

DDDSS

(Drug Discovery & Development Support Services)



16th Annual Report 2004-05

Suven Life Sciences Limited



CEO'S COMMUNIQUE



BUSINESS ENVIRONMENT

Dear Shareholders,

"It is this triple convergence-of new players, on a new playing field, developing new processes and habits for horizontal collaboration- that I believe is the most important force shaping global economies and politics in the early twenty first century. Giving so many people access to all these tools of collaboration, along with the ability through search engines and the Web to access billions of pages of raw information, ensures that the next generation of innovations will come from all over Planet Flat. The scale of the Global Community that is soon going to be able to participate in all sorts of discovery and innovation is something the world has simply never seen before."

The above paragraph by the renowned journalist **Thomas Friedman** from his best seller "**The World is Flat**" captures the spirit of globalization, which is sweeping the world. Happily for us, India is expected to play a key role in the new era. Given its pool of scientific talent and entrepreneurial verve, the Indian Pharmaceutical industry is bound to make an indelible impression in the Global market place in the years to come. From January 1st 2005, India has become a part of the Global Patent regime. Of course there are some issues, which need to be clarified in this context, but the first big step has been taken. This would certainly serve as a confidence builder for the Global Pharmaceutical players who are looking at India as a base for Drug Discovery and Development Support Services and research related to New Chemical Entities.

DRUG DISCOVERY AND DEVELOPMENT SUPPORT SERVICES (DDDSS)

DDDSS is a sector, which plays a key role in the Global Pharmaceutical industry. It provides independent product development services to the pharmaceutical, biotechnology and medical device industries. This industry has evolved from providing limited clinical trial services in the 1970s to a full services industry today characterized by broader relationships with customers and by service offerings in that encompass the entire drug development process including preclinical evaluation, study design, clinical trial management, data collection, biostatistical analysis and product registration support. The potential market is huge the R&D expenditure in 2005 of PhRMA (Pharmaceutical Research and Manufacturers of America) member companies will be \$ 40 billion. Of this prehuman / preclinical R&D expenditure will be \$ 14 billion.

Your company has launched this new business model DDDSS in January 2005, coinciding with IP protection. This segment of business will be the key driver for



growth in the years to come for Suven. The company has invested in people, infrastructure, software and business processes in this area for the past 3 years. This was done in anticipation of India becoming a part of the Global Patent regime and Drug Discovery and Development Services work would be outsourced to the well-prepared companies in India. One of the mantras for attracting business from Global life Science majors is to cultivate the right mindset, create infrastructure and train people and Suven has strived hard in this regard.

As expected work related to DDDSS has started moving to India, albeit slowly. It is with pride that I will share with you, that your company has been first off the blocks. We hope to extract this first mover advantage to the maximum in the times to come. We concluded a contract with an established pharmaceutical company, based in the USA to undertake a Phase 4 clinical trial for a drug addressing pulmonary hypertension. The contract is of a considerable size and the first of its kind in India. We are in advanced stages of negotiations for two other clinical trials projects with established US based life science companies.

C-R-A-M-S MODEL

The C-R-A-M-S model continues to be the mainstay of the company. As in the past, your company is leveraging the business relationships with Global Life Science majors, which it has built over the past decade, to generate business. It is also forging new alliances with other established players in the Life Sciences Industry, across the globe. Till date, Suven has worked on 274 projects and 45 active projects which are at various phases of development by innovator.

MANUFACTURING AND QUALITY INITIATIVES

The GMP compliant facilities and its qualified personnel are the bedrock on which the company delivers value to its customers both in the C-R-A-M-S and the Generic APIs segment. The company has always borne in mind, Gandhiji's exhortation that the customer is the reason for our business. In its incessant quest for excellence, the company underwent several quality audits on various dimensions. The feedback from the audits has been incorporated into the processes of the company which will lead to higher performance in the future.

MARKETING AND SALES

The company has a dynamic business development team based both in USA and India. The business development initiatives are spearheaded by a new addition to the Suven team, Mr. Nayan Nanavati. Mr. Nanavati was formerly a senior level executive at the Global Contract Research Organization, Parexel. He brings with him the experience and contacts emanating from 20 years of experience with Global Life Science companies including Novo Nordisk and Organon.

RESEARCH AND DEVELOPMENT

During the year, the company spent Rs. 154 million on R&D of which Rs. 85.2 million was revenue R&D. The revenue R&D for FY 2004 was Rs. 52.6 million. The expensed R&D for FY 2005 was 14% of total revenues, compared to the figure of 10.03% for FY2004. This is testimony to the fact that your company is genuinely a knowledge-based company. The company has so far filed 35 patents (6 Process and 29 Product patents).

Your company's focused R&D is in the therapeutic area of Central Nervous System which is arguably the most challenging frontier in drug discovery. Suven's research in this therapeutic area spans into various disease categories like Alzheimer's, Parkinson's, Dementia, Cognition, Bipolar disorder etc. Your company is extremely confident that the competencies developed due to the inhouse R&D work undertaken will not only create intellectual property but also would result into a significant amount of high end DDDSS work finding its way to the company from Life Science companies from across the globe leading to collaborative research and NCE development.



FINANCIAL AND OPERATING PERFORMANCE

The revenues of the company for FY 2005 were Rs. 607.8 million as compared to Rs. 511.7 million in FY2004. The increase in revenues was 18 %. Exports for FY 2005 were Rs. 327.6 million, while exports for FY 2004 were Rs. 310.3 million. The profit after tax for FY 2005 was Rs. 37.9 million, as compared to Rs. 73.7 million for FY 2004. The decrease in profit after tax was 49%.

Global Consolidated revenues for FY 2005 were Rs. 714.27 million and the consolidated profit after tax was Rs. 24.06 million.

STREAMLINING OF OPERATIONS

For a company, which believes in embracing global standards in all dimensions, a robust Enterprise Resource System is essential. We have ensured that all the potential users of this system in the organization are being involved at various stages in the implementation of the system. Apart from automating the business processes, the information captured by the ERP system would be the mother lode for business intelligence. The ERP system is expected to go live during the current fiscal year.

BUSINESS OUTLOOK

We operate in turbulent times where the external environment is in constant flux. However, we are confident that the bold initiatives taken and investments made in the past few years have started to bear fruit, and the real benefits will accrue in the coming years. Apart from the C-R-A-M-S and Generic APIs segments, which provide stability to the company's performance, the coming years, will see a lot of traction in the DDDSS segment. No other company has developed competencies or infrastructure in all these areas in India. With all these activities under one roof your company can undertake work in Drug Discovery and Development with seamless transition of work from one stage to other which will be of immense advantage for small and medium biotech companies and virtual companies in the field of Drug Discovery. All these activities transformed your company from contract research company to collaborative research partner starting 2005.

Suven's Business Strategy





BOARD OF DIRECTORS

Shri Bodhishwar Rai	Chairman
Shri Venkateswarlu Jasti	Vice-Chairman & CEO
Dr. M.R. Naidu	Director
Dr. K.V. Raghavan	Director
Smt. Sudha Rani Jasti	Wholetime 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
"Karvy House", 46, Avenue 4,
Street No.1, Banjara Hills,
Hyderabad - 500 034.

CONTENTS

INDIAN GAAP (Audited)	Page No.		Page No.
Notice	5-10	Consolidated Financial Statements	53-72
Directors' Report	11-17	Subsidiary Financial Statements (WOS)	73-80
Management Discussion & Analysis	18-21	US GAAP (Un-audited)	
Report on Corporate Governance	22-27	Consolidated Balance Sheets	82
Auditors' Report	28-30	Consolidated Statements of Income	83
Balance Sheet	31	Consolidated Statments of Stockholders Equity	84
Profit & Loss Account	32	Consolidated Statements of Cash Flows	85-86
Schedules	33-49	Notes to Consolidated Financial Statements	87-101
Cash Flow Statement & General Business Profile	50-52	Reconciliation of Consolidated Statement	102



NOTICE

NOTICE

Notice is hereby given that the 16th Annual General Meeting of the Members of Suven Life Sciences Limited will be held on Monday the 12th day of September, 2005 at 3.00 p.m. at **Hotel Green Park, Green lands, Begumpet, Hyderabad -500 016** to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2005 and the Audited Profit & Loss Account for year ended 31st March, 2005 together with Directors' Report and Auditors' Report thereon.
2. To declare a Dividend
3. To appoint a director in place of Dr. M.R.Naidu, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint M/s. Karvy & Co., Chartered Accountants, Hyderabad, the retiring Auditors as Auditors for the year 2005-06 and to fix their remuneration.

Special Business

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

"RESOLVED THAT in partial modification of the disclosures made in terms of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as the "SEBI ESOP guidelines, 1999") in the explanatory statement annexed to the ESOP resolutions passed under section 81 of the Companies Act, 1956 and other applicable laws, for offering stock options convertible into equity shares to the employees of the company as well as to the employees of subsidiary companies of the company as approved by the members in the Annual General Meeting held on 17th September 2004, approval of the company be and is hereby accorded for the amendments in the disclosures made under the clause 6.2 (g) of SEBI ESOP Guidelines, 1999 on the ESOP resolutions."

"RESOLVED FURTHER THAT the disclosures made under the head "Process for determining the eligibility of employees to ESOP" on the previous ESOP Resolutions be substituted in the manner as set out in the explanatory statement annexed hereto and all other disclosures will remain un-altered and in force as approved by the members in AGM held on 17th September 2004."

"RESOLVED FURTHER THAT the Board of Directors including compensation committee be and is hereby authorized to do such other acts, deeds and things and to give effect to such consequential changes, if any, as are necessary in the Scheme and other documents as it may think fit and appropriate."

6. To consider and if thought fit, to pass with or without modification the following as an ordinary resolution.

"RESOLVED THAT pursuant to Section(s) 198, 269,309, 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of other statutory authorities, if required, approval of the members be and is hereby accorded to the re-appointment of Shri Venkateswarlu Jasti as Vice-Chairman and CEO of the Company for a period of 5 years commencing from 4th January 2005 on the following terms and conditions.

Salary

Rs. 6,00,000 (Rupees Six lakhs only) per month with an annual increment not exceeding 15% of salary effective from the month of January every year as may be decided by the Board.

Commission

Not more than 1% on net profits of the company calculated as per section 349 and 350 of the Companies Act, 1956.

Perquisites

In addition to salary and commission as above said, the following perquisites will be paid and / or provided. Valuation of all perquisites shall be done in accordance with the provisions of the Income Tax Act, 1961 and rules made thereunder. In the absence of any such rule, perquisites shall be evaluated at actual cost.

Part A

- a) Medical Reimbursement
Reimbursement of medical expenses actually incurred for self and his family members including dependant parents of appointee.
- b) Leave Travel Concession
For self and family including dependant parents of appointee to and from any place in India once in a year in accordance with the rules of the Company.
- c) Club Fees
Club fees subject to a maximum of 2 clubs will be allowed, provided that no admission or life membership fees shall be paid
- d) Personal Accident Insurance
Personal accident insurance for a premium amount, which shall not exceed Rs 10,000 per annum.

Part B

- a) Provident Fund
Company's contribution to Provident Fund as per the rules of the Company



b) Pension/Superannuation Fund

Company's contribution to Pension / Superannuation fund as per rules of the Company.

c) Gratuity

Payable in accordance with the approved fund at a rate not exceeding one-half month's salary for each completed year of service as per rules of the Company.

Part C

a) Car

Use of Company's car with driver for business purposes

b) Telephone and other communication facilities

Use of telephone and other communication facilities at residence for business purposes.

Other Benefits

Leave

One month full pay and allowances as per rules of the company, for every 11 months of service. Encashment of leave at the end of tenure as per rules of the Company.

Overall Remuneration

The overall remuneration payable to the Vice-Chairman and CEO shall not exceed the ceilings prescribed under section 198 and 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act including any re-enactment and modifications thereto.

Minimum Remuneration

In the event of company having no profits or its profits are inadequate in any financial year during the tenure of the appointment, then the remuneration of the Vice-Chairman and CEO shall be governed by the Section II of the Part II of the Schedule XIII of the Companies Act, 1956 as amended from time to time.

Termination

Either party can give the other party, 3 months notice for terminating this office of Vice-Chairman and CEO."

7. To consider and if thought fit, to pass with or without modification the following as an Ordinary resolution.

"RESOLVED THAT pursuant to Section(s) 198, 269,309, 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of other statutory authorities, if required, approval of the members be and is hereby accorded to the re-appointment of Smt. Sudha Rani Jasti as Wholetime Director of the Company for a period of 5 years commencing from 4th January, 2005 on the following terms and conditions.

Salary

Rs 2,00,000 (Rupees Two lakh only) per month with an annual increment not exceeding 15% of salary effective from the month of January every year as may be decided by the Board.

Commission

Not more than 0.5% on net profits of the company calculated as per section 349 and 350 of the Companies Act, 1956.

Perquisites

In addition to salary and commission as above said, the following perquisites will be paid and / or provided. Valuation of all perquisites shall be done in accordance with the provisions of the Income Tax Act,1961 and rules made thereunder. In the absence of any such rule, perquisites shall be evaluated at actual cost.

Part A

a) Medical Reimbursement

Reimbursement of medical expenses actually incurred for self and her family members including dependant parents of appointee.

b) Leave Travel Concession

For self and family including dependant parents of the appointee to and from any place in India once in a year in accordance with the rules of the Company.

c) Club Fees

Club fees subject to a maximum of 2 clubs will be allowed, provided that no admission or life membership fees shall be paid.

d) Personal Accident Insurance

Personal accident insurance for a premium amount, which shall not exceed Rs 10,000 per annum.

Part B

a) Provident Fund

Company's contribution to Provident Fund as per the rules of the Company.

b) Pension/Superannuation Fund

Company's contribution to Pension / Superannuation fund as per rules of the Company.

c) Gratuity

Payable in accordance with the approved fund at a rate not exceeding one-half month's salary for each completed year of service as per rules of the Company.



Part C

a) Car

Use of Company's car with driver for business purposes

b) Telephone and other communication facilities

Use of telephone and other communication facilities at residence for business purposes.

Other Benefits

Leave

One month full pay and allowances as per rules of the company, for every 11 months of service. Encashment of leave at the end of tenure as per rules of the Company.

Overall Remuneration

The overall remuneration payable to the Wholetime Director shall not exceed the ceilings prescribed under section 198 and 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act including any re-enactment and modifications thereto.

Minimum Remuneration

In the event of company having no profits or its profits are inadequate in any financial year during the tenure of the appointment, then the remuneration of the Wholetime Director shall be governed by the Section II of the Part II of the Schedule XIII of the Companies Act, 1956 as amended from time to time.

Termination

Either party can give the other party, 3 months notice for terminating this office of Wholetime Director."

ITEM NO 8

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. \$ 25 million (U.S.Dollar 25 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. "

ITEM NO 9

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

"RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 6th July, 1996 and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby is accorded to the Board of Directors of the Company (the Board which expression shall include any Committee of the Board formed for this purpose) to borrow from time to time any sum or sums of money, on such terms and conditions and in such manner, (including by way of issue of debt instruments) as the Board may deem fit, which together with the moneys already borrowed by the Company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, which have not been set apart for any specific purpose, provided that the total amount of money so borrowed shall not, at any time exceed the limit of Rs 200 crores (Rupees Two Hundred Crores only)."

By Order of the Board

Place : Hyderabad
Date : 30th July, 2005

K Hanumantha Rao
Company Secretary



NOTES

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 businesses 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 8th September, 2005 to 10th September, 2005 (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 7th September, 2005 will be in time for payment of dividend subject to provisions of section 206A of the Companies Act, 1956.
6. Members desiring to have any information on the accounts and operations may write to the Company for the same at least one week before the date of meeting. So that the requisite information may be made available at the meeting.
7. 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.

EXPLANATORY STATEMENT

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

ITEM NO 5

Members may recall that in the previous Annual General Meeting held on 17th September 2004, two separate ESOP resolutions were approved by the members and authorized the Board of Directors to offer stock options to the eligible employees of your company as well as to the employees of subsidiary companies in accordance with the SEBI guidelines on ESOPs.

Keeping in view the extant guidelines of SEBI on ESOPs, your Company's management has reviewed the entire disclosures made on the ESOP resolutions and thought it fit and appropriate to amend the disclosures made under the head "Process for determining the eligibility of employees to ESOP " so as to make them adequate disclosures. Accordingly the following disclosure shall be substituted in the previous disclosure made under clause 6.2 (g) of the SEBI ESOP guidelines. Members may note that except this disclosure, all other disclosures made on the ESOP resolutions as approved by the members in the Annual General Meeting held on 17th September, 2004 will remain un-altered and in force for both the ESOP resolutions.

Process for determining the eligibility of employees to ESOP

The criteria to be considered for assessing the eligibility of Employees to ESOPs shall be:

- Innovation / IP creation
- Performance
- Length of service
- Organisational Development
- Customer Satisfaction

Your Directors recommend the resolution for your approval.

None of the Directors of the company is any way concerned or interested in the resolution, except to the extent of the securities that may be offered to them under the Plan.

ITEM NO(s) 6 & 7

The Board of Directors in their meeting held on 28th October, 2004 has re-appointed Shri Venkateswarlu Jasti as Vice-Chairman & Chief Executive Officer (CEO) of the Company and Smt Sudha Rani Jasti as Wholetime Director of the Company for a period of 5 years w.e.f 4th January, 2005. As required under section 302 of the Companies Act, 1956 an abstract of memorandum of terms and conditions of the appointments was circulated to the members in the month of November 2004. While re-appointing Shri Venkateswarlu Jasti, the Board has changed his designation to Vice-Chairman & CEO from Managing Director; this will enable him to represent the Company more effectively in the international markets on various business issues. Keeping in view the industry standards and onerous responsibilities being shouldered by the managerial personnel, the Board has increased the remuneration of Shri Venkateswarlu Jasti and Smt. Sudha Rani Jasti as set out in the resolutions at item No(s) 6 & 7 of the Notice of this AGM.



The Board recommends these resolutions for your approval.

None of the Directors of the company is any way concerned or interested in the resolution, except Shri Venkateswarlu Jasti and Smt. Sudha Rani Jasti.

ITEM NO 8

The Board of Directors in their meeting held on 30th July, 2005 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 augmenting the resources needed to meet the Company's Research and Development capital expenditure plans for its newly embarked business model Drug Discovery and Development Support Services in the new IPR regime and/or for its on going expansion plans, modernization of its plant facilities.

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 the 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 aforesaid 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 any way concerned or interested in the resolution.

ITEM NO 9

Section 293(1)(d) of the Companies Act, 1956 provides that except with the approval of the Company in general meeting, the Board of Directors cannot borrow monies together with monies already borrowed (apart from temporary loans obtained from the company's bankers in the ordinary course of business) in excess of the aggregate of the paid up capital of the company and its free reserves, which have not set apart for any specific purpose.

The members in the Annual General Meeting of the Company held on 6th July, 1996 have authorized the Board of Directors to borrow monies upto a sum of Rs 50 crores. Keeping in view the capital expenditure requirements and growth plans of your Company to tap the new business opportunities in the new IPR regime, the existing borrowing limits were not sufficient to pursue all these growth plans. Therefore approval of the members is sought enabling the Board of Directors to proceed further on these plans.

The resolution proposed is in the interest of the company and The Board recommends the resolution for your approval.

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

By Order of the Board

Place : Hyderabad
Date : 30th July, 2005

K Hanumantha Rao
Company Secretary

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

Dr. M.R. Naidu is a Doctorate in Science and Graduate in Mechanical Engineering. He had memberships in Professional Bodies like American Society of Mechanical Engineers, Planning Executives Institute and Indian Institute of Engineers.

Dr. M.R. Naidu was a former Chairman and Managing Director of M/s. Bharat Heavy Plates and Vessels Limited (BHPV) and Hindustan Machine Tools Limited (HMT) and having vast experience in Technical and Administrative Sectors. He held the position of President, The Andhra Petrochemicals Ltd, the U.B.Group. He is assisting the company in all technical aspects.



DIRECTORS' REPORT

Your Company's Board of Directors have pleasure in presenting this 16th Annual Report together with Audited Accounts of the Company for the financial year 2004-05.

Financial statements for the year 2004-05 prepared in substantial compliance with US GAAP are also included in this Annual Report.

FINANCIAL RESULTS

	Current Year Ended 31-03-05 (Rs in Millions)	Previous Year Ended 31-03-04 (Rs in Millions)
Sales and other incomes	607.78	519.3
Gross Profit	111.24	131.6
Less: Interest	8.21	7.9
Depreciation	31.26	19.4
Profit before Tax	74.03	104.3
Less: Provision for Taxation	36.06	30.6
Profit after Tax	37.97	73.7
Add: Balance brought forward	24.09	18.6
Profit available for appropriation	62.06	92.3
Appropriations:		
Dividend	25.0	25.0
Dividend tax	3.5	3.2
Transfer to General Reserve	3.8	40.0
Balance carried forward	29.75	24.1

REVIEW OF OPERATIONS

Your Company has recorded a total income of Rs. 607.78 Mn during the year 2004-05 consisting of exports of Rs. 327.63 Mn, domestic sales of Rs. 267.09 Mn and other income of Rs. 13.06 Mn. Profit before tax (PBT) declined by 30% to Rs. 74.03 Mn from Rs. 104.32 Mn when compared to previous year PBT primarily due to increased cost of raw materials, heavy R&D spend and increase in personnel expenses during the year under review. Consequently the EPS (in Rs) has also come down to 1.52 this year over the previous year EPS of 3.26. Your company has embarked on Drug Discovery and Development Support Services (DDDSS) during the year and continues to consolidate its position in Contract Research and Manufacturing Services (C-R-A-M-S).

EXPORTS

Your Company has achieved an export turnover of Rs. 327.63 Mn when compared to the previous year exports of Rs. 351.38 Mn. The exports have declined by 6.76 % over the previous year figures.

DIVIDEND

Your Directors are pleased to recommend a dividend @ 50% (Re 1/- per share) for the financial year 2004-05 which will

absorb a sum of Rs. 28.50 Mn including tax on dividend. 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 600,000 stock options to the eligible employees of your Company as well as to the employees of Wholly Owned Subsidiary at USA 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.

