

17th Annual Report

COLLABORATIVE

RESEARCH

Integration of Science, Knowledge, Capability and Trust,
..... The bond has been established !



Suven Life Sciences Limited

2005 - 06



CEO'S COMMUNIQUE



Dear Shareholders,

Globally health care costs are soaring. In a big market like USA health care costs are estimated to be over 16% of GDP in 2006. A recent study by Harvard Medical and Law Schools reveal that over 50% of personal bankruptcy filings are due to medical bills. At the same time R&D productivity is anemic. Global pharma are spending more than \$60 billion to get 14, me too new drugs in a year thus increasing the cost of new drugs into market. While the costs for new drugs are mounting, pressures are building on the governments all over the world to reduce the health care cost. This led to the enactment of GAAP (Greater Access for Affordable Pharmaceuticals) by US congress recently.

GLOBAL HEALTH CARE

To discover drugs and bring them to market early with cost effectiveness is the name of the game which in turn is changing the thinking of big pharma as evidenced from the saying of Fred Hassan, CEO of Schering Plough corp: "**Observing that science innovation occurs best in small, entrepreneurial environments, a very serious and growing challenge for our industry, is to see whether we can create a small company environment in a very big company organization**".

With this kind of observation, one can believe that collaborations with small companies are imminent and India can take a lead from this new development because of the change in the mindset of global pharma coinciding with the Intellectual property protection in India. Sooner that happens; certainly SUVEN will be in the forefront.

Last year we talked about Suven's business strategy and realizing the next step of our strategic vision, **Collaborative Research Partnerships (CRP)** with global pharmaceutical giants with the initiation of **Drug Discovery and Development Support Services (DDDSS)** in '05 combined with **Contract Research And Manufacturing Services (CRAMS)** of '95.

SUVEN STRATEGY

Your company's strategy is the culmination of imagination, creation with bold moves into uncharted waters and visionary zeal of the management.

When we began this strategy way back in 1995, the management has set a new direction, a new strategic vision and then got both the investors and employees committed and aligned behind this new strategic vision and direction.



THE PEOPLE BEHIND

As Lyndon B Johnson (1964) said, "We have the power to shape the civilization that we want. But we need your will, your labor, your hearts, if we are to build that kind of Society"

It is true with Suven also in whatever way we want to build or shape our business and to achieve the end result; we not only need the vision, direction and strategy but also the people. **I would say People are not your most important asset, the right people are.** To be successful one need to get the right people in and keep enough of right people.

Harry Truman once said that "You can accomplish anything in life, provided that you do not mind who gets the credit" Yes, he is right and the credit should go to the employees first and foremost, who have done all the hard work and to the investors who have backed the new initiative which is new to this country.

For any new vision and strategy , one need to retain absolute faith regardless of the changes or difficulties on the way while assessing and confronting the difficult situations as and when it occurs so that we can prevail at the end.

When such a long term vision evolves into flourishing business gradually, rather than with a sudden change, it will certainly endure for long.

As all of you are aware that SUVEN has metamorphosed from CRAMS to DDDSS by initiating in house drug discovery activity during 2002. During this short span of 4 years we have not only created the basic infrastructure to do drug discovery and DDDSS but also trained our people and created Intellectual property by filing more than 39 product patents. .

The intangibles that have been created over the years will give rise to new business opportunities both in services i.e. DDDSS and CRAMS besides drug discovery collaborations. I am sure of the innovation lead collaborative research and joint development on risk/ reward basis with collaborators will evolve sooner than later.

DRUG DISCOVERY

The in-house Drug Discovery not only brought Intellectual Property and hopefully products for market eventually, but also spreading Suven's capability all over the world.

Preliminary preclinical data presentation on our lead compounds at Society For Neurosciences (SFN 2005) has evinced keen interest with many global pharma giants. The interactions, delegations, visits and audits after our data presentation at

SFN 2005 are leading into active collaborative initiatives in drug discovery with global pharma majors. We will also be presenting more preclinical data on our lead compounds for various CNS disorders like Alzheimer's, Mild Cognitive Impairment (MCI), schizophrenia, Parkinson, dementia and obesity at Neuroscience 2006 at Atlanta in October 2006. Our aim is to file one Investigational New Drug (IND) application with US FDA and EU authorities before the end of this fiscal year.

This is not the wishful thinking but I see it is going to happen sooner than later and with your continued support, we will succeed.

INFRA- STRUCTURE

But the need of the hour is up gradation of infrastructure to take on the new opportunities that are coming in our way. Hence we will initiate the construction of a new greenfield drug discovery site very soon where in internal drug discovery, collaborative discovery and DDDSS activities can take place meeting global regulatory requirements. This will speed up our discovery process while cutting costs with seamless transition of the product/project from one stage to the other while attracting Collaborative Research Partnerships.



AWARD

You will be happy to note that during 2005 Suven was awarded "Partner of Choice in Drug Discovery for CNS" from India by Frost & Sullivan, a global consulting firm.

The kind of collaborative Research Partnerships (CRP) we are envisaging will be first of its kind for an Indian company wherein the big pharma discovery R&D will be done at SUVEN initially on collaborative basis followed by clinical development at the collaborator.

COLLABORATIVE RESEARCH PARTNERSHIPS

All of us have been waiting for long for this to happen and the time has come for us to move into the next stage of collaborative Research Partnerships (CRP) with global pharma giants on one hand and moving forward with our internal drug discovery program by advancing one of our lead compounds into Phase 1 clinical stage during the course of the year while solidifying the activities in CRAMS and DDDSS. More than a decade of steady efforts guided by unswerving vision has gone by and the goals set to become a Collaborative Research Partner (CRP) looks promising **and you will be glad to know that long wait is over since Suven and Lilly has established Drug Discovery collaboration.**

Suven has signed an agreement with Eli Lilly and Company; a U.S. based global pharmaceutical company, to collaborate on the pre-clinical research of molecules in the therapeutic area of central nervous system disorders (CNS).

"This effort is a collaboration between Suven and Lilly, with scientists from both parties working together in a team, with the goal of identifying potent, oral compounds that selectively modulate the specified G-Protein Coupled Receptor for the target CNS disease,".

SUVEN AND LILLY COLLABORATION

Suven will receive payments from Lilly and potentially downstream payments if the identified candidates are selected by Lilly for further pre-clinical research and development.

"This is our first true research collaboration with a global pharmaceutical company, thereby helping us realize the next step of our strategic vision," as a collaborative Research Partner (CRP) with a global pharmaceutical company.

