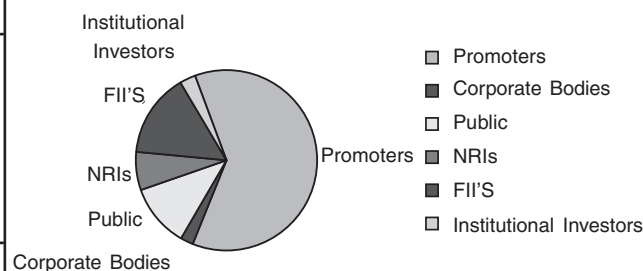
EMAIL : mailmanager@karvy.com

Share Transfer System

Karvy Computershare Pvt. Ltd, will process all the valid transfer requisitions on a weekly basis and a memorandum of transfers is put up for approval of the Share Transfer Committee of the Company. The share certificates duly transferred will be dispatched to the transferees after the Share Transfer Committee accords approval. For this purpose the Share Transfer Committee will meet as often as required

Shareholding pattern as on 31st March 2007.

| Sl. No | Category | No of Shares | % to Equity |
|--------|---------------------------------|--------------------|-------------|
| 1 | Promoters | 1,77,28,911 | 61.52 |
| 2 | Corporate Bodies | 6,32,752 | 2.2 |
| 3 | Public | 32,87,893 | 11.4 |
| 4 | NRIs | 19,99,193 | 6.94 |
| 5 | Foreign Institutional Investors | 43,52,430 | 15.11 |
| 6 | Institutional Investors | 8,15,446 | 2.83 |
| | Total | 2,88,16,625 | 100 |



Distribution of shareholdings as on 31st March, 2007

| Share holding of nominal value of Rs.2/- each | | Shareholders | | Share Amount | |
|---|----------|--------------|---------------|--------------------|---------------|
| Rs. | Rs. | Number | % to Total | In Rs. | % to Total |
| (1) | (2) | (3) | (4) | (5) | |
| 1 | 5,000 | 7903 | 96.97 | 4062040.00 | 7.05 |
| 5,001 | 10,000 | 112 | 1.37 | 881666.00 | 1.53 |
| 10,001 | 20,000 | 50 | 0.61 | 736840.00 | 1.28 |
| 20,001 | 30,000 | 13 | 0.16 | 333086.00 | 0.58 |
| 30,001 | 40,000 | 13 | 0.16 | 451078.00 | 0.78 |
| 40,001 | 50,000 | 6 | 0.07 | 291912.00 | 0.51 |
| 50,001 | 1,00,000 | 15 | 0.18 | 1079938.00 | 1.87 |
| 1,00,001 and above | | 38 | 0.47 | 49796690.00 | 86.40 |
| Total | | 8150 | 100.00 | 57633250.00 | 100.00 |



Dematerialization of shares and liquidity

83.68% of shares were dematerialised as on 31st March 2007. Members are encouraged to opt for dematerialisation of shares to eliminate bad deliveries, forgery, fake transfers etc., in the market.

ISIN of the Company: INE495B01038

New ISIN : INE495B01038 has been activated by the Depositories consequent upon sub-division of Equity shares from face value of Rs.2/- each to face value of Re.1/-each.

Unclaimed/ Unpaid Dividends

Member are advised that dividends for the financial year ended March 31,1998 onwards which remain unclaimed over a period of seven years have to be transferred by the Company to Investor Education and Protection Fund (IEPF) constituted by the Central Government under Section 205C of the Companies Act, 1956. Members who have not claimed the dividend for the above periods are requested to lodge their claim with the Company, as no claim shall lie for the unclaimed dividends from IEPF by the members. The due dates for transfer of unclaimed dividends pertaining to different financial years to IEPF are given below:

| Financial Year | Date of Declaration | Due Date for Transfer to IEPF |
|----------------|---------------------|-------------------------------|
| 2000 - 2001 | 31.10.2001 | 06.12.2008 |
| 2001 - 2002 | 18.09.2002 | 24.10.2009 |
| 2002 - 2003 | 20.09.2003 | 26.10.2010 |
| 2003 - 2004 | 17.09.2004 | 23.10.2011 |
| 2004 - 2005 | 12.09.2005 | 19.10.2012 |
| 2005 - 2006 | 30.09.2006 | 06.11.2013 |

Plant Locations

Unit 1 : Dasaigudem (V), Suryapet (M),
Nalgonda Dist,
Andhra Pradesh - 508 213

Unit 2 : Pashamylaram, Medak dist.
Andhra Pradesh

Research Centre - 1

18/B, Phase III, IDA, Jeedimetla,
Hyderabad - 500 055.

Research Centre - 2

Bio-Pharmaceutical Lab
5th Floor, Serene Chambers,
Road No.7, Banjara Hills, Hyderabad - 500 034

Address for correspondence

Regd. Office:
SDE Serene Chambers,
Road No 7, Banjara Hills,
Hyderabad - 500 034
Tel No(s): (040) 23541142 / 23543311
Fax No: (040) 23541152;
Email : info@suven.com

Compliance of Non Mandatory Requirements Chairman of the Board

Keeping in view the increased responsibilities of the Chairman in the context of Corporate Governance implementation, the Chairman's Office at New Delhi is being maintained by the Company, this will enable him to perform of his functions.

Declaration regarding compliance with the code of conduct of the Company by the Board of Directors and senior management personnel

This is to confirm that the Company has adopted Code of Conduct for the Board of Directors and senior management personnel of the Company, which is available at www.suven.com

I declare that the Board of Directors and senior management personnel have affirmed compliance with the Code of Conduct of the Company

Place : Hyderabad
Date : 31st July 2007

Venkateswarlu Jasti
Vice-Chairman & CEO



CERTIFICATE OF COMPLIANCE

To the Members of
M/s. Suven Life Sciences Limited

We have examined the Compliance of conditions of Corporate Governance by M/s. Suven Life Sciences Limited ('the Company') for the year ended on 31st March 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and the Hyderabad Stock Exchange Limited.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company

For **KARVY & COMPANY**
Chartered Accountants

Place : Hyderabad
Date : 31-07-2007

K. Ajay Kumar
Partner
M. No. 21989



AUDITORS' REPORT

To
The Members of
M/s. SUVEN LIFE SCIENCES LIMITED

We have audited the attached Balance sheet of M/s.Suven Life Sciences Limited ("the Company") as at 31st March, 2007, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004, (together the 'Order') issued by the Central Government Of India, in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief
 - b) were necessary for the purposes of our audit;
 - c) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of the books of the company;
 - d) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - e) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - f) On the basis of the written representations received from the Directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - g) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and Notes hereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the company as on 31st March, 2007;
 - ii) in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date

For **KARVY & COMPANY**
Chartered Accountants

K. Ajay Kumar
Partner
M. No. 21989

Place : Hyderabad
Date : 31-07-2007



ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 2 of our report

- i. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) A substantial portion of the fixed assets has been physically verified by the management during the year and in our opinion frequency of verification is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) In our opinion, Fixed Assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
- ii. In respect of its inventories:
 - a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of inventory, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the books of account were not material and have been properly dealt with in the books of account.
- iii.
 - a) According to the information and explanations given to us, during the year the Company has not granted any loans to a company covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (a) and (iii) (e) of the paragraph 4 of the Order are not applicable
 - b) According to the information and explanations given to us, the Company has during the year not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (f) and (iii) (g) of the paragraph 4 of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services, if any. During the course of our audit, no major weakness has been noticed in the internal controls.
- v. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
 - a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion, and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices.
- vi. The Company has not accepted deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- vii. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.
- viii. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Bulk Drugs, pursuant to Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records for any other product/ services rendered by the Company.



ix. In respect of statutory dues:

(a) According to the records of the company and information and explanations given to us, the company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities during the year.

According to the information and explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31st 2007 for a period of more than six months from the date on which they become payable .

(b) According to the information and explanation given to us the following amounts have not been deposited with the appropriate authorities on account of dispute:

| Nature of Due | Name of the Statute | Amount (Rs.) | Period to which amount relates | Forum where dispute is pending |
|---------------|----------------------|--------------|--------------------------------|--------------------------------|
| Income Tax | Income Tax Act, 1961 | 2,930,689 | A.Y. 1999 - 00 | Commissioner Appeals |
| Income Tax | Income Tax Act, 1961 | 6,925,485 | A.Y. 2000 - 01 | Commissioner Appeals |
| Income Tax | Income Tax Act, 1961 | 1,871,021 | A.Y. 2004 - 05 | Commissioner Appeals |

x. The Company does not have any accumulated losses at the end of the year and the Company has not incurred cash losses during the financial year and in the immediately preceding financial year.

xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long term investment.

xi. Based on our audit procedures and on the basis of information and explanations given by the management, we are of the opinion that the Company has not defaulted in the repayment of dues to financial institutions and banks.

xviii. The company has not made any preferential allotment to parties and companies covered under register maintained under section 301 of the Companies Act, 1956, during the year.

xii. According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xix. According to the information and explanations given to us and the records examined by us, no debentures were issued by the company and therefore, the provisions of clause 4 (xix) are not applicable to the company.

xiii. In our opinion, the Company is not a Chit fund or a Nidhi/ Mutual Benefit fund/ Society. Therefore, the provisions of clause 4 (xiii) are not applicable to the company.

xx. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the Order is not applicable.

xiv. In our opinion, the Company is not dealing in or trading in Shares, Securities, debentures and other investments, accordingly, the provisions of clause 4 (xiv) are not applicable to the company.

xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year, nor have we been informed of such case by the management.

xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.

xvi. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the Company were, prima-facie, applied by the Company during the year for the purposes for which the loans were obtained.

For **KARVY & COMPANY**
Chartered Accountants

K. Ajay Kumar
Partner
M.No. 21989

Place : Hyderabad
Date : 31-07-2007



BALANCE SHEET AS AT 31ST MARCH, 2007

| | SCHEDULE | AS AT 31/03/2007 Rs. | AS AT 31/03/2006 Rs. |
|---|----------|----------------------------|----------------------------|
| I. SOURCES OF FUNDS | | | |
| 1 SHAREHOLDERS' FUNDS | | | |
| a) Share Capital | A | 57633250 | 50000000 |
| b) Reserves & Surplus | B | 1015262773 | 909261597 |
| 2 LOAN FUNDS | | | |
| a) Secured Loans | C | 414907989 | 236775021 |
| 3 DEFERRED TAX LIABILITY (NET) | | | |
| | | 52844138 | 71529711 |
| T O T A L | | 1540648150 | 1267566329 |
| II. APPLICATION OF FUNDS | | | |
| 1 FIXED ASSETS | | | |
| a) Gross block | D | 1204712731 | 1016370335 |
| b) Less: Depreciation | | 248550108 | 188653625 |
| c) Net block | | 956162623 | 827716710 |
| d) Capital work-in-progress | | 50238818 | 26653010 |
| 2 INVESTMENTS | | | |
| | E | 108588833 | 99932280 |
| 3 CURRENT ASSETS, LOANS AND ADVANCES | | | |
| a) Inventories | F | 228998358 | 227389588 |
| b) Trade Receivables | G | 160370996 | 148579469 |
| c) Cash and Bank balances | H | 97504550 | 10993266 |
| d) Loans and Advances | I | 186588660 | 131691851 |
| e) Interest Accrued | | 1238832 | 754190 |
| | | 674701396 | 519408364 |
| Less :Current Liabilities and Provisions | | | |
| | J | 249468552 | 206781582 |
| Net Current Assets | | 425232844 | 312626782 |
| 4 MISCELLANEOUS EXPENDITURE | | | |
| Preliminary Expenditure | | 425032 | 637547 |
| T O T A L | | 1540648150 | 1267566329 |
| Notes on Accounts | T | | |

As per our report of even date
for **KARVY & COMPANY**
Chartered Accountants

for and on behalf of the Board of Directors

K. Ajay Kumar
Partner

Venkateswarlu Jasti
Vice Chairman & CEO

Sudha Rani Jasti
Wholetime Director

Place : Hyderabad
Date : 31-07-2007

K. Hanumantha Rao
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

| | SCHEDULE | FOR THE YEAR ENDED 31st Mar 2007 Rs. | FOR THE YEAR ENDED 31st Mar 2006 Rs. |
|--|----------|---|---|
| INCOME | | | |
| Income from Operations | K | 1130634350 | 821924508 |
| Other Income | L | 14561377 | 8153679 |
| Increase/(Decrease) in Stocks | M | (2552807) | 38404331 |
| T O T A L | | 1142642920 | 868482518 |
| EXPENDITURE | | | |
| Materials Consumed | N | 419394791 | 347530108 |
| Manufacturing Expenses | O | 127003567 | 104876097 |
| Clinical Projects Expenses | | 19252786 | 0 |
| Research & Development Expenses | | 190015736 | 131392254 |
| Central Excise Duty | | 13464310 | 20336625 |
| Personnel Expenses | P | 95281718 | 55170811 |
| Selling Expenses | Q | 21495664 | 15600590 |
| Financial Expenses | R | 30267511 | 16926392 |
| Administrative & Other Expenses | S | 78246073 | 57068481 |
| Depreciation | | 40135133 | 33903371 |
| T O T A L | | 1034557289 | 782804729 |
| Profit before Tax | | 108085631 | 85677789 |
| Less: Provision for - Current Tax | | 11560000 | 7034000 |
| Deferred Tax | | (17900960) | (6511176) |
| Fringe Benefit Tax | | 1252000 | 528000 |
| Profit after Tax | | 113174591 | 84626965 |
| Profit brought forward from previous year | | 45876553 | 29755838 |
| Profit available for appropriation | | 159051144 | 114382803 |
| Appropriations | | | |
| Proposed dividend | | 28816625 | 25000000 |
| Tax on proposed dividend | | 4897385 | 3506250 |
| Transfer to General Reserve | | 45000000 | 40000000 |
| Surplus carried to Balance Sheet | | 80337134 | 45876553 |
| | | 159051144 | 114382803 |
| Basic and Diluted Earnings per share (in Rs) | | 3.94 | 3.39 |
| Notes on Accounts | T | | |

As per our report of even date
for **KARVY & COMPANY**
Chartered Accountants

for and on behalf of the Board of Directors

K. Ajay Kumar
Partner

Venkateswarlu Jasti
Vice Chairman & CEO

Sudha Rani Jasti
Wholetime Director

Place : Hyderabad
Date : 31-07-2007

K. Hanumantha Rao
Company Secretary



SCHEDULES TO BALANCE SHEET

| | AS AT 31st Mar 2007 (Rupees) | AS AT 31st Mar 2006 (Rupees) |
|---|------------------------------------|------------------------------------|
| SCHEDULE-A | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 10,00,00,000 Equity Shares of Rs.2/- each (Previous year 5,00,00,000 Equity Shares of Rs.2/- each) | 200000000 | 100000000 |
| Issued, Subscribed and Paid up | | |
| 2,88,16,625 Equity Shares of Rs.2/- each (Previous year 2,50,00,000 Equity Shares of Rs.2/- each) | 57633250 | 50000000 |
| T O T A L | 57633250 | 50000000 |

SCHEDULE-B RESERVES & SURPLUS

| | | | |
|---|-----------|-------------------|------------------|
| General Reserve | | | |
| Opening Balance | 439249044 | | 344997344 |
| Add: Additions On account of Amalgamation | 19865714 | | |
| Transferred during the year | 45000000 | | 40000000 |
| Deferred Tax Asset pertains to previous years | - | 504114758 | 54251700 |
| | | | 439249044 |
| Share Premium | | | |
| Opening Balance | 424136000 | | 424136000 |
| Add: Additions during the year | 6674881 | 430810881 | - |
| Surplus in Profit & Loss A/c. | | 80337134 | 45876553 |
| T O T A L | | 1015262773 | 909261597 |

Issued and Paid up capital includes:

- 1) 37,25,000 Equity Shares of Rs.2/ each which were issued as fully paid up to the share holders of Asian Clinical Trials Ltd on its amalgamation with the Company, for consideration other than cash.
- 2) 91,625, equity shares of Rs.2/- each under Employee Stock Option Scheme, 2004.

SCHEDULE-C SECURED LOANS

| | | |
|--|------------------|------------------|
| Corporate Loan From S.B.I. (Foreign Currency Loan) | 209553252 | 162515576 |
| Corporate Loan From S.B.I. (Rupee Loan) | 110000000 | - |
| (Both loans secured by first and Pari-pasu charge on Land, Buildings, Plant & Machinery.) | | |
| Working Capital Loans from S.B.I. (Secured by first charge on Raw Materials, Stock in Process, Finished Goods, Receivables and Book Debts and second charge on Land, Buildings and Plant & Machinery.) | 95354737 | 74043681 |
| H.P. Loans obtained from ICICI Bank (Secured by hypothecation of Vehicles acquired under the H.P. scheme) | - | 215764 |
| T O T A L | 414907989 | 236775021 |



SCHEDULES TO BALANCE SHEET

| SCHEDULE-D FIXED ASSETS | | (Amount in Rupees) | | | | | | | | | | |
|----------------------------|---------------------|--------------------|-----------------|---------------------|--------------------|----------------------|--------------------|-----------------|-----------------|--------------------|---------------------|---------------------|
| | | GROSS BLOCK | | | | | DEPRECIATION | | | | | NET BLOCK |
| S.NO | AS ON 01.04.2006 | ADDITIONS | DEDUC- TIONS | AS ON 31.03.2007 | UPTO 31.03.2006 | of ACT 31.03.2006 | Upto 31.03.2006 | FOR THE YEAR | DEDUC- TIONS | Upto 31.03.2007 | AS ON 31.03.2007 | AS ON 31.03.2006 |
| 1 | 21618987 | 296035 | - | 21915022 | - | - | - | -- | - | - | 21915022 | 21618987 |
| 2 | 4478375 | - | - | 4478375 | 699289 | - | 72998 | 72998 | - | 722287 | 3706088 | 3779086 |
| 3 | 124991764 | 27157720 | - | 152149484 | 10325271 | - | 4177210 | 4177210 | - | 14502481 | 137647003 | 114666493 |
| 4 | 512125227 | 53214569 | 1070100 | 564269696 | 130066926 | - | 27831651 | 27831651 | 598756 | 157299821 | 406969875 | 382058301 |
| 5 | 8989926 | 7558386 | - | 16548312 | 2323669 | 2058576 | 997428 | 997428 | - | 5379673 | 11168639 | 6666257 |
| 6 | 4457588 | 3669527 | - | 8127115 | 865744 | 986063 | 384598 | 384598 | - | 2236405 | 5890710 | 3591844 |
| 7 | 13295585 | 4338962 | - | 17634547 | 2714541 | - | 790339 | 790339 | - | 3504880 | 14129667 | 10581044 |
| 8 | 274490278 | 80363336 | - | 354853614 | 25041747 | - | 13600248 | 13600248 | - | 38641995 | 316211619 | 249448531 |
| 9 | 16326352 | 366439 | - | 16692791 | 1362553 | - | 775899 | 775899 | - | 2138452 | 14554339 | 14963799 |
| 10 | 8307066 | 4308667 | 0 | 12615733 | 2452707 | 591932 | 1029052 | 1029052 | 0 | 4073691 | 8542042 | 5854359 |
| 11 | 13399635 | - | - | 13399635 | 5992156 | - | 707501 | 707501 | - | 6699657 | 6699978 | 7407479 |
| 12 | 462203 | - | - | 462203 | 272086 | - | 21955 | 21955 | - | 294041 | 168162 | 190117 |
| 13 | 13427349 | 8138855 | - | 21566204 | 6536936 | 3123287 | 3346502 | 3346502 | - | 13006725 | 8559479 | 6890413 |
| TOTALS | 1016370335 | 189412496 | 1070100 | 1204712731 | 188653625 | 6759858 | 53735381 | 53735381 | 598756 | 248550108 | 956162623 | 827716710 |

* Note: Out of the total depreciation for the year amounting to Rs.5,37,35,381/- Depreciation on R & D Equipment of Rs. 1,36,00,248/- has been added to R & D Expenses (Previous Year Rs.1,26,82,524/-)