MARKETING

Your company continued to enhance Business Development activities. You would be happy to note, that Suven Life Sciences USA LLC - a Wholly Owned Subsidiary (WOS) is strengthening its presence in global markets and playing a major role in clinical trials projects under Suven's Drug Discovery and Development Support Services model.

RESEARCH AND DEVELOPMENT

Research and Development remains the central focus of Suven. During the year R&D spend is about 23.67% to the total turnover compared to 20.41% of the previous year. Your Company is consolidating its position on R&D front to position itself as a major R&D oriented enterprise in the new 2005 IPR regime. At the onset of IPR regime in 2005, your Company has launched its innovative focused business model, Drug Discovery and Development Support Services (DDDSS) in order for your company to grow into a collaborative research partner for global life sciences companies.

QUALITY ASSURANCE

Suven continues to lay emphasis on compliances to customers and global regulatory requirements. A corporate quality office has been set up for implementing cGMP & GMP practices across Suven manufacturing facilities and preparation of dossiers. Various quality audits conducted by the international customers during the year were successful. The Focus on "*Customer satisfaction*" remains as our top priority.

SUBSIDIARY

Wholly Owned Subsidiary (WOS) - Suven Life Sciences USA LLC - at New Jersey has commenced its operations during the year. The consolidated and standalone financials of this WOS are also presented in this Annual Report.

SOCIAL RESPONSIBILITY

During the year under review, your Company 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.



DIRECTORS

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Dr. M.R.Naidu, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Dr. Ramaiah Muthyala, Director has resigned from the Board of your Company due to pre-occupation.

The brief profile of the director(s) seeking appointment/re-appointment at the ensuing Annual General Meeting are 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 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad-500 034 (Phone Nos.23312454, 23320751 and 23320752, Fax No.23311968) for any query relating to Shares.

The shares of the Company are listed on National Stock exchange of India Limited, The Stock Exchange, Mumbai and The Hyderabad Stock Exchange Limited, Hyderabad (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 Directors' 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 2004-05 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 confirm that:

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- 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
Jasti Venkateswarlu	56	Vice-Chairman & CEO.	3.9 Mn	M.Pharm.,M.S (Indus. Pharmacy)	31 Years	09-03-1989	Business in U.S.A



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 : 30th July, 2005

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 31.03.2005	Previous year ending 31.03.2004
1	Power and fuel Consumption			
a)	Purchased Units	In KWH	6,615,988.00	6,137,430.00
	Total Amount	Rs.	26,117,944.91	23,324,684.00
	Rate/Unit	Rs.	3.95	3.80
b)	Own Generation -	Units		
	Diesel Generator	In KWH	215,408.00	258,647.00
	Units / Litre of Diesel Oil	In KWH	2.14	2.35
	Cost/Unit	Rs.	11.68	9.39
2	a) Steam coal 'C' Grade Used in Boiler to generate steam for the process			
	Quantity	In Mts	5,970.00	6,285.00
	Total Cost	Rs.	16,545,510.00	14,098,163.00
	Average Rate/MT	Rs.	2,771.44	2,243.14
	b) Furnace Oil			
	Quantity	In KL	300.44	Nil
	Total Cost	Rs.	5,178,732.00	N.A
	Average Rate/KL	Rs.	17,237.45	N.A
	c) Consumption per unit of Production		Since the Company is manufacturing different products using the same facilities at the same time, hence it is not possible to give consumption per unit of production	

TECHNOLOGY ABSORPTION

I Research and Development

- Specific areas in which R&D is carried out by the Company.
 - Development of patentable novel process for certain APIs
 - Drug Discovery leading to certain drug coordinates for the disease Alzheimer
- Benefits derived as a result of the above R&D.
 - 3 new PCT process patents filed
 - 3 new product patents entered into national phase
- Future plan of Action.
 - Development of novel non-infringing processes for APIs
 - Drug Discovery leading to IND activity



4. Expenditure on Research and Development.

	Current Year Ended 31-03-05 (Rs. in Millions)	Previous Year Ended 31-03-04 (Rs. in Millions)
a) Capital	54.80	51.8
b) Recurring	86.00	52.6
c) Total	140.80	104.4
d) Total R&D Expenditure on Total Turnover (%)	23.67%	20.41%

II Technology Absorption, Adoption and Innovation

- Efforts, in brief, made towards technology absorption, adoption and innovation.
 - Created infrastructure for Drug Discovery and Development Support Services (DDDSS)
- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
 - As a result of DDDSS new business opportunity has occurred
- 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 therefore 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 : 30th July, 2005

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, 2005

Sl.No	Description	2004 Plan
	No of Options earmarked under the plan	1,250,000
(a)	Options granted	600,000
(b)	The pricing formula	At Market price as per SEBI pricing formula
(c)	Options vested	Nil
(d)	Options exercised	Nil
(e)	The total number of shares arising as a result of exercise of option	Nil
(f)	Options lapsed	15000
(g)	Variation of terms of options	Nil
(h)	Money realised by exercise of options	Nil
(i)	Total number of options in force	585000
(j)	Employee wise details of options granted to	
	(i) Senior managerial personnel;	
	Dr. N.V.S. Rama Krishna	40000
	V.S.N. Murty	12500
	Dr. A. Veera Reddy	12500
	Dr. C. Rajendran	12500
	K.S. Krishna	10000
	V. Sunder	8000
	Ch. V.N. Kameshwara Rao	6000
	T.M. Gopala Krishan	6000
	M. Mohan Rao	5000
	(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'].	Nil
(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 2005. Had the company used the fair value method, the ESOP cost in the financial year would have been Rs. 1,98,60,750 and net profit would have reduced by this amount. The EPS (in Rs) would have been 0.72
(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 2005 were 5,85,000. The weighted average exercise price of the outstanding options as on March 31st 2005 was Rs. 74.85 and the weighted average fair value of the outstanding options as on March 31st 2005 was Rs. 33.95
(n)	<p>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:</p> <p>(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.</p>	<p>The company has opted to use the Intrinsic value method for accounting of compensation cost arising out of ESOP. However for disclosures in Para I above the following assumptions have been made</p> <p>6.5% 48 months 50% 1.33% Rs. 74.85</p>



MANAGEMENT'S DISCUSSION AND ANALYSIS

Suven Life Sciences Business Activities primarily comprise

- (a) Drug Discovery and Development Support Services (DDDSS)
- (b) C-R-A-M-S
- (c) Manufacture of ANDA based Generic APIs

Industry structure

DDDSS sector plays a pivotal role in product development in the Global Pharmaceutical, Biotechnology and Medical devices industry. It refers to the entire gamut of services related to the drug development process including preclinical evaluation, study design, clinical trial management, data collection, biostatistical analysis and product registration support. The market potential is huge- the R&D expenditure in 2003 of Pharmaceutical Research and Manufacturers of America member companies was \$ 34.45 billion .Of this, prehuman/preclinical R&D expenditure was \$10.98 billion.

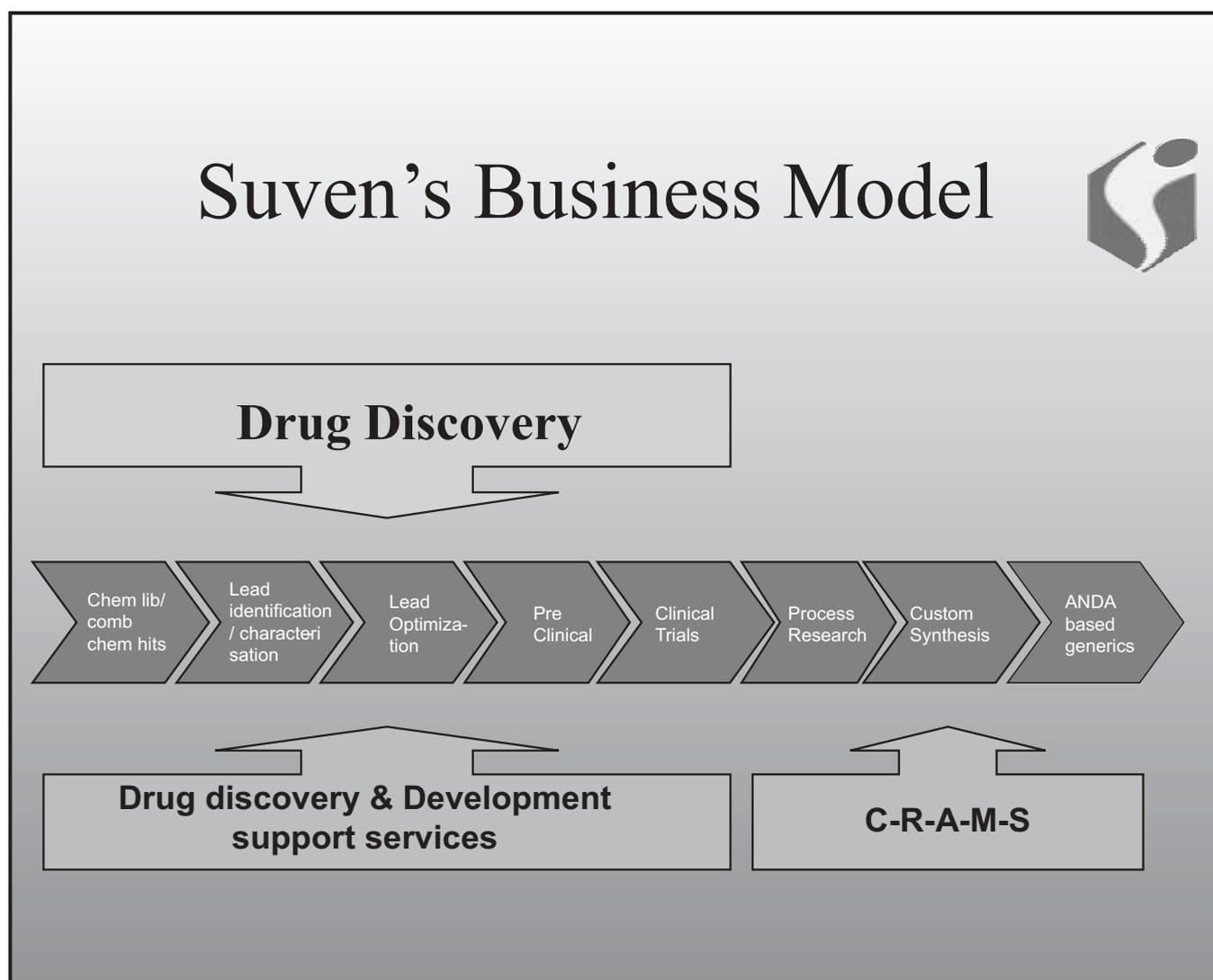
C-R-A-M-S is a business model, which addresses the need of innovator companies, which strive to focus on their core competencies. Hence a part of research and manufacturing was outsourced by these innovator companies to the ' C-R-A-M-S' focused companies

Generics drug market

This refers to regulated markets for drugs whose patents have expired or have been invalidated. The US generics market is expected to grow at a CAGR of 12.5% to \$22.5 billion by 2008 from \$12.5 billion in 2003. Once a branded drug goes off patent, its price falls by as much as 80 per cent.

Industry Outlook and Opportunities

DDDSS- The innovator companies will continue to be under pressure in the foreseeable future due to a combination of factors, primarily, rising drug discovery costs, weak pipelines and competition from generics The cost to develop a drug is about \$800 million and this needs to be addressed. It makes eminent business sense to offshore a part of the drug discovery





and development services to India, and now that it is IP compliant it makes the case even more compelling. After January 1st 2005, the innovator companies have started looking at India more seriously in this regard. As far as clinical trials are concerned India offers many advantages.

- A sizable population of well trained doctors and nurses
- Drug naïve patients
- Sound IT skills
- Proficiency in English language

C-R-A-M-S: This segment presents good opportunities for Indian companies. Low cost manufacturing and good chemistry skills at relatively affordable prices, makes India an attractive destination in this context. Global outsourcing opportunities with regard to NCEs was \$8 billion in 2001 and is expected to grow to \$15 billion in 2010.

Global Generics Industry- This is expected to thrive on the back of increased patent expirations of branded drugs in the next couple of years. . Between 2004 and 2008, \$65 billion worth of drugs are expected to go off patent in the US. Typically generics players are able to capture 85% of the reduced market after the drug goes off patent.

Risks

DDDSS

- Issues like data exclusivity in the context of IP protection need to be resolved
- Need to conform to IP protection both in letter as well as spirit
- Inefficiency in conduct of clinical trials
- Need to groom Indian talent in areas such as Discovery Biology and Regulatory Compliance or this may become a bottleneck

C-R-A-M-S

- Price implosion and competition
- Increase in raw material costs.

Generics Market

- Litigation, authorized generics and price implosion will adversely impact the Generic API manufacturers like Suven

Suven's strategy for the various segments

DDDSS

- Recruit/ Train to create a world class delivery team
- Leverage the India based delivery model with the sales force in the USA- Western Face and Eastern Base
- Leverage the C-R-A-M-S relationships to land DDDSS opportunities. This will eventually result in Suven being involved in all stages of drug discovery and development.

- Undertake own R&D programs, which would lead to huge learning. This would be a key differentiator to win high end DDDSS contracts. Special emphasis is being laid on the CNS therapeutic area.

C-R-A-M-S

- Execute more projects for the Global Life Science majors as in the past. Strive to forge relationships with new life science companies in newer geographic regions.

Generics

- Develop more cost effective non-infringing processes.
- File more DMF's by aligning with global generic players.
- File our own ANDA's.

Internal Controls

The company and its subsidiaries have sound internal controls. It has a qualified team to ensure that the internal controls are conformed to. The objectives of the internal control system is to ensure among others (a) Efficiency of operations (b) Safeguard of assets both physical as well as intangibles (c) Robustness of financial controls (d) Conformity to the relevant statutes.

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 is a 100% subsidiary of Suven Life Sciences. It is an effective channel for procuring high-end work in C-R-A-M-S and DDDSS. It is headed by Mr Nayan Nanavati who has more than 20 years of pharmaceutical and CRO experience in USA.

Human Resources

The company believes very strongly in employee development, hence employee training is an overriding priority at Suven. The training focuses on developing both technical as well as soft skills.

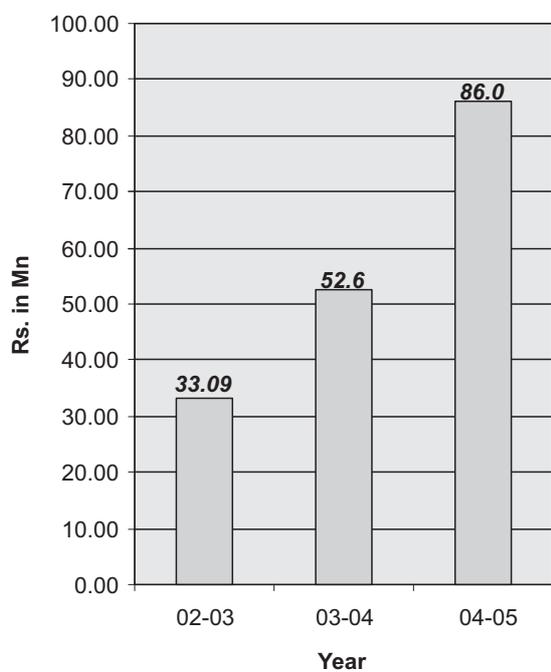
The company has 171 persons working in R&D. Of these 21 are PhD and 150 are holding Masters degrees.

Quality and Standardization

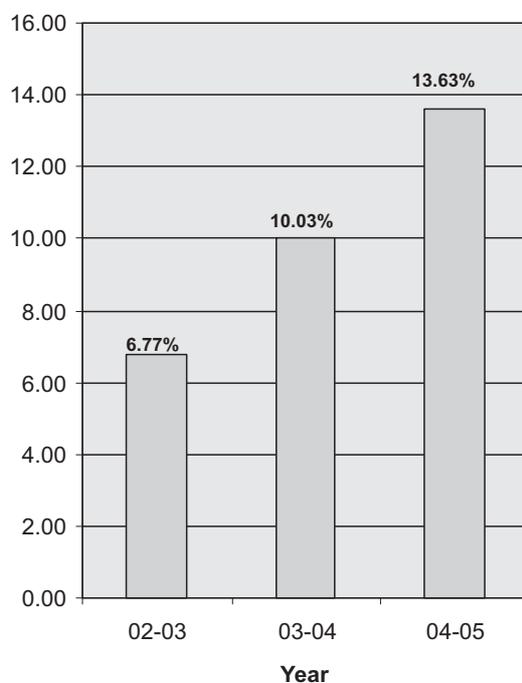
As harmonization and globalization taking place fast and furious in Pharma, one need to implement the quality systems in all aspects. In this endeavour Suven has set up dedicated regulatory and quality assurance teams for setting and implementing the quality systems that meets customers and global requirements.