This is truly a remarkable and path breaking achievement for all of us at SUVEN for which I am thankful to one and all and I promise that we can do lot more in the years to come with your continued support.

Yours sincerely
Venkat Jasti





BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

FACTORY

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

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

RESEARCH CENTRE - I

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

RESEARCH CENTRE - II

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

AUDITORS

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

COST AUDITOR

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

BANKERS

State Bank of India
Overseas Branch
Abids, Hyderabad.

REGISTRARS & SHARE TRANSFER AGENTS

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

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NOTICE

NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of Suven Life Sciences Limited will be held on **Saturday** the 30th day of September 2006 at 3.00 p.m. at **Hotel Green Park, Green lands, Begumpet, Hyderabad -500 016** to transact the following businesses:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Audited Profit & Loss Account for the year ended 31st March, 2006 together with Director's Report and Auditor's Report thereon.
2. To declare a Dividend
3. To appoint a director in place of Dr S Ramachandran, 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 2006-07 and to fix their remuneration.

Special Business

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

"RESOLVED THAT Shri T.R.Prasad be and is hereby appointed as Director of the company, liable to retire by rotation."

6. To consider and if thought fit, to pass with or without modification the following as Special Resolution

"RESOLVED THAT pursuant to Section 94(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby given to increase the Authorized Share Capital of the Company from Rs 10 crores (Rupees Ten crores only) to

Rs 20 crores (Rupees Twenty crores only) by creating 5 crore (Five crore only) equity shares of Rs 2/- each ranking pari passu with the existing equity shares of the Company and the following new Clause V be and is hereby substituted in place of the existing Clause V of the Memorandum of Association of the company."

"V The Authorized Share Capital of the Company is Rs 20,00,00,000 (Rupees Twenty Crores only) divided into 10,00,00,000 equity shares of Rs 2/- each (Rupees Two only) with a right to increase or reduce the Share Capital in accordance with the provisions of the Companies Act, 1956. The Company shall have powers, at any time and from time to time to increase or reduce Capital. Any of the said shares and any new shares may at any time and from time to time be divided into shares of several classes in such manner as the Articles of Association of the Company may prescribe and the shares of each class may confer such preferred or other special rights and privileges and impose such restrictions and conditions whether in regard to dividend, voting, return of capital or other wise as may be prescribed in or under the Articles of Association."

"RESOLVED FURTHER THAT the following new Article 7(a) of the Articles of Association of the Company be and is hereby substituted in place of existing Article 7 (a) as under."

"7(a) The Authorized Share Capital of the Company is Rs 20,00,00,000 (Rupees Twenty Crores only) divided into 10,00,00,000 equity shares of Rs 2/- each (Rupees Two only) with a right to increase or reduce the Share Capital in accordance with the provisions of the Companies Act, 1956. "

By Order of the Board

Place : Hyderabad
Date : 31st July 2006

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 -27th September



2006 to 29th September 2006 (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 26th September 2006 will be in time for payment of dividend subject to provisions of section 206A of the Companies Act, 1956.

- 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.

- Members desiring to have any information on the accounts are requested to make a request for the same at least one week before the date of meeting. So that the requisite information will be made available at the meeting.

EXPLANATORY STATEMENT

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

ITEM NO 5

Shri T.R.Prasad was co-opted as Additional Directors on the Board of the company pursuant to section 260 of the Companies Act, 1956. Shri T.R.Prasad holds office of the Director up to the date of ensuing Annual General Meeting. The Company has received notice from a member alongwith required deposit, proposing the candidature of Shri T.R.Prasad for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Your Directors recommend the resolution for your approval.

The profiles of Directors are given under the head "Brief profiles of the Directors seeking appointment /re-appointment at the AGM."

None of the Directors except Shri T.R.Prasad is concerned or interested in the resolution.

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

- Dr. S.Ramachandran M.Sc., P.hd, is a renowned Synthetic Organic Chemist having 40 years of experience and is of immense value to the Company in R & D activities for Drug Intermediates and Fine Chemical Intermediates planned for the Company. Dr S.Ramachandran is also a Director on the Board of Vasudha Pharma Chem Limited and Natco Organics Limited. Dr S.Ramachandran does not hold any shares in the Company. Dr S Ramachandran is a member of Audit Committee and Chairman of Investor Grievances Committee of the Board of your Company.
- Shri T R Prasad is a ret. IAS Officer (1963 batch) and holds a Master's Degree in Physics (Electronics) from Banaras University. He is a lifetime fellow of the Institute of Engineers (FIE).

Shri T.R.Prasad took over as Cabinet Secretary, Government of India in the year 2000 and held this

ITEM NO 6

The present Authorized Share Capital of the Company is Rs 10 crores consisting of 5 crore equity shares of Rs 2/- each. In view of the proposed expansion plans of the company involving fund raising either through ADRs/GDRs/FCCBs and / or such other modes of raising capital, which may be converted into equity at a later stage and / or an equity issue of any kind, it is proposed to suitably increase the Authorized Share Capital of the Company. As per Section 94(1)(a) of the Companies Act, 1956 permission of the shareholders of the Company is required to give effect to the proposed increase.

Hence your Directors commend the resolution for your approval.

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

By Order of the Board

Place : Hyderabad
Date : 31st July 2006

K Hanumantha Rao
Company Secretary

post for a period of two years, after which Shri T.R.Prasad was a member of Finance Commission till 31st December 2004.

Prior to the above positions, Shri T.R.Prasad held the following positions

Defence Secretary, Government of India, Secretary, Industrial Policy and Promotion, Ministry of Industry, Chairman, Foreign Investment Promotion Board, Secretary, Heavy Industry and Chairman, Maruti Udyog Limited

Shri T.R.Prasad is also a Director on the Boards of TVS Motors Company Limited, TAJGVK Hotels & Resorts Limited, Nelcast Limited and GMR Infrastructure Company Limited. Shri T.R.Prasad does not hold any shares in the Company.

Shri T.R.Prasad is Chairman of Audit Committee of the Board of TVS Motors Company Limited and member of Audit Committee of the Board of your Company.



DIRECTORS' REPORT

Your Company's Board of Directors has pleasure in presenting this 17th Annual Report together with Audited Accounts of the Company for the financial year 2005-06.

Financial statements for the year 2005-06 prepared in substantial compliance with US GAAP are also included in this Annual Report.