SCHEDULES TO BALANCE SHEET

| | AS AT 31st Mar 2007 (Rupees) | AS AT 31st Mar 2006 (Rupees) |
|--|------------------------------------|------------------------------------|
| SCHEDULE-E | | |
| INVESTMENTS: AT COST | | |
| I. Trade Investments – (Long Term & Unquoted) : | | |
| a. In Subsidiaries | | |
| Share Capital - in Suven Life Sciences USA LLC | 59000520 | 59000520 |
| b. In others: | | |
| Share Application Money - in Suven Nishtaa Pharma Pvt Ltd | 4825105 | 0 |
| 2. Non-Trade Investments : | | |
| Long Term & Unquoted: | | |
| a) Equity Shares: | | |
| 100 Equity Shares of Rs.20/- each in G.S.F.C.Limited | 2,000 | 2,000 |
| b) Mutual Funds: | | |
| SBI Institutional Income Fund 44,60,324.7609 units of Rs.10 each (Previous 40,78,421.1194 units) | 44748208 | 40916760 |
| c) National Savings Certificates | | |
| | 13,000 | 13,000 |
| T O T A L | 108588833 | 99932280 |
| Aggregate Value of Investments: | | |
| Quoted:- | | |
| - Book Value | 44748208 | 40916760 |
| - Market Value | 44748208 | 40916760 |
| Un-quoted:- | | |
| - Book Value | 63840625 | 59015520 |
| Investments Purchased and Sold during the year | | |
| | Units | Cost (Rs.) |
| a) SBI Institutional Income Fund | 10964365.8113 | 110000000 |



| | AS AT 31st Mar 2007 (Rupees) | AS AT 31st Mar 2006 (Rupees) |
|---|------------------------------------|------------------------------------|
| SCHEDULE-F | | |
| INVENTORIES | | |
| (As valued and certified by the Management) | | |
| Raw Materials | 59428322 | 53574979 |
| Stores and Spares | 2527656 | 4219422 |
| Finished Goods | 98816505 | 99893836 |
| Stocks in Process | 68225875 | 69701351 |
| T O T A L | 228998358 | 227389588 |
| SCHEDULE-G | | |
| TRADE RECEIVABLES | | |
| (Unsecured, Considered good) | | |
| Exceeding six months | 2160370 | 966984 |
| Others | 158210626 | 147612485 |
| T O T A L | 160370996 | 148579469 |
| SCHEDULE-H | | |
| CASH AND BANK BALANCES | | |
| Cash on hand | 442755 | 239983 |
| Balances with Scheduled Banks | | |
| --- in current accounts | 8961795 | 5269569 |
| --- in Deposits | 88100000 | 5483714 |
| T O T A L | 97504550 | 10993266 |
| SCHEDULE-I | | |
| LOANS AND ADVANCES | | |
| (Unsecured, considered good, advances recoverable in cash or in kind or for value to be received) | | |
| Advances for Purchases | 13407643 | 5600379 |
| Advances for Expenses | 1252844 | 1401438 |
| Other Advances | 27472239 | 4606083 |
| Other Receivables | 43331960 | 35625869 |
| Deposits | 11208673 | 9668978 |
| Advance Tax | 89915301 | 74789104 |
| T O T A L | 186588660 | 131691851 |



SCHEDULES TO BALANCE SHEET

| | AS AT 31st Mar 2007 (Rupees) | AS AT 31st Mar 2006 (Rupees) |
|---|------------------------------------|------------------------------------|
| SCHEDULE-J | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| A. CURRENT LIABILITIES | | |
| Liabilities for Capital Works | 33669866 | 20858998 |
| Liabilities for Purchases | 46728756 | 57412462 |
| Liabilities for Expenses | 38320017 | 24964487 |
| Unclaimed Dividend | 811653 | 773659 |
| Liabilities for statutory dues | 4317621 | 2084619 |
| Advance Received from Customers | 5470156 | 0 |
| (A) | 129318069 | 106094225 |
| B. PROVISIONS | | |
| -- for Taxation | 86436473 | 72181107 |
| -- for Dividend | 28816625 | 25000000 |
| -- for Corporate Dividend Tax | 4897385 | 3506250 |
| (B) | 120150483 | 100687357 |
| T O T A L (A+B) | 249468552 | 206781582 |



SCHEDULES TO PROFIT & LOSS ACCOUNT

| | Current Year 31st Mar 2007 (Rupees) | Previous Year 31st Mar 2006 (Rupees) |
|-------------------------------|---|--|
| SCHEDULE-K | | |
| INCOME FROM OPERATIONS | | |
| Sales | | |
| Exports | 878784347 | 636978336 |
| Domestic | 136301146 | 153928799 |
| Contract Technical Services | 44352776 | 31017373 |
| Clinical Trials Services | 43434554 | 0 |
| Process Development Services | 27761527 | 0 |
| TOTAL | 1130634350 | 821924508 |

SCHEDULE-L OTHER INCOME

| | | |
|---|-----------------|----------------|
| Interest-(Gross) | 1488795 | 810628 |
| (Tax Deducted at Source Rs.2,73,123/- Previous year Rs.1,54,860/-) | | |
| Dividend Income from Mutual Funds | 3831448 | 2099750 |
| Foreign Exchange Fluctuations Gain (Net) | 9241134 | 4824517 |
| Gain on Investments | 0 | 418784 |
| T O T A L | 14561377 | 8153679 |

SCHEDULE-M INCREASE / DECREASE IN STOCKS

| | | |
|--------------------------|------------------|------------------|
| Opening Stock : | | |
| Work - in - Progress | 69701351 | 88262784 |
| Finished Goods | 99893836 | 42928072 |
| A | 169595187 | 131190856 |
| Closing Stock : | | |
| Work - in - Progress | 68225875 | 69701351 |
| Finished Goods | 98816505 | 99893836 |
| B | 167042380 | 169595187 |
| Increase in Stocks (B-A) | (2552807) | 38404331 |



SCHEDULES TO PROFIT & LOSS ACCOUNT

| | Current Year 31st Mar 2007 (Rupees) | Previous Year 31st Mar 2006 (Rupees) |
|---------------------------|---|--|
| SCHEDULE-N | | |
| MATERIALS CONSUMED | | |
| 1) Raw Materials | | |
| Opening Stock | 51106257 | 59048581 |
| Purchases | 424179032 | 337041843 |
| Less: Closing Stock | 59428322 | 51106257 |
| (A) | 415856967 | 344984167 |
| 2) Packing Materials | | |
| Opening Stock | 180228 | 168161 |
| Purchases | 3513740 | 2558008 |
| Less: Closing Stock | 156144 | 180228 |
| (B) | 3537824 | 2545941 |
| T O T A L (A+B) | 419394791 | 347530108 |

SCHEDULE-O MANUFACTURING EXPENSES

| | | |
|---------------------------------|-----------|-----------|
| Power & Fuel | 63435006 | 57224710 |
| Consumable Stores | 3572946 | 2135441 |
| Factory Upkeep Expenses | 21867255 | 14671355 |
| Environment Management Expenses | 4996801 | 6522112 |
| Safety Expenses | 1928058 | 1600524 |
| Quality Control Expenses | 6680938 | 7047922 |
| Repairs & Maintenance : | | |
| -- Buildings | 159226 | 172238 |
| -- Plant & Machinery | 24363337 | 15501795 |
| T O T A L | 127003567 | 104876097 |

SCHEDULE-P PERSONNEL EXPENSES

| | | |
|----------------------------------|----------|----------|
| Salaries, Wages & Bonus | 76746159 | 43529993 |
| Staff Welfare Expenses | 10266942 | 6164034 |
| Contribution to PF & Other Funds | 8268617 | 5476784 |
| T O T A L | 95281718 | 55170811 |



SCHEDULES TO PROFIT & LOSS ACCOUNT

| | Current Year 31st Mar 2007 (Rupees) | Previous Year 31st Mar 2006 (Rupees) |
|-------------------------|---|--|
| SCHEDULE-Q | | |
| SELLING EXPENSES | | |
| Sales Promotion | 9557191 | 6398821 |
| Advertisement | 2590293 | 671382 |
| Carriage Outwards | 7183344 | 6423931 |
| Commission on Sales | 2164836 | 2106456 |
| T O T A L | 21495664 | 15600590 |

| | | |
|---------------------------|-----------------|-----------------|
| SCHEDULE-R | | |
| FINANCIAL EXPENSES | | |
| Interest -- on Term Loans | 15019181 | 7828588 |
| -- on Others | 8358213 | 5151866 |
| Finance Charges | 6890117 | 3945938 |
| T O T A L | 30267511 | 16926392 |

| | | |
|--|-----------------|-----------------|
| SCHEDULE-S | | |
| ADMINISTRATIVE & OTHER EXPENSES | | |
| Rent | 7439152 | 3402503 |
| Rates & Taxes | 274106 | 412796 |
| Insurance | 8662221 | 6673390 |
| Communication Charges | 6497640 | 4503080 |
| Travelling & Conveyance | 15174407 | 9063263 |
| Printing & Stationery | 3696090 | 2912201 |
| Vehicle Maintenance | 2484677 | 2072968 |
| Directors Remuneration | 9706959 | 7835154 |
| Professional Charges | 7560950 | 4343964 |
| Payments to Auditors : | | |
| -- As Auditors | 250000 | 150000 |
| -- for Tax Matters | 150000 | 50000 |
| -- for other Services | 100000 | 50000 |
| -- for Expenses | 4312 | 1875 |
| Security Charges | 2740132 | 2488141 |
| Donations | 683952 | 1263698 |
| Repairs & Maintenance | 3191834 | 2102701 |
| Loss on Sale of Assets | 121344 | 348525 |
| Bad Debts Written Off | 0 | 3909726 |
| Preliminary Expenses written off | 212515 | 212515 |
| General Expenses | 9295782 | 5271981 |
| T O T A L | 78246073 | 57068481 |



SCHEDULE - T NOTES ON ACCOUNTS

1. Significant Accounting Policies :

(a) Basis of Accounting

- i. The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.
- ii. The Company generally follows the mercantile system of accounting and recognizes significant items of income and expenditure on accrual basis.

(b) Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported value of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenditure for the year. The difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

(c) Revenue recognition

- i) Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers.
- ii) Revenue from Contract Technical Services, Clinical Trials Services and Process Development Charges are recognized on completion of the work.
- iii) Income from Investments
 - i. The Company recognises Interest on investments on accrual basis.
 - ii. Dividend income on investments are accounted for when the right to receive the payment is established

(d) Inventories

- i. Stock of raw materials, Stores, spares and fuel are stated at cost and are valued on FIFO basis.
- ii. Work in process is stated at cost.
- iii. Finished Goods are valued at the lower of the Cost or net realisable value.

(e) Fixed Assets

Fixed assets are stated at cost and as reduced by accumulated depreciation. All costs including

financing costs, up to the date of commissioning and attributable to the fixed assets are capitalised.

(f) Depreciation

Depreciation on fixed assets is provided on straight-line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. The company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

(g) Research & Development expenses

- i. Revenue expenditure on research and development activities is expensed as and when incurred.
- ii. The expenditure on capital assets having alternative use either in R&D activity or otherwise are capitalised and amortized at the rate specified in Schedule XIV of the Companies Act 1956.
- iii. Depreciation on R&D assets is included in R&D expenses.

(h) Foreign Currency Transactions

- i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transaction.
- ii. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account except in cases where they relate to acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.

(i) Investments

Long-term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such diminution is other than temporary in nature in the opinion of the management.

(j) Retirement benefits to employees

- i. Company's contribution to provident fund and Gratuity are charged to Profit and loss account
- ii. Gratuity liability to employees is covered by Group Gratuity scheme of LIC of India.
- iii. Leave encashment is accounted on cash basis and charged to Profit and Loss account.

(k) Financial Derivatives Transactions

Financial Derivatives Contracts are accounted on the date of their settlement and realised gain/loss in respect of settled contracts are recognised in the profit & Loss Account, along with underlying transactions.



(l) Borrowing cost

Borrowing Costs that are directly attributable to the acquisition of a fixed asset are capitalised as part of the cost of the asset till the date the asset is ready for commercial use. All other borrowing costs are charged to revenue.

(m) Segmental information - Basis of preparation

i. Segment Revenue and Expenses

Revenues and expenses are allocated on a reasonable basis to segments being common manufacturing facilities and sales force.

ii. Segment Assets and Liabilities

The fixed assets and net current assets are not identifiable for particular segment except R & D segment, because these assets can be used interchangeable among the segments. Hence the management feels that the assets cannot be segregated to particular segment and to disclose these under Un allocated assets.

(n) Earnings per share

The basic earnings per share (EPS) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

(o) Employee Stock Option Schemes

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the Employee stock option schemes, over the exercise price is treated as employee compensation and amortised on a straight-line basis over the vesting period.

(p) Income taxes

The current charge for taxes is calculated in accordance with relevant tax regulations applicable to the company.

The deferred tax for the timing differences between the book and tax profits for the year end is accounted for, using the tax rates and laws that have been substantially enacted as of the balance sheet date.

Deferred tax assets arising from timing differences are recognized and carried forward only if there is reasonable certainty that they will be realized in

future and reviewed for the appropriateness of their respective carrying value at each balance sheet date.

(q) Impairment of Assets

If the carrying amount of fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

(r) Provisions

Provisions are recognised when the company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of obligation.

2. Contingent Liabilities not provided for

| Particulars | Current Year | Previous Year |
|--|--------------|---------------|
| Guarantees given by Banks | 3,92,905 | 2,51,258 |
| Un expired Letters of Credit | 6,69,18,255 | 2,78,42,556 |
| Disputed Income Tax demands against which Company is in Appeal | 1,17,27,195 | - |

3. Capital commitments not provided for on account of pending execution (net of advance) Rs. 4,83,32,536/- (Previous year Rs.2, 16,98,279/-)

4. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as of 31st March 2007 (Previous year Nil). During the year an amount of Rs. 67,920/- pertaining to unclaimed dividends for more than 7 years, is transferred to Investor Education and Protection Fund.

5. i) The Identification of suppliers as small scale industrial under takings (SSIs) has been done to the extent information provided by the suppliers to the company. On the basis of this information, there are no amounts due to Small Scale Industrial undertakings exceeding Rs.1 Lakh and outstanding for more than 30 Days.

ii) The company has not received any memorandum (as required to be filed by the suppliers with the notified authorities under the Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as Micro, Small or Medium Enterprises. Consequently, the amount paid/payable to these parties during the year is NIL.



6. **Managerial Remuneration:**

| Particulars | Vice Chairman & CEO | | Wholetime Director | |
|--------------------------------|---------------------|------------------|--------------------|------------------|
| | 2006-07 | 2005-06 | 2006-07 | 2005-06 |
| Salary & Allowances | 52,47,697 | 41,68,134 | 28,50,000 | 24,00,000 |
| Commission | - | - | 5,89,570 | 4,67,213 |
| Contribution to Provident Fund | 6,48,000 | 5,04,000 | 3,42,000 | 2,88,000 |
| Perquisites | - | - | 29,692 | 7,807 |
| Total | 58,95,697 | 46,72,134 | 38,11,262 | 31,63,020 |

Computation of Net Profit in accordance with Section U/S198 & 309 of the Companies Act, 1956.

| Particulars | 2006-07 | 2005-06 |
|--|---------------------|--------------------|
| Profit before tax | 10,80,85,631 | 8,56,73,924 |
| Add: Loss on sale of Assets | 1,21,344 | 3,48,525 |
| Less: Profit on sale of investments | 10,82,06,975 | 8,60,26,314 |
| | - | 4,18,784 |
| Add: remuneration to Directors | 10,82,06,975 | 8,56,07,530 |
| | 97,06,959 | 78,35,154 |
| Net Profit as per Section 309(5) for the year (A) | 11,79,13,934 | 9,34,42,684 |
| Maximum Remuneration payable: | | |
| Vice Chairman & CEO (Maximum of 5% of (A)) | 58,95,697 | 46,72,134 |
| Wholetime Director | 38,11,262 | 31,63,020 |

7. National Savings Certificates to the extent of Rs. 3,000/- have been pledged with Government Authorities.

8. **Employee Stock Option Scheme**

The Company instituted the Employees Stock Option 2004 plan for all eligible employees. The Scheme covers all eligible employees of Suven Life Sciences Limited and its subsidiary. During the current year company under this scheme has issued options to its employees.

The movement in options during the year ended March 31, 2007 is set out below:

| Particulars | Year ended | Year ended |
|---|-----------------|-----------------|
| | March 31, 2007 | March 31, 2006 |
| Options outstanding at the beginning of the year | 6,08,400 | 5,85,000 |
| Granted during the year | 3,00,000 | 1,50,000 |
| Less: Lapsed | 41,425 | 1,26,600 |
| Converted into equity shares | 91,625 | - |
| Options outstanding at the end of the year | 7,75,350 | 6,08,400 |

9. **Loans & Advances Include:**

| Particulars | Maximum Amount | | Rupees in Lakhs | |
|--|--------------------------------|---------|-----------------|---------|
| | Outstanding at any time during | | 2006-07 | 2005-06 |
| | 2006-07 | 2005-06 | 2006-07 | 2005-06 |
| Loans & Advances due by Private company in which some of the directors of the Company are Interested | | | | |
| Asian Clinical Trials Ltd | Nil | 85.02 | Nil | 2.32 |



10. Outstanding Derivative Instruments as on 31st March 2007.

Company has entered into derivative contract in across currencies of USD - CHF swap as a tool to reduce interest cost on the long term loans. The amount of derivatives contract is USD. 73.30 Lacs.

The following are the outstanding currency options contracts, which have been designated as cash flow Hedges, as at March 2007

| Foreign Currency | No of Contracts | Notional Amount of option contracts in Foreign Currency | Rupee Equivalent |
|------------------|-----------------|---|---------------------|
| USD | 3 | 37,00,000 | 15,98,29,000 |

11. Income taxes

a. Income tax Expense

| Particulars | Year ended 31-03-2007 | Year ended 31-03-2006 |
|--------------------|--------------------------|--------------------------|
| Current Tax | 1,15,60,000 | 70,34,000 |
| Deferred Tax | (1,79,00,960) | (65,11,176) |
| Fringe Benefit Tax | 12,52,000 | 5,28,000 |
| Total | 50,88,960 | 10,50,824 |

b. Deferred tax Liabilities / Deferred tax Assets

| Particulars | Year ended 31-03-2007 | Year ended 31-03-2006 |
|-----------------------------------|--------------------------|--------------------------|
| Deferred tax Liabilities | | |
| Depreciation | 19,88,62,346 | 15,96,99,488 |
| Total | 19,88,62,346 | 15,96,99,488 |
| Deferred tax Assets | | |
| Unabsorbed Dep. & Loss | 12,74,24,208 | 8,11,35,777 |
| MAT Credit | 1,85,94,000 | 70,34,000 |
| Total | 14,60,18,208 | 8,81,69,777 |
| Net Deferred Tax Liability | 5,28,44,138 | 7,15,29,711 |

12. Excise Duty amounting to Rs.33,55,400/- on Closing Stock of finished Goods has been provided during the year to comply with 'Guidance Note on Accounting treatment for Excise duty' issued by Institute of Chartered Accountants of India.