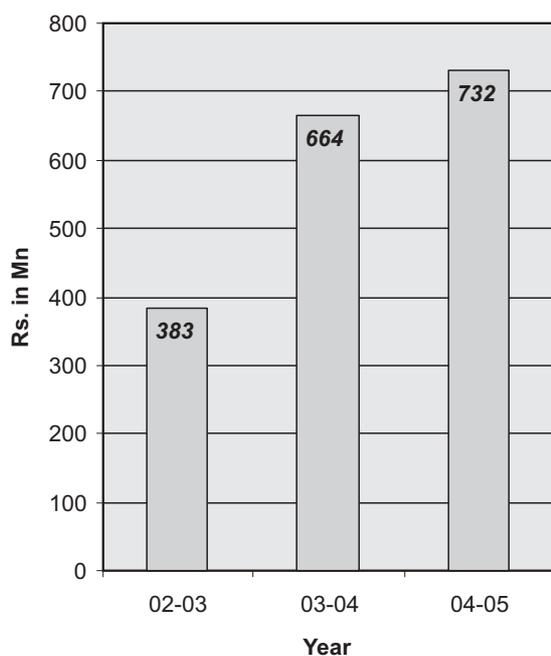
R&D Expenses



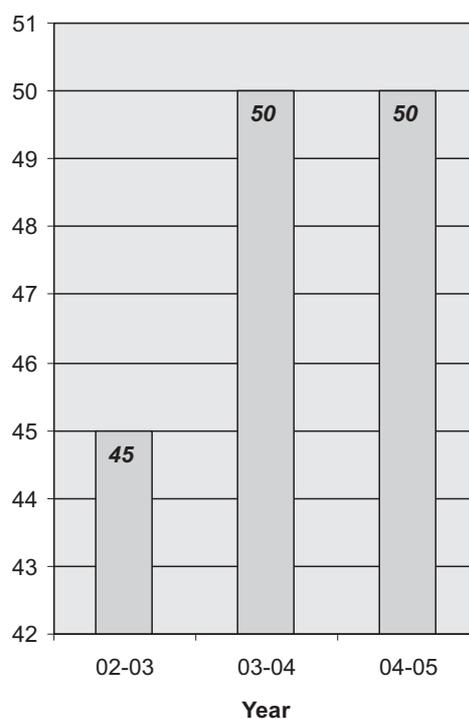
R&D Expenses as % of Income

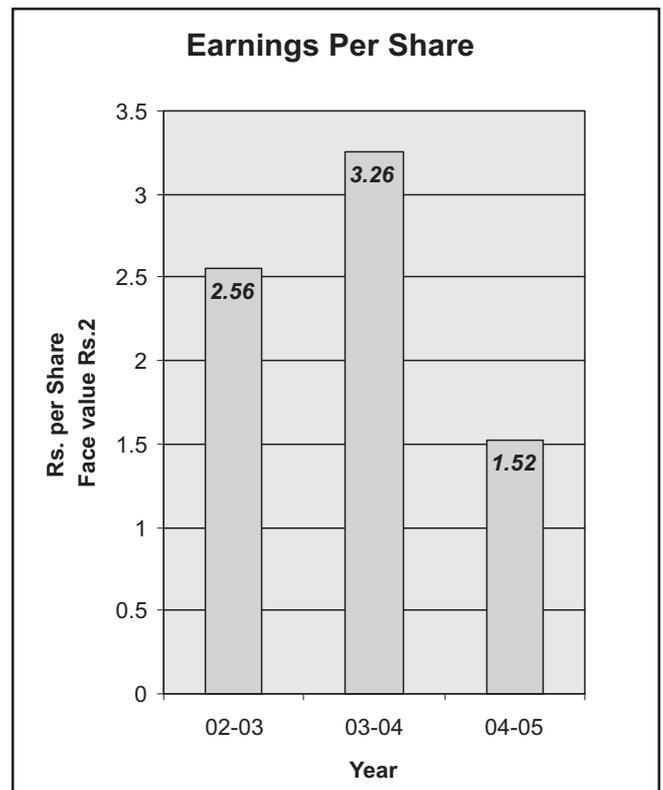
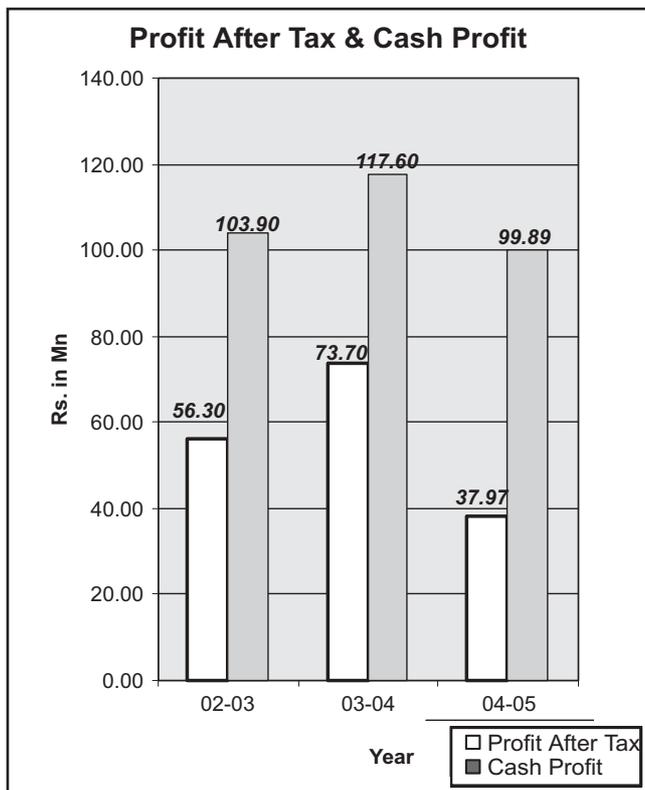
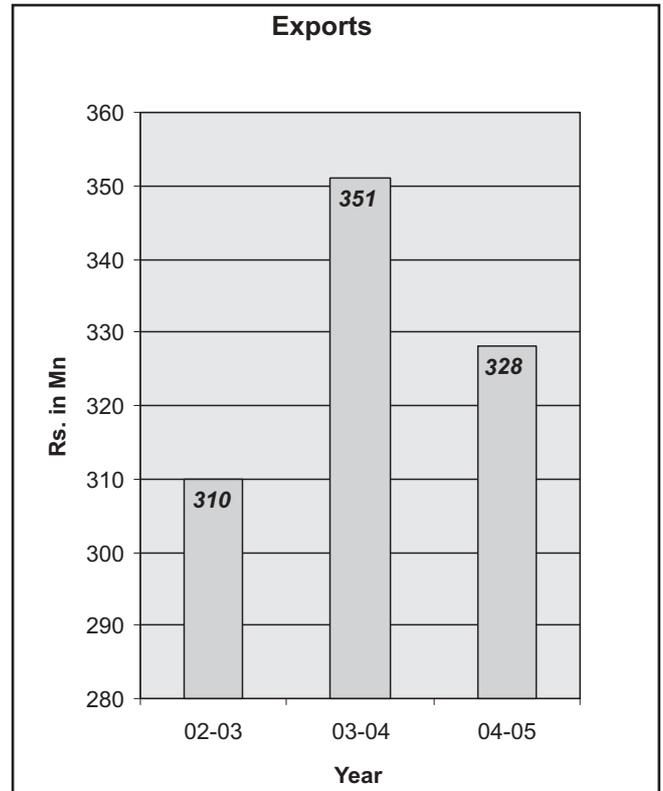
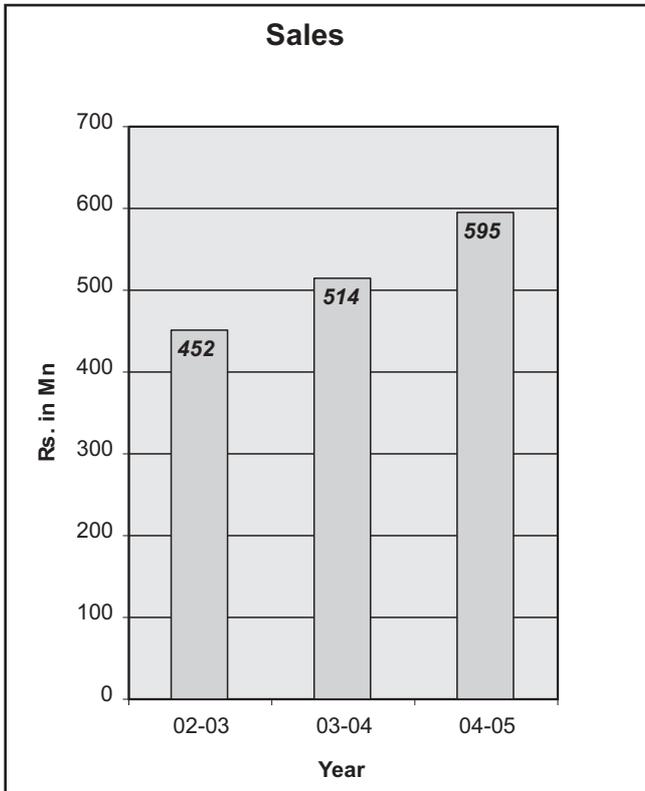


Net Fixed Assets



Dividend %







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 2005, 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	5	4	Yes
2	Shri Venkateswarlu Jasti	Vice-Chairman & CEO Promoter	Nil	5	5	Yes
3	Dr.M.R.Naidu	Independent and Non-Executive Director	2	5	5	Yes
4	Dr.Ramaiah Muthyala	Independent and Non-Executive Director	Nil	5	-	No
5	Dr. K.V. Raghavan	Independent and Non-Executive Director	4	5	4	No
6	Smt. Sudha Rani Jasti	Whole Time Director Promoter	Nil	5	5	Yes
7	Dr. S. Ramachandran	Independent and Non-Executive Director	1	5	2	Yes

During the year under review 5 (Five) Board Meetings were held on April 26th 2004, July 30th 2004, September 17th 2004, October 28th 2004, January 15th 2005. 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	8	5
2	Shri Venkateswarlu Jasti	Nil	Nil
3	Dr. M.R. Naidu	2	Nil
4	Dr. Ramaiah Muthyala	Nil	Nil
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	33,96,869	11,26,452
Rent	0	42,000
Contribution to P.F.	5,89,448	1,35,174
Commission	0	3,98,632
Perquisites	0	5,169
Total	39,86,317	17,07,427

b) *Non Executive Directors:* A sitting fee of Rs. 5,000/- 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) Dr. M.R. Naidu
- 3) 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 3 times on 26th April 2004, 30th July 2004 and 28th October 2004. The Chairman Shri Bodhishwar Rai attended two meetings and took leave for one meeting. Dr. S. Ramachandran attended one meeting and took leave for two meetings. Dr. M.R. Naidu attended all meetings.

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 three (3) 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.

d) Details of shareholders complaints received during the year 2004-05

The total number of complaints received and attended to during the year was 119, and no complaints were pending at the year end. There were no valid requisitions for transfer of shares pending as on 31st March, 2005.



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 fourteen (14) times during the financial year 2004-05.

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.

The Committee met on 18th September, 2004 and granted 600,000 stock options to the eligible employees of the Company as well as to the employees of wholly owned subsidiary at USA out of 12,50,000 stock options reserved under the scheme.

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
2003-04 17.09.2004	Hotel Green Park, Greenlands, Begumpet, Hyderabad	3.00 p.m.	Three
2002-03 20.09.2003	Hotel Green Park, Greenlands, Begumpet, Hyderabad	2.00 p.m.	Two
2001-02 18.09.2002	Hotel Green Park, Greenlands, Begumpet, Hyderabad	3.00 p.m.	Nil

- 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 Bhoomi (Vernacular) newspapers in accordance with the guidelines of Stock Exchange(s). The un-audited Results for all the quarters for the financial year 2004-05 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 for Shareholders

AGM: Date, time and venue

Schedule of 16th Annual General Meeting

Date	Monday, 12th September, 2005.
Time	3.00 p.m.
Venue	Hotel Green Park, Green Lands, Ameerpet, Hyderabad



Financial calendar
Financial year from 01/04/2004 to 31/03/2005

Date of Board Meeting for considering of Annual Accounts and Dividend Recommendation	30th July, 2005
Book Closure dates	8th September, 2005 to 10th September, 2005
Date of A.G.M.	Monday 12th Day of September, 2005
Posting of Annual Reports	Latest by 19th August, 2005
Expected dates of dispatch of Dividend Warrants	Between 27th September, 2005 to 7th October, 2005

Date of Book Closure

The Register of Members and Share Transfer Books will remain closed from 8th September, 2005 to 10th September, 2005 (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, 2005 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, The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Limited (NSE). The annual listing fee for the financial year 2005-06 has been paid to these Stock Exchanges.

Stock Code

BSE scrip code : 530239

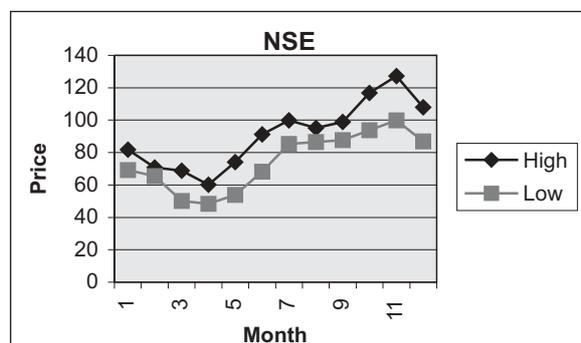
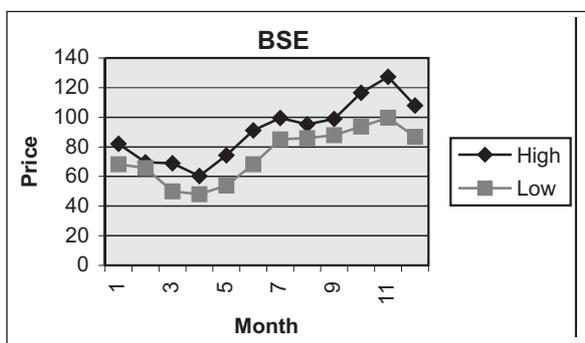
NSE scrip code : symbol "SUVEN" series "EQ"

Market Price Data:

Monthly high and low equity share
(Rs 2/- per share) quotations on
The Stock Exchange, Mumbai
for the financial year 2004-05.

Monthly high and low equity share
(Rs 2/- per share) quotations on
National Stock Exchange of India Limited
for the financial year 2004-05

BSE				NSE			
Month & Year	High Rs.	Low Rs.	Volume (Qty)	Month & Year	High Rs.	Low Rs.	Volume (Qty)
Apr-04	82	68.25	135092	Apr-04	81.85	69.15	345121
May-04	69.55	65.75	156890	May-04	70.85	65.45	476958
Jun-04	68.9	50	69492	Jun-04	68.85	50.1	209247
Jul-04	60.35	47.95	239067	Jul-04	60.1	48.35	568299
Aug-04	74.3	53.8	693491	Aug-04	74.2	53.8	1257485
Sep-04	91.15	68.25	1614317	Sep-04	91.25	68.3	2338845
Oct-04	99.6	85.15	2364036	Oct-04	99.9	85.3	4431527
Nov-04	95.25	85.95	869524	Nov-04	95.1	86.45	1915473
Dec-04	98.95	87.9	1506579	Dec-04	98.95	87.6	2325936
Jan-05	116.55	93.75	1462181	Jan-05	116.85	93.75	2744632
Feb-05	127.25	99.8	1039019	Feb-05	127.25	99.95	2511693
Mar-05	108	86.8	1108593	Mar-05	108	86.85	2314949



Registrar and Transfer Agents

(Physical and Electronic)

Karvy Computershare Pvt. Ltd

"KARVY HOUSE", 46, Avenue 4, Street No 1,
Banjara Hills, Hyderabad - 500 034.

Tel No(s): (040) 23312454,23320251/751/752

Fax No: (040) 23311968,23323049

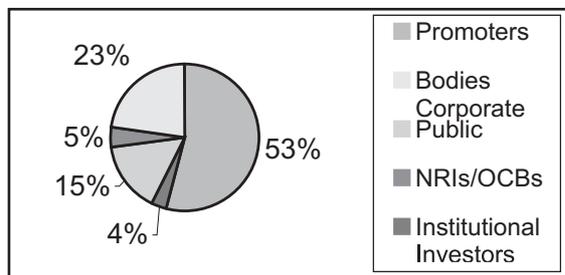
Email : mailmanager@karvy.com

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, 2005.

Sl. No	Category	No of Shares	% to Equity
1	Promoters	1,34,50,850	53.80
2	Bodies Corporate	8,81,824	3.53
3	Public	38,42,839	15.37
4	NRIs/OCBs	11,24,006	4.50
5	Institutional Investors	57,00,481	22.80
	Total	2,50,00,000	100.00



Distribution of shareholdings as on 31st March, 2005.

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	6784	96.20	45,45,988.00	9.10
5,001	10,000	133	1.89	10,27,198.00	2.05
10,001	20,000	59	0.84	8,95,544.00	1.79
20,001	30,000	18	0.26	4,61,516.00	0.92
30,001	40,000	13	0.18	4,54,100.00	0.91
40,001	50,000	9	0.13	4,07,218.00	0.81
50,001	1,00,000	14	0.20	10,43,174.00	2.09
1,00,001 and above		22	0.31	4,11,65,262.00	82.33
Total		7052	100.00	5,00,00,000.00	100.00



Dematerialization of shares and liquidity

96% of shares were dematerialised as on 31st March, 2005. Members are encouraged to opt for dematerialisation of shares to eliminate bad deliveries, forgery, fake transfers etc., in the market.

ISIN of the Company: INE495B01020

Unclaimed/ Unpaid Dividends

Members are advised that dividends for the financial year ended March 31,1997 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
1997 - 1998	07.08.1998	24.09.2005
1998 - 1999	30.06.1999	17.08.2006
1999 - 2000	30.05.2000	17.07.2007
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

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

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 - 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@suvn.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 effectively and comprehensively.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

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, for the year ended March 31, 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 explanations given to us and the representations made by the Directors and the Management,

we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

As required by the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India, we state that, as per records maintained by the Company, and certified by the registrar of the Company as on March 31, 2005, there were no investor grievances remaining pending for a period exceeding one month.

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 & Co.**,
Chartered Accountants

Place : Hyderabad
Date : 30th July, 2005

K. Ajay Kumar
Partner



AUDITORS' REPORT

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

1. We have audited the attached Balance Sheet of M/s. SUVEN LIFE SCIENCES LIMITED (the "Company") as at 31.03.2005 and also 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.
2. 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 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. As required by the Companies (Auditors' Report) Order 2003, as amended by the Companies Audit (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to above, we state that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, the Company has kept proper books of accounts as required by Law so far as appears from our examination of those books;

- (iii) The Balance Sheet, Profit & Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Profit & 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, to the extent applicable.
- (v) On the basis of written representation received from the directors of the company as at March 31, 2005 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2005 from being appointed as a Director in terms of under Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon gives 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:
 - (a) In case of Balance Sheet, of the state of affairs of the Company as at 31st March 2005
 - (b) In case of Profit & Loss account, of the profit of the company for the year ended on that date.
And
 - (c) In case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **KARVY & COMPANY**
Chartered Accountants

Place : Hyderabad
Date : 30-07-2005

K. Ajay Kumar
Partner
M. No. 21989



ANNEXURE TO AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR AUDIT REPORT OF EVEN DATE TO THE MEMBERS OF SUVEN LIFE SCIENCES LIMITED FOR THE YEAR ENDED 31st MARCH, 2005.

1.
 - a) The company has maintained proper records to show full particulars including quantitative details and situation of the fixed assets.
 - b) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by management during the year and no material discrepancies were identified during such verification.
 - c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
2.
 - a) The inventory of the company has been physically verified by the Management during the year. Confirmations have been obtained with respect to inventories lying with third parties.
 - b) In our opinion, the procedures of physical verification of stocks followed by the Management and the frequency of verification are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The company is maintaining proper records of inventory, the discrepancies noticed between the physical inventory and book stocks were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Consequently clause 4(iii)(a) to 4(iii)(g) of the Companies (Auditor's Report) Order, 2003 are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of business with regard to the purchase of inventories and fixed assets and with regard to sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal controls.
5. In our opinion and according to the information and explanations given by the management, we are of the opinion that contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section and such transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. According to information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Section 58A and 58AA or any other relevant provisions of the Act.
7. In our opinion the company has an internal audit system commensurate with size and nature of its business.
8. On the basis of records produced to us, we are of the opinion that, prima facie the cost records prescribed by the Central Government of India u/s 209 (1) (d) of the Companies Act, 1956 have been maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate and complete.
9.
 - a) According to the books and records as produced and examined by us in and also based on Management representations, undisputed statutory dues in respect of Provident Fund, Investor education and protection fund, Employees State Insurance, Income Tax, Sales Tax, Service tax, Wealth tax, Custom duty, Excise duty and Cess and any other material statutory dues have been regularly deposited during the year with appropriate authorities.
 - 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 :



Name of the Statute	Nature of Due	Amount	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Tax	1,79,596	1997-98	Income Tax Appellate Tribunal
Income Tax Act, 1961	Tax	4,27,724	1998-99	Income Tax Appellate Tribunal
Income Tax Act, 1961	Tax	46,27,886	2001-02	Commissioner, Appeals

10. The Company does not have accumulated losses as the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. In our opinion and on verification of records, the company has not defaulted in repayment of dues to its bankers or to any financial institutions. The company did not have any outstanding debentures during the year.
12. In our opinion and according to information and explanations given to us and as per verification of records, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
13. In our opinion, considering the nature of activities carried on by the company during the year, the provisions of any special statute applicable to Chit fund / Nidhi / Mutual benefit fund / societies / NBFC are not applicable to it. Accordingly, clause 4(xiii) of the Order is not applicable.
14. The Company has not dealt or traded in shares, securities, debentures and other investments. Hence no records are required to be maintained. Accordingly, clause 4(xiv) of the Order is not applicable.
15. As per information and explanations given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions during the year.
16. In our opinion and according to the information and explanations given to us and on the basis of our examination of the books of accounts, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
17. According to the information and explanation given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that no funds raised on short term basis have been used for long term investment.
18. The company has not made any preferential allotment of shares to parties covered under section 301 of the Companies Act, 1956. Accordingly, clause 4(xviii) of the Order is not applicable.
19. The company during the year has not issued any debentures or securities. Accordingly, clause 4(xix) of the Order is not applicable.
20. The company has not raised any money by public issue of shares during the year. Accordingly, clause 4(xx) of the Order is not applicable.
21. In our opinion and according to the information and explanations given to us and on the basis of examination of records, no fraud on or by the company was noticed or reported during the year.

For **KARVY & COMPANY**
Chartered Accountants

K. Ajay Kumar
Partner
M.No. 21989

Place : Hyderabad
Date : 30-07-2005



BALANCE SHEET AS AT 31ST MARCH, 2005

	SCHEDULE	AS AT 31/03/2005 Rs.	AS AT 31/03/2004 Rs.	
I. SOURCES OF FUNDS				
1	SHAREHOLDERS' FUNDS			
a)	Share Capital	A	50000000	50000000
b)	Reserves & Surplus	B	798889182	789423692
2	LOAN FUNDS			
a)	Secured Loans	C	198052299	205838277
3	DEFERRED TAX LIABILITY (NET)		132292587	101646727
T O T A L			1179234068	1146908696
II. APPLICATION OF FUNDS				
1	FIXED ASSETS	D		
a)	Gross block		874869391	767345907
b)	Less: Depreciation		143022655	103183955
c)	Net block		731846736	664161952
d)	Capital work-in-progress		33122269	11670132
2	INVESTMENTS	E	139887373	199106551
3	CURRENT ASSETS, LOANS AND ADVANCES			
a)	Inventories	F	193112777	124062489
b)	Sundry Debtors	G	167797079	108574131
c)	Cash and Bank balances	H	21388814	108582738
d)	Other Current Assets	I	92701294	86156875
e)	Loans and Advances	J	11931845	6154285
			486931809	433530518
Less : Current Liabilities and Provisions		K	213404181	162623034
Net Current Assets			273527628	270907484
4	MISCELLANEOUS EXPENDITURE			
a)	Preliminary Expenditure		850062	1062577
T O T A L			1179234068	1146908696
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 : 30-07-2005

K. Hanumantha Rao
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	SCHEDULE	FOR THE YEAR ENDED 31st Mar 2005 Rs.	FOR THE YEAR ENDED 31st Mar 2004 Rs.
INCOME			
Sales	L	594728148	514180862
Other Income	M	13064440	5123436
Increase/(Decrease) in Stocks		36436120	12793624
T O T A L		644228708	532097922
EXPENDITURE			
Materials Consumed	N	236540626	187979124
Manufacturing Expenses	O	84828229	70233558
Research & Development Expenses		86006693	52573631
Central Excise Duty		26163446	18657693
Personnel Expenses	P	34355038	23331776
Selling Expenses	Q	20893476	10165137
Financial Expenses	R	8214064	7865183
Administrative & Other Expenses	S	41927139	37527775
Depreciation		31267397	19438579
T O T A L		570196108	427772456
Profit before Tax		74032600	104325466
Less: Provision for - Current Tax		5415000	6119000
Deferred Tax		30645860	24523465
Profit after Tax		37971740	73683001
Profit brought forward from previous year		24090348	18674535
Profit available for appropriation		62062088	92357536
Appropriations			
Proposed dividend		25000000	25000000
Tax on proposed dividend		3506250	3267188
Transfer to General Reserve		3800000	40000000
Surplus carried to Balance Sheet		29755838	24090348
		62062088	92357536
Basic and Diluted Earnings per share (in Rs)		1.52	3.26
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 : 30-07-2005

K. Hanumantha Rao
Company Secretary



SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2005 (Rupees)	AS AT 31st Mar 2004 (Rupees)
SCHEDULE-A		
SHARE CAPITAL		
Authorised 5,00,00,000 Equity Shares of Rs.2/- each.	100000000	100000000
Issued, Subscribed and Paid up 2,50,00,000 Equity Shares of Rs.2/- each	50000000	50000000
TOTAL	50000000	50000000
SCHEDULE-B		
RESERVES & SURPLUS		
General Reserve		
Opening Balance	341197344	301190344
Add: Additions during the year	3800000	40007000
Share Premium		
Opening Balance	424136000	155936000
Additions during the year	---	268200000
Surplus in Profit & Loss A/c.	29755838	24090348
T O T A L	798889182	789423692
SCHEDULE-C		
SECURED LOANS		
Corporate Loan From S.B.I.	91060558	132540070
Corporate loan from SBI is secured by first and Pari-pasu charge on Land, Buildings, Plant & Machinery and personal guarantee given by Promoter Directors		
Cash Credit from State Bank of India (Including Bills Discounted and Export Packing Credit)	106344329	72219137
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 and personal guarantee given by Promoter Directors		
H.P. Loans obtained from ICICI Bank	647412	1079070
Secured by hypothecation of Vehicles acquired under the H.P. scheme		
T O T A L	198052299	205838277

**SCHEDULE-D
FIXED ASSETS**

(Amount in Rupees)