FINANCIAL RESULTS

	Current Year Ended 31-03-06 (Rs in Millions)	Previous Year Ended 31-03-05 (Rs in Millions)
Sales and other incomes	830.08	607.78
Gross Profit	136.03	113.50
Less: Interest	16.47	8.21
Depreciation	33.90	31.26
Profit before Tax	85.68	74.03
Less: Provision for Taxation	1.05	36.06
Profit after Tax	84.63	37.97
Add: Balance brought forward	29.75	24.09
Profit available for appropriation	114.38	62.06
Appropriations:		
Dividend	25.0	25.0
Dividend tax	3.5	3.5
Transfer to General Reserve	40.0	3.8
Balance carried forward	45.88	29.75

REVIEW OF OPERATIONS

Your Company has recorded a total income of Rs 830.08 Mn during the year 2005-06 consisting of exports of Rs 636.98 Mn, domestic sales of Rs. 153.93 Mn, Contract Technical Services of Rs.31.07 Mn and other income of Rs 8.15 Mn. Profit before tax (PBT) increased by 15.74% to Rs 85.68 Mn from Rs 74.03 Mn when compared to previous year PBT primarily on account of increase in revenues under CRAMS business model during the year under review. The EPS (in Rs) has also increased to 3.39 this year over the previous year EPS (in Rs) of 1.52.

EXPORTS

Your Company has achieved an export turnover of Rs 636.98 Mn when compared to the previous year exports of Rs 327.63 Mn. The exports revenue has been nearly doubled over the previous year exports revenue.

DIVIDEND

Your Directors are pleased to recommend a dividend @ 50% (Re 1/- per share) for the financial year 2005-06 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 150,000 stock options to the eligible employees of your Company as well as to the employees of Wholly Owned Subsidiary at USA and with this the total number of stock options granted stood at 750,000 out of 12,50,000 options reserved under the plan. The disclosures as required under the SEBI Guidelines on ESOPs are annexed to the Directors Report.

MARKETING

With the enhancement of services from CRAMS to DDDSS and CRO activities, project management has become a key business in addition to the product development. Hence during the year your company has started a branch office in NJ and employed additional people for business development and project management along with the logistics management.

RESEARCH AND DEVELOPMENT

Suven continues to spend heavily on R&D. Your company's total R&D spend (revenue and capital) is about 26.59% to the total turnover during the year. Drug Discovery and Development Support Services (DDDSS) business model, which was launched in the year 2005, is gearing up and expected to produce promising results in the years to come, which will enable your company to grow into a collaborative research partner (CRP) for global life sciences companies.

QUALITY ASSURANCE

Your Company's ISO 14000-1996 systems have been upgraded to 14001- 2004 during the year. Unit III at Pashamylaram, Medak District, and a cGMP compliant plant facility has been accredited with WHO GMP Certification by the statutory authorities. cGMP & GMP practices across Suven manufacturing facilities and preparation of dossiers have been consistently followed during the year. Various quality audits conducted by the international customers during the year were successful. The Focus on "Customer satisfaction" remains as our top priority.

SUBSIDIARY

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

SOCIAL RESPONSIBILITY

Your Company continues to shoulder its social responsibility and has made contributions to various charities like education, sports, spiritual and cultural programmes and supplied drinking water to the neighboring villages around the plant facilities during the year.



DIRECTORS

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Dr S Ramachandran retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Shri T.R.Prasad was co-opted as additional director by the Board during the year and holds office as a Director until the ensuing Annual general meeting and being eligible, offers himself for appointment.

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

INVESTOR SERVICE

Your Company's share registry operations (physical as well as electronic form of holdings) will continue with Karvy Computershare Private Limited, Registrars and Transfer Agents. They can be contacted at 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, Bombay Stock Exchange Limited 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 Director's Report.

COST AUDIT

In pursuance of Section 233(B) of the Companies Act, 1956, the Central Government has directed audit of the Cost

Accounting Records of your Company. The Cost Audit Report for the Financial Year 2005-06 is in process and the Report will be submitted to the Central Government within the prescribed time limit.

DIRECTORS RESPONSIBILITY STATEMENT

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

- i) 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
Mr. Venkateswarlu Jasti	57	Vice-Chairman & CEO.	4.67	M.Pharm.M.S (Indus. Pharmacy)	32 Years	09-03-1989	Business in U.S.A
Mrs. Sudha Rani Jasti	52	Wholetime Director	3.16	B.Sc.	25 Years	09-03-1989	Business in USA
Dr. N.V.S.Ramakrishna	45	Vice-President (Discovery Chemistry)	3.75	M.Sc, P.hd	17 Years	04-03-2002	Vice-President (Discovery Research) Zydus Cadila



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

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

ACKNOWLEDGEMENTS

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

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

On behalf of the Board

Place : Hyderabad,
Date : 31st July, 2006

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 31.03.2006	Previous year ending 31.03.2005	
1	Power and fuel Consumption			
a)	Purchased Units	In KWH	8,104,347.00	6,615,988.00
	Total Amount	Rs.	29,902,668.60	26,117,944.91
	Rate/Unit	Rs.	3.69	3.95
b)	Own Generation -	Units		
	Diesel Generator	In KWH	376,368.00	215,408.00
	Units / Liter of Diesel Oil	In KWH	2.61	2.14
	Cost/Unit	Rs.	13.13	11.68
2	a) Steam coal 'C' Grade Used in Boiler to generate steam for the process			
	Quantity	In Mts	6,370.09	5,970.00
	Total Cost	Rs.	15,707,103.79	16,545,510.00
	Average Rate/MT	Rs.	2,465.76	2,771.44
	b) Furnace Oil			
	Quantity	In KL	348.00	300.44
	Total Cost	Rs.	6,672,215.02	5,178,732.00
	Average Rate/KL	Rs.	19,173.03	17,237.45
	c) Consumption per unit of Production	Since the company is manufacturing different products using the same facilities at the same time it is not possible to give consumption per unit of production.		