13. Amalgamation of Asian Clinical Trials Private Limited

- In terms of the Scheme of Amalgamation & Arrangement (Scheme) approved by orders dated 18.10.2006 of Hon'ble High Court of Andhra Pradesh, M/s. Asian Clinical Trials Private Limited ('ACT') whose core business is to carry on the business of Clinical Research and Development, designing, developing, manufacturing, marketing and trading in all types of computer software has been amalgamated with the Company with effect from April 1, 2006.
- The amalgamation has been accounted for under the "Pooling Interest Method" as prescribed by Accounting Standard (AS-14) "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India.
- In accordance with the said scheme:
 - All the assets, debts, liabilities, duties and obligations of "ACT" have been vested in the Company with effect from April 1, 2006 and have been recorded at their respective book values under pooling interest method of accounting for amalgamation. There were no differences in the accounting policies of "ACT" and the Company.



ii. 37,25,000 equity shares of Rs. 2/- each have been allotted to the shareholders of "ACT" in the ratio of 149 equity shares of Rs.2/- of the Company for every 1000 equity shares of Rs.2/- each of "ACT". The Company's paid up capital has accordingly increased by Rs.74,50,000. These equity shares shall rank pari-passu with the existing equity shares of the Company.

iii. In accordance with the said scheme, any excess/shortfall of the Net Assets Value taken over by the Company over the paid up value of equity shares to be issued and allotted has been transferred to General Reserve.

iv. The computation of the amount transferred to General Reserve is as under:

| | |
|--|--------------------|
| Book Value of Assets: | Rs. |
| a) Fixed Assets | 1,03,28,100 |
| b) Investments | Nil |
| c) Net Current Assets | <u>1,69,87,615</u> |
| Less: | 2,73,15,715 |
| a) Equity Shares issued to shareholders of "ACT" (37,25,000 equity shares of Rs.2/- each) | <u>74,50,000</u> |
| Amount credited to General Reserve on Amalgamation | <u>1,98,65,714</u> |

14. Earning per Share

| Particulars | Year ended 31-03-2007 | Year ended 31-03-2006 |
|---|--------------------------|--------------------------|
| Net Profit after tax available for Equity shareholders | 11,31,74,591 | 8,46,26,965 |
| Weighted average of number of Equity shares outstanding during the year | 2,87,40,564 | 2,50,00,000 |
| Basic and Diluted Earnings per Equity share | 3.94 | 3.39 |

15. Related Party Transactions

List of and relationship with related parties with whom transactions have taken place during the year:

- a) Wholly Owned Subsidiary Company : Suven Life Sciences USA LLC
b) Associates : 1. Tribute Pharmaceuticals Pvt. Ltd.
c) Key managerial Persons : 1) Venkat Jasti.
2) Sudha Rani Jasti.

| | Subsidiaries | Associates | Key Managerial Person | Total |
|-------------------|--------------------------|------------------------|--------------------------|--------------------------|
| Purchase of goods | 20,34,648 (21,18,306) | -Nil- | - | 20,34,648 (21,18,306) |
| Sale of goods | -Nil- (2,15,06,873) | -Nil- | - | -Nil- (2,15,06,873) |
| Loans - Given | - | -Nil- (1,55,23,437) | - | -Nil- (1,55,23,437) |
| Loans -Repaid | - | -Nil- (1,52,91,419) | - | -Nil- (1,52,91,419) |
| Remuneration | - | - | 97,06,959 (78,35,154) | 97,06,959 (78,35,154) |

Note: Figures in bracket indicates previous year figures.

16. Miscellaneous Expenditure

The preliminary expenditure on account of merger of Suven Synthesis Ltd, are amortized over a period of five years



17 a) **Segmental Information (2006-07)**

Business Segment

Segments have been identified and reported taking into account the nature of products, the differing risk and returns, the organisation structure, and the internal financial reporting scheme. The company has identified the following segments as its reportable segments:

- a) Intermediates under Contract Services
- b) bulk Drugs
- c) Other intermediates, fine Chemicals and other products
- d) Research and Development

- I. Intermediates under contract services products are developed and produced on an exclusive basis under contract Manufacturing services
- II. Bulk Drugs are those products which are directly used for manufacturing the formulations. These products are marketed by procuring the orders.
- III. Other Intermediates and fine chemicals are products like chemicals, Intermediates and Fine chemicals those are marketable by procuring the orders.

Geographical Segment

The Company has identified the following geographical reportable segments:

- a) India-The company sells Bulk Drugs and Intermediates and Fine Chemicals.
- b) U.S.A -The company sells Intermediates
- c) Europe--The company sells Bulk Drugs and Intermediates
- d) Asia-The company sells Bulk Drugs and Intermediates

Information pertaining to Business Segment - primary

| | Intermediates under Contract Services | Bulk Drugs | Other Intermediates, Finechemicals and other Products | Research and Development | Un allocated | Total |
|-------------------------|---|---------------------------------|---|-----------------------------|-----------------------------|-----------------------------------|
| Segment Revenue | | | | | | |
| External Sales | 888034096 (649426376) | 133686930 (83906703) | 108913324 (88591429) | - - | - - | 1130634350 (821924508) |
| Inter Segmental Adj. | - - | - - | - - | - - | - - | - - |
| Total | 888034096 (649426376) | 133686930 (83906703) | 108913324 (88591429) | - - | - - | 1130634350 (821924508) |
| Segment Result | | | | | | |
| Operating Profit | 439819931 (319213588) | 20459990 (12279605) | 15237630 (12950163) | (190015736) (-131392254) | (168600167) (-122546538) | 116901648 90504564 |
| Other Income | - | - | - | - | - | 14561377 (8153679) |
| Interest Expense | - | - | - | - | - | 23377394 (12980454) |
| Income Tax -Current Tax | - | - | - | - | - | 11560000 (7034000) |
| -Deferred Tax | - | - | - | - | - | (17900960) (-6511176) |
| -Fringe Benefit Tax | - | - | - | - | - | 1252000 (528000) |
| Net Profit | | | | | | 113174591 (84626965) |



| | Intermediates under Contract Services | Bulk Drugs | Other Intermediates, Finechemicals and other Products | Research and Development | Un allocated | Total |
|--------------------------|---|------------|---|-----------------------------|-----------------|--------------|
| Other Information | | | | | | |
| Segment Assets | -- | -- | -- | 355565294 | 1434551408 | 1790116702 |
| | -- | -- | -- | (276155667) | (1198191596) | (1474347263) |
| Segment Liabilities | -- | -- | -- | 14896346 | 234572206 | 249468552 |
| | -- | -- | -- | (9151309) | (197629625) | (206780934) |
| Capital employed | -- | -- | -- | 340668948 | 1199979202 | 1540648150 |
| | -- | -- | -- | (267004358) | (1000561971) | (1267566329) |
| Capital Expenditure | -- | -- | -- | 105746706 | 83665790 | 189412496 |
| | -- | -- | -- | (89778747) | (53507647) | (143286394) |
| Depreciation | -- | -- | -- | 13600248 | 40135133 | 53735381 |
| | -- | -- | -- | (12682524) | (33903371) | (46585895) |

Note: Figures in brackets relates to previous years.

1. Segment Assets do not include Income Tax Rs.8,99,15,301/- (previous year Rs.7,47,89,104/-)
2. Segment Liabilities do not include
 - a. Shareholders funds Rs.107,33,11,099/- (previous year Rs.95,92,61,597/-)
 - b. Secured Loans Rs.41,49,07,989/- (previous year Rs.23,67,75,021/-)
 - c. Unpaid Dividend Rs.8,11,653/- (previous year Rs.7,73,659/-)
 - d. Provision for Income Tax Rs.8,63,87,473/- (Previous year Rs.7,21,81,107/-)
 - e. Deferred Tax Liability(net) Rs.5,21,53,778/- (previous year Rs.7,15,29,711/-)
 - f. Proposed Dividend Rs.2,88,16,625/- (previous year Rs.2,50,00,000/-)
 - g. Provison for Tax on Dividend Rs.48,97,385/- (previous year Rs.35,06,250/-)

c) Geographical Information

| | Revenue | | Location Assets | | Additions to Fixed Assets | |
|--------|---------------------|---------------------|---------------------|---------------------|---------------------------|---------------------|
| | As on 31.03.2007 | As on 31.03.2006 | As on 31.03.2007 | As on 31.03.2006 | As on 31.03.2007 | As on 31.03.2006 |
| INDIA | 156791506 | 184426469 | 1203205379 | 1015043901 | 189231578 | 141959960 |
| U S A | 233047295 | 162482396 | 1507352 | 1326434 | 180918 | 1326434 |
| EUROPE | 394044820 | 141508179 | ---- | ---- | ---- | ---- |
| ASIA | 346750729 | 333507464 | ---- | ---- | ---- | ---- |
| | 1130634350 | 821924508 | 1204712731 | 1016370335 | 189412496 | 143286394 |



18. Particulars required under Part II of Schedule VI to the Companies Act,1956 to the extent applicable :

i) Production

| | Installed Capacity MT | Production for the year ended 31-03-2007 MT | | Installed Capacity MT | Production for the year ended 31-03-2006 MT | |
|------------------|--------------------------|---|-------------|--------------------------|---|-------------|
| | | For Sales | For Captive | | For Sales | For Captive |
| a) Bulk Drugs | 162.000 | 69.617 | 0.000 | 162.000 | 71.289 | 0.004 |
| b) Intermediates | 1144.000 | 470.961 | 3.425 | 1144.000 | 525.200 | 36.382 |
| | 1306.000 | 540.578 | 3.425 | 1306.000 | 596.489 | 36.386 |

ii) Turnover

| | CURRENT YEAR | | PREVIOUS YEAR | |
|--------------------------------|-----------------|--------------|-----------------|--------------|
| | Quantity MT. | Value Rs. | Quantity MT. | Value Rs. |
| a) Bulk Drugs | 72.552 | 133686930 | 66.217 | 83906703 |
| b) Intermediates | 466.495 | 880051138 | 506.741 | 706405405 |
| c) Recoveries | -- | 1347425 | -- | 595027 |
| d) Contract Technical Services | -- | 44352776 | -- | 31017373 |
| e) Clinical Trials Services | -- | 43434554 | -- | -- |
| f) Process Development Charges | -- | 27761527 | -- | -- |
| | 539.047 | 1130634350 | 572.958 | 821924508 |

iii) Stocks - Finished Goods

| | As on 31-03-2007 | | As on 31-03-2006 | |
|------------------|------------------|--------------|------------------|--------------|
| | Quantity MT. | Value Rs. | Quantity MT. | Value Rs. |
| a) Bulk Drugs | 3.363 | 6728208 | 6.298 | 12901036 |
| b) Intermediates | 79.986 | 92088297 | 75.520 | 86992800 |
| | 83.349 | 98816505 | 81.818 | 99893836 |

iv) Raw Materials Consumed

| | CURRENT YEAR | | PREVIOUS YEAR | |
|---|-----------------|--------------|-----------------|--------------|
| | Quantity MT. | Value Rs. | Quantity MT. | Value Rs. |
| a) 2-Amino-5-chloro-2-Flurobenzophenone | 5.750 | 12669141 | 4.450 | 10800467 |
| b) O-Phthaladehyde | 3.250 | 2972212 | 21.600 | 20264326 |
| c) Others | | 400215614 | | 313919374 |
| | | 415856967 | | 344984167 |

v) C I F value of Imports

| | (Rupees) | |
|-------------------------------|--------------|---------------|
| | CURRENT YEAR | PREVIOUS YEAR |
| a) Raw Materials | 198098544 | 113136392 |
| b) Components and Spare Parts | 75018902 | 72015479 |



vi) Value of Imported and indigeneous Raw Materials Stores and Spares consumed and percentage of each to total consumption.

a) Raw Materials :

| | CURRENT YEAR | | PREVIOUS YEAR | |
|-----------------|--------------|------------|---------------|------------|
| | Value Rs. | % to Total | Value Rs. | % to Total |
| i) Imported | 190348471 | 45.77 | 101072817 | 29.30 |
| ii) Indegenious | 225508496 | 54.23 | 243911350 | 70.70 |
| | 415856967 | 100.00 | 344984167 | 100.00 |

b) Stores and Spares :

| | CURRENT YEAR | | PREVIOUS YEAR | |
|-----------------|--------------|------------|---------------|------------|
| | Value Rs. | % to Total | Value Rs. | % to Total |
| i) Imported | -- | -- | -- | -- |
| ii) Indegenious | 3572946 | 100.00 | 1898497 | 100.00 |
| | 3572946 | 100.00 | 1898497 | 100.00 |

(Rupees)

| | CURRENT YEAR | PREVIOUS YEAR |
|--------------------------------------|--------------|---------------|
| | (Rupees) | (Rupees) |
| vii) Expenditure in Foreign Currency | | |
| Travel | 5808368 | 3517585 |
| Dividend | 68500 | 68500 |
| Sales Commission | 2005935 | 1360421 |
| Foreign Branch Expenses | 40722061 | 16564163 |
| Research & Development Expenses | 62689673 | 28142734 |
| | 111294537 | 49653403 |

(Rupees)

| | CURRENT YEAR | PREVIOUS YEAR |
|----------------------|------------------------------------|---------------|
| | viii) Earnings in Foreign Currency | |
| FOB Value of Exports | 872345491 | 631599898 |

19. On account of the Merger of M/s. Asian Clinical Trials Limited with the company w.e.f. 01.04.2006, previous year figures are not comparable with the current year figures

20. Previous year figures have been regrouped wherever considered necessary to conform to this year's classification.

Signatures of Schedules A to T

As per our report of even date
for **KARVY & COMPANY**
Chartered Accountants

for and on behalf of the Board of Directors

K. Ajay Kumar
Partner

Venkateswarlu Jasti
Vice Chairman & C E O

Sudha Rani Jasti
Wholetime Director

Place : Hyderabad
Date : 31-07-2007

K. Hanumantha Rao
Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. In lakhs)

| | For the year ended 31.03.2007 | | For the year ended 31.03.2006 | |
|---|-------------------------------|------------|-------------------------------|------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | | | |
| Net Profit before Tax and Extraordinary Items | | 1,080.86 | 856.78 | |
| Adjustments for : | | | | |
| Depreciation | 401.35 | | 465.86 | |
| Interest Income | (14.89) | | (8.11) | |
| Unrealised Foreign Exchange | - | | 7.16 | |
| Interest on Borrowings | 302.67 | | 164.67 | |
| Loss on Disposal of Assets | 1.21 | | 3.49 | |
| Loss on Disposal of Investment | - | | (4.19) | |
| Dividend Income | (38.31) | | (21.00) | |
| Miscellaneous Expenditure Amortised | 2.13 | | 2.13 | |
| | | 654.16 | | 610.01 |
| Operating Profit Before Working Capital Changes | | 1,735.02 | | 1,466.79 |
| Adjustments for : | | | | |
| Trade and Other Receivables | (345.74) | | 2.01 | |
| Inventories | (16.09) | | (342.78) | |
| Trade Payables and Other Liabilities | 426.87 | | (500.65) | |
| Increase/(Decrease) in Net Current Assets | | 65.04 | | (841.42) |
| Cash Generated From Operations | | 1,800.06 | | 625.37 |
| Adjustments for : | | | | |
| Income Tax & Fringe Benefit Tax | 151.26 | | 102.35 | |
| | | 151.26 | | 102.35 |
| Net Cash From Operating Activities A | | 1,648.80 | | 523.02 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Investments | | (86.56) | | 278.19 |
| Purchase of Fixed Assets | | (2,016.00) | | (1,334.19) |
| Sale of Fixed Assets | | 3.50 | | 4.82 |
| Interest Received | | 14.89 | | 8.11 |
| Dividends received | | 38.31 | | 21.00 |
| Share Application in Suven Life Sciences LLC | | - | | 121.20 |
| NET CASH USED IN INVESTING ACTIVITIES B | | (2,045.86) | | (900.87) |



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007 (CONTD.)

(Rs. In lakhs)

| | For the year ended 31.03.2007 | | For the year ended 31.03.2006 | |
|--|-------------------------------|-----------------|-------------------------------|-----------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | | | |
| Borrowings (Net) | | 1,781.33 | | 688.56 |
| Interest Paid on borrowings | | (302.67) | | (164.67) |
| Issue of capital with Premium | | 68.58 | | - |
| Dividend Payouts (including Dividend Tax) | | (285.06) | | (250.00) |
| NET CASH USED IN FINANCING ACTIVITIES C | | 1,262.18 | | 273.89 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | | 865.12 | | (103.96) |
| Cash and Cash Equivalents at the beginning the year | | 109.93 | | 213.89 |
| Cash and Cash Equivalents at the end of the year | | 975.05 | | 109.93 |

for and on behalf of the Board of Directors

for **KARVY & COMPANY**
Chartered Accountants

K. Ajay Kumar
Partner

Place : Hyderabad
Date : 31-07-2007

Venkateswarlu Jasti
Vice Chairman & C E O

Sudha Rani Jasti
Wholetime Director

K. Hanumantha Rao
Company Secretary



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.

| | | | | | | | |
|--|--|---|---|---|---|---|---|
| | | 0 | 0 | 9 | 7 | 1 | 3 |
|--|--|---|---|---|---|---|---|

 State Code

| | |
|---|---|
| 0 | 1 |
|---|---|

Balance Sheet Date

| | | | | | | | | |
|--|---|---|---|---|---|---|---|---|
| | 3 | 1 | 0 | 3 | 2 | 0 | 0 | 7 |
|--|---|---|---|---|---|---|---|---|

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS):

| | | | | | | | | | | | | | | | | | | | |
|---|--|--|--|---|---|---|---|---|---|--|--|--|--|--|---|---|---|---|---|
| Public Issue <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table> | | | | | | | N | I | L | Right Issue <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table> | | | | | | | N | I | L |
| | | | | | | N | I | L | | | | | | | | | | | |
| | | | | | | N | I | L | | | | | | | | | | | |
| Bonus Issue <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table> | | | | | | | N | I | L | Amalgamation & ESOP <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>7</td><td>6</td><td>3</td><td>3</td></tr></table> | | | | | 7 | 6 | 3 | 3 | |
| | | | | | | N | I | L | | | | | | | | | | | |
| | | | | 7 | 6 | 3 | 3 | | | | | | | | | | | | |

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS):

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|--|--|---|---|---|---|---|---|---|
| Total Liabilities <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>5</td><td>4</td><td>0</td><td>6</td><td>4</td><td>8</td></tr></table> | | 1 | 5 | 4 | 0 | 6 | 4 | 8 | Total Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>5</td><td>4</td><td>0</td><td>6</td><td>4</td><td>8</td></tr></table> | | 1 | 5 | 4 | 0 | 6 | 4 | 8 |
| | 1 | 5 | 4 | 0 | 6 | 4 | 8 | | | | | | | | | | |
| | 1 | 5 | 4 | 0 | 6 | 4 | 8 | | | | | | | | | | |
| SOURCES OF FUNDS | | | | | | | | | | | | | | | | | |
| Paid-up Capital <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>5</td><td>7</td><td>6</td><td>3</td><td>3</td></tr></table> | | | | 5 | 7 | 6 | 3 | 3 | Reserves & Surplus <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>0</td><td>1</td><td>5</td><td>2</td><td>6</td><td>3</td></tr></table> | | 1 | 0 | 1 | 5 | 2 | 6 | 3 |
| | | | 5 | 7 | 6 | 3 | 3 | | | | | | | | | | |
| | 1 | 0 | 1 | 5 | 2 | 6 | 3 | | | | | | | | | | |
| Secured Loans <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>4</td><td>1</td><td>4</td><td>9</td><td>0</td><td>8</td></tr></table> | | | 4 | 1 | 4 | 9 | 0 | 8 | Deferred tax Liability <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>5</td><td>2</td><td>8</td><td>4</td><td>4</td></tr></table> | | | | 5 | 2 | 8 | 4 | 4 |
| | | 4 | 1 | 4 | 9 | 0 | 8 | | | | | | | | | | |
| | | | 5 | 2 | 8 | 4 | 4 | | | | | | | | | | |
| APPLICATION OF FUNDS | | | | | | | | | | | | | | | | | |
| Net Fixed Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>0</td><td>0</td><td>6</td><td>4</td><td>0</td><td>1</td></tr></table> | | 1 | 0 | 0 | 6 | 4 | 0 | 1 | Investments <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>0</td><td>8</td><td>5</td><td>8</td><td>9</td></tr></table> | | | 1 | 0 | 8 | 5 | 8 | 9 |
| | 1 | 0 | 0 | 6 | 4 | 0 | 1 | | | | | | | | | | |
| | | 1 | 0 | 8 | 5 | 8 | 9 | | | | | | | | | | |
| Net Current Assets <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>4</td><td>2</td><td>5</td><td>2</td><td>3</td><td>3</td></tr></table> | | | 4 | 2 | 5 | 2 | 3 | 3 | Miscellaneous Expenditure <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>4</td><td>2</td><td>5</td></tr></table> | | | | | | 4 | 2 | 5 |
| | | 4 | 2 | 5 | 2 | 3 | 3 | | | | | | | | | | |
| | | | | | 4 | 2 | 5 | | | | | | | | | | |
| Accumulated Losses <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table> | | | | | | | N | I | L | | | | | | | | |
| | | | | | | N | I | L | | | | | | | | | |