S.NO	GROSS BLOCK				DEPRECIATION			NET BLOCK			
	AS ON 31.03.2004	ADDITIONS	DEDUC- TIONS	AS ON 31.03.2005	UPTO 31.03.2004	FOR THE YEAR	DEDUC- TIONS	AS ON 31.03.2005	AS ON 31.03.2005	AS ON 31.03.2004	
1	LAND	20074691	1361588	--	21436279	--	--	--	21436279	20074691	
2	BUILDINGS-OFFICE AT FACTORY	4478375	--	--	4478375	553293	72998	--	626291	3852084	3925082
3	BUILDINGS-FACTORY	89177111	11646033	--	100823144	3979262	2978516	--	6957778	93865366	85197849
4	PLANT & MACHINERY	459853175	30778614	405650	490226139	79128921	24714694	189212	103654403	386571736	380724254
5	FURNITURE & FIXTURES	7385272	575042	--	7960314	1332901	481040	--	1813941	6146373	6052371
6	OFFICE EQUIPMENT	3305362	707501	--	4012863	490958	176441	--	667399	3345464	2814404
7	LABORATORY EQUIPMENT * -- UNIT I	8537761	4668511	--	13206272	1561972	525271	--	2087243	11119029	6975789
8	LABORATORY EQUIPMENT * -- UNIT II	132553196	54798984	--	187352180	6108685	7614189	--	13722874	173629306	126444511
	LABORATORY EQUIPMENT * -- UNIT III	12852748	922268	--	13775016	--	626200	--	626200	13148816	12852748
8	VEHICLES	7425724	636023	26823	8034924	2007650	704356	5145	2706861	5328063	5418074
9	E.T.P. WORKS	13399635	--	--	13399635	4577154	707501	--	5284655	8114980	8822481
10	MISC FIXED ASSETS	462203	--	--	462203	228176	21955	--	250131	212072	234027
11	EDP-EQUIPMENTS	7840654	1861393	--	9702047	3214983	1409896	--	4624879	5077168	4625671
T O T A L S		767345907	107955957	432473	874869391	103183955	40033057	194357	143022655	731846736	664161952
PREVIOUS YEAR TOTAL		533097949	234779036	531078	767345907	79081212	24390842	288099	103183955	664161952	

* Note: Depreciation on R & D Equipment of Rs.87,65,660/- has been added to R & D Expenses (Previous Year Rs.49,52,263/-)





SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2005 (Rupees)	AS AT 31st Mar 2004 (Rupees)
SCHEDULE-E		
INVESTMENTS: AT COST		
I. Trade Investments – (Long Term & Unquoted) :		
a. In Subsidiaries		
Share Application Money - in Suven Life Sciences USA LLC	68938000	46143750
2. Non-Trade Investments :		
Long Term		
Unquoted :		
National Savings Certificates	13,000	3,000
100 Equity Shares of Rs.20/- each in G.S.F.C. Limited	2,000	2,000
Bonds:		
100 No. of I D B I - Deep Discount Bonds (99 - B) of Rs.5,000/- each	--	500000
Short Term		
Quoted:		
Equity Shares:		
2650 shares of Rs.10/- each in Biocon Limited	--	834750
18969 shares of Rs.10/- each in Oil and Natural Gas Corporation Limited	--	14226750
Mutual Funds:		
SBI Magnum Insta Cash - Dividend Plan	1871957	77234303
1,77,660.575 units of Rs.10 each (Previous year 73,31,997.943)		
Chola Liquid Inst Plus - Weekly Dividend	8252202	40057594
7,21,779.052 units of Rs.10 each (Previous year 35,08,710.591)		
LIC MF Liquid Fund - Dividend Reinvestment Plan	20810213	20104404
19,31,692.368 units of Rs.10 each (Previous year 18,66,496.690)		
SBI Debt Fund Series	40000000	--
40,00,000 units of Rs.10 each (Previous year Nil)		
T O T A L	139887373	199106551
Quoted Investment		
- Book Value	70934373	151623051
- Market Value	71562167	153239919
Un-quoted Investment		
- Book Value	68953000	47483500

The following are the Investments which were Purchased and Sold in Current Year 2004-05

Name and nature of the Investment	Units	Cost (Rs.)
a) SBI Magnum Insta Cash - Dividend Plan - Mutual Fund	9606671.167	101244702
b) Chola Liquid Inst Plus-Weekly Dividend - Mutual Fund	3699701.489	42293076



SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2005 (Rupees)	AS AT 31st Mar 2004 (Rupees)
SCHEDULE-F		
INVENTORIES		
(As valued and certified by the Management)		
Raw Materials	59306514	26412065
Stores and Spares	2615407	2895688
Finished Goods	42928072	46517841
Stocks in Process	88262784	48236895
T O T A L	193112777	124062489

SCHEDULE-G		
SUNDRY DEBTORS		
(Unsecured, Considered good)		
Exceeding six months	4101655	15713711
Others	163695424	92860420
T O T A L	167797079	108574131

SCHEDULE-H		
CASH AND BANK BALANCES		
Cash on hand	290636	197551
Balances with Scheduled Banks		
--- in current accounts	2471162	1914732
--- in Deposits	18627016	106470455
T O T A L	21388814	108582738

SCHEDULE-I		
OTHER CURRENT ASSETS		
Interest accrued	716233	1093273
Deposits	8527124	7784029
Other Receivables	17465651	16649090
Advance Tax	65992286	60630483
T O T A L	92701294	86156875

SCHEDULE-J		
LOANS AND ADVANCES		
(Unsecured, considered good, advances recoverable in cash or in kind or for value to be received)		
Advances for Purchases	6192606	2689826
Advances for Expenses	1360691	179774
Other Advances	4378548	3284685
T O T A L	11931845	6154285



SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2005 (Rupees)	AS AT 31st Mar 2004 (Rupees)
SCHEDULE-K		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Liabilities for Capital Works	17426817	17336746
Liabilities for Purchases	77338125	35878662
Liabilities for Expenses	22856620	19849806
Unclaimed Dividend	627002	627263
Liabilities for statutory dues	2030260	1459262
(A)	120278824	75151739
B. PROVISIONS		
-- for Taxation	64619107	59204107
-- for Dividend	25000000	25000000
-- for Corporate Dividend Tax	3506250	3267188
(B)	93125357	87471295
T O T A L (A+B)	213404181	162623034



SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2005 (Rupees)	Previous Year 31st Mar 2004 (Rupees)
SCHEDULE-L		
SALES		
Sales		
Exports	327634727	351389723
Domestic	228762956	141649115
Contract Technical Services (Gross) (Tax Deducted at Source Rs.11,97,933 Previous year Rs.2,82,829)	34317651	7623649
Conversion Charges Received (Gross) (Tax Deducted at Source Rs.83,913 Previous year Rs.51,074)	4012814	2398925
Sale of Import Licences	--	11119450
TOTAL	594728148	514180862

SCHEDULE-M OTHER INCOME

Interest-(Gross)		
- On Deposits	961251	1590700
- From APSEB	377167	150912
- ICD	65594	--
(Tax Deducted at Source Rs.3,44,783 Previous year Rs.3,40,646)		
Dividend Income from Mutual Funds	4981401	1626157
Foreign Exchange Fluctuations Gain (Net)	3553802	1399747
Miscellaneous Receipts	344209	355920
Gain on Investments	2781016	--
T O T A L	13064440	5123436

INCREASE / DECREASE IN STOCKS

Opening Stock :		
Work - in - Progress	48236895	30055449
Finished Goods	46517841	51905663
A	94754736	81961112
Closing Stock :		
Work - in - Progress	88262784	48236895
Finished Goods	42928072	46517841
B	131190856	94754736
Increase in Stocks (B-A)	36436120	12793624



SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2005 (Rupees)	Previous Year 31st Mar 2004 (Rupees)
SCHEDULE-N		
MATERIALS CONSUMED		
1) Raw Materials		
Opening Stock	26412065	25618878
Purchases	267057645	186684867
Less: Closing Stock	59048581	26412065
(A)	234421129	185891680
2) Packing Materials		
Opening Stock	134758	179829
Purchases	2152900	2042373
Less: Closing Stock	168161	134758
(B)	2119497	2087444
T O T A L (A+B)	236540626	187979124

SCHEDULE-O MANUFACTURING EXPENSES

Power & Fuel	49686501	39815255
Consumable Stores	2106380	1595696
Factory Upkeep Expenses	12547237	7017109
Environment Management Expenses	3768128	3674832
Safety Expenses	1207272	956408
Repairs & Maintenance :		
-- Buildings	169521	33729
-- Plant & Machinery	14443583	16544635
-- Others	899607	595894
T O T A L	84828229	70233558

SCHEDULE-P PERSONNEL EXPENSES

Salaries, Wages & Bonus	24094380	16022694
Staff Welfare Expenses	6077230	4625053
Contribution to PF & Other Funds	4183428	2684029
T O T A L	34355038	23331776



SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2005 (Rupees)	Previous Year 31st Mar 2004 (Rupees)
SCHEDULE-Q		
SELLING EXPENSES		
Sales Promotion	4400062	919523
Advertisement	556718	541162
Carriage Outwards	6508641	6644910
Commission on Sales	9428055	2059542
T O T A L	20893476	10165137

SCHEDULE-R FINANCIAL EXPENSES

Interest -- on Term Loans	4208440	3148276
-- on Others	1858888	1552109
Finance Charges	2146736	3164798
T O T A L	8214064	7865183

SCHEDULE-S ADMINISTRATIVE & OTHER EXPENSES

Rent	2214510	1782240
Rates & Taxes	214896	64871
Insurance	4861557	3734142
Communication Charges	3879117	2292754
Travelling & Conveyance	9333790	6756858
Printing & Stationery	2015189	1479214
Vehicle Maintenance	1721743	1505745
Directors Remuneration	5693744	6886375
Professional Charges	3317602	6173002
Payments to Auditors :		
-- As Auditors	150000	108000
-- for Tax Matters	125000	77000
-- for other Services	31600	79100
-- for Expenses	4900	2200
Security Charges	1945957	1267047
Donations	964937	565596
General Expenses	5218966	4468665
Loss on Sale of Assets	21116	82979
Loss on Investments	--	178397
Bad Debts Written Off	--	23590
Preliminary Expenses written off	212515	--
T O T A L	41927139	37527775



SCHEDULE - T NOTES ON ACCOUNTS

1. Significant Accounting Policies :

(a) Basis of preparation of Financial Statements

- 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 estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

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 sales

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

Revenues from Contract Technical Services are recognized as soon as the analysis work is completed.

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

- i. 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.
- ii. Assets taken on Hire Purchase: Assets taken on hire purchase arrangements are accounted for as assets in accordance with AS-19 "Accounting for Leases" issued by the Institute of Chartered Accountants of India.

(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

Transactions in foreign currency are recorded at the exchange rate prevailing at the time of the transaction. The transaction remaining unsettled at the end of the years are translated at forwarding rates, where forward covers have been taken or at year-end rates in other cases. The exchange differences arising on such transactions are recognised as income or expense in the profit and loss account as per revised AS-11 "Accounting for foreign Exchange Fluctuation" issued by the Institute of Chartered Accountants of India.

(i) Investments

Long-term investments are carried 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) Borrowing cost

- i. 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.
- ii. Other borrowing costs are treated as an expense in the period in which they are incurred

(l) 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.

(m) 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.

(n) 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.

(o) 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 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 forwarded 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.

(p) 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.

(q) 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

	Current Year	Previous Year
Guarantees given by Banks	---	15,78,914
Un expired Letters of Credit	5,85,18,176	3,02,17,073
Disputed Income Tax demands against which Company is in Appeal	43,89,739	22,581

3. Capital commitments not provided for on account of pending execution (net of advance) Rs.1,79,57,608/- (Previous year Rs.1,75,365/-)

4. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as of 31st March 2005 (Previous year Nil). During the year Rs.71, 270/- Unclaimed dividends for more than 7 years, is transferred to Investor Education and Protection Fund.

5. 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.

6. Managerial Remuneration:

Computation of Net Profits U/S198&309 of the Companies Act, 1956 and the commission payable to working Directors

	Current Year
Net profit before tax	7,40,32,600
Add: remuneration to Directors	56,93,744
Net Profit	7,97,26,344

Details of amounts paid / payable to Managing Director and Whole Time Director:

	Year ended 31-03-2005	Year ended 31-03-2004
Salary	45,23,321	45,00,000
Contribution to PF	7,24,622	5,40,000
Perquisites	47,169	1,78,198
Commission	3,98,632	16,68,177
Total	56,93,744	68,86,375

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

8. EMPLOYEE STOCK OPTION SCHEME

Employees Stock Option Plan - 2004: The Company instituted the Employees Stock Option 2004 plan for all eligible employees in pursuance of the Special Resolutions approved by the Share Holders in the Annual General Meeting held on 17-09-2004. The Scheme covers all eligible employees of Suven Life Sciences Limited and its subsidiary. Under the Scheme, the Compensation Committee of the Board ('the Committee') shall administer the scheme and grant stock options to eligible employees of the company. The committee shall determine the employees eligible for receiving the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for the options issued on the date of the grant.

The Scheme further provides that in no case shall the Per Share Exercise Price of an Option be less than the Fair Market Value on the date of grant. The fair market value of a share on each grant date is defined as the latest available closing price before the date of Committee Meeting to the grant, in the stock exchange where there is highest trading Volume during that date. Notwithstanding the foregoing, the committee may, after getting the approval of the members in general meeting, grant Options with a Per Share Exercise Price lesser than

the Fair Market Value. In the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee or if no time limit is prescribed, within three months of the date of employment termination, failing which they would stand cancelled.

During the current year company under this scheme has issued 6,00,000 options to its employees. The vesting period for the options granted varies from 12 to 36 months; the exercise price determined by the Committee is Rs.74.85/- per option, being the fair value (Closing price on 17.09.2004 the day before the grant).

As the exercise price is equal to fair value, no compensation cost is set-up. The movement in options during the year ended March 31, 2005 is set out below:

	For the year ended March 31, 2005
Options outstanding at the beginning of the year	--
- Issued	6,00,00
- Forfeited	--
- Converted into equity shares	--
Options outstanding at the end of the year	6,00,000

9. The company has not entered in to any finance lease arrangements during the year. However, fixed assets include vehicles, which were acquired in the previous years under hire purchase arrangements and are in the nature of finance lease as defined in AS 19.

The total carrying cost of the same and the future installments payable in future and the finance charges debited to the profit and loss account are as under:

Vehicles under finance lease

PARTICULARS	As at 31st March	
	2005	2004
Cost	14,70,026	14,70,026
Accumulated Depreciation	2,09,286	69,634
Net Carrying Amount	12,60,740	14,00,392
Future Minimum Lease Rents Payable	5,03,026	9,34,684
Less: Interest included in above	24,969	66,794
PV of Future Minimum Lease Rents payable	4,76,272	8,84,971



Future Minimum Lease payments and their Present Value at the Balance Sheet date for each of the following periods.

	(Rupees)		
	Not latter than 1 year	Latter than 1 year less than 5 years	Latter than 5 years
Minimum Installment Payable	4,31,628 (4,31,628)	71,938 (5,03,026)	Nil
Present Value of Installment payable	4,11,035 (4,11,628)	65,237 (4,56,170)	Nil

10. Income taxes

a. Income tax Expense

	Year ended 31-03-2005	Year ended 31-03-2004
Current Tax	54,15,000	61,19,000
Deferred Tax	3,06,45,860	2,45,23,465
Total	3,60,60,860	3,06,42,465

b. Deferred tax Assets/ Deferred tax Liabilities

Deferred tax Assets		
Public Issue Expenses	--	80,543
Deferred tax Liabilities		
Depreciation	13,22,56,821	10,17,27,270

11. Excise Duty amounting to Rs.27,30,264/- 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.

12. Earning per Share

	Year ended 31-03-2005	Year ended 31-03-2004
Net Profit after tax available for Equity shareholders	3,79,71,740	7,36,83,001
Weighted average of number of Equity shares outstanding during the year	2,50,00,000	2,25,98,361
Basic and Diluted Earnings per Equity share	1.52	3.26

13. 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. Vasudha Pharma Chem Limited
2. Jubilant Organosys Limited
3. Nile Limited
4. Asain Clinical Trails Limited |
| c) Key managerial Persons | : | 1) Venkat Jasti.
2) Sudha Rani Jasti. |



	Subsidiaries	Associates	Key Managerial Person	Total
Purchase of goods		22,86,802 (5,77,262)		22,86,802 (5,77,262)
Sale of goods	51,61,695 -nil-	-nil- (13,37,88,377)		51,61,695 (13,37,88,377)
Loans - Given		13,07,007 -nil-		13,07,007 -nil-
Loans -Repaid		13,07,007 -nil-		13,07,007 -nil-
Remuneration			56,93,744 (6886375)	56,93,744 (6886375)

Note: Figures in bracket indicates previous year figures.

14. Miscellaneous Expenditure

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

15 a) Segmental Information (2004-05)

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:

- India-The company sells Bulk Drugs and Intermediates and Fine Chemicals.
- U.S.A -The company sells Intermediates
- Europe--The company sells Bulk Drugs and Intermediates
- Asia-The company sells Bulk Drugs and Intermediates

	Intermediates under Contract Services	Bulk Drugs	Other Intermediates, Finechemicals and other Products	Research and Development	Un allocated	Total
Segment Revenue						
External Sales	398420782 (319986576)	103079002 (99141436)	92744514 (94696350)	483850 (356500)	-- --	594728148 (514180862)
Inter Segmental Adj.	-- --	-- --	-- --	-- --	-- --	-- --
Total	398420782 (319986576)	103079002 (99141436)	92744514 (94696350)	483850 (356500)	-- --	594728148 (514180862)



	Intermediates under Contract Services	Bulk Drugs	Other Intermediates, Finechemicals and other Products	Research and Development	Un allocated	Total
Segment Result						
Operating Profit	219309168	18506740	16890796	(85522843)	(102148372)	67035489
	(172117352)	(28863469)	(34617809)	(-52217131)	(-79479084)	(103902415)
Other Income	--	--	--	--	--	13064440
	--	--	--	--	--	5123436
Interest Expense	--	--	--	--	--	6067328
	--	--	--	--	--	(4700385)
Income Tax -Current Tax	--	--	--	--	--	5415000
	--	--	--	--	--	(6119000)
- Deferred Tax	--	--	--	--	--	30645860
	--	--	--	--	--	(24523465)
Net Profit						37971741
						(73683001)
Other Information						
Segment Assets	--	--	--	209421900	1183216349	1392638249
	--	--	--	(155048975)	(1154482755)	(1309531730)
Segment Liabilities	--	--	--	4265270	209138911	213404181
	--	--	--	(3156641)	(159466393)	(162623034)
Capital employed	--	--	--	205156630	974077438	1179234068
	--	--	--	(151892334)	(995016362)	(1146908696)
Capital Expenditure	--	--	--	60389763	47566194	107955957
	--	--	--	(64726142)	(240708476)	(305434618)
Depreciation	--	--	--	8765660	31267397	40033057
	--	--	--	(4952263)	(19438579)	(24390842)

1. Segment Assets do not include Income Tax Rs.6,59,92,286/- (previous year Rs.6,06,30,483/-)
2. Segment Liabilities do not include
 - a. Shareholders funds Rs.87,73,95,432/- (previous year Rs.83,94,23,692/-)
 - b. Secured Loans Rs.19,80,52,299/- (previous year Rs.20,58,38,277/-)
 - c. Unpaid Dividend Rs.6,27,002/- (previous year Rs.6,27,263/-)
 - d. Provision for Income Tax Rs.6,46,19,107/- (Previous year Rs.5,92,04,107/-)
 - e. Deferred Tax Liability(net) Rs.13,22,92,587/- (previous year Rs.10,16,46,727/-)
 - f. Proposed Dividend Rs.2,50,00,000/- (previous year Rs.2,50,00,000/-)
 - g. Provison for Tax on Dividend Rs.35,06,250/- (previous year Rs.32,67,188/-)



c) **Geographical Information**

	Segment Revenue	
	Current Year	Previous Year
INDIA	267093421	162791139
U S A	81155340	75845809
EUROPE	90459701	127209860
ASIA	156019686	148334054
	594728148	514180862

16. 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 31-03-2005 MT		Production for the year ended 31-03-2004 MT	
		For Sales	For Captive	For Sales	For Captive
a) Bulk Drugs	162.000	74.523	0.000	84.973	--
b) Intermediates	1144.000	482.071	16.285	371.866	30.355
	1306.00	556.594	16.285	456.839	30.355

ii) **Stocks - Finished Goods**

	As on 31-03-2005		As on 31-03-2004	
	Quantity MT.	Value Rs.	Quantity MT.	Value Rs.
a) Bulk Drugs	1.226	4853579	22.716	16091391
b) Intermediates	57.061	38074493	44.846	30426450
	58.287	42928072	67.562	46517841

iii) **Turnover**

	CURRENT YEAR		PREVIOUS YEAR	
	Quantity MT.	Value Rs.	Quantity MT.	Value Rs.
a) Bulk Drugs	96.013	102466188	78.436	96742511
b) Intermediates	469.856	453557677	379.371	394887623
c) Recoveries	--	373818	--	1408704
	565.869	556397683	457.807	493038838

iv) **Raw Materials Consumed**

	CURRENT YEAR		PREVIOUS YEAR	
	Quantity MT.	Value Rs.	Quantity MT.	Value Rs.
a) 2-Amino-5-chloro-2-Fluorobenzophenone	4.250	11348810	3.550	9920646
b) O-Phthalaldehyde	20.100	19351505	14.600	14046698
c) Others		203720814		161924336
		234421129		185891680



v) **C I F value of Imports** (Rupees)

	CURRENT YEAR	PREVIOUS YEAR
a) Raw Materials	71598672	52910795
b) Components and Spare Parts	45727340	48359314

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	71346108	30.44	51267461	27.58
ii) Indegenious	163075021	69.56	134624219	72.42
	234421129	100.00	185891680	100.00

a) Stores and Spares :

	CURRENT YEAR		PREVIOUS YEAR	
	Value Rs.	% to Total	Value Rs.	% to Total
i) Imported	--	--	--	--
ii) Indegenious	2106380	100.00	1595696	100.00
	2106380	100.00	1595696	100.00

(Rupees)

vii) **Expenditure in Foreign Currency** (Rupees)

	CURRENT YEAR	PREVIOUS YEAR
Travel	5003955	3954388
Dividend	83500	3505950
Sales Commission	319671	12590
	5407126	7472928

(Rupees)

viii) **Earnings in Foreign Currency** (Rupees)

	CURRENT YEAR	PREVIOUS YEAR
FOB Value of Exports	320601179	345015076

ix) **Computation of Net Profits Under Sections (198 & 309) of the Companies Act, 1956 and the commission payable to Working Directors**