TECHNOLOGY ABSORPTION

I Research and Development

- Specific areas in which R&D is carried out by the Company.
 - Continued preclinical development of selected candidates for Alzheimer's disease.
 - Expanded the drug discovery activity for a new therapeutic indication, Obesity.
- Benefits derived as a result of the above R&D.
 - Preclinical candidate is advanced to the level of Filing Investigational New Drug (IND) application with US FDA during the current year for Alzheimer disease. Candidates were selected for obesity indication and optimization is in progress.
- Future plan of Action.
 - During next year clinical trial will be initiated for selected candidate for Alzheimer disease.
 - Optimized new drug candidate for obesity will move into IND filing and enhance the drug discovery activity for other indications of CNS



4. Expenditure on Research and Development.

	Current Year Ended 31-03-06 (Rs. in Millions)	Previous Year Ended 31-03-05 (Rs. in Millions)
a) Capital	87.14	54.80
b) Recurring	131.39	86.00
c) Total	218.53	140.80
d) Total R&D Expenditure on Total Turnover	26.59%	23.67%

II Technology Absorption, Adoption and Innovation

- Efforts, in brief, made towards technology absorption, adoption and innovation.
 - Adopted new technologies by enhancing the infrastructure and training in biology
- Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.
 - Enhancement of infrastructure and training in biology lead to the speedier optimization resulting in advancing the preclinical candidate in Alzheimer to IND submission. Also obesity molecule selection has taken place from the identified drug candidates.
- 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 'U'

On behalf of the Board

Place : Hyderabad,
Date : 31st July, 2006

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, 2006

Sl.No	Description	2004 Plan
	No of Options earmarked under the plan	1,250,000
(a)	Options granted	750,000
(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	1,41,600
(g)	Variation of terms of options	Nil
(h)	Money realised by exercise of options	Nil
(i)	Total number of options in force	6,08,400
(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
	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 2006. Had the company used the fair value method, the ESOP cost in the financial year would have been Rs 2,33,82,657 and net profit would have reduced by this amount. The EPS (in Rs) would have been 2.45
(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 2006 were 6,08,400. The weighted average exercise price of the outstanding options as on March 31st 2006 was Rs 84.05 and the weighted average fair value of the outstanding options as on March 31st 2006 was Rs 36.90
(n)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (i) risk-free interest rate, (ii) expected life, (iii) expected volatility, (iv) expected dividends, and (v) the price of the underlying share in market at the time of option grant.	The company has opted to use the Intrinsic value method for accounting of compensation cost arising out of ESOP. However for disclosures in Para 12 above the following assumptions have been made 6.5% 48 months 50% 1.33% Rs. 74.85 and Rs. 88.65



MANAGEMENT'S DISCUSSION AND ANALYSIS

Industry Structure----- Global

Globally Pharmaceutical Industry is at cross roads and passing through a phase of consolidation and transition. With many countries embracing Intellectual Property protection, harmonization is taking place in the Pharmaceutical sector thus opening up many opportunities and challenges.

Innovator pharma companies are under pressure due to increased costs, declined R&D productivity and blockbuster drugs going off patent, forcing the innovators to look for alternatives. The need of the hour is to cut costs, speed up the drug discovery process and gain market access quicker. It can be achieved either by outsourcing or by alliances, joint ventures and collaborations with academia or Industry around the globe.

In the western world manufacturing has become cost prohibitive leading to closure or sale of many such units. Increased outsourcing is taking place in all areas in pharmaceutical industry to reduce costs, to share the risk, improved time to market etc.

To mitigate some of these problems consolidation and rationalization is taking place followed by outsourcing and alliances.

Industry Outlook and opportunities----- India

India has fair chances of capitalizing the mega global outsourcing opportunity in the areas of drug discovery and development support services (DDDSS) and Contract Research And Manufacturing Services (CRAMS) of intermediates, API's and formulations and Clinical Research Operations for global life sciences companies.

With the introduction of Intellectual Property Protection in India and with the new commitment and mindset of the Indian Industry for the innovation led growth, India is well placed to embrace these new opportunities. It is a natural fit for the global pharma giants to align with the focused and capable Indian players for cutting their Drug Discovery costs and bringing new drugs to the market much quicker.

For those Indian companies, which have strong chemistry and regulatory skills, low cost of development, highly skilled personnel, and cGMP manufacturing facilities and with focus on CRAMS are the preferred picks for the global innovator companies in the years to come. CRAMS business model presents a huge opportunity and companies which have strong

relationship with clients is the key to the bagging of future contracts under CRAMS

Risk and Risk Management

Innovation Risks

For in house drug discovery people are the most important asset in addition to the proper infrastructure. Trained people are meager in number since the activity in India started very recently. Training and retaining them is a huge risk.

People are not your most important asset. The right people are.

Suven strives to have in their teams the right people with right training with empowerment to innovate. This is the only aspect that can retain people more than any other incentives.

DDDSS Risks

For those innovators who need to outsource, their mindset plays a vital role. Hesitation in their minds about IP protection is the biggest risk.

The risk is inherent for Indian Industry at this time. The only way you can influence their decision making process is with long term relationships and continued commitment in IP protection which Suven stands for since 1995.

CRAMS Risks

In the innovation led development, moving of product from Phase to the next phase of clinical development is the most critical aspect. Success in this segment is very less which is the greatest risk.

The inherent risk is outweighed by the success which brings in long term business opportunity.

Generics

In the generic segment the price pressures due to market conditions, raw material costs and ever increasing regulatory costs are the critical risk factors.

Choosing the right product mix to negate some of the price pressures is the name of the game along with process optimization.



Financial and Operating performance

The Company has recorded a total income of Rs 830.08 Mn during the year 2005-06 consisting of exports of Rs 636.98 Mn, domestic sales of Rs 153.93 Mn, Contract Technical Services of Rs. 31.07 Mn and other income of Rs 8.15 Mn. Profit before tax (PBT) increased by 15.74% to Rs 85.68 Mn from Rs 74.03 Mn when compared to previous year PBT primarily on account of increase in revenues under CRAMS business model during the year under review. The EPS (in Rs) has also increased to 3.39 this year over the previous year EPS (in Rs) of 1.52.

Internal Controls

The company and its subsidiaries have put in place sound internal controls. Qualified team ensures that the internal controls are complied with. The objectives of the internal control system is to 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 offering front end services and 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.

Human Resources

Training and Development programmes for employees will continue to be top priority at Suven. The company believes very strongly in employee development. The training focuses on developing both technical as well as soft skills. The company has more than 190 highly qualified professionals working in R&D.

Quality and Standardization

Medicines are meant to cure illnesses or prevent illness which needs to be discovered, manufactured and distributed employing the strictest standards in all aspects and we cannot emphasize better. Suven in its Endeavour to be successful in their own drug discovery or DDDSS and or CRAMS employs the highest standards by imparting continuous training to all the employees at all places of activity.