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS):

| | | | | | | | | | | | | | | | | | |
|---|--|---|---|---|---|---|---|---|--|--|---|---|---|---|---|---|---|
| Turnover (Gross Revenue) <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>1</td><td>4</td><td>2</td><td>6</td><td>4</td><td>3</td></tr></table> | | 1 | 1 | 4 | 2 | 6 | 4 | 3 | Total Expenditure <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>0</td><td>3</td><td>4</td><td>5</td><td>5</td><td>7</td></tr></table> | | 1 | 0 | 3 | 4 | 5 | 5 | 7 |
| | 1 | 1 | 4 | 2 | 6 | 4 | 3 | | | | | | | | | | |
| | 1 | 0 | 3 | 4 | 5 | 5 | 7 | | | | | | | | | | |
| Profit Before Tax <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>0</td><td>8</td><td>0</td><td>8</td><td>6</td></tr></table> | | | 1 | 0 | 8 | 0 | 8 | 6 | Tax <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>5</td><td>0</td><td>8</td><td>9</td></tr></table> | | | 5 | 0 | 8 | 9 | | |
| | | 1 | 0 | 8 | 0 | 8 | 6 | | | | | | | | | | |
| | | 5 | 0 | 8 | 9 | | | | | | | | | | | | |
| Earning per share Rs. <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>3</td><td>.</td><td>9</td><td>4</td></tr></table> | | | | | 3 | . | 9 | 4 | Profit After Tax <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>1</td><td>3</td><td>1</td><td>7</td><td>5</td></tr></table> | | | 1 | 1 | 3 | 1 | 7 | 5 |
| | | | | 3 | . | 9 | 4 | | | | | | | | | | |
| | | 1 | 1 | 3 | 1 | 7 | 5 | | | | | | | | | | |
| | Dividend Rate (%) <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>5</td><td>0</td><td>.</td><td>0</td><td>0</td></tr></table> | | | | 5 | 0 | . | 0 | 0 | | | | | | | | |
| | | | 5 | 0 | . | 0 | 0 | | | | | | | | | | |

V. GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS):

| | | | | | | | | | | | | | | | | | | |
|--------------------------|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item Code No. (ITC Code) | <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>9</td><td>4</td><td>2</td><td>0</td><td>0</td><td>3</td><td>1</td></tr></table> | 2 | 9 | 4 | 2 | 0 | 0 | 3 | 1 | | | | | | | | | |
| 2 | 9 | 4 | 2 | 0 | 0 | 3 | 1 | | | | | | | | | | | |
| Product Description | <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>T</td><td>H</td><td>E</td><td>O</td><td>B</td><td>R</td><td>O</td><td>M</td><td>I</td><td>N</td><td>E</td></tr></table> | T | H | E | O | B | R | O | M | I | N | E | | | | | | |
| T | H | E | O | B | R | O | M | I | N | E | | | | | | | | |
| Item Code No. (ITC Code) | <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>9</td><td>3</td><td>3</td><td>9</td><td>9</td><td>0</td><td>0</td></tr></table> | 2 | 9 | 3 | 3 | 9 | 9 | 0 | 0 | | | | | | | | | |
| 2 | 9 | 3 | 3 | 9 | 9 | 0 | 0 | | | | | | | | | | | |
| Product Description | <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>P</td><td>H</td><td>T</td><td>H</td><td>A</td><td>L</td><td>A</td><td>Z</td><td>I</td><td>N</td><td>E</td></tr></table> | P | H | T | H | A | L | A | Z | I | N | E | | | | | | |
| P | H | T | H | A | L | A | Z | I | N | E | | | | | | | | |
| Item Code No. (ITC Code) | <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>2</td><td>9</td><td>2</td><td>6</td><td>9</td><td>0</td><td>0</td><td>0</td></tr></table> | 2 | 9 | 2 | 6 | 9 | 0 | 0 | 0 | | | | | | | | | |
| 2 | 9 | 2 | 6 | 9 | 0 | 0 | 0 | | | | | | | | | | | |
| Product Description | <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>C</td><td>Y</td><td>A</td><td>N</td><td>O</td><td> </td><td>A</td><td>C</td><td>E</td><td>T</td><td>I</td><td>C</td><td> </td><td>A</td><td>C</td><td>I</td><td>D</td></tr></table> | C | Y | A | N | O | | A | C | E | T | I | C | | A | C | I | D |
| C | Y | A | N | O | | A | C | E | T | I | C | | A | C | I | D | | |

for and on behalf of the Board of Directors

Venkateswarlu Jasti Sudha Rani Jasti
Vice Chairman & C E O Wholetime Director

K. Hanumantha Rao
Company Secretary

Place : Hyderabad
Date : 31.07.2007





SUVEN LIFE SCIENCES LIMITED

**CONSOLIDATED
FINANCIAL STATEMENTS
AS OF MARCH 31, 2007**



CONSOLIDATED AUDITORS' REPORT

TO THE BOARD OF DIRECTORS,
SUVEN LIFE SCIENCES LIMITED

1. We have examined the attached consolidated balance sheet of SUVEN LIFE SCIENCES LIMITED and wholly owned subsidiary as at 31st March, 2007, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the management of M/s. SUVEN LIFE SCIENCES LIMITED. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of Subsidiary, whose financial statements reflect total assets of Rs.12.96 Lakhs as at 31st March, 2007 and total revenues of Rs. 19.88 Lakhs and total net cash inflows amounting to Rs.2.46 Lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of other auditors.
4. We report that consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
5. On the basis of the foregoing and the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of SUVEN LIFE SCIENCES LIMITED and its subsidiary, in our opinion, the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:
 - a) In the case of the consolidated balance sheet, of the consolidated state of affairs of the group as at 31st March, 2007,
 - b) In the case of the consolidated profit and loss account of the consolidated results of operations of the Group for the year ended on that date,
And
 - c) In the case of the cash flow statement, of the consolidated cash flows of the Group for the year ended on that date.

For **KARVY & COMPANY**
Chartered Accountants

Place : Hyderabad
Date : 31-07-2007

K. Ajay Kumar
Partner
M.No. 21989



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

| | SCHEDULE | AS AT 31/03/2007 Rs. | AS AT 31/03/2006 Rs. |
|---|----------|----------------------------|----------------------------|
| I. SOURCES OF FUNDS | | | |
| 1 SHAREHOLDERS' FUNDS | | | |
| a) Share Capital | A | 57633250 | 50000000 |
| b) Reserves & Surplus | B | 957558311 | 852116229 |
| 2 LOAN FUNDS | | | |
| Secured Loans | C | 414907989 | 236775021 |
| 3 DEFERRED TAX LIABILITY (NET) | | | |
| | | 52844138 | 71529711 |
| T O T A L | | 1482943688 | 1210420961 |
| II. APPLICATION OF FUNDS | | | |
| 1 FIXED ASSETS | | | |
| a) Gross block | D | 1204712731 | 1016370335 |
| b) Less: Depreciation | | 248550108 | 188653625 |
| c) Net block | | 956162623 | 827716710 |
| d) Capital work-in-progress | | 50238818 | 26653010 |
| 2 INVESTMENTS | | | |
| | E | 49588313 | 40931760 |
| 3 CURRENT ASSETS, LOANS AND ADVANCES | | | |
| a) Inventories | F | 228998358 | 227389588 |
| b) Trade Receivables | G | 161420753 | 149905903 |
| c) Cash and Bank balances | H | 97750851 | 13708632 |
| d) Loans and Advances | I | 186588660 | 142560587 |
| e) Interest Accrued | | 1238832 | 754190 |
| | | 675997454 | 534318900 |
| Less :Current Liabilities and Provisions | J | 249468552 | 219836966 |
| Net Current Assets | | 426528902 | 314481934 |
| 4 MISCELLANEOUS EXPENDITURE | | | |
| Preliminary Expenditure | | 425032 | 637547 |
| T O T A L | | 1482943688 | 1210420961 |
| Notes on Accounts | T | | |

As per our report of even date
for **KARVY & COMPANY**
Chartered Accountants

for and on behalf of the Board of Directors

K. Ajay Kumar
Partner

Venkateswarlu Jasti
Vice Chairman & CEO

Sudha Rani Jasti
Wholetime Director

Place : Hyderabad
Date : 31-07-2007

K. Hanumantha Rao
Company Secretary



CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

| | SCHEDULE | FOR THE YEAR ENDED 31st Mar 2007 Rs. | FOR THE YEAR ENDED 31st Mar 2006 Rs. |
|--|----------|---|---|
| INCOME | | | |
| Income from Operations | K | 1132622270 | 901112263 |
| Other Income | L | 14561377 | 8153679 |
| Increase/(Decrease) in Stocks | M | (2552807) | 38404331 |
| T O T A L | | 1144630840 | 947670273 |
| EXPENDITURE | | | |
| Materials Consumed | N | 421382711 | 347530108 |
| Manufacturing Expenses | O | 127003567 | 106350042 |
| Clinical Projects Expenses | | 19252786 | - |
| Research & Development Expenses | | 190015736 | 195671076 |
| Central Excise Duty | | 13464310 | 20336625 |
| Personnel Expenses | P | 95281718 | 73732557 |
| Selling Expenses | Q | 21495664 | 15840242 |
| Financial Expenses | R | 30292134 | 16986106 |
| Administrative & Other Expenses | S | 78753309 | 71704031 |
| Depreciation | | 40135133 | 34572867 |
| T O T A L | | 1037077068 | 882723654 |
| Profit before Tax | | 107553772 | 64946619 |
| Less: Provision for - Current Tax | | 11560000 | 7056305 |
| Deferred Tax | | (17900960) | (6511176) |
| Fringe Benefit Tax | | 1252000 | 528000 |
| Profit after Tax | | 112642732 | 63873490 |
| Profit brought forward from previous year | | (9565211) | (4932451) |
| Profit available for appropriation | | 103077521 | 58941039 |
| Appropriations | | | |
| Proposed dividend | | 28816625 | 25000000 |
| Tax on proposed dividend | | 4897385 | 3506250 |
| Transfer to General Reserve | | 45000000 | 40000000 |
| Surplus carried to Balance Sheet | | 24363511 | (9565211) |
| | | 103077521 | 58941039 |
| Basic and Diluted Earnings per share (in Rs) | | 3.92 | 2.55 |
| Notes on Accounts | T | | |

As per our report of even date
for **KARVY & COMPANY**
Chartered Accountants

for and on behalf of the Board of Directors

K. Ajay Kumar
Partner

Venkateswarlu Jasti
Vice Chairman & CEO

Sudha Rani Jasti
Wholetime Director

Place : Hyderabad
Date : 31-07-2007

K. Hanumantha Rao
Company Secretary



CONSOLIDATED SCHEDULES TO BALANCE SHEET

| | AS AT 31st Mar 2007 (Rupees) | AS AT 31st Mar 2006 (Rupees) |
|---|------------------------------------|------------------------------------|
| SCHEDULE-A | | |
| SHARE CAPITAL | | |
| Authorised | | |
| 10,00,00,000 Equity Shares of Rs.2/- each (Previous year 5,00,00,000 Equity Shares of Rs.2/- each) | 200000000 | 100000000 |
| Issued, Subscribed and Paid up | | |
| 2,88,16,625 Equity Shares of Rs.2/- each (Previous year 2,50,00,000 Equity Shares of Rs.2/- each) | 57633250 | 50000000 |
| T O T A L | 57633250 | 50000000 |

SCHEDULE-B RESERVES & SURPLUS

| | | | | |
|--|-----------|------------------|-----------|------------------|
| General Reserve | | | | |
| Opening Balance | 439249044 | | 344997344 | |
| Add: Additions on account of Amalgamation | 19865714 | | | |
| Transferred during the year | 45000000 | | 40000000 | |
| Deferred Tax Asset pertains to previous year | 0 | 504114758 | 54251700 | 439249044 |
| Foreign Exchange Translation Reserve | | | | |
| Opening Balance | (1703604) | | (2353786) | |
| Add: Additions during the year | (27235) | (1730839) | 650182 | (1703604) |
| Share Premium | | | | |
| Add: additions during the year | 424136000 | | | 424136000 |
| | 6674881 | 430810881 | | |
| Surplus in Profit & Loss A/c. | | 24363511 | | (9565211) |
| T O T A L | | 957558311 | | 852116229 |

Issued and Paid up capital includes:

- 1) 37,25,000 Equity Shares of Rs.2/ each which were issued as fully paid up to the share holders of Asian Clinical Trials Ltd on its amalgamation with the Company, for consideration other than cash.
- 2) 91,625, equity shares of Rs.2/- each under Employee Stock Option Scheme, 2004.

SCHEDULE-C SECURED LOANS

| | | |
|--|------------------|------------------|
| Corporate Loan From S.B.I. (Foreign Currency Loan) | 209553252 | 162515576 |
| Corporate Loan From S.B.I. (Rupee Loan) (Both loans secured by first and Pari-pasu charge on Land, Buildings, Plant & Machinery.) | 110000000 | - |
| Working Capital Loans from S.B.I. (Secured by first charge on Raw Materials, Stock in Process, Finished Goods and Book Debts and second charge on Land, Buildings and Plant & Machinery.) | 95354737 | 74043681 |
| h.H.P. Loans Obtained from ICICI Bank (Secured by hypothecation of Vehicles acquired under the scheme) | - | 215764 |
| T O T A L | 414907989 | 236775021 |



CONSOLIDATED SCHEDULES TO BALANCE SHEET

| SCHEDULE-D FIXED ASSETS | | (Amount in Rupees) | | | | | | | | | |
|----------------------------|---------------------|--------------------|-----------------|---------------------|--------------------|---------------------------|-----------------|-----------------|---------------------|---------------------|---------------------|
| | | GROSS BLOCK | | | | | DEPRECIATION | | | | |
| S.NO | AS ON 01.04.2006 | ADDITIONS | DEDUC- TIONS | AS ON 31.03.2007 | UPTO 31.03.2006 | OF ACT Upto 31.03.2006 | FOR THE YEAR | DEDUC- TIONS | AS ON 31.03.2007 | AS ON 31.03.2007 | AS ON 31.03.2006 |
| 1 | 21618987 | 296035 | - | 21915022 | - | - | - | - | - | 21915022 | 21618987 |
| 2 | 4478375 | - | - | 4478375 | 699289 | - | 72998 | - | 772287 | 3706088 | 3779086 |
| 3 | 124991764 | 27157720 | - | 152149484 | 10325271 | - | 4177210 | - | 14502481 | 137647003 | 114666493 |
| 4 | 512125227 | 53214569 | 1070100 | 564269696 | 130066926 | - | 27831651 | 598756 | 157299821 | 406969875 | 382058301 |
| 5 | 8989926 | 7558386 | - | 16548312 | 2323669 | 2058576 | 997428 | - | 5379673 | 11168639 | 6666257 |
| 6 | 4457588 | 3669527 | - | 8127115 | 865744 | 986063 | 384598 | - | 2236405 | 5890710 | 3591844 |
| 7 | 13295585 | 4338962 | - | 17634547 | 2714541 | - | 790339 | - | 3504880 | 14129667 | 10581044 |
| 8 | 274490278 | 80363336 | - | 354853614 | 25041747 | - | 13600248 | - | 38641995 | 316211619 | 2494448531 |
| 9 | 16326352 | 366439 | - | 16692791 | 1362553 | - | 775899 | - | 2138452 | 14554339 | 14963799 |
| 10 | - | - | - | - | - | - | - | - | - | - | - |
| 11 | 8307066 | 4308667 | - | 12615733 | 2452707 | 591932 | 1029052 | - | 4073691 | 8542042 | 5854359 |
| 12 | 13399635 | - | - | 13399635 | 5992156 | - | 707501 | - | 6699657 | 6699978 | 7407479 |
| 13 | 462203 | - | - | 462203 | 272086 | - | 21955 | - | 294041 | 168162 | 190117 |
| 14 | 13427349 | 8138855 | - | 21566204 | 6536936 | 3123287 | 3346502 | - | 13006725 | 8559479 | 6890413 |
| T O T A L S | 1016370335 | 189412496 | 1070100 | 1204712731 | 188653625 | 6759858 | 53735381 | 598756 | 248550108 | 956162623 | 827716710 |

* Note:-Out of the total depreciation for the year amounting to 5,37,35,381/- Depreciation on R & D Equipment of Rs.1,36,00,248/- has been added to R & D Expenses (Previous Year Rs.1,26,82,524/-)



CONSOLIDATED SCHEDULES TO BALANCE SHEET

| | AS AT 31st Mar 2007 (Rupees) | AS AT 31st Mar 2006 (Rupees) |
|--|------------------------------------|------------------------------------|
| SCHEDULE-E | | |
| INVESTMENTS: | | |
| I. Trade Investments – (Long Term & Unquoted) : | | |
| a. In Subsidiaries | | |
| Share Application Money - in Suven Life Sciences USA LLC | - | - |
| b. In others: | | |
| Share Application Money - in Suven Nishtaa Pharma Pvt Ltd | 4825105 | - |
| 2. Non-Trade Investments : | | |
| Long Term Unquoted: | | |
| a) Equity Shares: | | |
| 100 Equity Shares of Rs.20/- each in G.S.F.C. Limited | 2,000 | 2,000 |
| b) Mutual Funds: | | |
| SBI Institutional Income Fund 44,60,324.7609 units of Rs.10 each (Previous 40,78,421.1194 units) | 44748208 | 40916760 |
| c) National Savings Certificates | 13,000 | 13,000 |
| T O T A L | 49588313 | 40931760 |
| Aggregate Value of Investments: | | |
| Quoted:- | | |
| - Book Value | 44748208 | 40916760 |
| - Market Value | 44748208 | 40916760 |
| Un-quoted:- | | |
| - Book Value | 4840105 | 15000 |
| Investments Purchased and Sold during the year | | |
| | Units | Cost (Rs.) |
| a) SBI Institutional Income Fund | 10964365.8113 | 110000000 |



CONSOLIDATED SCHEDULES TO BALANCE SHEET

| | AS AT 31st Mar 2007 (Rupees) | AS AT 31st Mar 2006 (Rupees) |
|---|------------------------------------|------------------------------------|
| SCHEDULE-F | | |
| INVENTORIES | | |
| (As valued and certified by the Management) | | |
| Raw Materials | 59428322 | 53574979 |
| Stores and Spares | 2527656 | 4219422 |
| Finished Goods | 98816505 | 99893836 |
| Stocks in Process | 68225875 | 69701351 |
| T O T A L | 228998358 | 227389588 |

| | | |
|------------------------------|------------------|------------------|
| SCHEDULE-G | | |
| TRADE RECEIVABLES | | |
| (Unsecured, Considered good) | | |
| Exceeding six months | 2160370 | 966984 |
| Others | 159260383 | 148938919 |
| T O T A L | 161420753 | 149905903 |

| | | |
|-------------------------------|-----------------|-----------------|
| SCHEDULE-H | | |
| CASH AND BANK BALANCES | | |
| Cash on hand | 442755 | 239983 |
| Balances with Scheduled Banks | | |
| --- in current accounts | 9208096 | 7984935 |
| --- in Deposits | 88100000 | 5483714 |
| T O T A L | 97750851 | 13708632 |

| | | |
|---|------------------|------------------|
| SCHEDULE-I | | |
| LOANS AND ADVANCES | | |
| (Unsecured, considered good, advances recoverable in cash or in kind or for value to be received) | | |
| Advances for Purchases | 13407643 | 5600379 |
| Advances for Expenses | 1252844 | 1401438 |
| Other Advances | 27472239 | 5397911 |
| Other Receivables | 43331960 | 45702777 |
| Deposits | 11208673 | 9668978 |
| Advance Tax | 89915301 | 74789104 |
| T O T A L | 186588660 | 142560587 |