	CURRENT YEAR Rs.
Net profit before tax	74032600
Add: Remuneration to Directors	5693744
Net Profit	79726344



	CURRENT YEAR Rs.	PREVIOUS YEAR Rs.
(a) Managing Director :		
Salary	3396869	3840000
Contribution to Providend Fund	589448	460800
Commission (@ 1% on net profits)	--	1112118
	3986317	5412918
(b) Wholetime Director :		
Salary	1126452	660000
Perquisites	47169	178198
Contribution to Providend Fund	135174	79200
Commission (@ 0.5% on net profits)	398632	556059
	1707427	1473457

17 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 : 30-07-2005

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



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

(Rs. In lakhs)

For the year ended 31.03.2005 For the year ended 31.03.2004

A. CASH FLOW FROM OPERATING ACTIVITIES :

Net Profit before Tax and Extraordinary items	717.54	1043.25
Adjustment for :		
Depreciation	400.33	243.91
Dividend received	(49.81)	(16.26)
Loss / (Gain) on Sale of Assets	0.21	0.83
Loss / (Gain) on Sale of Investments	(27.81)	1.78
Unrealised Foreign Exchange (Gain) / Loss	(35.53)	(28.93)
Preliminary Expenses written off	2.13	0.00
Miscellaneous Receipts-customers a/c w/o	(2.35)	0.00
Interest	82.14	78.65
Operating profit before Working Capital changes	1086.85	1323.23
Adjustment for :		
- (Increase)/Decrease Trade and other receivables	(715.33)	104.15
- (Increase)/Decrease Inventories	(690.50)	(136.63)
- Increase/(Decrease) Trade Payables	867.68	(574.49)
Cash generated from operations	548.70	716.26
Direct Taxes paid	(69.67)	(74.76)
Cash flow before extraordinary items	479.03	641.50
NET CASH FLOW FROM OPERATING ACTIVITIES	479.03	641.50

B. CASH FLOW FROM INVESTING ACTIVITIES :

Purchase of Fixed Assets	(1294.08)	(1689.68)
Sale of Fixed Assets	2.07	1.60
Purchase of Investments	0.00	(1323.55)
Share Application in Suven Life Sciences LLC	(227.94)	(461.44)
Sale of Investments(net)	847.94	--
Dividend Received	49.81	16.26
Loss / (Gain) on Sale of Investments	--	--
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(622.20)	(3456.81)



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

	(Rs. In lakhs)	
	For the year ended 31.03.2005	For the year ended 31.03.2004
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from issue of Share Capital	--	2742.00
Proceeds from Long Term Borrowings	--	1336.19
Repayment to Long Term Borrowings	(419.11)	--
Interest paid	(82.14)	(78.65)
Dividend paid	(250.00)	(198.00)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(751.25)	3801.54
Increase/(decrease) in cash and cash equivalents (A+B+C)	(894.42)	986.23
Increase / (Decrease) due to Unrealised Foreign Exchange Fluctuations	22.48	28.93
Net increase/(decrease) in cash and cash equivalents	(871.94)	1015.16
Cash and Cash equivalents at the Beginning of the Year	1085.83	70.67
Cash and Cash equivalents at the End of the Year	213.89	1085.83

- Note: 1. Working Capital Loan (Cash Credit) has been considered as Current Liability and added to Trade Payable.
2. Previous year figures have been regrouped wherever considered necessary.

for and on behalf of the Board of Directors

for **KARVY & COMPANY**
Chartered Accountants

K. Ajay Kumar
Partner

Venkateswarlu Jasti
Vice Chairman & C E O

Sudha Rani Jasti
Wholetime Director

Place : Hyderabad
Date : 30-07-2005

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	5
--	---	---	---	---	---	---	---	---

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

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Right Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

					N	I	L
--	--	--	--	--	---	---	---

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

Total Liabilities

	1	1	7	9	2	3	4
--	---	---	---	---	---	---	---

Total Assets

	1	1	7	9	2	3	4
--	---	---	---	---	---	---	---

SOURCES OF FUNDS

Paid-up Capital

			5	0	0	0	0
--	--	--	---	---	---	---	---

Reserves & Surplus

		7	9	8	8	8	9
--	--	---	---	---	---	---	---

Secured Loans

		1	9	8	0	5	2
--	--	---	---	---	---	---	---

Deferred tax Liability

		1	3	2	2	9	3
--	--	---	---	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets

		7	6	4	9	6	9
--	--	---	---	---	---	---	---

Investments

		1	3	9	8	8	7
--	--	---	---	---	---	---	---

Net Current Assets

		2	7	3	5	2	8
--	--	---	---	---	---	---	---

Miscellaneous Expenditure

					8	5	0
--	--	--	--	--	---	---	---

Accumulated Losses

					N	I	L
--	--	--	--	--	---	---	---

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

Turnover (Gross Revenue)

		6	4	4	2	2	9
--	--	---	---	---	---	---	---

Total Expenditure

		5	7	0	1	9	6
--	--	---	---	---	---	---	---

Profit Before Tax

		7	4	0	3	3
--	--	---	---	---	---	---

Tax

3	6	0	6	1
---	---	---	---	---

Profit After Tax

		3	7	9	7	2
--	--	---	---	---	---	---

Earning per share Rs.

			1	.	5	2
--	--	--	---	---	---	---

Dividend Rate (%)

			5	0	.	0	0
--	--	--	---	---	---	---	---

FACE VALUE RS.2.00

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

Item Code No. (ITC Code)

2	9	4	2	0	0	3	1
---	---	---	---	---	---	---	---

Product Description

T	H	E	O	B	R	O	M	I	N	E
---	---	---	---	---	---	---	---	---	---	---

Item Code No. (ITC Code)

2	9	3	3	9	9	0	0
---	---	---	---	---	---	---	---

Product Description

P	H	T	H	A	L	A	Z	I	N	E
---	---	---	---	---	---	---	---	---	---	---

Item Code No. (ITC Code)

2	9	2	6	9	0	0	0
---	---	---	---	---	---	---	---

Product Description

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
Vice Chairman & C E OSudha Rani Jasti
Wholetime DirectorK. Hanumantha Rao
Company SecretaryPlace : Hyderabad
Date : 30-07-2005



SUVEN LIFE SCIENCES LIMITED

**CONSOLIDATED
FINANCIAL STATEMENTS
AS OF MARCH 31, 2005**



AUDITORS' REPORT

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF SUVEN LIFE SCIENCES LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF SUVEN LIFE SCIENCES LIMITED AND ITS SUBSIDIARY SUVEN LIFE SCIENCES LLC., USA

1. We have examined the attached consolidated balance sheet of SUVEN LIFE SCIENCES LIMITED and its subsidiary as at 31st March, 2005, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date.
2. These consolidated financial statements are the responsibility of the management of SUVEN LIFE SCIENCES LIMITED. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.340.28 Lakhs as at 31st March, 2005 and total revenues of Rs. 850.18 Lakhs and total net cash inflows amounting to Rs.43.37 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, insofar 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 and on the basis of the separate audited financial statements of SUVEN LIFE SCIENCES LIMITED and its subsidiary included in the consolidated financial statements.
 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, 2005,
 - 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 : 30-07-2005

K. Ajay Kumar
Partner
M.No. 21989



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

	SCHEDULE	AS AT 31/03/2005 Rs.	AS AT 31/03/2004 Rs.
I. SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
a) Share Capital	A	50000000	50000000
b) Reserves & Surplus	B	761847107	766800959
2 LOAN FUNDS			
a) Secured Loans	C	198052299	205838277
3 DEFERRED TAX LIABILITY (NET)		132292587	101646727
T O T A L		1142191993	1124285963
II. APPLICATION OF FUNDS			
1 FIXED ASSETS	D		
a) Gross block		885904171	776722218
b) Less: Depreciation		144460070	103618075
c) Net block		741444101	673104143
d) Capital work-in-progress		33122269	11670132
2 INVESTMENTS	E	70949373	152962801
3 CURRENT ASSETS, LOANS AND ADVANCES			
a) Inventories	F	193112777	124062489
b) Sundry Debtors	G	186247664	111491430
c) Cash and Bank balances	H	25725955	120853171
d) Other Current Assets	I	93507694	86200195
e) Loans and Advances	J	12768240	7080986
		511362330	449688271
Less : Current Liabilities and Provisions	K	215536142	164201961
Net Current Assets		295826188	285486310
4 MISCELLANEOUS EXPENDITURE			
b) preliminary Expenditure		850062	1062577
T O T A L		1142191993	1124285963
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 : 30-07-2005

K. Hanumantha Rao
Company Secretary



CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	SCHEDULE	FOR THE YEAR ENDED 31st Mar 2005 Rs.	FOR THE YEAR ENDED 31st Mar 2004 Rs.
INCOME			
Sales	L	662400280	530965223
Other Income	M	15429425	10026048
Increase/(Decrease) in Stocks		36436120	7627123
T O T A L		714265825	551385970
EXPENDITURE			
Materials Consumed	N	236516706	187979124
Manufacturing Expenses	O	93073991	78979624
Research & Development Expenses		117874008	52702834
Central Excise Duty		26163446	18657693
Personnel Expenses	P	62510209	41374671
Selling Expenses	Q	21716653	11001884
Financial Expenses	R	8238104	7884798
Administrative & Other Expenses	S	55759015	49362377
Depreciation		32270692	19872699
T O T A L		654122824	467815704
Profit before Tax		60143001	83570266
Less: Provision for - Current Tax		5436830	6140660
Deferred Tax		30645860	24523465
Profit after Tax		24060311	52906141
Profit brought forward from previous year		3313488	18674535
Profit available for appropriation		27373799	71580676
Appropriations			
Proposed dividend		25000000	25000000
Tax on proposed dividend		3506250	3267188
Transfer to General Reserve		3800000	40000000
Surplus carried to Balance Sheet		(4932451)	3313488
		27373799	71580676
Basic and Diluted Earnings per share (in Rs)		0.96	2.34
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 : 30-07-2005

K. Hanumantha Rao
Company Secretary



CONSOLIDATED SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2005 (Rupees)	AS AT 31st Mar 2004 (Rupees)
SCHEDULE-A		
SHARE CAPITAL		
Authorised 5,00,00,000 Equity Shares of Rs.2/- each.	100000000	100000000
Issued, Subscribed and Paid up 2,50,00,000 Equity Shares of Rs.2/- each	50000000	50000000
TOTAL	50000000	50000000

SCHEDULE-B RESERVES & SURPLUS

General Reserve				
Opening Balance	341197344		301190344	
Add:Additions during the year	3800000	344997344	40007000	341197344
Foreign Exchange Translation Reserve				
Opening Balance	(1845873)		(1845873)	(1845873)
Add:Additions during the year	(507913)	(2353786)	(1845873)	(1845873)
Share Premium				
Opening Balance	424136000		155936000	
Additions during the year	---	424136000	268200000	424136000
Surplus in Profit & Loss A/c.		(4932451)		3313488
T O T A L		761847107		766800959

SCHEDULE-C SECURED LOANS

Corporate Loan From S.B.I.	91060558	132540070
Corporate loan from SBI is secured by first and Pari-pasu charge on Land, Buildings, Plant & Machinery and personal guarantee given by Promoter Directors		
Cash Credit from State Bank of India (Including Bills Discounted and Export Packing Credit)	106344329	72219137
Secured by first charge on Raw Materials, Stock in Process, Finished Goods and Book Debts and second charge on Land, Buildings and Plant & Machinery and personal guarantee given by Promoter Directors		
H.P. Loans secured by hypothecation of Vehicles acquired under the scheme	647412	1079070
T O T A L	198052299	205838277

**SCHEDULE-D
FIXED ASSETS**

(Amount in Rupees)

S.NO		GROSS BLOCK			DEPRECIATION			NET BLOCK			
		AS ON 31.03.2004	ADDITIONS	DEDUC- TIONS	AS ON 31.03.2005	UPTO 31.03.2004	FOR THE YEAR	DEDUC- TIONS	AS ON 31.03.2005	AS ON 31.03.2005	AS ON 31.03.2004
1	LAND	20074691	1361588	--	21436279	--	--	--	--	21436279	20074691
2	BUILDINGS-OFFICE AT FACTORY	4478375	--	--	4478375	553293	72998	--	626291	3852084	3925082
3	BUILDINGS-FACTORY	89177111	11646033	--	100823144	3979262	2978516	--	6957778	93865366	85197849
4	PLANT & MACHINERY	459853175	30778614	405650	490226139	79128921	24714694	189212	103654403	386571736	380724254
5	FURNITURE & FIXTURES	8457442	575042	--	9032484	1392337	945821	--	2338158	6694326	7065105
6	OFFICE EQUIPMENT	4224742	896549	--	5121291	529187	230485	--	759672	4361619	3695555
7	*LABORATORY EQUIPMENT -- UNIT I	8537761	4668511	--	13206272	1561972	525271	--	2087243	11119029	6975789
8	*LABORATORY EQUIPMENT -- UNIT II	132553196	54798984	--	187352180	6108685	7614189	--	13722874	173629306	126444511
9	LABORATORY EQUIPMENT -- SSL	12852748	922268	--	13775016	--	626200	--	626200	13148816	12852748
10	LABORATORY EQUIPMENT -- LLC	7092004	887957	--	7979961	294904	359159	--	654063	7325898	6797100
11	VEHICLES	7425724	636023	26823	8034924	2007650	704356	5145	2706861	5328063	5418074
12	E.T.P. WORKS	13399635	--	--	13399635	4577154	707501	--	5284655	8114980	8822481
13	MISC FIXED ASSETS	462203	--	--	462203	228176	21955	--	250131	212072	234027
14	EDP-EQUIPMENTS	8133411	2442857	--	10576268	3256534	1535207	--	4791741	5784527	4876877
T O T A L S		776722218	109614426	432473	885904171	103618075	41036352	194357	144460070	741444101	673104143

* Note: Depreciation on R & D Equipment of Rs.87,65,660/- has been added to R & D Expenses (Previous Year Rs.45,52,263/-)





CONSOLIDATED SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2005 (Rupees)	AS AT 31st Mar 2004 (Rupees)
SCHEDULE-E		
INVESTMENTS: AT COST		
I. Trade Investments – (Long Term & Unquoted) :		
a. In Subsidiaries		
Share Application Money - in Suven Life Sciences USA LLC	--	--
2. Non-Trade Investments :		
Long Term		
Unquoted :		
National Savings Certificates	13000	3000
100 Equity Shares of Rs.20/- each in G.S.F.C.Limited	2000	2000
Bonds:		
100 No. of I D B I - Deep Discount Bonds (99 - B) of Rs.5,000/- each	--	500000
Short Term		
Quoted:		
Equity Shares:		
2650 shares of Rs.10/- each in Biocon Limited	--	834750
18969 shares of Rs.10/- each in Oil and Natural Gas Cor- poration Limited	--	14226750
Mutual Funds:		
SBI Magnum Insta Cash - Dividend Plan	1871957	77234303
1,77,660,575 units of Rs.10 each (Previous year 73,31,997.943)		
Chola Liquid Inst Plus - Weekly Dividend	8252202	40057594
7,21,779,052 units of Rs.10 each (Previous year 35,08,710.591)		
LIC MF Liquid Fund - Dividend Reinvestment Plan	20810214	20104404
19,31,692.368 units of Rs.10 each (Previous year 18,66,496.690)		
SBI Debt Fund Series	40000000	--
40,00,000 units of Rs.10 each (Previous year Nil)		
T O T A L	70949373	152962801

Quoted Investment		
- Book Value	70934373	151623051
- Market Value	71562167	153239919
Un-quoted Investment		
- Book Value	15000	1339750

The following are the Investments which were Purchased and Sold in Current Year 2004-05

Name and nature of the Investment	Units	Cost (Rs.)
a) SBI Magnum Insta Cash - Dividend Plan - Mutual Fund	9606671.167	101244702
b) Chola Liquid Inst Plus-Weekly Dividend - Mutual Fund	3699701.489	42293076



CONSOLIDATED SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2005 (Rupees)	AS AT 31st Mar 2004 (Rupees)
SCHEDULE-F		
INVENTORIES		
(As valued and certified by the Management)		
Raw Materials	59306514	26412065
Stores and Spares	2615407	2895688
Finished Goods	42928072	46517841
Stocks in Process	88262784	48236895
T O T A L	193112777	124062489

SCHEDULE-G		
SUNDRY DEBTORS		
(Unsecured, Considered good)		
Exceeding six months	4101655	15713711
Others	182146009	95777719
T O T A L	186247664	111491430

SCHEDULE-H		
CASH AND BANK BALANCES		
Cash on hand	290636	206215
Balances with Scheduled Banks		
--- in current accounts	6808303	14176501
--- in Margin Money deposits	18627016	106470455
T O T A L	25725955	120853171

SCHEDULE-I		
OTHER CURRENT ASSETS		
Interest accrued	716233	1093273
Deposits	9333524	7827349
Other Receivables	17465651	16649090
Advance Tax	65992286	60630483
T O T A L	93507694	86200195

SCHEDULE-J		
LOANS AND ADVANCES		
(Unsecured, considered good, advances recoverable in cash or in kind or for value to be received)		
Advances for Purchases	6192606	2689826
Advances for Expenses	1360691	179774
Other Advances	5214943	4211386
T O T A L	12768240	7080986



CONSOLIDATED SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2005 (Rupees)	AS AT 31st Mar 2004 (Rupees)
SCHEDULE-K		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Liabilities for Capital Works	17426817	17336746
Liabilities for Purchases	77338125	35878662
Liabilities for Expenses	24966751	21363754
Unclaimed Dividend	627002	670583
Liabilities for statutory dues	2030260	1459262
(A)	122388955	76709007
B. PROVISIONS		
-- for Taxation	64640937	59225767
-- for Dividend	25000000	25000000
-- for Corporate Dividend Tax	3506250	3267188
(B)	93147187	87492955
T O T A L (A+B)	215536142	164201962



CONSOLIDATED SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2005 (Rupees)	Previous Year 31st Mar 2004 (Rupees)
SCHEDULE-L		
SALES		
Sales		
Exports	312653332	351389723
Domestic	228762956	141649115
Contract Technical Services (Gross) (Tax Deducted at Source Rs.11,97,933 Previous year Rs. 2,82,829)	116971178	24408010
Conversion Charges Received (Gross) (Tax Deducted at Source Rs.83,913 Previous year Rs. 51,074)	4012814	2398925
Sale of Import Licences	--	11119450
TOTAL	662400280	530965223

SCHEDULE-M OTHER INCOME

Interest-(Gross)		
- On Deposits	961251	1590700
- From APSEB	377167	150912
- ICD	65594	--
(Tax Deducted at Source Rs.3,44,783 Previous year Rs.3,40,646)		
Dividend Income from Mutual Funds	4981401	1626157
Foreign Exchange Fluctuations - Gain (Net)	3553802	1399747
Miscellaneous Receipts	2709194	2859607
Gain on Investments	2781016	--
T O T A L	15429425	7627123

INCREASE / DECREASE IN STOCKS

Opening Stock :		
Work - in - Progress	48236895	30055449
Finished Goods	46517841	51905663
A	94754736	81961112
Closing Stock :		
Work - in - Progress	88262784	48236895
Finished Goods	42928072	46517841
B	131190856	94754736
Increase in Stocks (B-A)	36436120	12793624



CONSOLIDATED SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2005 (Rupees)	Previous Year 31st Mar 2004 (Rupees)
SCHEDULE-N		
MATERIALS CONSUMED		
1) Raw Materials		
Opening Stock	26412065	25618878
Purchases	267033725	186684867
Less: Closing Stock	59048581	26412065
(A)	234397209	185891680
2) Packing Materials		
Opening Stock	134758	179829
Purchases	2152900	2042373
Less: Closing Stock	168161	134758
(B)	2119497	2087444
T O T A L (A+B)	236516706	187979124

SCHEDULE-O MANUFACTURING EXPENSES

Power & Fuel	51269661	41139824
Consumable Stores	7636430	7241848
Factory Upkeep Expenses	12547237	7017109
Environment Management Expenses	3768128	3674832
Safety Expenses	1460854	1570520
Repairs & Maintenance :		
-- Buildings	169521	70729
-- Plant & Machinery	14443583	16544635
-- Others	1778577	1720127
T O T A L	93073991	78979624

SCHEDULE-P PERSONNEL EXPENSES

Salaries, Wages & Bonus	52180706	33934748
Staff Welfare Expenses	6146075	4755894
Contribution to PF & Other Funds	4183428	2684029
T O T A L	62510209	41374671



CONSOLIDATED SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2005 (Rupees)	Previous Year 31st Mar 2004 (Rupees)
SCHEDULE-Q		
SELLING EXPENSES		
Sales Promotion	4771241	1027109
Advertisement	1008716	1181897
Carriage Outwards	6508641	6733336
Commission on Sales	9428055	2059542
T O T A L	21716653	11001884

SCHEDULE-R **FINANCIAL EXPENSES**

Interest -- on Term Loans	4208440	3148276
-- on Others	1858888	1552109
Finance Charges	2170776	3184413
T O T A L	8238104	7884798

SCHEDULE-S **ADMINISTRATIVE & OTHER EXPENSES**

Rent	8828764	6422212
Rates & Taxes	259746	65554
Insurance	6456558	4877854
Communication Charges	4740327	3010856
Travelling & Conveyance	11242471	7619728
Printing & Stationery	2052818	1536010
Vehicle Maintenance	1828262	1505745
Directors Remuneration	5693744	6886375
Professional Charges	3874639	9947738
Payments to Auditors :		
-- As Auditors	306975	244530
-- for Tax Matters	125000	77000
-- for other Services	31600	79100
-- for Expenses	4900	2200
Security Charges	1979236	1296856
Donations	964937	565596
General Expenses	7135407	4940057
Loss on Sale of Assets	21116	82979
Loss on Investments	--	178397
Bad Debts Written Off	--	23590
Preliminary Expenses written off	212515	--
T O T A L	55759015	49362377



SCHEDULE - T
NOTES ON CONSOLIDATED ACCOUNTS

1. Significant Accounting Policies :

(a) Basis of preparation of Financial Statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India to the extent applicable.

(b) Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

The difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

(c) Consolidation

Basis of Consolidation:

The Consolidated financial statements of the company and its subsidiary have been prepared in accordance with the Accounting Standard 'Consolidated Financial Statements'.