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 2006, 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	6	3	Yes
2	Shri Venkateswarlu Jasti	Vice-Chairman & CEO Promoter	Nil	6	6	Yes
3	Dr.M.R.Naidu	Independent and Non-Executive Director	2	6	3	No
4	Shri T R Prasad*	Independent and Non-Executive Director	4	6	4	Yes
5	Dr K V Raghavan	Independent and Non-Executive Director	3	6	4	No
6	Smt Sudha Rani Jasti	Whole Time Director Promoter	Nil	6	6	Yes
7	Dr S Ramachandran	Independent and Non-Executive Director	2	6	5	Yes

* Appointed as Additional Director w.e.f. 12th September 2005

During the year under review 6 (Six) Board Meetings were held on April 28th 2005, July 30th 2005, September 12th 2005, October 29th 2005, January 28th 2006 and March 6th 2006. 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	Shri T R Prasad	2	1
5	Dr K V Raghavan	Nil	Nil
6	Smt. Sudha Rani Jasti	1	Nil
7	Dr. S Ramachandran	2	1



3) Remuneration of Directors

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

a) Executive Directors

(Rupees)

Particulars	Shri Venkateswarlu Jasti	Smt. Sudha Rani Jasti
Salary	41,68,134	24,00,000
Contribution to P.F.	5,04,000	2,88,000
Commission	0	4,67,213
Perquisites	0	7,807
Total	46,72,134	31,63,020

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

4) Audit Committee

a) Composition, Names of members and Chairman

The Audit Committee consists of only Independent Directors as under.

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

b) Terms of reference

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

c) Meetings and attendance during the year

During the year Audit Committee met 4 times on 28th April, 2005, 30th July, 2005, 29th October, 2005 and 28th January, 2006. The Chairman Shri Bodhishwar Rai attended two meetings and took leave for two meeting. Shri T R Prasad attended one meeting. Dr S Ramachandran attended three meetings and took leave for one meeting. Dr M.R.Naidu attended three meetings and took leave for one meeting.

5) Investor Grievances Committee

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

b) Constitution and composition

The Committee has been constituted with two Independent Director and one Executive Director. During the year under review the Committee met 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 2005-06

The total number of complaints received and attended to during the year was 163. There were no valid requisitions for transfer of shares pending as on 31st March 2006.



6) Share Transfers Committee

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

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

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

The Committee met fifteen (15) times during the financial year 2005-06.

7) ESOP Compensation Committee

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 30th July, 2005 and granted 150,000 stock options to the eligible employees of the Company and to its subsidiary company, with this the total number of options granted stood at 7,50,000 option as at 31st March 2006, 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
2004-05 12.09.2005	Hotel Green Park, Greenlands, Begumpet, Hyderabad	3.00 p.m.	Two
2003-04 17.09.2004	Hotel Green Park, Greenlands, Begumpet, Hyderabad	3.00 p.m.	Three
2002-03 20.09.2003	Hotel Green Park, Greenlands, Begumpet, Hyderabad	2.00 p.m.	Two

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

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

9) Disclosures

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

10) Means of Communication

- a) Quarterly Results - the un-audited quarterly results are filed with the Stock Exchange(s) immediately after these are approved by the Board. The results are published in the Business Standard and Andhra Jyothi (Vernacular) newspapers in accordance with the guidelines of Stock Exchange(s). The un-audited Results for all the quarters for the financial year 2005-06 were published as per the statutory requirement.
- b) Management Discussion and Analysis forms part of this Annual Report and is attached to the Director's Report.

11) General Information to Shareholders

AGM: Date, time and venue

Schedule of 17th Annual General Meeting

Date	Saturday, 30th September 2006
Time	3.00 p.m.
Venue	Hotel Green Park, Green Lands, Ameerpet, Hyderabad



Financial calendar
Financial year from 01/04/2005 to 31/03/2006

Date of Board Meeting for considering of Annual Accounts and Dividend Recommendation	31st July 2006
Book Closure dates	27th September 2006 to 29th September 2006
Date of A.G.M.	Saturday, 30th September 2006
Posting of Annual Reports	6th September 2006
Expected dates of dispatch of Dividend Warrants	Between 9th October 2006 to 27th October 2006

Date of Book Closure

The Register of Members and Share Transfer Books will remain closed from 27th September 2006 to 29th September 2006 (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 2006 will be paid to the eligible members within 30 days from the date of declaration.

Listing on Stock Exchanges

Your company's shares are listed on The Hyderabad Stock Exchange Limited (HSE) (Regional Stock Exchange), Hyderabad, Bombay Stock Exchange Limited, Mumbai (BSE) and National Stock Exchange of India Limited (NSE). The annual listing fee for the financial year 2006-07 has been paid to these Stock Exchanges.

Stock Code

BSE scrip code : 530239

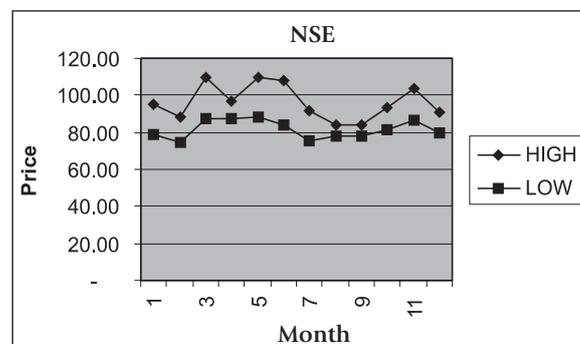
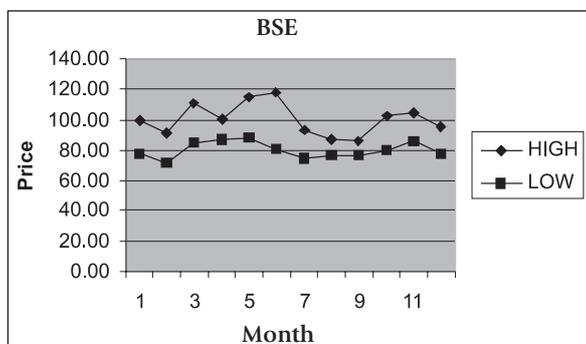
NSE scrip code : symbol "SUVEN" series "EQ"

Market Price Data:

Monthly high and low equity share
(Rs 2/- per share) quotations on
Bombay Stock Exchange Limited
for the financial year 2005-06.