CONSOLIDATED SCHEDULES TO BALANCE SHEET

| | AS AT 31st Mar 2007 (Rupees) | AS AT 31st Mar 2006 (Rupees) |
|---|------------------------------------|------------------------------------|
| SCHEDULE-J | | |
| CURRENT LIABILITIES AND PROVISIONS | | |
| A. CURRENT LIABILITIES | | |
| Liabilities for Capital Works | 33669866 | 20858998 |
| Liabilities for Purchases | 46728756 | 57412462 |
| Liabilities for Expenses | 38320017 | 37997566 |
| Unclaimed Dividend | 811653 | 773659 |
| Liabilities for statutory dues | 4317621 | 2084619 |
| Advance Received from Customers | 5470156 | - |
| (A) | 129318069 | 119127304 |
| B. PROVISIONS | | |
| -- for Taxation | 86436473 | 72203412 |
| -- for Dividend | 28816625 | 25000000 |
| -- for Corporate Dividend Tax | 4897385 | 3506250 |
| (B) | 120150483 | 100709662 |
| T O T A L (A+B) | 249468552 | 219836966 |



CONSOLIDATED SCHEDULES TO PROFIT & LOSS ACCOUNT

| | Current Year 31st Mar 2007 (Rupees) | Previous Year 31st Mar 2006 (Rupees) |
|-------------------------------------|---|--|
| SCHEDULE-K | | |
| INCOME FROM OPERATIONS | | |
| Sales | | |
| Exports | 878784347 | 615471463 |
| Domestic | 136301146 | 153928799 |
| Contract Technical Services (Gross) | 46340696 | 131712001 |
| Clinical Trials Services | 43434554 | - |
| Process Development Charges | 27761527 | - |
| TOTAL | 1132622270 | 901112263 |

SCHEDULE-L **OTHER INCOME**

| | | |
|---|-----------------|----------------|
| Interest-(Gross) | 1488795 | 810628 |
| (Tax Deducted at Source Rs.2,73,123/- Previous year Rs.3,44,783/-) | | |
| Dividend Income from Mutual Funds | 3831448 | 2099750 |
| Foreign Exchange Fluctuations - Gain (Net) | 9241134 | 4824517 |
| Gain on Investments | - | 418784 |
| T O T A L | 14561377 | 8153679 |

SCHEDULE-M **INCREASE / DECREASE IN STOCKS**

| | | |
|---------------------------------|------------------|------------------|
| Opening Stock : | | |
| Work - in - Progress | 69701351 | 88262784 |
| Finished Goods | 99893836 | 42928072 |
| A | 169595187 | 131190856 |
| Closing Stock : | | |
| Work - in - Progress | 68225875 | 69701351 |
| Finished Goods | 98816505 | 99893836 |
| B | 167042380 | 169595187 |
| Increase in Stocks (B-A) | (2552807) | 38404331 |



CONSOLIDATED SCHEDULES TO PROFIT & LOSS ACCOUNT

| | Current Year 31st Mar 2007 (Rupees) | Previous Year 31st Mar 2006 (Rupees) |
|---------------------------|---|--|
| SCHEDULE-N | | |
| MATERIALS CONSUMED | | |
| 1) Raw Materials | | |
| Opening Stock | 51106257 | 59048581 |
| Purchases | 426166952 | 337041843 |
| Less: Closing Stock | 59428322 | 51106257 |
| (A) | 417844887 | 344984167 |
| 2) Packing Materials | | |
| Opening Stock | 180228 | 168161 |
| Purchases | 3513740 | 2558008 |
| Less: Closing Stock | 156144 | 180228 |
| (B) | 3537824 | 2545941 |
| T O T A L (A+B) | 421382711 | 347530108 |

SCHEDULE-O MANUFACTURING EXPENSES

| | | |
|---------------------------------|-----------|-----------|
| Power & Fuel | 63435006 | 57714667 |
| Consumable Stores | 3572946 | 3085837 |
| Factory Upkeep Expenses | 21867255 | 14671355 |
| Environment Management Expenses | 4996801 | 6522112 |
| Safety Expenses | 1928058 | 1606712 |
| Quality Control Expenses | 6680938 | 7047922 |
| Repairs & Maintenance : | | |
| -- Buildings | 159226 | 199642 |
| -- Plant & Machinery | 24363337 | 15501795 |
| T O T A L | 127003567 | 106350042 |

SCHEDULE-P PERSONNEL EXPENSES

| | | |
|----------------------------------|----------|----------|
| Salaries, Wages & Bonus | 76746159 | 61943183 |
| Staff Welfare Expenses | 10266942 | 6312590 |
| Contribution to PF & Other Funds | 8268617 | 5476784 |
| T O T A L | 95281718 | 73732557 |



CONSOLIDATED SCHEDULES TO PROFIT & LOSS ACCOUNT

| Particulars | Current Year 31st Mar 2007 (Rupees) | Previous Year 31st Mar 2006 (Rupees) |
|-------------------------|---|--|
| SCHEDULE-Q | | |
| SELLING EXPENSES | | |
| Sales Promotion | 9557191 | 6398821 |
| Advertisement | 2590293 | 902327 |
| Carriage Outwards | 7183344 | 6432638 |
| Commission on Sales | 2164836 | 2106456 |
| T O T A L | 21495664 | 15840242 |

SCHEDULE-R FINANCIAL EXPENSES

| | | |
|---------------------------|-----------------|-----------------|
| Interest -- on Term Loans | 15019181 | 7828588 |
| -- on Others | 8358213 | 5151866 |
| Finance Charges | 6914740 | 4005652 |
| T O T A L | 30292134 | 16986106 |

SCHEDULE-S ADMINISTRATIVE & OTHER EXPENSES

| | | |
|----------------------------------|-----------------|-----------------|
| Rent | 7439152 | 6847451 |
| Rates & Taxes | 274106 | 412796 |
| Insurance | 8662221 | 8097735 |
| Communication Charges | 6545215 | 5097482 |
| Travelling & Conveyance | 15268291 | 12229530 |
| Printing & Stationery | 3700608 | 2912201 |
| Vehicle Maintenance | 2484677 | 2680409 |
| Directors Remuneration | 9706959 | 7835154 |
| Professional Charges | 7560950 | 5388189 |
| Payments to Auditors : | | |
| -- As Auditors | 250000 | 150000 |
| -- for Tax Matters | 150000 | 50000 |
| -- for other Services | 100000 | 50000 |
| -- for Expenses | 4312 | 1875 |
| Security Charges | 2740132 | 2498219 |
| Donations | 683952 | 1263698 |
| Repairs & Maintenance | 3191834 | 2146592 |
| Loss on Sale of Assets | 121344 | 3425243 |
| Bad Debts Written Off | - | 3909726 |
| Preliminary Expenses written off | 212515 | 212515 |
| General Expenses | 9657041 | 6495216 |
| T O T A L | 78753309 | 71704031 |



SCHEDULE - T NOTES ON CONSOLIDATED ACCOUNTS

1. Significant Accounting Policies :

(a) Consolidation

i) Basis of Consolidation:

The Consolidated financial statements of the company and its subsidiary have been prepared in accordance with the Accounting Standard -21 'Consolidated Financial Statements' issued by the Institute of Chartered Accountants of India.

ii) The consolidated financial statements include the accounts of Suven Life Sciences Limited and wholly owned subsidiary.

| | | |
|---|---|-----------------------------|
| Name of Subsidiary | : | Suven Life Sciences USA LLC |
| Country of Incorporation | : | USA |
| Holding Company's Interest | : | 100% |
| Financial Year of the Subsidiary Ended on | : | 31st March, 2007. |

(iii) Principles of Consolidation:

The financial statements of the company and its subsidiary have been combined on a line to line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transaction, except wherever otherwise stated.

The financial statements of the subsidiary have been regrouped with those of the parent company wherever considered necessary.

(b) Foreign Exchange Translation:

The translation of foreign currency into Indian rupee is performed by translating Assets and Liabilities excluding the share capital using the exchange rate as at the Balance Sheet date. For translating revenues, cost and expenses weighted average exchange rate prevailing during the reporting period is used. The resultant currency translation exchange gain or loss is transferred to Foreign Exchange Translation Reserve in Reserves & Surplus.

(c) Other Significant Accounting Policies:

These are set out under significant accounting policies as given in the unconsolidated financial statements of the company and its subsidiaries.

2. Contingent Liabilities not provided for

| Particulars | Current Year | Previous Year |
|--|--------------|---------------|
| Guarantees given by Banks | 3,92,905 | 2,51,258 |
| Un expired Letters of Credit | 6,69,18,255 | 2,78,42,556 |
| Disputed Income Tax demands against which Company is in Appeal | 1,17,27,195 | - |

3. Capital commitments not provided for on account of pending execution (net of advance) Rs. 4,83,32,536/- (Previous year Rs.2, 16,98,279/-)



4. Income taxes

a. Income tax Expense

| Particulars | Year ended 31-03-2007 | Year ended 31-03-2006 |
|--------------------|--------------------------|--------------------------|
| Current Tax | 1,15,60,000 | 70,34,000 |
| Deferred Tax | (1,79,00,960) | (65,11,176) |
| Fringe Benefit Tax | 12,52,000 | 5,28,000 |
| Total | 50,88,960 | 10,50,824 |

b. Deferred tax Liabilities / Deferred tax Assets

| Particulars | Year ended 31-03-2007 | Year ended 31-03-2006 |
|-----------------------------------|--------------------------|--------------------------|
| Deferred Tax Liabilities | | |
| Depreciation | 19,88,62,346 | 15,96,99,488 |
| Total | 19,88,62,346 | 15,96,99,488 |
| Deferred Tax Assets | | |
| Unabsorbed Dep. & Loss | 13,44,58,208 | 8,11,35,777 |
| MAT Credit | 1,15,60,000 | 70,34,000 |
| Total | 14,60,18,208 | 8,81,69,777 |
| Net Deferred Tax Liability | 5,28,44,138 | 7,15,29,711 |

5. Excise Duty amounting to Rs.33,55,400/- on Closing Stock of finished Goods has been provided during the year to comply with ' Guidance Note on Accounting treatment for Excise duty' issued by Institute of Chartered Accountants of India.

6. Earning per Share

| Particulars | Year ended 31-03-2007 | Year ended 31-03-2006 |
|---|--------------------------|--------------------------|
| Net Profit after tax available for Equity shareholders | 11,26,42,732 | 8,46,26,965 |
| Weighted average of number of Equity shares outstanding during the year | 2,61,99,399 | 2,50,00,000 |
| Basic and Diluted Earnings per Equity share | 4.30 | 3.39 |

7. Related Party Transactions

List of and relationship with related parties with whom transactions have taken place during the year:

| | | | |
|---------------------------|------------------------|----------------------------------|--------------------------|
| a) Associates | : 1) | Tribute Pharmaceuticals Pvt Ltd. | |
| b) Key managerial Persons | : 1) | Venkat Jasti. | |
| | 2) | Sudha Rani Jasti. | |
| | | Associates | Key Managerial Person |
| | | | Total |
| Purchase of goods | -Nil- | ---- | 20,34,648 (21,18,306) |
| Sale of goods | -Nil- | ----- | -Nil- (2,15,06,873) |
| Loans - Given | -Nil- (1,55,23,437) | ----- | -Nil- (1,55,23,437) |
| Loans -Repaid | -Nil- (1,52,91,419) | ----- | -Nil- (1,52,91,419) |
| Remuneration | ----- | 97,06,959 (78,35,154) | 97,06,959 (78,35,154) |

Note: Figures in bracket indicates previous year figures.



8 a) **Segmental Information (2006-07)**

Segments have been identified and reported taking into account the nature of products, the differing risk and returns, the organisation structure, and the internal financial reporting scheme. The company has identified the following segments as its reportable segments: a) Intermediates under Contract Services b) Bulk Drugs c) Other intermediates, fine Chemicals and other products d) Research and Development Intermediates under contract services products are developed and produced on an exclusive basis under contract Manufacturing services

Bulk Drugs are those products which are directly used for manufacturing the formulations. These products are marketed by procuring the orders.

Other Intermediates and fine chemicals are products like chemicals, Intermediates and Finechemicals those are marketable by procuring the orders.

Geographical Segments

The Company has identified the following geographical reportable segments:

- a) India-The company sells Bulk Drugs and Intermedites and Fine Chemicals.
- b) U.S.A -The company sells Intermediates
- c) Europe--The company sells Bulk Drugs and Intermedites
- d) Asia-The company sells Bulk Drugs and Intermedites

Information pertaining to Business Segment - primary

| Particulars | Intermediates under Contract Services | Bulk Drugs | Other Intermediates, Finechemicals and other Products | Research and Development | Un allocated | Total |
|-------------------------|---|-------------------|---|-----------------------------|-----------------|--------------------|
| Segment Revenue | | | | | | |
| External Sales | 890022016 | 133686930 | 108913324 | - | -- | 1132622270 |
| | (728614131) | (83903703) | (88591429) | - | -- | (901109263) |
| Inter Segmental Adj. | - | - | - | - | - | - |
| | - | - | - | - | - | - |
| Total | 890022016 | 133686930 | 108913324 | - | -- | 1132622270 |
| | (728614131) | (83903703) | (88591429) | - | -- | (901109263) |
| Segment Result | | | | | | |
| Operating Profit | 439725456 | 20507845 | 15284250 | (190015736) | (169132026) | 116369789 |
| | (398187908) | (12196751) | (12864942) | (-195671076) | (-157805131) | (69773394) |
| Other Income | - | - | - | - | - | 14561377 |
| | - | - | - | - | - | (8153679) |
| Interest Expense | - | - | - | - | - | 23377394 |
| | - | - | - | - | - | (12980454) |
| Income Tax -Current Tax | - | - | - | - | - | 11560000 |
| | - | - | - | - | - | (7056305) |
| -Deferred Tax | - | - | - | - | - | (17900960) |
| | - | - | - | - | - | (-6511176) |
| -Fringe Benefit Tax | - | - | - | - | - | 1252000 |
| | - | - | - | - | - | (528000) |
| Net Profit | | | | | | 112642732 |
| | | | | | | (63873490) |

**Other Information**

| | | | | | | |
|---------------------|----|----|----|-------------|--------------|--------------|
| Segment Assets | -- | -- | -- | 355565294 | 1376846946 | 1732412240 |
| | -- | -- | -- | (276155667) | (1154102260) | (1430257927) |
| Segment Liabilities | -- | -- | -- | 14896346 | 234572206 | 249468552 |
| | -- | -- | -- | (9151309) | (210685657) | (219836966) |
| Capital employed | -- | -- | -- | 340668948 | 1142274740 | 1482943688 |
| | -- | -- | -- | (267004358) | (943416603) | (1210420961) |
| Capital Expenditure | -- | -- | -- | 105746706 | 83665790 | 189412496 |
| | -- | -- | -- | (89778747) | (53612793) | (143391540) |
| Depreciation | -- | -- | -- | 13600248 | 40135133 | 53735381 |
| | -- | -- | -- | (13068920) | (34186471) | (47255391) |

Note: Figures in brackets relates to 2005-2006

b) Geographical Information

| | Revenue | | Location Assets | | Additions to Fixed Assets | |
|--------|---------------------|---------------------|---------------------|---------------------|---------------------------|---------------------|
| | As on 31.03.2007 | As on 31.03.2006 | As on 31.03.2007 | As on 31.03.2006 | As on 31.03.2007 | As on 31.03.2006 |
| INDIA | 156791506 | 184426469 | 1203205379 | 1015043901 | 189231578 | 141959960 |
| U S A | 235035215 | 241670151 | 1507352 | 1326434 | 180918 | 1326434 |
| EUROPE | 394044820 | 141508179 | ---- | ---- | ---- | ---- |
| ASIA | 346750729 | 333507464 | ---- | ---- | ---- | ---- |
| | 1132622270 | 901112263 | 1204712731 | 1016370335 | 189412496 | 143286394 |

- 9 On account of the Merger of M/s. Asian Clinical Trials Limited with the company w.e.f. 01.04.2006, previous year figures are not comparable with the current year figures
- 10 Previous year figures have been regrouped wherever considered necessary to conform to this year's classification.

Signatures of Schedules A to T

As per our report of even date
for **KARVY & COMPANY**
Chartered Accountants

K. Ajay Kumar
Partner

Place : Hyderabad
Date : 31-07-2007

for and on behalf of the Board of Directors

Venkateswarlu Jasti
Vice Chairman & C E O

Sudha Rani Jasti
Wholetime Director

K. Hanumantha Rao
Company Secretary



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. In lakhs)

| | For the year ended 31.03.2007 | | For the year ended 31.03.2006 | |
|--|-------------------------------|------------|-------------------------------|------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES : | | | | |
| Net Profit before Tax and Extraordinary Items | | 1,075.54 | | 649.47 |
| Adjustments for : | | | | |
| Depreciation | 401.35 | | 472.55 | |
| Interest Income | (14.89) | | (8.11) | |
| Unrealised Foreign Exchange | - | | 7.16 | |
| Interest on Borrowings | 302.67 | | 165.26 | |
| Loss on Disposal of Assets | 1.21 | | 34.25 | |
| Loss on Disposal of Investment | - | | (4.19) | |
| Dividend Income | (38.31) | | (21.00) | |
| Miscellaneous Expenditure Amortised | 2.13 | | 2.13 | |
| | | 654.16 | | 648.05 |
| Operating Profit Before Working Capital Changes | | 1,729.70 | | 1,297.52 |
| Adjustments for : | | | | |
| Trade and Other Receivables | (234.55) | | 81.00 | |
| Inventories | (16.09) | | (342.78) | |
| Trade Payables and Other Liabilities | 296.31 | | (389.93) | |
| Increase/(Decrease) in Net Current Assets | | 45.67 | | (651.71) |
| Cash Generated From Operations | | 1,775.37 | | 645.81 |
| Adjustments for : | | | | |
| Income Tax & Fringe Benefit Tax | 151.26 | | 102.58 | |
| | | 151.26 | | 102.58 |
| NET CASH FROM OPERATING ACTIVITIES A | | 1,624.11 | | 543.23 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Purchase of Investments | | (86.56) | | 278.19 |
| Purchase of Fixed Assets | | (2,016.00) | | (1,334.90) |
| Sale of Fixed Assets | | 3.50 | | 90.90 |
| Interest Received | | 14.89 | | 8.11 |
| Dividends received | | 38.31 | | 21.00 |
| Net Cash Used In Investing Activities B | | (2,045.86) | | (936.70) |



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007 (CONTD.)

(Rs. In lakhs)

| | For the year ended 31.03.2007 | | For the year ended 31.03.2006 | |
|--|-------------------------------|-----------------|-------------------------------|-----------------|
| C. CASH FLOW FROM FINANCING ACTIVITIES : | | | | |
| Borrowings (Net) | | 1,781.33 | | 688.56 |
| Interest Paid on borrowings | | (302.67) | | (165.26) |
| Issue of capital with Premium | | 68.58 | | - |
| Dividend Payouts (including Dividend Tax) | | (285.06) | | (250.00) |
| NET CASH USED IN FINANCING ACTIVITIES C | | 1,262.18 | | 273.30 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | | 840.43 | | (120.17) |
| Cash and Cash Equivalents at the beginning the year | | 137.08 | | 257.25 |
| Cash and Cash Equivalents at the end of the year | | 977.51 | | 137.08 |

for and on behalf of the Board of Directors

for **KARVY & COMPANY**
Chartered Accountants


K. Ajay Kumar
Partner


Place : Hyderabad
Date : 31-07-2007

Venkateswarlu Jasti
Vice Chairman & C E O

Sudha Rani Jasti
Wholetime Director

K. Hanumantha Rao
Company Secretary





SUVEN LIFE SCIENCES USA LLC
(Wholly Owned Subsidiary Company)

FINANCIAL STATEMENTS

AS OF MARCH 31, 2007



REPORT OF INDEPENDENT AUDITORS

To the member's of
Suven Life Sciences USA LLC.