The consolidated financial statements include the accounts of Suven Life Sciences Limited and its 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, 2005.

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.

(d) Revenue recognition

i) Revenue from sales

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

Revenues from Contract Technical Services are recognized as soon as the analysis work is completed in Suven Life Sciences Limited.

Revenues from contract research and development are recognized on prior acceptance and complete contract basis in Suven Life Sciences USA LLC.

iii) Income from Investments

i. Interest on investments is recognised on accrual basis.

ii. Dividend income on investments are accounted for when the right to receive the payment is established.

(e) 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.

(f) Fixed Assets

i. 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.

ii. Assets taken on hire purchase arrangements are accounted for as assets in accordance with AS-19 "Accounting for Leases" issued by the Institute of Chartered Accountants of India.

(g) 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.

(h) 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.



(i) Foreign Currency Transactions, Translation of financial statements of Foreign Subsidiaries

Transactions in foreign currency are recorded at the exchange rate prevailing at the time of the transaction. The transaction remaining unsettled at the end of the year are translated at forwarding rates, where forward covers have been taken or at year-end rates in other cases. The exchange differences arising on such transactions are recognised as income or expense in the profit and loss account as per revised AS-11 "Accounting for foreign Exchange Fluctuation" issued by the Institute of Chartered Accountants of India.

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 revenue, cost and expenses average exchange rate prevailing during the reporting period is used. The resultant currency translating exchange gain or loss is transferred to Foreign Exchange Translating Reserve in Reserves & Surplus.

(k) Investments

Long-term investments are carried 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.

(l) 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.

(m) Borrowing cost

- i. 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.
- ii. Other borrowing costs are treated as an expense in the period in which they are incurred

(n) 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.

(o) 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.

(p) 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.

(q) Leases

Leases, where the lessor effectively retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Profit & Loss account on the accrual basis.

(r) 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 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 forwarded 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.

(s) 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.



(t) 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

	Current Year	Previous Year
Guarantees given by Banks	--	15,78,914
Un expired Letters of Credit	5,85,18,176	3,02,17,073
Disputed Income Tax demands against which Company is in Appeal	43,89,739	22,581

3. Capital commitments not provided for on account of pending execution (net of advance)-Rs.1,79,57,608/- (previous year-Rs.1,75,365/-)

4. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as of 31st March 2005 (Previous year Nil). During the year Rs.71,270/- Unclaimed dividend for more than 7 years, is transferred to Investor Education and Protection Fund.

5. The Identification of suppliers as small scale industrial undertakings (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.

6. Managerial Remuneration:

Details of amounts paid / payable to Managing Director and Whole Time Director:

	Year ended 31-03-2005	Year ended 31-03-2004
Salary	45,23,321	45,00,000
Contribution to PF	7,24,622	5,40,000
Perquisites	47,169	1,78,198
Commission	3,98,632	16,68,177
Total	56,93,744	68,86,375

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

8. EMPLOYEE STOCK OPTION SCHEME

Employees Stock Option Plan - 2004: The Company instituted the Employees Stock Option 2004 plan for all eligible employees in pursuance of the Special Resolutions approved by the Share Holders in the Annual General Meeting held on 17-09-2004. The Scheme covers

all eligible employees of Suven Life Sciences Limited and its subsidiary. Under the Scheme, the Compensation Committee of the Board ('the Committee') shall administer the scheme and grant stock options to eligible employees of the company. The committee shall determine the employees eligible for receiving the options, the number of options to be granted, the exercise price, the vesting period and the exercise period. The vesting period is determined for the options issued on the date of the grant.

The Scheme further provides that in no case shall the Per Share Exercise Price of an Option be less than the Fair Market Value on the date of grant. The fair market value of a share on each grant date is defined as the latest available closing price before the date of Committee Meeting to the grant, in the stock exchange where there is highest trading Volume during that date. Notwithstanding the foregoing, the committee may, after getting the approval of the members in general meeting, grant Options with a Per Share Exercise Price lesser than the Fair Market Value. In the case of termination of employment, all non-vested options would stand cancelled. Options that have vested but have not been exercised can be exercised within the time prescribed under each option agreement by the Committee or if no time limit is prescribed, within three months of the date of employment termination, failing which they would stand cancelled.

During the current year company under this scheme has issued 6,00,000 options to its employees. The vesting period for the options granted varies from 12 to 36 months; the exercise price determined by the Committee is Rs.74.85/- per option, being the fair value (Closing price on 17.09.2005 the day before the grant).

As the exercise price is equal to fair value, no compensation cost is set-up. The movement in options during the year ended March 31, 2005 is set out below:

	For the year ended March 31, 2005
Options outstanding at the beginning of the year	--
- Issued	6,00,000
- Forfeited	--
- Converted into equity shares	--
Options outstanding at the end of the year	6,00,000

9. The company has not entered in to any finance lease arrangements during the year. However, fixed assets include vehicles, which were acquired in the previous years under hire purchase arrangements and are in the nature of finance lease as defined in AS 19.

The total carrying cost of the same and the future installments payable in future and the finance charges debited to the profit and loss account are as under:



Vehicles under finance lease

PARTICULARS	As at 31st March	
	2005	2004
Cost	14,70,026	14,70,026
Accumulated Depreciation	2,09,286	69,634
Net Carrying Amount	12,60,740	14,00,392
Future Minimum Lease Rents Payable	5,03,026	9,34,684
Less: Interest included in above	24,969	66,794
PV of Future Minimum Lease Rents payable	4,76,272	8,84,971

Future Minimum Lease payments and their Present Value at the Balance Sheet date for each of the following periods.

	(Rupees)		
	Not latter than 1 year	Latter than 1 year less than 5 years	Not latter than 5 years
Minimum Installment Payable	4,31,628 (4,31,628)	71,938 (5,03,026)	Nil
Present Value of Installment	4,11,035 (4,11,628)	65,237 (4,56,170)	Nil

House under Operating Lease

Suven Life Sciences USA, LLC has entered into a lease of office premises expiring September, 2005. The Future minimum rental payments under the lease agreement for the year ended March 31st, are Rs.32,20,405/-

13. 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. Vasudha Pharma Chem Limited
2. Jubilant Organosys Limited
3. Nile Limited
4. Asain Clinical Trails Limited |
| c) Key managerial Persons | : | 1) Venkat Jasti.
2) Sudha Rani Jasti.
3) Venkatraman Sunder. |

10. Income taxes

a. Income tax Expense

	Year ended 31-03-2005	Year ended 31-03-2004
Current Tax	54,36,830	61,40,660
Deferred Tax	3,06,45,860	2,45,23,465
Total	3,60,82,690	3,06,64,125

b. Deferred tax Assets/ Deferred tax Liabilities

	Year ended 31-03-2005	Year ended 31-03-2004
Deferred tax Assets		
Public Issue Expenses	--	80,543
Deferred tax Liabilities		
Depreciation	13,22,56,821	10,17,27,270

11. Excise Duty amounting to Rs.27,30,264 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.

12. Earning per Share

	Year ended 31-03-2005	Year ended 31-03-2004
Net Profit after tax available for Equity shareholders	2,40,60,311	5,29,06,141
Weighted average of number of Equity shares outstanding during the year	2,50,00,000	2,25,98,361
Basic and Diluted Earnings per Equity share	0.96	2.34



	Subsidiaries	Associates	Key Managerial Person	Total
Purchase of goods		22,86,802 (577262)		22,86,802 (577262)
Sale of goods	51,61,695			51,61,695
Loans - Given		13,07,007		13,07,007
Loans -Repaid		13,07,007		13,07,007
Remuneration			56,93,744 (6886375)	56,93,744 (6886375)

Note: Figures in bracket indicates previous year figures.

14. Miscellaneous Expenditure

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

15 a) Segmental Information (2004-05)

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:

- India-The company sells Bulk Drugs and Intermediates and Fine Chemicals.
- U.S.A -The company sells Intermediates
- Europe--The company sells Bulk Drugs and Intermediates
- Asia-The company sells Bulk Drugs and Intermediates

(Rupees)

	Intermediates under Contract Services	Bulk Drugs	Other Intermediates, Finechemicals and other Products	Research and Development	Un allocated	Total
Segment Revenue						
External Sales	466092914 (336770937)	103079002 (99141436)	92744514 (94696350)	483850 (356500)	--	662400280 (530965223)
Inter Segmental Adj.	--	--	--	--	--	--
Total	466092914 (336770937)	103079002 (99141436)	92744514 (94696350)	483850 (356500)	--	662400280 (530965223)



(Rupees)

	Intermediates under Contract Services	Bulk Drugs	Other Intermediates, Finechemicals and other Products	Research and Development	Un allocated	Total
Segment Result						
Operating Profit	283510630 (184539656)	16847779 (27197619)	15381744 (33135793)	(117390158) (52346334)	(147569091) (111883206)	50780904 (80643531)
Other Income	---	---	---	---	---	15429425 (7627123)
Interest Expense	---	---	---	---	---	6067328 (4700385)
Income Tax -Current Tax	---	---	---	---	---	5436830 (6140660)
- Deferred Tax	---	---	---	---	---	30645860 (24523465)
Net Profit						24060311 (52906141)
Other Information						
Segment Assets	---	---	---	209421900 (155048975)	1148306235 (1133438950)	1357728135 (1288487925)
Segment Liabilities	---	---	---	4265270 (3156641)	211270872 (161045321)	215536142 (164201962)
Capital employed	---	---	---	205156630 (151892334)	937035363 (972393629)	1142191993 (1124285963)
Capital Expenditure	---	---	---	61277720 (71818146)	48336706 (242995331)	109614426 (314813477)
Depreciation	---	---	---	9124819 (5232977)	31911533 (19591985)	41036352 (24824962)

c) Geographical Information

	Segment Revenue	
	Current Year	Previous Year
INDIA	267093421	162791139
U S A	148827472	92630170
EUROPE	90459701	127209860
ASIA	156019686	148334054
	662400280	530965223

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

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

K. Ajay Kumar
Partner

Place : Hyderabad
Date : 30-07-2005

for and on behalf of the Board of Directors

Venkateswarlu Jasti
Vice Chairman & C E O

Sudha Rani Jasti
Wholtime Director

K. Hanumantha Rao
Company Secretary



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

(Rs. In lakhs)

For the year ended 31.03.2005 For the year ended 31.03.2004

A. CASH FLOW FROM OPERATING ACTIVITIES :

Net Profit before Tax and Extraordinary items	578.64	835.70
Adjustment for :		
Depreciation	410.36	248.24
Dividend received	(49.81)	(16.26)
Loss / (Gain) on Sale of Assets	0.21	0.83
Loss / (Gain) on Sale of Investments	(27.81)	1.78
Unrealised Foreign Exchange (Gain) / Loss	(35.53)	(28.93)
Preliminary Expenses written off	2.13	0.00
Miscellaneous Receipts-customers a/c w/o	(2.35)	0.00
Interest	82.38	78.65
Operating profit before Working Capital changes	958.23	1120.01
Adjustment for :		
- (Increase)/Decrease Trade and other receivables	(877.39)	65.27
- (Increase)/Decrease Inventories	(690.50)	(136.63)
- Increase/(Decrease) Trade Payables	873.21	(558.92)
Cash generated from operations	263.55	489.73
Direct Taxes paid	(69.88)	(74.76)
Cash flow before extraordinary items	193.67	415.17
NET CASH FLOW FROM OPERATING ACTIVITIES	193.67	415.17

B. CASH FLOW FROM INVESTING ACTIVITIES :

Purchase of Fixed Assets	(1310.66)	(1783.43)
Sale of Fixed Assets	2.07	1.60
Purchase of Investments	0.00	(1323.55)
Sale of Investments(net)	847.94	—
Dividend Received	49.81	16.26
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(638.78)	(3089.12)



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005 (CONTD.)

	(Rs. In lakhs)	
	For the year ended 31.03.2005	For the year ended 31.03.2004
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from issue of Share Capital	--	2742.00
Proceeds from Long Term Borrowings	--	1336.19
Repayment to Long Term Borrowings	(419.11)	--
Interest paid	(82.38)	(78.85)
Dividend paid	(250.00)	(198.00)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(523.55)	3801.54
Increase/(decrease) in cash and cash equivalents (A+B+C)	(968.67)	1127.39
Increase / (Decrease) due to Unrealised Foreign Exchange Fluctuations	17.40	10.47
Net increase/(decrease) in cash and cash equivalents	(951.27)	1137.86
Cash and Cash equivalents at the Beginning of the Year	1208.53	70.67
Cash and Cash equivalents at the End of the Year	257.26	1208.53

- Note: 1. Working Capital Loan (Cash Credit) has been considered as Current Liability and added to Trade Payable.
2. Previous year figures have been regrouped wherever considered necessary.

for and on behalf of the Board of Directors

for **KARVY & COMPANY**
Chartered Accountants

K. Ajay Kumar
Partner

Place : Hyderabad
Date : 30-07-2005

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, 2005



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, 2005, 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, 2005, 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
May 20, 2005

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, 2005

ASSETS	03/31/05 (US Dollar)	03/31/04 (US Dollar)
Current assets		
Cash	99,339	283,251
Accounts receivable	422,597	67,343
Prepaid expenses	19,157	22,392
Total current assets	<u>541,093</u>	<u>372,986</u>
Fixed assets - net	188,282	195,693
Security deposit	18,470	—
TOTAL ASSETS	<u>747,845</u>	<u>568,679</u>
LIABILITIES & STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued expenses	17,455	5,189
Accrued payroll and taxes	30,876	26,259
Provision for tax	500	—
Total current liabilities	<u>48,831</u>	<u>31,448</u>
Member's equity		
Contributed by parent company - Suven Life Sciences Ltd., India	1,500,000	1000,000
Accumulated deficit	<u>(800,986)</u>	<u>(462,769)</u>
Total member's equity	<u>699,014</u>	<u>537,231</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>747,845</u>	<u>568,679</u>

See accompanying notes to financial statements



SUVEN LIFE SCIENCES USA LLC
(A WHOLLY OWNED SUBSIDIARY OF SUVEN LIFE SCIENCES LIMITED, India)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2005

	03/31/05 (US Dollar)	03/31/04 (US Dollar)
Gross revenue	1,892,295	423,820
Cost of revenue	456,801	124,064
Gross profit	1,435,494	299,756
Operating expenses		
Clinical trial expenses	710,531	—
General and administrative expenses	1,020,607	741,275
Net loss before other income, depreciation and tax	(295,644)	(441,519)
Depreciation	45,397	20,750
Net loss before other income and tax	(341,041)	(462,269)
Other income	3,324	—
Net loss before tax	(337,717)	(462,269)
Income tax	500	500
Net loss	(338,217)	(462,769)



SUVEN LIFE SCIENCES USA LLC
(A WHOLLY OWNED SUBSIDIARY OF SUVEN LIFE SCIENCES LIMITED, India)
STATEMENTS OF CHANGES IN MEMBER'S EQUITY
March 31, 2005

	Member's equity (US Dollar)	Accumulated deficit (US Dollar)	Total member's equity (US Dollar)
Balance at April 01, 2004	1,000,000	(462,769)	537,231
Contributed by parent company - Suven Life Sciences Ltd., India	500,000	--	500,000
Net Income	-	(338,217)	(338,217)
Balance at March 31, 2005	\$1,500,000	\$(800,986)	\$699,014

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2005

		03/31/05 (US Dollar)	03/31/04 (US Dollar)
Cash flows from operating activities			
Net loss		(338,217)	(462,769)
Adjustment to reconcile net loss to net cash provided by operating activities			
Depreciation		45,397	20,750
Changes in assets and liabilities			
(Increase) / Decrease in accounts receivable		(355,254)	(67,343)
(Increase) / Decrease in other current assets		(15,235)	(22,392)
Increase / (Decrease) in accounts payable and accrued expenses		17,383	31,448
Total adjustments		(307,709)	(37,537)
Net cash used in operating activities	(A)	(645,926)	(500,306)
Cash flows from investing activities			
Capital expenditure		(37,986)	(216,443)
Net cash used in investing activities	(B)	(37,986)	(216,443)
Cash flows from financing activities			
Contributed by parent company		500,000	1,000,000
Net cash provided by financing activities	(C)	500,000	1,000,000
Net (decrease)/increase in cash	(A+B+C)	(183,912)	283,251
Cash at the beginning of the year		283,251	--
Cash at the end of the year		99,339	283,251
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, 2005

NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

1. NATURE OF BUSINESS

Suven Life Sciences USA LLC. (the "Company") is a New Jersey corporation, which was organized on May 09, 2003, representing the wholly owned USA, 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.

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

In preparing the Company's financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into use. The estimated useful lives of the related assets range from 5 to 7 years. The company charges repairs and maintenance costs that do not extend the lives of the assets, to expenses as incurred.

Property and equipment for the year ended

	March 31, 05 US Doller	March 31, 04 US Doller
Computer equipment	20,076	6758
Furniture and fixture	24,750	24750
Lab equipment	184,050	163712
Lab equipment-Walk in hood	18,991	14661
Tools	6,562	6562
	<u>254,429</u>	<u>216443</u>
Less : Accumulated Depreciation	66,147	20750
Net Assets	<u>188,282</u>	<u>195693</u>

Long- lived assets

The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the assets and its eventual disposition is less than its carrying amount.



Accounts receivables

Accounts receivable are stated net of an allowance for bad and doubtful accounts, which may be maintained from time to time based on management's evaluation of the current portfolio and prior experience. Such an allowance would be provided by appropriate charges to income. As of March 31, 2005, the Company's provision for doubtful accounts is Nil.

New accounting pronouncements

In May 2003, the FASB issued SFAS No. 150, "Accounting for certain Financial Instruments with Characteristics of both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instruments that is within its scope as an liability or an assets in some circumstances. Generally, this Statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This statement did not have any impact on the accounting financial statements.

In December 2003, the FASB issued SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," an amendment of FASB Statements 87, 88 and 106. This statement revises employers' disclosures about pension plans and other post retirement benefit plans. It does not change the measurement and recognition of those plans required by FASB statements 87, 88 and 106. This statement retains the disclosure requirements contained in the original Statement 132. It requires additional disclosure about the assets, obligations, cash flows, and net periodic benefit cost of defined benefits plans and other defined benefit post retirement plans. This statement is effective for financial statements with fiscal year ending after December 15, 2003, except for the disclosure of estimated future benefit payments and information about foreign plans which effective for fiscal years ending after June 15, 2004. This statement did not have any impact on the accompanying financial statements.

On December 8, 2003, The President of the United States signed into law of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act). This Act introduces a prescription drug benefit under Medicare (Medicare Part D), as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. In December 2003, the FASB issued FASB Staff Position (FSP) No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003. This Act did not have any impact on the accompanying financial statements.

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. ASSETS PURCHASED

In June 2003, the Company acquired certain operating assets of Synthron Chiragenics Corporation, a research and development company specializing in carbohydrates based Chiral Technology for pharmaceuticals, for \$200,000, and was recorded under the purchase method of accounting, with the purchase price being allocated to assets acquired based on their fair value. The purchase enhances the Company's attempt to emerge as a leading full spectrum provider of drug discovery related services.

4. CHEMICALS AND CONSUMABLES

Chemicals and consumables, which are purchased for use in research and development process, are charged to cost of sales as incurred for specific jobs. Quantities on hand at March 31, 2005 are insignificant.

5. RELATED PARTY TRANSACTIONS

Purchases of chemicals and consumables from Suven Life Sciences Limited (India) - Parent Company, were \$ 333,500 for the year ended March 31, 2005.

6. AFFILIATED PARTY TRANSACTIONS

Payment of clinical research expenses to Asian Clinical Trials Ltd. (India) - Affiliated Company, were \$ 710,531 for the year ended March 31, 2005.



7. FINANCING AND INVESTMENT FROM PARENT

During the year ended March 31, 2005, the parent company, has bought in additional contribution of \$ 500,000 The Company has not had a need to incur any short or long -term borrowings.

8. INCOME TAXES

The provision for income taxes represents income taxes paid or payable for the year. Income tax expense has been computed at the statutory rates applicable during the period. The components of taxes on income at March 31, 2005 are as follows:

	<u>US Doller</u>
Federal	--
State	<u>500</u>
Income tax expense	<u><u>500</u></u>

9. BUSINESS SEGMENT AND GEOGRAPHIC AREA DATA

The Company has one reportable business segment, research and development and one geographic area, which is the United States of America. During the year ended March 31, 2005, sales to six customers amounted to \$1,604,798 (85% of net revenues). As of March 31, 2005, accounts receivable due from these customers were \$344,482.

10. LEASE COMMITMENTS

Company has entered into a facility lease expiring through September, 2005. The future minimum rental payments under the lease agreement for the year ended March 31, are:

	<u>US Doller</u>
2006	<u>\$ 73,761</u>
Total lease commitments	<u><u>\$ 73,761</u></u>

For the year ended March 31, 2005 rent expenses were \$ 146,302.

11. 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.