Monthly high and low equity share
(Rs 2/- per share) quotations on
National Stock Exchange of India Limited
for the financial year 2005-06

BSE				NSE			
Month & Year	High Rs.	Low Rs.	Volume (Qty)	Month & Year	High Rs.	Low Rs.	Volume (Qty)
Apr-05	99.90	77.80	560460	Apr-05	95.35	78.85	1023229
May-05	91.00	71.65	455210	May-05	87.95	74.35	830954
Jun-05	111.45	85.20	1825852	Jun-05	110.00	87.40	3764036
Jul-05	101.00	86.80	863275	Jul-05	96.45	87.40	2145049
Aug-05	115.6	87.75	1652330	Aug-05	110.10	88.55	3258170
Sep-05	118.00	81.00	2134481	Sep-05	108.15	83.70	3401054
Oct-05	93.00	75.10	491284	Oct-05	91.80	75.60	871805
Nov-05	87.40	76.30	305559	Nov-05	83.90	77.90	588367
Dec-05	86.00	77.00	523956	Dec-05	83.60	77.60	871767
Jan-06	102.15	79.50	1188276	Jan-06	93.35	81.75	1712699
Feb-06	105.00	86.10	1133911	Feb-06	103.65	86.50	1849492
Mar-06	95	78.05	467962	Mar-06	91.05	79.80	696388



Registrar and Transfer Agents

(Physical and Electronic segments)

Karvy Computershare Pvt. Ltd

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

Tel No(s): (040) 23312454,3320251/751/752

Fax No: (040) 23311968,23323049

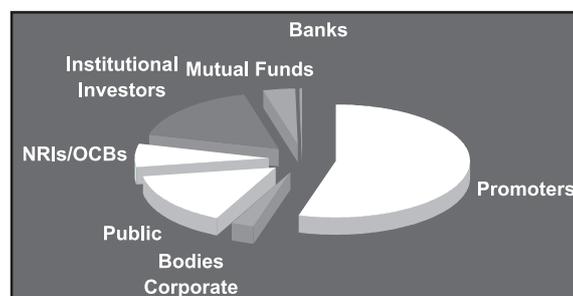
Email : mailmanager@karvy.com

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 2006.

Sl. No	Category	No of Shares	% to Equity
1	Promoters	1,36,25,694	54.50
2	Bodies Corporate	6,60,198	2.64
3	Public	38,31,283	15.33
4	NRIs/OCBs	17,06,130	6.82
5	Institutional Investors	41,08,349	16.44
6	Mutual Funds	9,84,946	3.94
7	Banks	83,400	0.33
	Total	2,50,00,000	100.00



Distribution of shareholdings as on 31st March, 2006.

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	8038	86.57	2956306.00	5.9126
5,001	10,000	609	6.56	1049336.00	2.0986
10,001	20,000	296	3.19	932780.00	1.8655
20,001	30,000	139	1.50	716142.00	1.4322
30,001	40,000	34	0.37	243442.00	0.4868
40,001	50,000	49	0.53	478788.00	0.9575
50,001	1,00,000	45	0.48	642312.00	1.2846
1,00,001 and above		75	0.81	42980894.00	85.9617
Total		9285	100.00	50000000.00	100.00



Dematerialization of shares and liquidity

96.19% of shares were dematerialised as on 31st March 2006. 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

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

Financial Year	Date of Declaration	Due Date for Transfer to IEPF
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
2004 - 2005	12.09.2005	19.10.2012

Plant Locations

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

Unit 2 : Pashamylaram, Medak dist.
Andhra Pradesh

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

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

Compliance of Non Mandatory Requirements Chairman of the Board

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

Declaration regarding compliance with the Code of Conduct of the Company by the Board of Directors and senior management personnel

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

Place : Hyderabad
Date : 31st July 2006

Venkateswarlu Jasti
Vice-Chairman &CEO



CERTIFICATE OF COMPLIANCE

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

We have examined the Compliance of conditions of Corporate Governance by M/s. Suven Life Sciences Limited ('the Company') for the year ended on 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and the Hyderabad Stock Exchange Limited.

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

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

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

For **KARVY & COMPANY**
Chartered Accountants

Place : Hyderabad
Date : 31-07-2006

K. Ajay Kumar
Partner
M. No. 21989



AUDITORS' REPORT

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

We have audited the attached Balance sheet of Suven Life Sciences Limited ("the Company") as at 31st March, 2006, the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004, (together the 'Order') issued by the Central Government Of India, in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.
3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books of the company;

- c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. On the basis of the written representations received from the Directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and Notes hereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the company as on 31st March, 2006;
 - ii. in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii. in the case of Cash Flow Statement, of the cash flows for the year ended on that date

For **KARVY & COMPANY**
Chartered Accountants

K. Ajay Kumar
Partner
M. No. 21989

Place : Hyderabad
Date : 31-07-2006



ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 2 of our report

- i. In respect of its fixed assets:
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) A substantial portion of the fixed assets has been physically verified by the management during the year and in our opinion frequency of verification is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification.
 - c) In our opinion, Fixed Assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
- ii. In respect of its inventories:
 - a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of inventory, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the books of account were not material and have been properly dealt with in the books of account.
- iii.
 - a) According to the information and explanations given to us, during the year the Company has granted an unsecured loan to a company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year is Rs. 85.02 Lakhs and the year end balance is Rs. 2.32 Lakhs.
 - b) In our opinion and according to the information and explanations given to us, the afore said loan is interest free and other terms and conditions are not prima facie prejudicial to the interest of the company.
 - c) The said interest free loan is repayable on demand and there is no repayment schedule.
 - d) In respect of the aforesaid loan, the same is repayable on demand and therefore the question of overdue amount does not arise.
 - e) According to the information and explanations given to us, the Company has during the year not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (f) and (iii) (g) of the paragraph 4 of the Order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services, if any. During the course of our audit, no major weakness has been noticed in the internal controls.
- v. In respect of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956:
 - a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion, and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices.
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public and therefore, the provisions of Section 58A and 58AA of the Companies Act, 1956 and Rules there under are not applicable to the Company.
- vii. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.
- viii. 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.



ix. In respect of statutory dues:

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

explanations given to us, no undisputed amounts payable in respect of above were in arrears, as at March 31st 2005 for a period of more than six months from the date on which they become payable..

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

Name of the Statute	Nature of Due	Amount (Rs.)	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Tax	4,16,603	2002-03	Commissioner of Income Tax (Appeals) IV, Hyderabad

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

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

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

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

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

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

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

xx. The Company has not raised any money by public issues during the year.