We have audited the accompanying balance sheet of Suven Life Sciences USA LLC. (a wholly owned subsidiary of Suven Life Sciences Limited, India) as of March 31, 2007, and the related statement of operations, cash flows and statement of changes in member's equity for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts

and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suven Life Sciences USA LLC. (a wholly owned subsidiary of Suven Life Sciences Limited, India) as of March 31, 2007, and the results of its operations, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

RAM ASSOCIATES

Hamilton, NJ
July 3, 2007

MANAGEMENT'S REPORT

The Company is responsible for preparation of the accompanying balance sheet and the related statements of earnings, shareholders' equity and cash flows. They have been prepared in conformity with accounting principles generally accepted in the United States, which have been applied on a consistent basis, and management believes that they present fairly the Company's financial position, results of operations and cash Flows. The integrity of the information presented in the financial statements, including estimates and judgments relating to matters not concluded by fiscal year-end, is the responsibility of management. To fulfill this responsibility,

an internal control structure, designed to protect the Company's assets and properly record transactions and events as they take place, has been developed, placed in operation and maintained. The internal control structure is tested and evaluated by the independent auditors to the extent considered necessary by them in expressing an opinion on the financial statements. The Board of Directors is responsible for financial information and review.

Venkat Jasti
President and Chief Executive Officer



SUVEN LIFE SCIENCES USA LLC
(A WHOLLY -OWNED SUBSIDIARY OF SUVEN LIFE SCIENCES LIMITED, India)
BALANCE SHEET
AS OF MARCH 31, 2007

| ASSETS | 03/31/07 (US Dollar) |
|---|-------------------------|
| Current assets | |
| Cash | 5,666 |
| Total current assets | <u>5,666</u> |
| Other assets | 24,149 |
| TOTAL ASSETS | <u>29,815</u> |
| MEMBER'S EQUITY | |
| Member's equity | |
| Contributed by parent company - Suven Life Sciences Ltd., India | 1,277,865 |
| Accumulated deficit | <u>(1,248,050)</u> |
| Total member's equity | <u>29,815</u> |
| TOTAL LIABILITIES AND MEMBER'S EQUITY | <u>29,815</u> |

SUVEN LIFE SCIENCES USA LLC
(A WHOLLY OWNED SUBSIDIARY OF SUVEN LIFE SCIENCES LIMITED, India)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2007

| | 03/31/07 (US Dollar) |
|-------------------------------------|-------------------------|
| Gross revenue | 44,000 |
| Cost of sales | <u>44,000</u> |
| Gross profit | - |
| Operating expenses | |
| General and administrative expenses | <u>11,272</u> |
| Net loss before income taxes | (11,272) |
| Income tax | 500 |
| Net loss | <u>(11,772)</u> |



SUVEN LIFE SCIENCES USA LLC
(A WHOLLY OWNED SUBSIDIARY OF SUVEN LIFE SCIENCES LIMITED, India)
STATEMENTS OF CHANGES IN MEMBER'S EQUITY
March 31, 2007

| | Member's equity (US Doller) | Accumulated deficit (US Doller) | Total member's equity (US Doller) |
|---------------------------|-----------------------------------|---------------------------------------|---|
| Balance at March 31, 2006 | 1,277,865 | (1,236,278) | 41,587 |
| Net loss | - | (11,772) | (11,772) |
| Balance at March 31, 2007 | 1,277,865 | (1,248,050) | 29,815 |

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007

| | 03/31/07 (US Doller) |
|--|-------------------------|
| Cash flows from operating activities | |
| Net loss | (11,772) |
| Adjustment to reconcile net loss to net cash provided by operating activities | |
| (Increase) / Decrease in accounts receivable | 225,889 |
| (Increase) / Decrease in other current assets | 23,336 |
| Increase / (Decrease) in accounts payable and accrued expenses | (292,656) |
| Total adjustments | (43,431) |
| Net cash provided by operating activities | (55,203) |
| Net decrease in cash | (55,203) |
| Cash at the beginning of the year | 60,869 |
| Cash at the end of the year | 5,666 |
| Supplementary disclosure of cash flows information | |
| Cash paid during the year for income tax | 500 |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2007

NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

1. NATURE OF BUSINESS

Suven Life Sciences USA LLC. (the "Company") is a New Jersey Limited Liability Company, which was organized on May 09, 2003, a wholly owned subsidiary of Suven Life Sciences Ltd, India (the "Parent"). The Company was established to promote research and development efforts in the United States of America. To strengthen the drug discovery related services, in June 2003, the Company acquired assets from Synthon Chiragencies Corporation, a New Jersey based company specializing in carbohydrate based chiral technology for pharmaceuticals.

Since March 31, 2006, the Company has ceased most of its operations in the USA. The parent company provides financial support for all operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP"); consequently, revenue is recognized when services are rendered and expenses reflected when costs are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates. Management periodically evaluates estimates used in the preparation of the consolidated financial statements for continued reasonableness.

Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

Revenue Recognition

Revenues are recognized from contract research and development on prior acceptance and complete contract basis.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less.

Concentration of credit risk

Financial instruments that potentially subject Company to concentrations of credit risk consist principally of cash and trade receivables. Company places its cash in several high credit quality financial institutions. At times, such cash may be in excess of the FDIC insurance limits.

3. LITIGATION AND CONTINGENCIES

The Company does not have any knowledge of any involvement in legal proceedings, either of which the company has initiated or has been brought against it. The Company's liabilities have been reported on the balance sheet and have no knowledge of any further liabilities or contingencies.



4. OTHER ASSETS

The Company has \$ 24,149 in other assets at year ended March 31, 2007, recoverable from Suven Life Sciences Limited - U.S.A, consist of:-

| | US Doller |
|---|---------------|
| Rent expense | 5,583 |
| Deposits | 11,167 |
| Recoverable from Suven Life Sciences, India | 7,399 |
| Total | <u>24,149</u> |

The company has to recover \$ 46,485 from Suven Life Sciences Limited, USA and has to pay net \$22,336 to Suven Life Sciences Limited, India.

5. COMMITMENTS

The company has not leased any office facilities. It uses common space with the parent company.





SUVEN LIFE SCIENCES LIMITED

FINANCIAL STATEMENTS

AS OF MARCH 31, 2007

PREPARED IN COMPLIANCE WITH

ACCOUNTING PRINCIPLES GENERALLY ACCEPTED

IN

UNITED STATES

(UNAUDITED)



CONSOLIDATED BALANCE SHEETS AS AT MARCH 31, 2007

(Expressed in Indian Rupees, except share data and as otherwise stated)

| | As at March 31, | |
|--|----------------------|----------------------|
| | 2007 | 2006 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 88,839,218 | 12,884,240 |
| Restricted cash and cash equivalents | 8,911,633 | 6,257,353 |
| Marketable securities | 44,748,208 | 40,916,760 |
| Account receivables, net | 118,523,484 | 142,578,529 |
| Notes receivable | 20,000,000 | - |
| Inventories | 260,647,628 | 244,126,936 |
| Prepaid expenses | 4,625,529 | 3,659,483 |
| Income tax receivable | 3,806,160 | 1,667,022 |
| Other current assets | 62,077,989 | 55,728,703 |
| Total current assets | 612,179,849 | 507,819,026 |
| Other non current assets | 16,046,778 | 10,466,098 |
| Deferred income taxes | - | 784,613 |
| Property plant and equipment, net | 775,530,029 | 670,435,614 |
| Total Assets | 1,403,756,656 | 1,189,505,351 |
| LIABILITY AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Short term borrowings | 95,354,737 | 74,043,681 |
| Current portion of long-term borrowings | 84,412,272 | 52,598,588 |
| Current installment of capital lease obligations | - | 215,764 |
| Accounts payable | 112,283,226 | 112,884,714 |
| Advances received from customers | 5,470,156 | - |
| Deferred revenue | 21,475,000 | - |
| Accrued payroll | 4,860,013 | 3,388,185 |
| Other current liabilities | 5,129,274 | 3,064,443 |
| Total current liabilities | 328,984,678 | 246,195,375 |
| Long term borrowings, excluding current portion payable | 235,140,980 | 109,916,988 |
| Other non current liabilities | 7,151,677 | 6,026,676 |
| Deferred income taxes | - | 15,637,838 |
| Total liabilities | 571,277,335 | 377,776,877 |
| Contingencies and Commitments (Note No.26) | | |
| Stockholders' Equity | | |
| Common stock, Rs 1 par value, 200,000,000 equity shares authorized as at March 2007 and common stock, Rs 2 par value 50,000,000 equity shares authorized as at March 2006: | | |
| Issued and outstanding 115,266,500 and 100,000,000 equity shares of Rs 1 each as at March 31, 2007 and 2006 respectively. | 115,266,500 | 50,000,000 |
| Additional paid-in capital | 400,379,117 | 421,970,756 |
| Retained earnings | 318,564,543 | 313,376,320 |
| Accumulated other comprehensive losses | (1,730,839) | (934,317) |
| Stockholder's equity of Asian Clinical Trials Limited | - | 27,315,715 |
| Total stockholders' equity | 832,479,321 | 811,728,474 |
| Total liabilities and stockholders' equity | 1,403,756,656 | 1,189,505,351 |

The accompanying notes form an integral part of these consolidated financial statements



CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED MARCH 31, 2007

(Expressed in Indian Rupees, except share data and as otherwise stated)

| | Years Ended March 31, | |
|---|-----------------------|--------------------|
| | 2007 | 2006 |
| Revenues | | |
| Sale of Products | 991,431,810 | 777,242,463 |
| Services | 94,073,857 | 200,804,430 |
| (Sale of Products includes excise duty of Rs 13,340,791 and Rs 19,835,008 for the years ended March 31, 2007 and 2006 respectively) | | |
| | 1,085,505,667 | 978,046,893 |
| Cost and expenses | | |
| Cost of goods sold | 572,987,569 | 412,228,693 |
| Cost of services | 41,517,789 | 52,375,921 |
| Research and development expenses | 206,780,138 | 212,342,874 |
| Selling, general and administrative expenses | 166,117,049 | 186,067,046 |
| Depreciation | 60,397,775 | 51,139,887 |
| | 1,047,800,320 | 914,154,421 |
| Operating income | 37,705,347 | 63,892,472 |
| Interest earned | 1,488,795 | 810,628 |
| Interest expenses | (23,377,394) | (13,236,274) |
| Other income, net | 13,799,887 | 4,541,043 |
| Income from continuing operations before income taxes | 29,616,635 | 56,007,869 |
| Income tax benefit | 4,077,838 | 6,931,283 |
| Net income | 33,694,473 | 62,939,152 |
| Earnings per share | | |
| Basic | 0.29 | 0.63 |
| Diluted | 0.29 | 0.63 |
| Weighted average common stock outstanding - Basic | 114,961,251 | 100,000,000 |
| Weighted average common stock outstanding - Diluted | 115,210,239 | 100,325,153 |

The accompanying notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(Expressed in Indian Rupees, except share data and as otherwise stated)

| | Common Stock Shares | Common Stock Par Value | Additional Paid in-capital | Retained Earnings | Accumulated other comprehensive loss | Stockholders' of Asian Clinical Trials Limited | Total Stockholders' equity |
|--|------------------------|---------------------------|-------------------------------|----------------------|---|--|----------------------------------|
| Balance as at March 31, 2005 | 100,000,000 | 50,000,000 | 421,970,756 | 291,616,865 | (1,465,205) | 12,851,028 | 774,973,444 |
| Issue of common stock | - | - | - | - | - | 1,791,240 | 1,791,240 |
| Unrealized holding loss on available for sale securities, net of tax | - | - | - | - | (398,127) | - | (398,127) |
| Net income | - | - | - | 50,265,705 | - | 12,673,447 | 62,939,152 |
| Currency translation adjustments | - | - | - | - | 929,015 | - | 929,015 |
| Comprehensive income | - | - | - | - | - | - | 63,470,040 |
| Dividends, including dividend tax | - | - | - | (28,506,250) | - | - | (28,506,250) |
| Balance as at March 31, 2006 | 100,000,000 | 50,000,000 | 421,970,756 | 313,376,320 | (934,317) | 27,315,715 | 811,728,474 |
| Issue of common stock on exercise of stock options | 91,625 | 183,250 | 6,674,881 | - | - | - | 6,858,131 |
| Issue of common stock to the members of Asian Clinical Trials Limited | 3,725,000 | 7,450,000 | - | - | - | (7,450,000) | - |
| Adjustment on account of assets acquired under pooling of interest method | - | - | 19,865,715 | - | - | (19,865,715) | - |
| Net income | - | - | - | 33,694,473 | - | - | 33,694,473 |
| Currency translation adjustments | - | - | - | - | (796,522) | - | (796,522) |
| Comprehensive income | - | - | - | - | - | - | 32,897,951 |
| Stock based compensation | - | - | 9,501,015 | - | - | - | 9,501,015 |
| Stock dividend | 3,816,625 | 57,633,250 | (57,633,250) | - | - | - | - |
| Stock split | 7,633,250 | - | - | - | - | - | - |
| Dividends, including dividend tax | - | - | - | (28,506,250) | - | - | (28,506,250) |
| Balance as at March 31, 2007 | 115,266,500 | 115,266,500 | 400,379,117 | 318,564,543 | (1,730,839) | - | 832,479,321 |

The accompanying notes form an integral part of these consolidated financial statements



CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2007

(Expressed in Indian Rupees)

| | Year Ended March 31, | |
|--|----------------------|---------------------|
| | 2007 | 2006 |
| Cash Flows From Operating Activities | | |
| Net income | 33,694,473 | 62,939,152 |
| Adjustment to reconcile net Income to net cash provided by operating activities | | |
| Depreciation | 90,762,425 | 80,494,208 |
| Deferred income taxes | (14,853,225) | (16,892,924) |
| Stock based compensation | 9,501,015 | - |
| Loss/ (gain) on sale of property, plant and equipment | (296,495) | 2,953,764 |
| Profit on sale of available for sale securities | - | (418,784) |
| <u>Changes in operating assets and liabilities</u> | | |
| Decrease in accounts receivables, net | 24,055,045 | 15,925,205 |
| Increase in notes receivable | (20,000,000) | - |
| Increase in inventory | (16,520,692) | (35,184,167) |
| (Increase)/decrease in prepaid expenses | (966,046) | 160,800 |
| Increase in other current assets | (6,349,286) | (26,446,704) |
| Increase in other non current assets | (5,580,680) | (363,954) |
| Increase in tax receivable | (2,139,138) | (315,673) |
| (Decrease)/increase in accounts payable | (601,488) | 3,312,975 |
| Increase/(decrease) in accrued payroll | 1,471,828 | (4,524,813) |
| Increase in deferred revenue | 21,475,000 | - |
| Decrease in other current liabilities | (5,275,881) | (3,092,664) |
| Increase in other non current liabilities | 1,125,001 | 255,717 |
| Net cash provided by operating activities A | 109,501,856 | 78,802,138 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (183,099,478) | (133,602,741) |
| Proceeds from sale of property, plant and equipment | 350,000 | 6,438,297 |
| Investments in available for sale securities | (113,831,448) | (108,530,713) |
| Proceeds from sale of available for sale securities | 110,000,000 | 138,967,784 |
| (Increase)/decrease in restricted cash and cash equivalents | (2,654,279) | 11,996,642 |
| Net cash used in investing activities B | (189,235,205) | (84,730,731) |



CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2007

(Expressed in Indian Rupees)

| | Year Ended March 31, | |
|---|----------------------|------------------|
| | 2007 | 2006 |
| Cash flows from financing activities | | |
| Proceeds from issuance of common stock | 6,858,131 | - |
| Additional short-term borrowing obtained | 21,311,056 | - |
| Repayment of short term borrowings | - | (32,806,243) |
| Additional long term borrowing obtained | 157,037,676 | 71,455,018 |
| Payments under capital lease obligations | (215,764) | (194,012) |
| Cash dividends paid | (25,000,000) | (25,000,000) |
| Tax on dividends paid | (3,506,250) | (3,506,250) |
| Net cash provided by financing activities C | 156,484,849 | 9,948,513 |
| Effect of exchange rate changes on cash and cash equivalents D | (796,522) | 929,015 |
| Net increase in cash and cash equivalents A+B+C+D | 75,954,978 | 4,948,935 |
| Cash and cash equivalents at the beginning of the year | 12,884,240 | 7,935,305 |
| Cash and cash equivalents at the end of the year | 88,839,218 | 12,884,240 |
| Supplementary information | | |
| Income tax paid | 15,126,197 | 8,796,818 |
| Interest paid | 23,377,394 | 13,236,274 |

The accompanying notes form an integral part of these consolidated financial statements



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Company overview and description of business

Incorporation and history:

Suven Life Sciences Limited ("Suven" or "the Company") together with its 100 per cent owned subsidiary Suven Life Sciences USA LLC, collectively, "the Group" or "the Company", is one of the leading pharmaceuticals company with its focus on drug discovery and development support services, collaborative research services and contract research and manufacturing services. Mr. Venkateswarlu and Mrs. Sudha Rani promoted the Company in 1989 for manufacturing of bulk actives and drug intermediates. To reflect the current business model adopted by Suven, which offers services to Global Life Sciences Companies, in fiscal year 2003 the name of the Company was changed to Suven Life Sciences Limited from Suven Pharmaceuticals Limited.

Operations

Suven is in supply chain of Global Life Science Companies for their New Chemicals Entities (NCE) by developing and supplying intermediates starting from Phase I and till launching. The Company's principal areas of business are as follows:

Manufacturing of pharmaceutical products:

The manufacturing of pharmaceutical products primarily comprises of manufacturing and supply of bulk active pharmaceutical ingredients, intermediates and fine chemicals. Further under contract research and manufacturing services the Company provides research and development, supplies to clinical trials and pilot scale manufacturing on an exclusive basis under co-operation and secrecy agreements.

Discovery, research and development services:

The Company provides contract drug discovery and development support services in the fields of medicinal chemistry, process chemistry, analytical chemistry, central nervous system pharmacology and Phase-I bio-analysis.

The Company under the brand Asian Clinical Trials, a division of Suven also provides range of services including phase II/III/IV clinical trials, post marketing surveillances and clinical data management to guide pharmaceutical, biotechnology, and medical device companies.

The principal market for discovery, research and development services is the USA and Europe and bulk actives and other intermediates are primarily sold to the domestic customers.

2. Summary of significant accounting policies

Basis of preparation of financial statements

The accompanying consolidated financial statements have been prepared in compliance with the Accounting Principles Generally Accepted in the United States (US GAAP). The accompanying financial statements have

been prepared in Indian Rupees (INR), being the reporting currency of the Company.

The Group also separately prepares its consolidated financial statements for the same period in accordance with accounting principles generally accepted in India ("Indian GAAP"). The principle differences between Indian GAAP and US GAAP relate to the treatment of certain, deferred tax items, revenue recognition, estimated useful lives of long-lived assets, business combination and accruing for vacation pay.

Certain reclassifications have been made to conform prior year data to the current presentation. These reclassifications had no effect on reported earnings.

Use of estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with US GAAP. Significant estimates and assumptions are used for, but not limited to, allowance for uncollectible accounts receivable, the useful lives of property, plant and equipment and income tax valuation allowances. Actual results could differ from those estimates.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, which are more than 50 per cent owned and controlled by Suven. All inter-company balances and transactions have been eliminated in consolidation.

Functional currency and exchange rate translation

The functional currency of the Company, except Suven Life Sciences USA LLC is Indian Rupees ("INR"), being the currency of the primary economic environment in which the Company operates. The functional currency of Suven Life Sciences USA LLC, the consolidated subsidiary is US Dollars, being the currency of primary economic environment in which it operates. The translation of the functional currency of the subsidiary into the INR is performed for balance sheet accounts using the exchange rate in effect at the balance sheet date and for revenue and expense accounts using an appropriate monthly weighted-average exchange rate for the respective periods. The gains or losses resulting from such translation are reported as a separate component of stockholders' equity.

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing on the date of respective transactions. Monetary assets and liabilities in foreign currency are translated into functional currency at the exchange rates prevailing on the balance sheet date. The resulting exchange gains/(losses) are included in the consolidated statement of income.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Revenue recognition

The principal revenue generating activities of the Company comprises of sale of pharmaceutical products and rendering of related services.

(i) Revenue from sale of products is recognized when significant risks and rewards in respect of ownership of the products are transferred to the customer and when the following criteria are met:

- Persuasive evidence of an arrangement exists;
- The price to the buyer is fixed and determinable; and
- Collectibility of the sales price is reasonably assured.