SUVEN LIFE SCIENCES LIMITED

FINANCIAL STATEMENTS

AS OF MARCH 31, 2005

PREPARED IN COMPLIANCE WITH

ACCOUNTING PRINCIPLES GENERALLY ACCEPTED

IN

UNITED STATES

(UNAUDITED)



CONSOLIDATED BALANCE SHEETS AS AT MARCH 31, 2005

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

	As at March 31,	
	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	7,471,957	114,755,483
Restricted cash and cash equivalents	16,968,979	4,812,672
Marketable securities	71,562,167	154,122,601
Account receivables, net	158,436,234	62,485,436
Receivables from related parties	—	26,522,060
Receivables from employees	360,480	384,157
Inventories	208,942,769	135,851,514
Prepaid expenses	2,925,271	2,499,404
Deferred taxes	63,613,579	22,677,505
Income tax receivable	1,351,349	1,404,716
Other current assets	27,500,790	21,488,079
Total current assets	559,133,575	547,003,627
Restricted cash and cash equivalents	1,285,016	1,285,016
Receivables from employees	138,615	111,708
Other non current assets	9,346,524	7,830,349
Deferred tax	232,560	352,527
Investments in held-to-maturity securities	—	773,205
Property plant and equipment, net	611,442,184	548,206,949
Total Assets	1,181,578,474	1,105,563,381
LIABILITY AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	106,344,329	72,219,137
Current portion of long-term borrowings	42,794,686	42,226,080
Current installment of capital lease obligations	409,776	389,803
Payable to related parties	1,220,042	—
Accounts payable	107,868,389	62,956,896
Deferred taxes on unrealized holding gains	228,994	596,529
Accrued payroll	7,912,998	6,107,084
Other current liabilities	2,657,262	2,129,845
Total current liabilities	269,436,476	186,625,374
Long-term borrowings, excluding current portion payable	48,265,872	90,313,990
Capital lease obligations, excluding current installments payable	212,667	622,472
Other non current liabilities	5,164,143	2,197,979
Deferred taxes	83,296,167	51,746,823
Total liabilities	406,375,325	331,506,638
Stockholders' Equity		
Commonstock, Rs.2 par value, 50,000,000 equity shares authorized :		
Issued and outstanding 25,000,000 equity shares of Rs.2 each as at		
March 31,2005 & 2004	50,000,000	50,000,000
Additional paid-in capital	421,970,756	421,888,603
Retained earnings	304,697,598	302,947,742
Accumulated other comprehensive losses	(1,465,205)	(779,602)
Total stockholders' equity	775,203,149	774,056,743
Total liabilities and stockholders' equity	1,181,578,474	1,105,563,381

The accompanying notes form an integral part of these financial statements



CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED MARCH 31, 2005

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

	Year Ended March 31,		
	2005	2004	2003
Revenues			
Export Sales	390,707,809	375,615,788	306,500,070
Domestic Sales	267,093,421	151,671,689	139,896,750
(Domestic sales includes excise duty of Rs 28,948,363; Rs 19,423,599 and Rs 17,661,960 for the year ended March 31, 2005; 2004 and 2003 respectively)			
	657,801,230	527,287,477	446,396,820
Cost and expenses			
Cost of goods sold	306,934,988	262,819,850	258,838,387
Research and development expenses	135,239,461	56,241,044	34,768,923
Selling, general and administrative expenses	156,016,171	120,380,002	60,479,067
Depreciation	42,155,863	40,775,888	31,120,792
Total operating expenses	640,346,483	480,216,784	385,207,169
Operating income before other income/(expenses) and taxes	17,454,747	47,070,693	61,189,651
Interest earned	1,404,012	1,741,612	3,770,345
Interest expenses	(6,067,328)	(4,700,385)	(1,616,492)
Other income	13,477,834	20,161,069	16,017,317
Income from continuing operations before income taxes	26,269,265	64,272,989	79,360,821
Income tax benefit/(expense)	3,747,779	(18,007,005)	(19,569,454)
Income before equity in losses of equity affiliate	30,017,044	46,265,984	59,791,367
Equity in losses of equity affiliates	--	(4,600,000)	(7,321,970)
Net income	30,017,044	41,665,984	52,469,397
Earnings Per Share			
Basic Earnings Per Share	1.20	1.84	2.38
Diluted Earnings Per Share	1.19	1.84	2.38
Weighted average common stock outstanding - Basic	25,000,000	22,598,361	22,000,000
Weighted average common stock outstanding - Diluted	25,137,610	22,598,361	22,000,000

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 and other comprehensive income (loss)	Total Stakeholders' equity
Balance as at March 31, 2002	22,000,000	44,000,000	156,381,224	255,546,209	(371,945)	455,555,488
Net income	--	--	--	52,469,397	--	52,469,397
Unrealized holding gain on available for sale securities, net of tax	--	--	--	--	138,916	138,916
Comprehensive income						52,608,313
Dividends	--	--	--	(17,472,877)	--	(17,472,877)
Tax benefits on public issue expenses	--	--	103,773	--	--	103,773
Balance as at March 31, 2003	22,000,000	44,000,000	156,484,997	290,542,729	(233,029)	490,794,697
Issue of common stock	3,000,000	6,000,000	268,200,000	--	--	274,200,000
Loss of entity under common control	--	--	--	(6,924,096)	--	(6,924,096)
Unrealized holding loss on available for sale securities, net of tax	--	--	--	--	1,299,300	1,299,300
Net income	--	--	--	41,665,984	--	41,665,984
Currency translation adjustments	--	--	--	--	(1,845,873)	(1,845,873)
Comprehensive income						41,119,411
Dividends, including dividend tax	--	--	--	(22,336,875)	--	(22,336,875)
Expenses on issue of common stock, net of tax	--	--	(2,857,250)	--	--	(2,857,250)
Tax benefits on public issue expenses	--	--	60,856	--	--	60,856
Balance as at March 31, 2004	25,000,000	50,000,000	421,888,603	302,947,742	(779,602)	774,056,743
Unrealized holding (gain)/ loss on available for sale securities, net of tax	--	--	--	--	(669,471)	(669,471)
Net income	--	--	--	30,017,044	--	30,017,044
Currency translation adjustments	--	--	--	--	(16,132)	(16,132)
Comprehensive income						29,331,441
Dividends, including dividend tax	--	--	--	(28,267,188)	--	(28,267,188)
Tax benefits on public issue expenses	--	--	82,153	--	--	82,153
Balance as at March 31, 2005	25,000,000	50,000,000	421,970,756	304,697,598	(1,465,205)	775,203,149

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





CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2005

(Expressed in Indian Rupees)

	Year Ended March 31,		
	2005	2004	2003
Cash Flows From Operating Activities			
Net income as per statements of income	30,017,044	41,665,984	52,469,397
Adjustment to reconcile net Income to net cash provided by operating activities			
Depreciation	68,286,976	49,266,361	34,583,047
Deferred income tax (benefit)/expenses	(9,184,609)	11,866,345	10,239,347
Interest accrued on held -to -maturity securities	--	(60,000)	(60,000)
Gain on sale of property, plant & equipment	(180,866)	(120,955)	(31,166)
(Profit)/Loss on sale of available for sale securities	(2,781,016)	178,397	(837,231)
Equity in losses of equity affiliates	--	4,600,000	7,321,970
Changes in operating assets & liabilities			
(Increase)/Decrease in accounts receivables, net	(95,950,798)	8,238,794	(31,748,407)
Decrease in receivables from related parties	26,522,060	2,723,422	2,297,814
(Increase)/Decrease in receivables from employees	(3,230)	91,327	84,109
Increase in inventory	(73,091,255)	(12,580,178)	(50,301,201)
Increase in prepaid expenses	(425,867)	(1,329,517)	(249,652)
(Increase)/Decrease in other current assets	(6,012,711)	1,178,581	(8,468,527)
Increase in other non current assets	(1,516,175)	(1,745,140)	(503,477)
Increase/(Decrease) in accounts payable	44,911,493	(30,581,308)	38,973,055
Increase in accrued payroll	1,805,914	2,414,915	313,370
Increase/(Decrease) in accounts payable to related parties	1,220,042	--	(364,829)
Decrease in tax receivable	53,367	1,201,201	3,295,195
Increase in other current liabilities	527,417	194,748	471,344
Increase in other non current liabilities	2,966,164	1,070,933	662,316
Net cash (used)/provided by Operating Activities A	(12,836,050)	78,273,910	58,146,474
Cash Flows From Investing Activities			
Purchase of property, plant & equipment	(131,558,345)	(119,212,785)	(155,643,087)
Cash paid for acquisition, net of cash acquired	--	(80,394,718)	--
Investment in equity affiliates	--	--	(53,208,735)
Proceeds from sale of property, plant & equipment	217,000	160,000	75,000
Proceeds from sale of held to maturity securities	773,205	--	--
Investments in available for sale securities	(194,367,749)	(484,393,929)	--
Proceeds from sale of available for sale securities	278,672,192	344,716,339	43,377,794
Decrease/(Increase) in restricted cash & cash equivalents	(12,156,307)	(476,464)	425,759
Net Cash used in Investing Activities B	(58,420,004)	(339,601,558)	(164,973,269)



CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2005

(Expressed in Indian Rupees)

	Year Ended March 31,		
	2005	2004	2003
Cash Flows From Financing Activities			
Net proceeds from issuance of common stock	--	269,744,250	--
Additional short term borrowing obtained	34,125,192	--	74,617,843
Repayment of short-term borrowings	--	(2,877,517)	--
Repayment of long term borrowings	(41,479,512)	132,540,070	(11,250,000)
Payments under capital lease obligations	(389,832)	(457,751)	--
Cash dividends paid	(25,000,000)	(19,800,000)	(17,472,877)
Tax on dividends paid	(3,267,188)	(2,536,875)	--
Net Cash (used)/provided by Financing Activities C	(36,011,340)	376,612,177	45,894,966
Effect of exchange rate changes on Cash & Cash equivalents D	(16,132)	(1,845,873)	--
Net increase/(Decrease) in cash & cash equivalents A+B+C+D	(107,283,526)	113,438,657	(60,931,829)
Cash & Cash equivalents at the beginning of the year	114,755,483	1,316,826	62,248,655
Cash & Cash equivalents at the end of the year	7,471,957	114,755,483	1,316,826
Supplementary Information			
Income tax paid	5,361,803	4,939,459	6,034,912
Interest paid	6,067,328	4,700,385	1,616,492
Vehicles acquired under capital lease arrangement	--	1,470,026	--

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Description of Business

Suven Life Sciences Limited ("Suven" or "the Company") together with its 100% owned subsidiaries Suven Life Sciences USA LLC and Suven Synthesis Limited (subsidiary up to June 17, 2004), collectively, "the Company", is one of the leading drug intermediate manufacturing company in India with its focus on "Contract Research and Manufacturing Services (C-R-A-M-S)". Mr. Venkateswarlu and Mrs. Sudha Rani promoted the Company in 1989 for the manufacture of bulk actives and drug intermediates.

The Company's principal line of business is manufacturing of (a) intermediates under contract research (b) bulk actives and (c) other intermediates. 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. Suven provides process research and development, supplies to clinical trails and pilot scale manufacturing on an exclusive basis under co-operation and secrecy agreements, leading to manufacturing commercial quantities when the innovators NCE gets approved by the Food and Drug Administration (FDA) of US, thereby, Suven can achieve long-term revenue stream. The principal market for contract research is USA and Europe and bulk actives and other intermediates are primarily sold to the domestic companies.

Suven Life Sciences USA LLC, a New Jersey corporation, was established to promote research and development efforts in the United States of America.

To reflect the current business model adopted by Suven, which offers services to Global Life Sciences Companies, the name of the company was changed to Suven Life Sciences Limited from Suven Pharmaceuticals Limited.

(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.

Use of estimates

Preparation of the consolidated financial statements in conformity with US GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include the estimated useful life of property, plant and equipment, provision for expenses and trade receivables. The actual amount could differ from those estimates.

Basis of Consolidation

The consolidated financial statements for the year ended March 31, 2005 include the financial statements of Suven and its subsidiaries, which are more than 50% owned and controlled by Suven. All significant intercompany accounts and transactions are eliminated in consolidation.

Functional Currency

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.

In respect of the Subsidiary for which the foreign currency is the functional currency, the assets and liabilities of such Subsidiary is translated into Indian Rupees at the rate of exchange prevailing as at the balance sheet date. Revenues and expenses are translated into Indian Rupees at average exchange rates prevailing during the period. Resulting translation adjustments are included in accumulated and other comprehensive income.

Revenue recognition

The Company recognizes revenues from Contract Research and Development on prior acceptance and on delivery of goods and revenue from sale of bulk actives, other intermediates, fine chemicals and other products on dispatch of goods from the factory and on transfer of significant risk and rewards of ownership in goods to the customer.

Revenues from analytical services are recognized on completion and delivery of services.

Revenue from sale of Bulk Drugs and other intermediate products include transport and handling charges, excise duty on domestic sales and are shown net of discounts, sales returns, and sales tax.

Cost of goods sold

Cost of goods sold comprises of (i) cost of raw material consumed (ii) cost of packing material (iii) cost of stores and consumables (iv) salaries of employees engaged in manufacturing process and contract technical services (v) excise duties paid and (vi) shipping and handling cost incurred and (vii) other direct manufacturing expenses.

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 the management. Depreciation on R&D assets is included in the R&D expenses.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 etc.

Other income

Other income of the Company comprises of foreign exchange gains, net, gain on sale of import license, dividends on investments, provision for export incentives written back, gain on sale of property, plant and equipment, conversion charges 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 3 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 SFAS 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 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. Finished goods are valued at lower of cost or net realizable value. Raw material, work-in-process, packing materials and stores and consumables are valued at cost.

Costs of the inventories have been determined using "First-in-First-out" method which includes all applicable expenditures and charges incurred directly or indirectly to bring the same to their existing condition and location.

Prepaid expenses

Prepaid expenses include prepaid expenses on maintenance contracts, insurance, prepaid subscription fees etc.

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 the management of the Company. The estimated useful lives of the property, plant and equipment as determined by the 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 depreciated over the lesser of their estimated useful lives or the term of the lease.

Recoverability of long-lived assets

US GAAP requires that the recoverable amount of an asset, including property, plant and equipment, should be estimated whenever there is an indication that the asset may be impaired. It further 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, 2005 and 2004.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Earnings per share

The Company has adopted SFAS No.128 relating to Earnings Per Share. In accordance with the SFAS No. 128, 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 Tax 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 tax 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 tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

Retirement benefits to employees

(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.

The gratuity plan has been accounted for in compliance with the provisions of "SFAS No – 87 Employers' Accounting for Pension".

(b) Defined contribution plans

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.2, 753,197; Rs. 2,173,855, and Rs. 1,361,755 towards Provident Fund Plan for the year ended March 31, 2005; 2004 and 2003 respectively.

(c) Liabilities towards compensated absences

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

(d) 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.

Foreign currency transactions

The functional currency of the Company excluding Suven Life Sciences USA LLC is INR (Indian Rupees). The transactions designated in foreign currencies are converted into INR using the rate of exchange prevailing on the date of transactions. The gains or losses arising on settlement of transactions designated in foreign currency and also due to conversion of foreign currency designated accounts on the balance sheet date are accounted for as other income, in the statements of Income.

Advertisement cost

Advertisement expenses are expensed as incurred.

Financial instruments and concentration of credit risk

(a) **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 fixed periods ranging from 3 to 5 years. The interest rates on such long-term loans closely approximate the market rates. Hence, the fair value of the long-



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

term loans closely approximate their carrying value in the consolidated financial statements of Rs.91,060,558 and Rs. 132,540,070 at March 31, 2005 and 2004 respectively.

- (b) **Concentration of credit risk:** Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, trade receivables, receivables from related parties and time deposits. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counter parties.
- (c) **Significant customers:** During the year ended March 31, 2005 two customers have contributed 19.34% and 10.75% of the total revenues respectively, during the year ended March 31, 2004 four customers have contributed 25%, 15%, 13% and 10% of the total revenues respectively and during the year ended March 31, 2003 two customers have contributed 31% and 11% of the total revenues respectively. Sales to the significant customers represents sale of "Intermediates under Contract Research".

Share-Based Payments

The Company follows the intrinsic value-based method of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretation including FASB Interpretation No.44 Accounting for Certain Transactions involving Stock Compensation an interpretation of APB Opinion No. 25, to account for its employee stock-based compensation plan. The Company has therefore adopted the pro forma disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation".

New accounting pronouncements

On December 16, 2004, the FASB issued FAS 123(R), "Share-Based Payment, an amendment of FASB Statements No. 123 and 95," that addressed the accounting for share-based payment transactions in which an enterprise receives employee services in exchange for either equity instruments of the enterprise or liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. This statement eliminates the ability to account for share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees," and require that such transactions be accounted for using a fair-value-based method and recognized as expenses in our consolidated statement of income. The standard requires that the modified prospective method be used, which requires that the fair value of new awards granted from the beginning of

the year of adoption (plus unvested awards at the date of adoption) be expensed over the vesting period. In addition, the statement encourages the use of the "binomial" approach to value stock options, which differs from the Black-Scholes option pricing model currently in use.

The revised FAS 123(R) as issued by FASB will have a significant impact on the consolidated statement of income as Seven Life Sciences Limited will be required to expense the fair value of our stock option grants rather than expensing the intrinsic value of stock options as is our current practice. FAS 123(R) will be applicable to the Company for accounting period beginning from April 1, 2006 and currently we have not determined which transition method we will use and have not estimated the likely impact.

Reclassification

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

(3) Business Combination

Pursuant to the approval from the Honorable High Court of Andhra Pradesh, Seven Synthesis Limited, the wholly owned subsidiary of the Company was merged with the Company, effective from June 17, 2004. The business combination was accounted using the "Pooling of Interest Method" as prescribed under SFAS 141 "Business Combinations". The consolidated financial statements for the year ended March 31, 2005 include the results of operations of Seven Synthesis Limited for the period April 1, 2004 to June 17, 2004.

(4) Acquisition of Business

- (a) On December 4, 2003 the Company had acquired remaining 50.69 % stake in Seven Synthesis, a common control entity.

The synergy achieved on acquisition was expected to result in economy and efficiency in business process thereby resulting in increased value to stake holders. The acquisition is expected to enable the companies to pool their financial, managerial and technical resources in order to meet the challenges of the new liberalised policies of the Government. In particular, it will help in expeditious and economical implementation of the modernization and expansion projects of the acquired company as the magnitude of the investments contemplated will be better met by combination of these entities by virtue of the said acquisition Seven Synthesis became the wholly owned subsidiary of the Company. The acquisition was accounted using the "Pooling of Interests Method" and accordingly the assets and liabilities of Seven Synthesis was recognised at their respective carrying value as given below:



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Acquisition of Business (continued)

	Amount
Purchase consideration	198,884,642
Recorded values of assets and liabilities of Suven Synthesis	
Property, plant and equipment	174,058,724
Net current assets	(4,890,965)
Deferred taxes	10,660,931
Retained deficit	19,055,952
Total	198,884,642

Up to December 4, 2004 the Company had accounted its investments in Suven Synthesis using equity method of accounting as prescribed under Accounting.

Principles Board Opinions 18 “The Equity Method of Accounting for Investments in Common Stock”.

(b) Assets Purchased

In June 2003, the Company had acquired certain operating assets of Synthon Chiragenics Corporation, a research and development company specializing in carbohydrates based Chiral Technology for pharmaceuticals, for Rs 8,664,000 (US \$200,000), and was recorded under the purchase method of accounting, with the purchase price being allocated to assets acquired based on their fair value. The purchase enhances the Company’s attempt to emerge as a leading full spectrum provider of drug discovery related services.

(5) Stock options

(a) Equity Option Plan 2004

In September 2004 the Company has established Equity Option plan to be administered by the Compensation Committee of the Company. Pursuant to the said scheme the Company has reserved 600,000 equity shares for the employees of the Company. In September 2004 the Compensation committee of the Company identified employees eligible to participate in the scheme at an exercise price of Rs. 74.85 per equity share, being the market price on the date of grant. These options vest over a period ending on September 18, 2008.

(b) Changes in number of shares representing stock options were as follows:

	For the Year Ended March 31, 2005		
	Number of shares	Weighted average exercise price	Weighted average remaining contractual life (Months)
Outstanding at the beginning of the year			
Stock options	Nil	Nil	Nil
Granted during the year	600,000	74.85	27
Exercised during the year			
Stock options	Nil	Nil	Nil
Outstanding at the close of the year	600,000	74.85	27
Exercisable at the end of the year	Nil	Nil	Nil

(c) Additional Disclosures

The Company has adopted the principle of proforma disclosures prescribed under SFAS No. 123 “Accounting for Stock-Based Compensation” as amended by SFAS No. 148

“Accounting for Stock-Based Compensation – Transition and Disclosure, an amendment of FASB statement No 123.

SFAS No 123 requires that the proforma disclosures of the impact of the fair value method of accounting for employee stock compensation accounting in the financial statements. The fair value of stock option is determine using option pricing model that takes into account the share price at the grant date, the exercise price, the estimated life of the option, the volatility of underlying stock and expected dividends on it and the risk free interest rate over the expected life of the option . Applying the fair value based method defined in SFAS 123, the impact on the reported net income and earnings per share would be as follows:



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(5) Stock options (contd)

Inventories consists of the following:

	Year ended March 31,	
	2005	2004
	Rs.	Rs.
Net Income as reported	30,017,044	41,665,984
Less: Stock compensation under SFAS No. 123	3,831,346	—
Proforma Net Income	26,185,698	41,665,984
Earnings Per Share		
Basic		
- As Reported	1.20	1.84
- Pro forma	1.05	1.84
Diluted		
- As Reported	1.19	1.84
- Pro forma	1.04	1.84

(6) 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.

(8) Marketable securities

Marketable securities primarily comprises of investments in equity securities and investments in mutual funds classified as available-for-sale securities. The detailed analysis of investments in available for sale securities is given hereunder:

Investments	March 31, 2005			March 31, 2004		
	Carrying value	Unrealized holding loss/(income)	Fair value	Carrying Value	Unrealized holding loss/(Income)	Fair value
Equity shares	—	—	—	15,063,500	(1,630,282)	16,693,782
Units of Mutual funds	70,936,373	(625,794)	71,562,167	137,396,301	(32,518)	137,428,819
	70,936,373	(625,794)	71,562,167	152,459,801	(1,662,200)	154,122,601

Investment in marketable securities consists of the following:

- SBI Magnum Insta Cash - Dividend Plan
- Chola Liquid Inst Plus - Weekly Dividend
- LIC MF Liquid Fund - Dividend Reinvestment Plan
- SBI Debt Fund Series

(9) Receivables from employees

Receivable from employees represent interest free loans given to employees towards purchase of vehicles, house and other advances. These loans are repayable over a period not exceeding 36 months. As of March 31, 2005 and 2004 receivables from employees are disclosed as a part of current and non-current assets in the accompanying balance sheets. The repayment schedule of such loans is as mentioned below:

	March 31,	
	2005	2004
2005	—	384,157
2006	360,480	72,959
2007	122,615	38,749
2008	16,000	—
	499,095	495,865

The estimated fair values of the receivables from the employees on the balance sheet date amounts to Rs. 472,061 and Rs. 469,785 as of March 31, 2005 and 2004 respectively. The fair values of the above receivables have been determined based



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

on certain valuation methodologies and accordingly these are not necessarily indicative of the amount that the Company could realize in the market.

(10) Inventories

Inventories consists of the following:

	March 31,	
	2005	2004
Raw materials	59,306,514	26,412,065
Stocks- in- process	88,262,784	48,236,895
Finished goods	58,758,064	58,306,866
Stores and spares	2,615,407	2,895,688
	208,942,769	135,851,514

(11) Pre-paid expenses consists of the following:

	March 31,	
	2005	2004
Maintenance expenses	448,284	450,640
Insurance	2,457,112	2,038,764
Subscription	19,875	10,000
	2,925,271	2,499,404

(15) Property, plant & equipment

	March 31, 2005			March 31, 2004		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	21,436,279	—	21,436,279	20,074,691	—	20,074,691
Buildings	96,795,836	7,617,150	89,178,686	85,149,803	4,775,893	80,373,910
Plant and Machinery	482,081,515	218,110,405	263,971,110	452,139,946	176,837,315	275,302,631
Lab equipments	223,078,308	34,124,831	188,953,477	161,800,588	16,060,869	145,739,719
Office equipment	5,121,291	1,350,260	3,771,031	4,224,742	995,919	3,228,823
Furniture and Fixtures	9,032,483	5,203,614	3,828,869	8,457,441	3,786,580	4,670,861
Vehicles	8,033,734	4,616,446	3,417,288	7,424,399	3,463,880	3,960,519
Computers and Data processing equipments	10,283,511	6,520,336	3,763,175	7,409,259	4,223,596	3,185,663
Constructions in progress	33,122,269	—	33,122,269	11,670,132	—	11,670,132
	888,985,226	277,543,042	611,442,184	758,351,001	210,144,052	548,206,949

(16) Other non current assets

Other non current assets of Rs 9,346,524 and Rs 7,830,349 on March 31, 2005 and 2004 respectively, mainly comprises of deposits towards rent, insurance, telephone and other deposits.

(17) Income taxes

(a) Current tax expenses

Current taxes represent the amounts payable to income tax authorities based on the taxable income for the year

(12) Other current assets consists of the following:

	March 31,	
	2005	2004
Interest receivable	716,233	820,068
Excise duty receivables	17,582,366	8,505,017
Investment application money receivable	—	8,273,250
Advances to suppliers	6,192,606	2,689,826
Advances for expenses	1,360,691	179,773
Other Advances	1,648,894	1,020,145
	27,500,790	21,488,079

(13) Income tax receivables

Tax receivable of Rs 1,351,349 and Rs 1,404,716 as of March 31, 2005 and 2004 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.

(14) Investments in held-to-maturity securities

Pursuant to the change in the IDBI Deep Discount Bond scheme, the Company was compulsorily required to redeem the Investment in held-to-maturity securities.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Deferred taxes

The deferred income tax represents future tax expenses or benefits, expected out of non-deductible or deductible temporary differences. The deferred income tax liability/asset has been determined by applying the income tax rate of 36.5925%, and 35.875% and 36.75% for March 31, 2005, 2004 and 2003 respectively, as per the enacted, income tax laws of these years.

Domestic Taxes	Year Ended March 31,		
	2005	2004	2003
Current taxes payable	5,436,830	6,140,660	9,330,107
Deferred tax expense/(benefits)	(9,184,609)	11,866,345	10,239,347
Total	(3,747,779)	18,007,005	19,569,454

(c) A reconciliation between the provision for income taxes to the amount computed by applying the statutory income tax rate to income before provision for income tax is as given below:

	Year Ended March 31,		
	2005	2004	2003
Income before taxes	26,269,265	64,272,989	79,360,821
Income tax rates as per tax laws in India	36.5925	35.875	36.75
Income tax	9,612,581	23,057,935	29,165,102
Adjustments			
Non deductible expenses, net	223,911	213,371	265,989
Research and Development expenses	(23,423,110)	(17,499,670)	(17,427,208)
Non taxable income	(1,822,819)	(669,462)	(2,342,204)
Taxes of earlier years	--	--	1,630,107
Tax payable under Minimum Alternative tax Scheme	5,415,000	6,119,000	7,700,000
(Decrease)/Increase in tax due to change in tax rates	839,955	(711,431)	577,668
Others	21,830	(178,629)	--
Valuation allowances	5,384,873	7,675,890	--
	(3,747,779)	18,007,005	19,569,454



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(18) Deferred tax assets/liabilities

	As at March 31,	
	2005	2004
Deferred taxes - Assets		
(a) Current		
Leave Encashment	1,484,332	266,589
Inventory	3,385,236	1,858,228
Unabsorbed depreciation	58,744,011	20,352,399
Operational loss of foreign subsidiary	5,184,583	7,622,354
Others	--	253,825
	68,798,162	30,353,395
Less: Valuation Allowance	(5,384,873)	(7,675,890)
Total deferred tax – Current assets	63,413,289	22,677,505
(b) Non Current		
Gratuity	232,560	352,527
Total Deferred tax Assets	63,645,849	23,030,032
Deferred taxes – Liabilities		
(c) Current		
Unrealized holding gains	228,994	596,529
(d) Non Current		
Property, plant and equipments	83,296,167	51,746,823
Total deferred tax liabilities	83,525,161	52,343,352
Net deferred tax liabilities	19,879,312	29,313,320

The Company is entitled for tax benefits on certain expenses, such as expenses incurred during the initial public offer etc. The tax benefit on such expenses of Rs 82,153, Rs. 60,856 and Rs. 103,773 for the year ended March 31, 2005, 2004 and 2003 respectively, adjusted against the Additional paid-in-capital.

Deferred tax assets recognised on carry forward operating losses amounting to Rs.10,869,456 & Rs. 17,654,869 will expire in year ended on March 31, 2011 and March 31, 2013 respectively.

Based on an assessment of all available evidence, it is more likely than not that future taxable income will not be sufficient to realize a tax benefit for Rs. 15,169,877 of deductible temporary differences at the end of the current year; a Rs. 5,384,873 valuation allowance is recognized.

(19) Borrowings

(a) Long term borrowings comprises of:

	March 31,	
	2005	2004
Foreign currency long term loan from SBI	91,060,558	132,540,070
Current portion of long term borrowings	42,794,686	42,226,080
Long term borrowings excluding current portion payable	48,265,872	90,313,990

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

An interest rate profile of long-term debt is given below:

	Year ended March 31,	
	2005	2004
Foreign currency long term loan	2.5% + Six months London Inter Bank Offered Rate	2.5% + Six months London Inter Bank Offered Rate

A maturity profile of other long-term debt outstanding is as follows:

Long-term loan maturing in March 31,	Amount
2006	42,794,686
2007	24,132,936
2008	24,132,936
	91,060,558

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

	As at March 31,	
	2005	2004
Export packing credit	94,748,543	42,642,410
Cash credits	11,595,786	9,742,999
Bills Discounting	--	19,833,728
	106,344,329	72,219,137

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. Working capital loans are further secured by personal guarantees of the Managing Director and the Whole-time-director of the Company. The weighted average interest rate on short-term borrowings for the year ended March 31, 2005 is 6.41% (previous year 8.09% per annum).

As of March 31, 2005 the Company has fund based unused lines of credits of Rs 3,655,671 (previous year - Rs 7,780,863), which relates to export packing credits, bills discounting facilities and cash credit. As of March 31, 2005 the Company also has non-fund based unused lines of credit for Rs. 6,481,824 (previous year- Rs 24,782,927) towards letters of credits and Rs 2,500,000 (previous year - Rs 921,086) for bank guarantees.

(20) Capital lease obligation

The Company has acquired vehicles on capital leases. Depreciation on the lease assets is included in the total depreciation expenses. The gross value at which these assets are capitalized, accumulated depreciation thereon and other related information is as follows.

	As at March 31,	
	2005	2004
Vehicles - Gross block	1,470,026	1,470,026
Accumulated depreciation thereon	420,105	140,800
Future minimum lease rents payable for year ended March31		
2005	--	431,628
2006	431,628	431,628
2007	215,814	215,814
	647,442	1,079,070
Less: Interest included in the above	24,999	66,795
Present value of capital lease obligation	622,443	1,012,275
Less: Current installment of capital lease obligations	409,776	389,803
Capital lease obligations, excluding current installments	212,667	622,472

(21) Accounts payable comprises of the following:

	March 31,	
	2005	2004
Trade payables	76,118,083	35,878,662
Payable for capital goods	17,426,817	17,336,746
Payable for expenses	14,323,489	9,741,488
	107,868,389	62,956,896

(22) Accrued payroll

Accrued payroll of Rs 7,912,998 and Rs 6,107,084 represents amount payable to employees towards salaries, bonus and other benefits payables as of March 31, 2005 and 2004.

(23) Other current liabilities comprises of the following:

	March 31,	
	2005	2004
Statutory payables	2,030,260	1,459,262
Unclaimed dividends	627,002	627,263
Other miscellaneous liabilities	--	43,320
	2,657,262	2,129,845

(24) Other non-current liabilities comprises of the following

	March 31,	
	2005	2004
Provision for compensated absences	4,056,383	743,104
Gratuity	1,107,760	1,454,875
	5,164,143	2,197,979

(25) Interest earned

Interest income of Rs 1,404,012, Rs 1,741,612 and Rs 3,770,345 for the years ended March 31, 2005, 2004 and 2003 respectively represent the interest received on short term fixed deposits with banks and interest accrued on investments in deep discount bonds.

(26) 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, 2005, 2004 and 2003, the Company has incurred and charged to expenses entire amount of interest of Rs 6,067,328, Rs.4,700,385 and Rs 1,616,492 respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(27) Other income comprises of the following

	Year Ended March 31,		
	2005	2004	2003
Exchange fluctuations	2,825,357	6,593,440	2,079,904
Dividend income from mutual funds	4,981,401	1,626,157	5,676,653
Provision for customs duty written-back.	--	--	5,536,114
Bad debts recovered	--	279,529	--
Sale of Import licenses	--	11,119,450	1,827,459
Profit on sale of property, plant and equipment	180,866	120,955	31,166
Gain on sale of investments	2,781,016	--	837,231
Other miscellaneous income	2,709,194	49,752	16,565
Scrap Sales	--	371,787	12,225
	13,477,834	20,161,069	16,017,317

(28) Retirement benefits plans

The Company has adopted the provisions of "SFAS-87 Employers-Accounting for Pension" for the period commencing from April 1, 1999 onwards. The following table shows the (a) reconciliation between the projected benefit obligation at the beginning and at the end of the year; (b) Fair value of plan assets; (c) Funded status of plan assets; (d) Net pension cost recognized in the income statements and (e) Assumptions made in computation of pension cost liabilities.

	As at March 31	
	2005	2004
PROJECTED BENEFIT OBLIGATIONS (PBO)		
PBO at the beginning of the year	2,803,658	1,548,373
Service Cost	220,643	865,120
Interest Cost	224,293	123,870
Actuarial loss	39,269	485,296
Benefits paid	(-195,538)	(219,001)
PBO at the end of the year	3,092,325	2,803,658

	As at March 31	
	2005	2004
FAIR VALUE OF PLAN ASSETS		
Fair value of plan assets at the beginning of the year	1,188,742	870,669
Actual return on plan assets	86,313	67,032
Contribution to plan asset by employer	721,242	251,041
Contribution by employer for payments of benefits to employees	39,769	219,001
Benefits paid	(195,538)	(219,001)
Fair value of plan assets at the end of the year	1,840,528	1,188,742
FUNDED STATUS OF PLAN		
Unrecognized transition obligation	144,037	160,041
Accrued Gratuity	(1,107,760)	(1,454,875)



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended March 31,		
	2005	2004	2003
Net Pension Cost			
Service Cost	220,643	865,120	432,663
Interest Cost	224,293	123,870	78,355
Actual return on plant assets	(86,313)	(67,032)	(48,439)
Amortization of unrecognized transition obligation	16,004	16,004	16,004
Recognized losses	39,269	485,296	178,096
Net gratuity cost for the year	413,896	1,423,258	656,679
Principal actuarial assumptions:			
Discount rate (P.A.)	8.00%	8.00%	9.00%
Rate of Compensation increase (P.A.)	10.00%	10.00%	10.00%
Expected long term return on plan assets	8.00%	8.00%	9.00%

The Company's Accumulated Benefit Obligation (ABO) as at March 2005 is Rs.1,147,409.

The benefits expected to be paid in each of the next five fiscal years, and in the aggregate for the five fiscal years thereafter are as follows:

Year ending March 31	Amount
2006	97,168
2007	269,172
2008	202,409
2009	414,167
2010	668,491
2011 to 2014	4,327,437

Note:

Actuarial loss of Rs 39,269 (Previous year - Rs 485,296) as accounted during the year ended March 31, 2004 comprises of:

- (i) Loss on account of benefits paid to employees on retirement – Rs. 39,269 (Previous year - Rs 179,964) and
- (ii) Loss on account of change in the discount rate from 8% p.a (Previous year – 9% p.a) to 8% p.a (Previous year – 8% p.a) – Rs. Nil (Previous year – Rs. 305, 332)

(29) Segment information

(a) Operating Segments

The Company has adopted Statement of Financial Accounting Standards No 131, “ Disclosure about Segments of an Enterprise and Related Information” (SFAS No. 131). 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 operating decisions.

Segment Information: The operation of the Company is carried from its manufacturing units situated in Andhra Pradesh, India. The operations of the Company are regularly reviewed by the Managing Director, (CODM). The operating segments have been identified based on the nature of products and services and type(s) of customers for the products and services.

The Company has identified the following as its reportable segments: (a) Intermediates under Contract Services (b) Bulk actives and (c) Other intermediates, fine chemicals and other products.

The CODM reviews the information relating to revenues of each of the reportable segments only. Revenues from each of the above segments and the related cost of goods sold for the years ended March 31, 2005, 2004 and 2003 are as given under:



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

	Intermediates under Contract Research	Bulk actives	Other inter- mediates, fine chemicals and other products	R&D	TOTAL
Revenues from external customers	457,725,759	103,079,002	96,512,619	483,850	657,801,230
Gross Profit	300,254,255	26,318,525	23,809,612	(134,755,611)	215,626,781

YEAR ENDED MARCH 31, 2004

	Intermediates under Contract Research	Bulk actives	Other inter- mediates, fine chemicals and other products	R&D	TOTAL
Revenues from external customers	334,073,901	109,500,011	83,357,065	356,500	527,287,477
Gross profit	199,512,987	33,444,709	31,153,431	(55,884,544)	208,226,584

YEAR ENDED MARCH 31, 2003

	Intermediates under Contract Research	Bulk actives	Other inter- mediates, fine chemicals and other products	R&D	TOTAL
Revenues from external customers	279,786,155	90,848,027	75,762,638	-	446,396,820
Gross profit	136,442,144	19,683,317	31,432,972	(34,768,923)	152,789,510

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

	Year Ended March 31,		
	2005	2004	2003
Segment Gross Profits	215,626,781	208,226,584	152,789,510
Selling, general and administrative expenses	156,016,171	120,380,003	60,479,067
Depreciation	42,155,863	40,775,889	31,120,792
Income from continuing operations before taxes	17,454,747	47,070,693	61,189,651

SFAS 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 for which details are given below, and hence the management feels that the required information cannot be provided except in respect of R&D segment.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

	R&D	Others	Total
Assets	406,395,651	709,985,335	1,116,380,986
Liabilities	4,265,270	318,584,894	322,850,164

YEAR ENDED MARCH 31, 2004

	R&D	Others	Total
Assets	226,187,971	854,940,662	1,081,128,633
Liabilities	3,156,641	276,006,645	279,163,286

(b) Geographical information

SFAS 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:

	Year Ended March 31					
	2005	%	2004	%	2003	%
U.S.A	148,824,979	22.63%	81,074,514	15.45	38,363,473	8.59
EUROPE	91,251,936	13.87%	122,330,270	23.30	78,555,679	17.60
INDIA	267,093,421	40.60%	161,091,554	30.69	139,896,750	31.34
REST OF THE WORLD	150,630,894	22.90%	160,392,214	30.56	189,580,918	42.47
	657,801,230	100	524,888,552	100	446,396,820	100.00

(30) Related Party transactions

During the year ended March 31, 2005, 2004 and 2003 the Company has entered into various commercial transactions in the normal course of the business with the following related parties:

Name of the related party	Nature of relationship
Nile limited	Dr. M. R. Naidu, director of the Company is also the director of Nile Limited.
Vasudha Pharma Chem Limited	Dr. S. Ramachandran, director of the company is also director in Vasudha Pharma Chem Limited.
Jubilant Organosys Limited	Mr. Bodhishwar Rai, Chairman of the company is also director in Jubilant Organosys Limited
Asain Clinical Trails Limited	Directors of Asian Clinical Trails Ltd are related to promoters of the Company
Borregaard Industries Limited, Norway*	Borregaard Industries Limited, Norway is the group company of Borregaard Synthesis Inc., USA
Borregaard Synthesis Inc., USA*	Mr. Michael O Shea, VP of Borregaard Synthesis Inc., USA, was director in the Company
Borregaard Italia S.P.A.*	Borregaard Italia S.P.A is a wholly owned subsidiary of Borregaard Industries Limited, Norway.

* - Ceased to be related party with effect from April 1, 2004



The summary of receivables and payables as at March 31, 2005 and 2004 with the above stated related parties are as mentioned below:

	March 31,	
	2005	2004
(a) Receivables from related parties		
(i) Trade receivables	—	26,522,060
(b) Payable to related parties	1,220,042	—

Analysis of transactions with related parties is as follows:

	Year Ended March 31,		
	2005	2004	2003
Sales	—	133,788,377	59,884,517
Purchases	31,021,783	—	5,908,725
Purchase of Capital goods	2,286,802	577,262	4,942,500

(31) Commitments and Contingencies

(a) Commitments

(i) Capital commitments:

The Company has commitments with various vendors towards purchase of capital assets. As of March 31, 2005 and 2004, the estimated amount of contracts remaining to be executed was Rs 17,957,608 and Rs. 175,365 respectively

(ii) Future minimum operating lease rents payable:

The Company's future liabilities towards minimum operating lease rents are as under:

Year ended March 31	Amount
2006	4,943,863
2007	1,219,389
2008	206,358
2009	—
	6,369,610

(b) Contingencies

The Company is obligated to Income Tax authority and various banks towards bank guarantees and letter of credit amounting to Rs 62,907,915 and Rs 31,818,568 as of March 31, 2005 and 2004 respectively.

(32) 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 90 days notice. Also the Company is committed to a non-cancelable operating lease for office space at New Jersey. The Company has paid Rs. 8,828,764, and Rs. 6,422,212 and Rs. 1,607,200 as operating lease rents for the year ended March 31, 2005, 2004 and 2003 respectively.

(33) Stockholders Equity

- Common Stock: The Company's common stock consists of only one class of shares i.e. "Equity Shares". Presently the Company has 50,000,000 Authorized Equity Shares of Rs 2 each. The outstanding shares of the Company consist of 25,000,000 equity shares.
- 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.
- During the year ended March 31, 2004 the board of directors authorized a five-for-one stock split of the company's equity shares whereby each issued and outstanding equity share, par value Rs.10, was split into five equity shares, par value Rs.2 each. All references in the financial statement to number of shares and per share amounts have been retroactively restated to reflect the stock split.
- Dividends: Should the Company declare any dividends on its common stock outstanding, such dividends will be paid in Indian Rupees on pro-rata basis. The Dividends will be declared only out of the distributable profits after transfer of up to 10% 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 Rs. 1.00 per share, Rs 0.90 per share and Rs 0.80 for the year ended March 31, 2005, 2004 and 2003 respectively.
- Accumulated and other comprehensive income: Accumulated and other comprehensive income represents the unrealized holding loss, net of tax, on available for sale securities and currency translation adjustment.



RECONCILIATION STATEMENT

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

(Expressed in Indian Rupees)

	Year Ended March 31,		
	2005	2004	2003
Net Income as per US GAAP	30,017,044	41,665,984	52,469,397
Adjustments			
Profit element in sales reversed	9,251,174	5,908,174	9,272,696
Increase in Foreign exchange gain due to reversal of Sales	—	(728,445)	—
Profit element in sales reversed earlier, now recognised excluding the forex loss	(5,179,729)	(9,272,696)	(10,674,107)
Public issue expenses	—	(4,455,750)	—
Start up expenses	—	7,072,438	—
Preliminary expenses	(212,515)		—
Income taxes	(39,830,469)	(12,657,119)	(20,872,021)
Provision for gratuity	(347,115)	953,215	660,956
Leave encashment routed separately for US GAAP through provision	(229,012)	(129,370)	(100,930)
Provision for leave encashment	3,542,291	247,088	422,457
Depreciation	27,250,624	24,441,399	17,927,830
Profit on sale of assets	(201,982)	(203,934)	(126,749)
Foreign exchange fluctuation capitalised	—	(4,534,843)	—
Equity in lossess of equity affiliates	—	4,600,000	7,321,970
Net profit as per Indian GAAP	24,060,311	52,906,141	56,301,499

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

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				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 financial year and 31st March 2004	Material changes between the end of financial year and 31st March 2004
		Equity Shares (Common Stock)	Preference Shares	Equity Holding %	Preference Holding %	a) Dealt with in the account of Suven Life Sciences Limited for the year ended 31.03.2005	b) Not Dealt with in the account of Suven Life Sciences Limited for the year ended 31.03.2005	a) Dealt with in the account of Suven Life Sciences Limited for the year ended 31.03.2004	b) Not Dealt with in the account of Suven Life Sciences Limited for the year ended 31.03.2004		
Suven Life Sciences Limited LLC USA	31.03.2005	N.A	-	100%	-	-	(13911429)	-	(20776860)	-	-

In Rs.

for and on behalf of the Board of Directors

VENKATESWARLU JASTI
Vice Chairman & C.E.O

SUDHA RANI JASTI
Wholetime Director

Place : Hyderabad

Date : 30.07.2005

K.HANUMANTHA RAO
Company Secretary







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.), "Karvy House", 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034 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.



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 Sixteenth Annual General Meeting to be held on Monday the 12th day of September, 2005 at 3.00 p.m. at Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016.

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 Sixteenth Annual General Meeting to be held on Monday the 12th day of September, 2005 at 3.00 p.m. at Hotel Green Park,
Greenlands, Begumpet, Hyderabad - 500 016, and at any adjournment thereof

Signature _____

Affix
Rs.1.00
Revenue
Stamp

Signed this _____ day of _____ 2005.

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.