Revenue from domestic sales is recognized on despatch of the products to customers. Revenue from export sales is recognized when significant risks and rewards are transferred to customers, which is based on terms of contract.

Revenue from sale of products include transport and handling charges, excise duty on domestic sales and are shown net of discounts, sales returns, and value added tax.

(ii) Revenue from services

Revenues from clinical trial services comprise fees received for research activities carried out for customers. Research activities are based on contracts that specify the nature of activity to be carried out and revenues are recognized as services are rendered, in accordance with the terms of the contracts.

Revenue from analytical services is recognized as services are rendered, provided that persuasive evidence of an arrangement exists, there are no remaining obligations with respect to the services rendered and collection is considered probable.

Revenue from collaborative research and development arrangements is recognized only when the remaining obligations under such contracts are determined to be inconsequential or perfunctory. Up-front payments received under such arrangements are deferred and are recognized in the income statements over the period in which the Company perform services or when the Company has completed all its performance obligations.

Cost of revenues

Cost of goods sold comprises costs of direct labour, stock compensation, material costs and other direct costs incurred in producing bulk active, intermediates, fine chemicals and contract research and management services supplies but exclude depreciation. Costs of services comprise costs of direct labour, stock compensation, material costs and other direct costs related to the Company's research activities but excludes depreciation.

Research and development expenses

Expenditure on Research and Development (R&D) activities is expensed as and when incurred. However, the expenditure on capital assets having alternative use either in R&D activity or otherwise are capitalized and amortized over the estimated useful lives of the assets, as determined by Management. Depreciation on R&D assets is included in the R&D expenses.

Other income

Other income of the Company comprises of foreign exchange gains, dividends on short terms investments; gain on sale of property, plant and equipment and other miscellaneous receipts. The Company recognizes such income on accrual basis.

Cash and cash equivalents

Cash and cash equivalents include cash balance on hand, cash at bank and other unrestricted short term fixed deposits. The Company considers the short-term investments with an original maturity period of three months or less as cash and cash equivalents.

Restricted cash and cash equivalents

Restricted cash and cash equivalents comprise of short-term deposits with bank against the use of letters of credit as issued by various banks and other cash balance earmarked for specific liabilities.

Marketable securities

The Company has adopted Statement of Financial Accounting Standards (SFAS), No. 115, "Accounting for Certain Investments in Debt and Equity Securities" for accounting of its investment in marketable securities. The marketable securities of the Company comprise of short-term investment classified as Available for Sale Securities (AFS). The unrealized holding gains or losses, net of income taxes on each balance sheet date on AFS are reported as a separate component of stockholders equity.

Account receivables

Account receivables are stated net of allowances for bad and doubtful receivables. The Company provides for bad and doubtful receivables on the specific receivables based on the account aging and past experience with customers. Accounts receivables are collateralized against borrowings from banks.

Inventories

Inventories comprise (i) finished goods (ii) raw materials (iii) work-in-process (iv) packing materials and (v) stores and consumables. Inventories are stated at the lower of cost or market value. Cost is determined using the first-in-first-out method for all categories of inventories.

Cost in the case of raw materials, packing material and stores and consumables comprises the purchase price



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

and attributable direct costs, less trade discounts. Cost in the case of work-in-process and finished goods comprise direct labor, material costs and production overheads.

Inventories are reviewed on a regular basis for identification of slow-moving and obsolete inventory, which are written down in the period of identification and are included in cost of goods sold.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment includes freight, duties net of duties recoverable, taxes and any other attributable cost for bringing the asset to its working condition for its intended use.

Property, plant and equipment under construction and not ready for their intended use, and advances paid for the supply of capital goods are considered as construction in progress and included in property, plant and equipment.

The property, plant and equipment net of salvage values are amortized as per Straight Line Method (SLM), over its estimated useful lives as determined by Management of the Company. The estimated useful lives of the property, plant and equipment as determined by Management of the Company, are given below:

| | |
|---|----------|
| 1. Buildings | 30 Years |
| 2. Plant and machinery | 8 Years |
| 3. Lab equipments | 10 Years |
| 4. Office equipments | 10 Years |
| 5. Furniture and fixtures | 5 Years |
| 6. Vehicles | 5 Years |
| 7. Computers and data processing equipments | 3 Years |

Property, plant and equipment include the assets acquired on capital leases. Leasehold property, plant and equipment are amortized lesser of their estimated useful lives or the term of the lease.

Impairment of long-lived assets

In accordance with the SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", depreciable or amortizable assets, are reviewed for impairment when indications of impairment exist. Upon such an occurrence, SFAS No. 144 requires that the recoverable amount to be measured as the higher of net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental disposal costs. Value in use is the undiscounted value of estimated future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life.

The Company has no reason to believe that an indication of impairment exists with respect to the carrying value of its long-lived assets as of March 31, 2007 and 2006.

Earnings per share

In accordance with the SFAS No. 128, "Earnings Per Share", the earnings per share has been determined using the weighted average common stock outstanding on the balance sheet date. The diluted earnings per share have been computed using the weighted average common stock outstanding and potential dilutive common equivalent shares outstanding, if any.

Income taxes

Income taxes are accounted for using the asset and liability method. Deferred income taxes assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income taxes assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred income taxes assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

Employee benefits

(a) Defined benefit plans

Gratuity: The Company provides for gratuity, a defined retirement benefits plan (the "Gratuity Plan") covering substantially all the existing employees. The plan provides to vested employees a lump sum amount based on the respective employee's salary and the number of years of employment with the Company at the time of retirement or termination of employment. The Company determines its liability towards gratuity cost based on an actuarial valuation.

Further the Company has set-up a separate trust to administer the "gratuity plan". The Company has subscribed to the "Group Gratuity Policy" from the Life Insurance Corporation of India (LIC). The Company contributes to a gratuity fund maintained by the Life Insurance Corporation of India ("LIC") on a yearly basis.

The LIC undertakes the liability to pay gratuity to the respective employees on their retirement. However, the Company will continue to be liable for payment of any shortfall in the fund maintained by the LIC. In the event of death of any employee during the course of employment, the LIC undertakes the liability to pay gratuity for the period of service and remaining estimated services of the particular employee.



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In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)", which requires the Company to recognize the over funded or under funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income.

The Company believes that adoption of SFAS No. 158 will not have a material impact on its consolidated financial position, results of operations or cash flows.

(b) Defined contribution plans

Provident fund: In accordance with Indian law, all employees of Suven are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and Suven contribute monthly at a determined rate (currently 12 per cent of the employees' base salary). These contributions are made to the Government Provident Fund. The Company has no further obligation under the Provident Fund Plan, beyond its contributions. Contributions are charged to operations in the year in which they accrue. The Company has deposited Rs 5,820,248 and Rs 3,827,964 towards Provident Fund Plan for the years ended March 31, 2007 and 2006 respectively.

Employee state insurance fund: The Company contributes a specified percentage of employee's salary to the Employees state Insurance Fund administered by the Government of Andhra Pradesh.

(c) Liabilities towards compensated absences

The Company provides for the liability towards compensated absences on the basis of compensated absences outstanding as of the year-end.

Advertisement cost

Advertisement expenses are expensed as incurred.

Derivative instruments and hedging activities

The Company has adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended. The Company enters into foreign exchange forward and options contracts where the counter party is generally a bank. The Company purchases foreign exchange forward and options contracts to mitigate the risk of changes in foreign exchange rates on cash flows denominated in certain foreign currencies. These contracts do not qualify for hedge accounting under SFAS No. 133, as amended. Any derivative that is either not a designated hedge, or is so designated but is ineffective per SFAS No. 133, as amended is marked to market and recognized in earnings immediately.

Accumulated other comprehensive income (loss)

SFAS No. 130, "Reporting Comprehensive Income" establishes rules for the reporting of comprehensive income and its components. Comprehensive income is defined as all changes in equity from non-owner sources. For the Company, comprehensive income (loss) consists of net earnings and changes in the cumulative foreign currency translation adjustments. Accumulated other comprehensive income (loss) has no applicable income tax

Stock-based compensation

As of March 31, 2007, the Company has one stock-based employee compensation plan which is described more fully in Note 3. Prior to April 1, 2006, the Company applied the intrinsic value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations to account for its stock option plans. Under this method, compensation expense was recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. Effective April 1, 2006, the Company adopted the provisions of SFAS No.123R, "Share-Based Payments", requiring the Company to recognize compensation expense related to the fair value of stock based compensation awards. The Company used the modified prospective transition method as permitted by SFAS No. 123R and therefore has not restated the financial statements for prior periods. Under the transitional provisions of SFAS No. 123R, stock based compensation expense for the year ended March 31, 2007 includes compensation expense for portion of outstanding awards for which the requisite service has not yet been rendered and all stock based compensation awards granted after April 1, 2006 based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R.

The Company recognizes compensation expense for stock option awards on a straight line basis over the requisite period of the award.

The fair value of stock options is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

| As of March 31, | 2007 | 2006 |
|-------------------------|--------|--------|
| Option term (years) | 4.5 | 4.5 |
| Volatility | 49.54% | 53.13% |
| Risk free interest rate | 7.18% | 6.71% |
| Dividend yield | 1.33% | 1.33% |

The weighted average fair value per option grant for the years ended March 31, 2007 and 2006 was Rs 10.39 and Rs 10.36 respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recent accounting pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FIN No. 48, "Accounting for Uncertainty in Income Taxes", which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes". This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN No. 48 is not expected to have any significant effect on the Company's consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No.157 "Fair Value Measurements" (SFAS 157"), which is effective for fiscal years beginning after November 15, 2007 and for interim periods within those years. This statement defines fair value, establishes a framework for measuring fair value and expands the related disclosure requirements. The Company is currently evaluating the potential impact of SFAS 157 on the consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities", which includes an amendment to SFAS No. 115. The statement permits entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value (referred to as the "fair value option") and report associated unrealized gains and losses in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. As of March 31, 2007, the Company has not determined the effect that the fair value option, if elected, will have on the consolidated financial position, results of operations or cash flows.

3. Acquisition of Asian Clinical Trials Ltd

In accordance with the Scheme of Merger ("Scheme") between the Company and Asian Clinical Trials Ltd (ACTL) affected pursuant to an order dated October 18, 2006 issued by the Honorable High Court of the Andhra Pradesh, all of ACTL's assets and liabilities, have been transferred to and vested in Suven retrospectively with effect from April 1, 2006.

In connection with the said scheme, every shareholder of ACTL, holding fully paid-up equity shares was allotted 149 equity share of Rs 2 each in Suven, credited as fully paid-up with rights attached for every 1000 shares of Rs 2 each fully paid-up held in the capital of ACTL.

The merger of ACTL into Suven has been accounted for on a historical cost basis, to the extent of Mr. Venkateswarlu Jasti and immediate family members' ownership interests in ACTL, as the transfer is a

transaction between entities under common control of Mr. Venkateswarlu Jasti and their immediate family members. Accordingly, the results of the ACTL have been combined with the results of Suven from April 1, 2006, in a manner similar to pooling of interests.

Acquisition of the non-controlling minority interests of less than 0.01 per cent in ACTL on October 18, 2006 has not been accounted under purchase method of accounting, as the effect of this acquisition on the Company's consolidated results of operations is not considered to be material.

The financial statements of Suven and ACTL as of and for the year ended March 31, 2006 have been combined as though the ACTL Scheme was effective in those periods using the historical basis in the assets and liabilities and the historical results of operations relating to ACTL, based on the separate records maintained for the business. Inter-company transactions and balances have been eliminated on combination.

4. Cash and cash equivalents

Cash and cash equivalents consist of cash balance on hand, with banks and fixed deposits that are readily convertible into cash.

| As of March 31, | 2007 | 2006 |
|--------------------------------------|------------|------------|
| Cash in hand | 442,755 | 323,905 |
| Cash with banks | 8,396,463 | 7,558,914 |
| Short-term fixed deposits with banks | 80,000,000 | 5,001,421 |
| | 88,839,218 | 12,884,240 |

5. Restricted cash and cash equivalents

Current restricted cash comprises of (a) balances with banks of Rs 811,633 and Rs 773,639 as of March 31, 2007 and 2006 respectively, earmarked for payment of dividends pertaining to prior years; and (b) fixed deposits of Rs 8,100,000 and Rs 5,483,714 as of March 31, 2007 and 2006 respectively towards margin money placed with banks for a period not exceeding one year, against letter of credits and guarantees issued by bank on behalf of the Company.

6. Marketable securities

Marketable securities comprises of investments in mutual funds classified as available-for-sale securities. The analysis of investments in available for sale securities are given hereunder:

Units of SBI Institutional Income fund:

| As of March 31, | 2007 | 2006 |
|---|------------|------------|
| Carrying value (in Rupees) | 44,748,208 | 40,916,760 |
| Unrealised holding loss/ (gain) (in Rupees) | - | - |
| Fair value (in Rupees) | 44,748,208 | 40,916,760 |
| Number of units | 4,460,324 | 4,078,421 |



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Notes receivable

Notes receivable as of March 31, 2007 aggregating to Rs 20,000,000 represents 18.2 per cent Note receivable from a non-trade party.

8. Inventories

| As of March 31, | 2007 | 2006 |
|---------------------|--------------------|--------------------|
| Raw materials | 59,428,322 | 53,574,979 |
| Stocks- in- process | 68,225,875 | 69,701,351 |
| Finished goods | 130,465,775 | 116,631,184 |
| Stores and spares | 2,527,656 | 4,219,422 |
| | 260,647,628 | 244,126,936 |

9. Pre-paid expenses

| As of March 31, | 2007 | 2006 |
|----------------------|------------------|------------------|
| Maintenance expenses | 1,313,737 | 825,893 |
| Insurance | 3,311,792 | 2,833,590 |
| | 4,625,529 | 3,659,483 |

10. Other current assets

| As of March 31, | 2007 | 2006 |
|--|-------------------|-------------------|
| Interest receivable | 1,238,832 | 754,190 |
| Excise duty and value added tax receivable | 43,331,960 | 45,593,698 |
| Advances to suppliers | 13,407,643 | 5,600,379 |
| Advances for expenses | 1,252,844 | 1,401,438 |
| Other advances | 2,846,710 | 2,378,998 |
| | 62,077,989 | 55,728,703 |

11. Property, plant and equipment

Property and equipment as of March 31, 2007 and 2006 is summarized as follows:

| | 2007 | 2006 |
|--|----------------------|----------------------|
| Land | 21,915,022 | 21,618,987 |
| Buildings | 148,122,175 | 120,964,456 |
| Plant and machinery | 556,125,072 | 503,980,603 |
| Lab equipments | 389,945,831 | 304,877,094 |
| Office equipment | 8,127,115 | 8,000,021 |
| Furniture and fixtures | 16,548,311 | 15,374,604 |
| Vehicles | 12,614,543 | 9,598,839 |
| Computers and data processing equipments | 21,273,447 | 19,002,475 |
| Constructions-in-progress | 50,238,818 | 26,653,010 |
| | 1,224,910,335 | 1,030,070,089 |
| Less: Accumulated depreciation | 449,380,306 | 359,634,475 |
| | 775,530,029 | 670,435,614 |

Depreciation expense for the years ended March 31, 2007 and 2006 was Rs 90,762,425 and Rs 80,494,208 respectively.

12. Other non-current assets

Other non current assets of Rs 16,046,778 and Rs 10,466,098 as of March 31, 2007 and 2006 respectively, mainly comprises of deposits towards rent, insurance, telephone and other deposits.

13. Financial instruments and concentration of credit risk

Financial instruments

For certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued expenses and other current liabilities, recorded amounts approximate fair value due to the relatively short maturity periods.

Interest bearing long-term loans is repayable over a period of four years. The interest rates on such long-term loans closely approximate the market rates. Hence, the fair value of the long-term loans closely approximate their carrying value in the consolidated financial statements of Rs 319,553,252 and Rs 162,515,576 as of March 31, 2007 and 2006 respectively.

Derivative financial instruments

As of March 31, 2007 the Company has entered into certain foreign exchange derivative arrangements where the counterparty is a bank. The Company does not consider the risk of non-performance by the counterparty to be significant.

The following table presents the aggregate contracted principal amounts of the Company's derivative financial instruments outstanding:

| | 2007 |
|--|----------------|
| Cross currency options contract (US Dollars to Swiss Franks) | US \$3,700,000 |

The outstanding foreign exchange forward and options contracts as of March 31, 2007 mature between one to twelve months.

Gains/(losses) on foreign exchange forward and options contracts are included under the heading 'Other income/(expense)' in the statement of income.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, marketable securities, time deposits, restricted time deposits, notes receivable and trade receivables. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counter parties.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's cash and cash equivalents and time deposits are invested with banks with high investment grade credit ratings. As of March 31, 2007 and 2006, 99 per cent and 97.5 per cent respectively, of cash and cash equivalents were placed with a bank. To reduce credit risk, investments are made in a diversified portfolio through mutual funds, as described in Note 6, which are periodically reviewed.

Trade receivables are typically unsecured and are derived from revenues earned from customers. The Company monitors the credit worthiness of its customers to which it grants credit terms in the normal course of the business. During the year ended March 31, 2007 two customers have contributed 27 per cent and 21 percent respectively and during the year ended March 31, 2006 one customer have contributed 24 per cent of the total revenues respectively from sale of pharmaceutical products.

In management's opinion, as of March 31, 2007 and 2006, there was no significant risk of non-performance of the counter parties to these financial instruments, other than the amounts already provided for in the financial statements.

14. Accounts payable

| As of March 31, | 2007 | 2006 |
|---------------------------|-------------|-------------|
| Trade payables | 46,728,756 | 59,085,754 |
| Payable for capital goods | 33,669,866 | 20,858,998 |
| Payable for expenses | 31,884,604 | 32,939,962 |
| | 112,283,226 | 112,884,714 |

15. Accrued payroll

Accrued payroll of Rs 4,860,013 and Rs 3,388,185 represents amount payable to employees towards salaries, bonus and other benefits payables as of March 31, 2007 and 2006.

16. Other current liabilities

| As of March 31, | 2007 | 2006 |
|---------------------|-----------|-----------|
| Statutory payables | 4,317,621 | 2,290,784 |
| Unclaimed dividends | 811,653 | 773,659 |
| | 5,129,274 | 3,064,443 |

17. Other non-current liabilities

| As of March 31, | 2007 | 2006 |
|------------------------------------|-----------|-----------|
| Provision for compensated absences | 6,043,917 | 4,918,916 |
| Gratuity | 1,107,760 | 1,107,760 |
| | 7,151,677 | 6,026,676 |

18. Other income

| | For the years ended March 31, 2007 | 2006 |
|--|------------------------------------|-------------|
| Exchange fluctuations | 9,671,944 | 4,976,273 |
| Dividend income from mutual funds | 3,831,448 | 2,099,750 |
| Gain/(loss) on sale of property, plant and equipment | 296,495 | (2,953,764) |
| Gain on sale of investments | - | 418,784 |
| | 13,799,887 | 4,541,043 |

19. Interest earned

Interest income of Rs 1,488,795 and Rs 810,628 for the years ended March 31, 2007 and 2006 respectively represent the interest received on short term fixed deposits with banks and interest accrued on investments in deep discount bonds.

20. Interest expenses

Interest expenses consist of interest paid to financial institutions and to bank for long-term and short-term borrowings. During the years ended March 31, 2007 and 2006 the Company has incurred and charged to expenses entire amount of interest of Rs 23,377,394, Rs 13,236,274 and respectively.

21. Selling, general and administrative expenses

The Selling, General and Administrative (SGA) expenses mainly include the expenses incurred towards traveling, communication costs, rent, personnel cost of administrative staff, legal and professional charges and others.

22. Income taxes

Current tax receivable

Tax receivable of Rs 5,258,828 and Rs 3,119,690 as of March 31, 2007 and 2006 respectively; represent income tax paid and tax deducted by others on behalf of the Company in excess of the Company's tax liabilities for the said periods.

Provision for income taxes

Provision for income taxes consisted of the following for the years ended March 31, 2007 and 2006:

| Domestic taxes | 2007 | 2006 |
|-----------------------|--------------|--------------|
| Current taxes | 11,560,000 | 8,508,973 |
| Deferred income taxes | (15,637,838) | (16,892,924) |
| | (4,077,838) | (8,383,951) |



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. Income taxes

Differences between the statutory income tax rate and the effective tax rate consist of the following:

| For the years ended March 31, 2007 | | 2006 |
|---|--------------|--------------|
| Income before taxes | 29,616,635 | 56,007,869 |
| Income tax rates as per income tax laws in India | 33.66 | 33.66 |
| Income tax | 9,968,960 | 18,852,249 |
| Adjustments | | |
| Non deductible items, net | 2,656,785 | (4,008,958) |
| Research and development expenses | (43,172,636) | (28,152,217) |
| (Decrease)/Increase in tax due to change in tax rates | - | (2,606,995) |
| Others | - | 22,305 |
| | (30,546,891) | (15,362,063) |
| Valuation allowances | 26,469,053 | 6,978,112 |
| Income taxes recognized in the statement of income | (4,077,838) | (8,383,951) |

Deferred income tax assets and liabilities consist of the following:

| As of March 31, | 2007 | 2006 |
|--|---------------|---------------|
| A. Deferred income taxes - Assets | | |
| Compensated absences | 2,034,382 | 1,655,707 |
| Unearned income | 9,984,374 | - |
| Net operating losses (including unabsorbed depreciation) | 125,187,066 | 80,920,379 |
| Minimum alternate tax credit | 19,200,783 | 7,034,000 |
| Operational loss of foreign subsidiary | 7,157,136 | 6,978,112 |
| Gratuity | 213,922 | 213,922 |
| | 163,777,664 | 96,802,120 |
| B. Deferred income taxes - Liabilities | | |
| Property, plant and equipments | (130,330,499) | (105,461,846) |
| Net (A-B) | 33,447,165 | (86,759,726) |
| Less: Valuation allowance | 33,447,165 | 6,978,112 |
| Net deferred income taxes liability | - | 15,637,838 |

In assessing the future realizability of deferred income tax assets and accordingly the need to maintain a

valuation allowance, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In making its assessment with respect to reducing the valuation allowance against deferred income tax assets as of March 31, 2007, management determined that the ultimate realization of deferred income tax assets related to its historical carried forward losses is dependent upon the generation of future taxable income.

22. Income taxes

Management concluded that a cumulative loss for the three-year period through March 31, 2007 did not provide the Company with sufficient evidence to further reduce the valuation allowance as of March 31, 2007. Accordingly, management has continued with a valuation allowance for its deferred income tax assets as of March 31, 2007. If for the three year period ending March 31, 2008, the Company has cumulative earnings, management will re-assess and reverse the valuation allowance for its deferred income tax asset as of March 31, 2008.

23. Borrowings

Long term borrowings:

| As of March 31, | 2007 | 2006 |
|--|-------------|-------------|
| 2.75 per cent + 6 months LIBOR Foreign currency loan | 209,553,252 | 162,515,576 |
| 8.25 per cent Rupee loan | 110,000,000 | - |
| | 319,553,252 | 162,515,576 |

Current portion of long term borrowings

| | | |
|--|-------------|-------------|
| Long term borrowings excluding current portion payable | 235,140,980 | 109,916,988 |
|--|-------------|-------------|

The long term loan is fully secured by first charge created on the present and future immovable properties.

A maturity profile of other long-term debt outstanding maturing in March 31 is as follows:

| | |
|------|-------------|
| 2008 | 84,412,242 |
| 2009 | 78,022,914 |
| 2010 | 86,022,914 |
| 2011 | 71,095,182 |
| | 319,553,252 |



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Short-term borrowings:

Short term borrowings comprise of the following working capital loans obtained from the State Bank of India.

| As of March 31, | 2007 | 2006 |
|-----------------------|-------------------|-------------------|
| Export packing credit | 75,834,285 | 43,817,111 |
| Cash credits | 19,520,452 | 30,226,570 |
| | 95,354,737 | 74,043,681 |

Working capital loans includes "Cash credit facilities" obtained from the State Bank of India. Working capital loans are secured primarily by hypothecation of inventories and accounts receivables and by second charge on the movable and immovable properties of the Company. The weighted average interest rate on short-term borrowings for the years ended March 31, 2007 and 2006 are 7 per cent and 11 per cent respectively.

As of March 31, 2007 and 2006 the Company has fund based unused lines of credits of Rs 139,645,264 and Rs 35,956,319 respectively, which relates to corporate loan, export packing credits, bills discounting facilities and cash credit.

As of March 31, 2007 and 2006 the Company also has non-fund based unused lines of credit for Rs 43,081,745 and Rs 37,157,444 respectively, towards letters of credits and Rs 4,748,742 and Rs 5,000,000 for bank guarantees.

24. Stockholders' equity

Increase in authorized share capital

On September 30, 2006 the shareholders of Suven approved for increase in authorized capital of the Company from 50,000,000 equity shares to 200,000,000 equity shares.

Stock split

On March 10, 2007, the shareholders of Suven approved a one-for-one stock split. All references in the financial statements to number of shares, per share amounts, stock option data, have been retroactively restated to reflect the stock split unless otherwise noted.

Stock dividend

On March 10, 2007, the shareholders of Suven approved a one-for-one stock dividend. Consequently, Suven capitalized an amount of Rs 57,633,250 from its retained earnings to common stock. All references in the financial statements to number of shares, per share amounts, stock option data, have been retroactively restated to reflect the stock dividend unless otherwise noted.

Voting

Holder of common stock shall have one vote in respect of each share, being held by him or her in the records of the Company for all matters submitted to a vote.

Dividends

Should the Company declare any dividends on its common stock outstanding; such dividends will be paid in Indian Rupees. The Dividends will be declared only out of the distributable profits after transfer of up to 10 per cent of net income to the general reserves as per the provisions of section 205 of the Companies Act, 1956 and subject to Companies (Transfer of Profits to Reserves) Rules 1975. The Company has paid dividends to its common stockholders at Re 1 per share during the years ended March 31, 2007 and 2006 respectively.

25. Stock options

In September 2004 the Company adopted an equity option plan to be administered by the Compensation Committee of the Company; pursuant to which the Compensation Committee granted stock options to the identified employees eligible to participate in the scheme. The Plan authorized grants of options to purchase up to 5,000,000 shares of authorized but un-issued equity shares.

Stock options expire as determined by the Company's board of directors, but not more than three years from the date of vesting, and generally grade vest ratably over three years from the date of grant. Participants have a period of ninety days subsequent to the termination of the participant's employment with the Company to exercise vested options.

The following table summarizes stock option activity for the years ended March 31, 2007 and 2006:

| | Shares | Weighted average exercise price |
|----------------------------------|------------------|---------------------------------|
| Outstanding as of March 31, 2005 | 2,340,000 | 18.71 |
| Granted | 600,000 | 22.16 |
| Forfeited | 506,400 | 18.71 |
| Outstanding as of March 31, 2006 | 608,400 | 21.01 |
| Granted | 1,200,000 | 22.95 |
| Exercised | 366,500 | 18.71 |
| Forfeited | 165,700 | 18.71 |
| Outstanding as of March 31, 2007 | 3,101,400 | |



The following table summarized information about stock options outstanding as of March 31, 2007:

| Exercise price | Number outstanding | Weighted average remaining contractual life in years | Number exercisable |
|----------------|--------------------|--|--------------------|
| 18.71 | 1,301,400 | 3.62 | 69,900 |
| 22.16 | 600,000 | 4.49 | Nil |
| 20.61 | 600,000 | 5.23 | Nil |
| 25.29 | 600,000 | 5.66 | Nil |
| | 3,101,400 | | 69,900 |

The weighted average remaining contractual life of options outstanding as of March 31, 2007 was 4.49 years. The weighted average exercise price of options exercisable as of March 31, 2007 was 18.71 per share.

As of March 31, 2007, there were 1,532,100 additional shares available for grant under the Plan. The total intrinsic value of options exercised during the year ended March 31, 2007 was Rs 15,979,400 and the tax benefit relating to the stock options exercised was Rs Nil.

The total fair value of shares vesting and recognized as compensation expense for the year ended March 31, 2007 was Rs 9,501,015 and the associated tax benefit was Rs Nil. Total unrecognized compensation costs related to non-vested awards as of March 31, 2007 was Rs 12,480,110. The cost is expected to be recognized over a weighted average period of 1.77 years.

Additional disclosures

In accordance with SFAS No. 123R, in the year of adoption of SFAS No. 123R if awards under share-based payment arrangements with employees are accounted for under the intrinsic value method of APB Opinion No. 25 for any reporting period for which an income statement is presented, the Company shall continue to provide the tabular presentation of the information that was required by SFAS No. 123 for all those periods.

SFAS No. 123 requires that the pro forma disclosures of the impact of the fair value method of accounting for employee stock compensation accounting in the financial statements. Applying the fair value based method defined in SFAS No. 123, the impact on the reported net income and earnings per share would be as follows:

| For the year ended March 31, | 2006 |
|---|-------------------|
| Net income as reported | 64,391,820 |
| Less: Stock compensation under SFAS No. 123 | 7,146,552 |
| Pro forma net income | 57,245,268 |
| Earnings per share | |
| Basic | |
| - As reported | 0.64 |
| - Pro forma | 0.57 |
| Diluted | |
| - As reported | 0.64 |
| - Pro forma | 0.57 |

26. Commitments and contingencies

Commitments

The Company has commitments with various vendors towards purchase of capital assets. As of March 31, 2007 and 2006, the estimated amount of contracts remaining to be executed was Rs 48,332,536 and Rs 21,698,279 respectively

Contingencies

The Company is contingently obligated under the provisions of Income Tax Act, 1961 of India in respect of a demand aggregating to Rs. 11,727,195 for which an appeal is pending with the appropriate authorities.

27. Operating leases

The Company has acquired certain renewable operating leases for office premises at Hyderabad. The operating lease is cancelable at either party's option with a maximum of ninety days notice. Also the Company is committed to a non-cancelable operating lease for office space at New Jersey. The Company has paid Rs 3,184,342 and Rs 3,360,020 as operating lease rents for the years ended March 31, 2007 and 2006 respectively.

As of March 31, 2007 future minimum annual lease commitments for non-cancelable lease arrangements are Rs 3,414,060 and Rs 284,505 as of March 31, 2008 and 2009 respectively.

28. Segment information

Operating segments

The Company has adopted SFAS No.131, "Disclosure about Segments of an Enterprise and Related Information".

This statement establishes standards for the reporting of financial information about operating segments. Operating segments are defined as those individual operations that the Chief Operating Decision Makers (CODM) reviews for the purpose of assessing financial performance, allocating resources and for making



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

operating decisions. The operations of the Company are regularly reviewed by the Managing Director, (CODM).

The operating segments have been identified based on the nature of activities carried out and type(s) of customers for the products and services and accordingly the Company has identified the following reportable segments: (a) Manufacturing of pharmaceutical products (b) Services, and (c) research and development activities. The CODM reviews the information relating to revenues and results of each of the reportable segments.

Revenues from each of the above segments and the related cost of goods sold for the years ended March 31, 2007 and 2006 are as given under:

Revenue from customers

| | For the years ended March 31, 2007 | | 2006 | |
|---------------|------------------------------------|--------------------|------|--|
| Manufacturing | 991,431,810 | 777,242,463 | | |
| Services | 94,073,857 | 200,804,430 | | |
| R&D | - | - | | |
| | 1,085,505,667 | 978,046,893 | | |

Gross profit

| | For the years ended March 31, 2007 | | 2006 | |
|---------------|------------------------------------|--------------------|------|--|
| Manufacturing | 418,444,241 | 365,013,770 | | |
| Services | 52,556,068 | 148,428,509 | | |
| R&D | (206,780,138) | (212,342,874) | | |
| | 264,220,171 | 301,099,405 | | |

Reconciliation of segment profits to income from continuing operations before income taxes, interest, other income and other expenses:

| | For the years ended March 31, 2007 | | 2006 | |
|--|------------------------------------|-------------------|------|--|
| Segment gross profits | 264,220,171 | 301,099,405 | | |
| Selling, general and administrative expenses | 166,117,049 | 186,067,046 | | |
| Depreciation | 60,397,775 | 51,139,887 | | |
| Income from continuing operations before taxes | 37,705,347 | 63,892,472 | | |

SFAS No.131 also requires that an enterprise report total assets for each of the reportable segment. The assets of the Company's business are not identifiable to any particular reportable segment and can be used interchangeably among segments, except for R&D hence Management feels that the required information cannot be provided except in respect of R&D segment.

Assets

| As of March 31, | 2007 | 2006 |
|-----------------|----------------------|----------------------|
| R&D | 311,316,393 | 352,110,156 |
| Others | 1,088,634,103 | 834,943,560 |
| | 1,399,950,496 | 1,187,053,716 |

Liabilities

| As of March 31, | 2007 | 2006 |
|-----------------|--------------------|--------------------|
| R&D | 14,896,346 | 9,151,309 |
| Others | 556,380,989 | 352,987,730 |
| | 571,277,355 | 362,139,039 |

Geographical information

SFAS No.131 also requires the disclosure of certain financial information pertaining to geographic areas. Information about the Company's revenues by geographic area is as follows:

| | For the years ended March 31, | | 2007 | | % | | 2006 | | % | |
|--------------------------|-------------------------------|------------|--------------------|------------|---|--|------|--|---|--|
| United States of America | 215,491,719 | 19.85 | 313,634,311 | 32.07 | | | | | | |
| Europe | 395,083,719 | 36.40 | 141,089,857 | 14.43 | | | | | | |
| India | 156,791,506 | 14.44 | 184,426,469 | 18.86 | | | | | | |
| Rest of the world | 318,138,723 | 29.31 | 338,896,256 | 34.54 | | | | | | |
| | 1,085,505,667 | 100 | 978,046,893 | 100 | | | | | | |



RECONCILIATION STATEMENT

RECONCILIATION OF CONSOLIDATED NET INCOME AS PER US GAAP TO NET PROFIT UNDER INDIAN GAAP

(Expressed in Indian Rupees)

| | Year Ended March 31, | |
|--|----------------------|-------------------|
| | 2007 | 2006 |
| Net Income as per US GAAP | 33,694,473 | 62,939,152 |
| Adjustments on account of: | | |
| Unearned revenues | 29,662,433 | (9,251,174) |
| Stock based compensation | 9,501,015 | - |
| Depreciation | 37,027,043 | 31,609,498 |
| Compensated absences | 1,125,000 | 862,534 |
| Income tax | 2,263,122 | (10,381,748) |
| Net income of Asian Clinical Trials Limited (Refer note 3) | - | (12,673,447) |
| Others | (630,354) | (683,994) |
| Consolidated Net Profit as per Indian GAAP | 112,642,732 | 62,420,822 |

Statement pursuant to Section 212 of the Companies Act, 1956 Relating to Subsidiary Compines

| Name of the subsidiary | The Financial Year of the subsidiary company ended on | Number of shares in the subsidiary company held by Suven Life Sciences Limited at the above date | Preference Shares | Equity Holding % | Preference Holding % | The net Aggregate of profits (losses) of the subsidiary company for its financial year so far as they concern the members of Suven Life Sciences Limited | The net Aggregate of profits (losses) of the subsidiary company for its previous financial year so far as they concern the members of Suven Life Sciences Limited | Changes in the interest of Suven Life Sciences Limited, between the end of the financial year and 31st March 2005 | Material changes between the end of the financial year and 31st March 2005 |
|-------------------------------------|---|--|-------------------|------------------|----------------------|--|---|---|---|
| Suven Life Sciences Limited USA LLC | 31.03.2007 | N.A | - | 100% | - | a) Dealt with account of Suven Life Sciences Limited for the year ended 31.03.2007 | a) Dealt with account of Suven Life Sciences Limited for the year ended 31.03.2006 | b) Not Dealt with in the account of Suven Life Sciences Limited for the year ended 31.03.2006 | b) Not Dealt with in the account of Suven Life Sciences Limited for the year ended 31.03.2006 |
| In Rs. | | | | | | | | | |
| | | | | | | (531859) | - | (20753475) | - |

for and on behalf of the Board of Directors

VENKATESWARLU JASTI
Vice Chairman & C.E.O

SUDHA RANI JASTI
Wholetime Director

Place : Hyderabad

Date : 31.07.2007

K.HANUMANTHA RAO
Company Secretary





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ELECTRONIC CLEARING SERVICE (CREDIT CLEARING) MANDATE FORM

Shareholder's authorization to receive dividends through Electronic Credit Clearing Mechanism

1. Name of the first/sole shareholder : _____
2. Folio No./Client ID No. : _____
3. Particulars of Bank account of first/sole shareholder : _____
 - a) Name of the Bank: _____
 - b) Branch, Address, Telephone No. of the Branch : _____
 - c) 9 digit code number of the Bank and Branch appearing on the MICR cheque issued by the Bank :
 - d) Account Number: (as appearing on the cheque book/passbook) : _____
 - e) Account type (S.B. account/current account or cash credit) with code 10/11/13 : _____
 - f) Ledger No./Ledger folio no. (If appearing on the cheque book/pass book) : _____

(In lieu of the bank certificate to be obtained as under, please attach a blank cancelled cheque, or photocopy of a cheque or the front page of the savings bank passbook issued by your bank, for verification of the above particulars).

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I will not hold Suven Life Sciences Ltd. responsible. I agree to discharge the responsibility expected of me as a participant under the scheme.

Place:

Date:

Signature of the Shareholder

Certified that the particulars furnished above are correct as per our records

Banks Stamp

Date:

Signature of Authorized Official of the Bank

Note:

1. Please fill in the attached Mandate Form and send it to:
 - i) The Depository Participant who is maintaining your Demat account in case your shares are held in electronic form.
 - ii) The Address of our Registrar & Transfer Agent, Karvy Computershare Pvt. Ltd., (unit: Suven Life Sciences Ltd.), Plot No. 17 to 24 Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 in case your shares are held in physical form.
2. Kindly note that the information provided by you should be accurate and complete in all respects and duly certified by your bank. In lieu of the bank certificate, you may attach a blank cancelled cheque or photocopy of a cheque or the front page of the savings bank pass book issued to you by your bank, for verification of the above particulars.
3. In case of more than one folio please complete details on separate sheets
4. The information provided by you will be treated confidential and would be utilized only for the purpose of effecting the payments meant for you. You also have the right to withdraw from this mode of payment by providing the company with an advance notice of 3 weeks.



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SUVEN LIFE SCIENCES LIMITED

SDE Serene Chambers, Road No.7, Banjara Hills, Hyderabad - 500 034.

ATTENDANCE SLIP

No. of Shares _____

Folio No. _____

DP ID No. _____

Client ID No. _____

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

I / We hereby record my / our presence at the Eighteenth Annual General Meeting to be held on Thursday the 27th day of September, 2007 at 10.30 a.m. at KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce & Industry [FAPCCI], 11-6-841, Red Hills, Hyderabad -500 004

NAME/S OF THE SHAREHOLDER/S OR PROXY

SIGNATURE OF THE SHARE HOLDER/S OR PROXY



SUVEN LIFE SCIENCES LIMITED

SDE Serene Chambers, Road No.7, Banjara Hills, Hyderabad - 500 034.

PROXY

I/ We _____ of _____
in the district of _____ being a Member / Members of
SUVEN LIFE SCIENCES LIMITED hereby appoint _____
of _____ in the district of _____
or failing him _____ of _____
in the district of _____ as my / our Proxy to attend and vote for me / us and on my / our
behalf at the Eighteenth Annual General Meeting to be held on Thursday the 27th day of September, 2007 at 10.30 a.m. at KLN Prasad
Auditorium, The Federation of Andhra Pradesh Chambers of Commerce & Industry [FAPCCI], 11-6-841, Red Hills, Hyderabad -500 004, and
at any adjournment thereof

Signature _____

Affix
Rs.1.00
Revenue
Stamp

Signed this _____ day of _____ 2007.

PROXY NO.

REGD. FOLIO NO.

NO. OF SHARES

Note: This form duly completed and signed as per specimen registered with the Company should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the commencement of the meeting.