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

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

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

For **KARVY & COMPANY**
Chartered Accountants

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

Place : Hyderabad
Date : 31-07-2006

K. Ajay Kumar
Partner
M.No. 21989



BALANCE SHEET AS AT 31ST MARCH, 2006

	SCHEDULE	AS AT 31/03/2006 Rs.	AS AT 31/03/2005 Rs.
I. SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
a) Share Capital	A	50000000	50000000
b) Reserves & Surplus	B	909261597	798889182
2 LOAN FUNDS			
a) Secured Loans	C	236775021	198052299
3 DEFERRED TAX LIABILITY (NET)			
		71529711	132292587
T O T A L		1267566329	1179234068
II. APPLICATION OF FUNDS			
1 FIXED ASSETS			
a) Gross block	D	1016370335	874869391
b) Less: Depreciation		188653625	143022655
c) Net block		827716710	731846736
d) Capital work-in-progress		26653010	33122269
2 INVESTMENTS			
	E	99932280	139887373
3 CURRENT ASSETS, LOANS AND ADVANCES			
a) Inventories	F	227389588	193112777
b) Sundry Debtors	G	148579469	167797079
c) Cash and Bank balances	H	10993266	21388814
d) Other Current Assets	I	120729062	92701294
e) Loans and Advances	J	11716979	11931845
		519408364	486931809
Less :Current Liabilities and Provisions	K	206781582	213404181
Net Current Assets		312626782	273527628
4 MISCELLANEOUS EXPENDITURE			
a) Preliminary Expenditure		637547	850062
T O T A L		1267566329	1179234068
Notes on Accounts	U		

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

for and on behalf of the Board of Directors

K. Ajay Kumar
Partner

Venkateswarlu Jasti
Vice Chairman & CEO

Sudha Rani Jasti
Wholetime Director

Place : Hyderabad
Date : 31-07-2006

K. Hanumantha Rao
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	SCHEDULE	FOR THE YEAR ENDED 31st Mar 2006 Rs.	FOR THE YEAR ENDED 31st Mar 2005 Rs.
INCOME			
Income from Operations	L	821924508	594728148
Other Income	M	8153679	13064440
Increase/(Decrease) in Stocks	N	38404331	36436120
T O T A L		868482518	644228708
EXPENDITURE			
Materials Consumed	O	347530108	236540626
Manufacturing Expenses	P	106978798	84828229
Research & Development Expenses		131392254	86006693
Central Excise Duty		20336625	26163446
Personnel Expenses	Q	55170811	34355038
Selling Expenses	R	15600590	20893476
Financial Expenses	S	16476292	8214064
Administrative & Other Expenses	T	55415880	41927139
Depreciation		33903371	31267397
T O T A L		782804729	570196108
Profit before Tax		85677789	74032600
Less: Provision for - Current Tax		7034000	5415000
Deferred Tax		(6511176)	30645860
Fringe Benefit Tax		528000	-
Profit after Tax		84626965	37971740
Profit brought forward from previous year		29755838	24090348
Profit available for appropriation		114382803	62062088
Appropriations			
Proposed dividend		25000000	25000000
Tax on proposed dividend		3506250	3506250
Transfer to General Reserve		40000000	3800000
Surplus carried to Balance Sheet		45876553	29755838
		114382803	62062088
Basic and Diluted Earnings per share (in Rs)		3.39	1.52
Notes on Accounts	U		

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

for and on behalf of the Board of Directors

K. Ajay Kumar
Partner

Venkateswarlu Jasti
Vice Chairman & CEO

Sudha Rani Jasti
Wholetime Director

Place : Hyderabad
Date : 31-07-2006

K. Hanumantha Rao
Company Secretary



SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2006 (Rupees)	AS AT 31st Mar 2005 (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	344997344		341197344
Add: Additions during the year	40000000		3800000
Deferred Tax Asset Pertains to Previous Year	54251700	439249044	-
			344997344
Share Premium			
Opening Balance	424136000		424136000
Additions during the year	-	424136000	-
			424136000
Surplus in Profit & Loss A/c.		45876553	29755838
T O T A L		909261597	798889182

SCHEDULE-C			
SECURED LOANS			
Corporate Loan From S.B.I. (Foreign Currency Loan)		162515576	91060558
Secured by first and Pari-pasu charge on Land, Buildings, Plant & Machinery.			
Working Capital Loans from S.B.I		74043681	106344329
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.			
H.P. Loans obtained from ICICI Bank		215764	647412
Secured by hypothecation of Vehicles acquired under the H.P. scheme.			
T O T A L		236775021	198052299



SCHEDULES TO BALANCE SHEET

SCHEDULE-D FIXED ASSETS		(Amount in Rupees)									
		GROSS BLOCK					DEPRECIATION				
S.NO	AS ON 31.03.2005	ADDITIONS	DEDUC- TIONS	AS ON 31.03.2006	UPTO 31.03.2005	FOR THE YEAR	DEDUC- TIONS	UPTO 31.03.2006	AS ON 31.03.2006	AS ON 31.03.2005	
1	21436279	182708	-	21618987	-	-	-	-	21618987	21436279	
2	4478375	-	-	4478375	626291	72998	-	699289	3779086	3852084	
3	100823144	24168620	-	124991764	6957778	3367493	-	10325271	114666493	93865366	
4	490226139	21899088	-	512125227	103654403	26412523	-	130066926	382058301	386571736	
5	7960314	1029612	-	8989926	1813941	509728	-	2323669	6666257	6146373	
6	4012863	444725	-	4457588	667399	198345	-	865744	3591844	3345464	
7	13206272	89313	-	13295585	2087243	627298	-	2714541	10581044	11119029	
8	187352180	87138098	-	274490278	13722874	11318873	-	25041747	249448531	173629306	
9	13775016	2551336	-	16326352	626200	736353	-	1362553	14963799	13148816	
10	8034924	2057592	1785450	8307066	2706861	700771	954925	2452707	5854359	5328063	
11	13399635	-	-	13399635	5284655	707501	-	5992156	7407479	8114980	
12	462203	-	-	462203	250131	21955	-	272086	190117	212072	
13	9702047	3725302	-	13427349	4624879	1912057	-	6536936	6890413	5077168	
T O T A L S	874869391	143286394	1785450	1016370335	143022655	46585895	954925	188653625	827716710	731846736	

* Note: Depreciation on R & D Equipment of Rs. 1,26,82,524/- has been added to R & D Expenses (Previous Year Rs.87,65,660/-)



SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2006 (Rupees)	AS AT 31st Mar 2005 (Rupees)
SCHEDULE-E		
INVESTMENTS:		
I. Trade Investments – (Long Term & Unquoted) :		
a. In Subsidiaries		
Share Capital - in Suven Life Sciences USA LLC	59000520	68938000
2. Non-Trade Investments :		
Long Term & Unquoted		
a. Equity Shares:		
100 Equity Shares of Rs.20/- each in G.S.F.C.Limited	2000	2000
b. Mutual Funds:		
SBI Magnum Insta Cash - Dividend Plan (Previous year 1,77,660.575)	-	1871957
Chola Liquid Inst Plus - Weekly Dividend (Previous year 7,21,779.052)	-	8252202
LIC MF Liquid Fund - Dividend Reinvestment Plan (Previous year 19,31,692.368)	-	20810214
SBI Debt Fund Series (Previous year 40,00,000)	-	40000000
SBI Institutional Income Fund 40,78,421.1194 units of Rs.10 each (Previous Nil)	40916760	-
C. National Savings Certificates	13000	13,000
T O T A L	99932280	139887373
Quoted Investment		
- Book Value	40931760	70934373
- Market Value	40916760	71562167
Un-quoted Investment		
- Book Value	59000520	68953000
Investments Purchased and Sold during the year		
	Units	Cost (Rs.)
a) SBI Magnum Insta Cash - Dividend Plan - Mutual Fund	431.5465	4545
b) Chola Liquid Inst Plus-Weekly Dividend - Mutual Fund	500.3400	5792
c) LIC MF Liquid Fund - Dividend Reinvestment Plan	9586.8990	107236
d) SBI Institutional Income Fund	6728133.5658	67500000



	AS AT 31st Mar 2006 (Rupees)	AS AT 31st Mar 2005 (Rupees)
SCHEDULE-F		
INVENTORIES		
(As valued and certified by the Management)		
Raw Materials	53574979	59306514
Stores and Spares	4219422	2615407
Finished Goods	99893836	42928072
Stocks in Process	69701351	88262784
T O T A L	227389588	193112777

SCHEDULE-G		
SUNDRY DEBTORS		
(Unsecured, Considered good)		
Exceeding six months	966984	4101655
Others	147612485	163695424
T O T A L	148579469	167797079

SCHEDULE-H		
CASH AND BANK BALANCES		
Cash on hand	239983	290636
Balances with Scheduled Banks		
--- in current accounts	5269569	2471162
--- in Deposits	5483714	18627016
T O T A L	10993266	21388814

SCHEDULE-I		
OTHER CURRENT ASSETS		
Interest accrued	754190	716233
Deposits	9668978	8527124
Other Receivables	35516790	17465651
Advance Tax	74789104	65992286
T O T A L	120729062	92701294

SCHEDULE-J		
LOANS AND ADVANCES		
(Unsecured, considered good, advances recoverable in cash or in kind or for value to be received)		
Advances for Purchases	5600379	6192606
Advances for Expenses	1401438	1360691
Other Advances	4715162	4378548
T O T A L	11716979	11931845



SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2006 (Rupees)	AS AT 31st Mar 2005 (Rupees)
SCHEDULE-K		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Liabilities for Capital Works	20858998	17426817
Liabilities for Purchases	57412462	77338125
Liabilities for Expenses	24964487	22856620
Unclaimed Dividend	773659	627002
Liabilities for statutory dues	2084619	2030260
(A)	106094225	120278824
B. PROVISIONS		
-- for Taxation	72181107	64619107
-- for Dividend	25000000	25000000
-- for Corporate Dividend Tax	3506250	3506250
(B)	100687357	93125357
T O T A L (A+B)	206781582	213404181



SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2006 (Rupees)	Previous Year 31st Mar 2005 (Rupees)
SCHEDULE-L		
INCOME FROM OPERATIONS		
Sales		
Exports	636978336	327634727
Domestic	153928799	228762956
Contract Technical Services (Gross) (Tax Deducted at Source Rs.19,13,958 Previous year Rs.11,97,933)	31017373	34317651
Conversion Charges Received (Gross) (Tax Deducted at Source Rs. Nil Previous year Rs.83,913)	-	4012814
TOTAL	821924508	594728148

SCHEDULE-M OTHER INCOME

Interest-(Gross) (Tax Deducted at Source Rs.1,54,860 Previous year Rs.3,44,783)	810628	1404012
Dividend Income from Mutual Funds	2099750	4981401
Foreign Exchange Fluctuations Gain (Net)	4824517	3553802
Profit on Sale of Investments	418784	2781016
Miscellaneous Receipts	-	344209
T O T A L	8153679	13064440

SCHEDULE-N INCREASE / DECREASE IN STOCKS

Opening Stock :		
Work - in - Progress	88262784	48236895
Finished Goods	42928072	46517841
A	131190856	94754736
Closing Stock :		
Work - in - Progress	69701351	88262784
Finished Goods	99893836	42928072
B	169595187	131190856
Increase in Stocks (B-A)	38404331	36436120



SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2006 (Rupees)	Previous Year 31st Mar 2005 (Rupees)
SCHEDULE-O		
MATERIALS CONSUMED		
1) Raw Materials		
Opening Stock	59048581	26412065
Purchases	337041843	267057645
Less: Closing Stock	51106257	59048581
(A)	344984167	234421129
2) Packing Materials		
Opening Stock	168161	134758
Purchases	2558008	2152900
Less: Closing Stock	180228	168161
(B)	2545941	2119497
T O T A L (A+B)	347530108	236540626

SCHEDULE-P MANUFACTURING EXPENSES

Power & Fuel	57224710	49686501
Consumable Stores	9183363	2106380
Factory Upkeep Expenses	14671355	12547237
Environment Management Expenses	6522112	3768128
Safety Expenses	1600524	1207272
Repairs & Maintenance :		
-- Buildings	172238	169521
-- Plant & Machinery	15501795	14443583
-- Others	2102701	899607
T O T A L	106978798	84828229

SCHEDULE-Q PERSONNEL EXPENSES

Salaries, Wages & Bonus	43529993	24094380
Staff Welfare Expenses	6164034	6077230
Contribution to PF & Other Funds	5476784	4183428
T O T A L	55170811	34355038



SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2006 (Rupees)	Previous Year 31st Mar 2005 (Rupees)
SCHEDULE-R		
SELLING EXPENSES		
Sales Promotion	6398821	4400062
Advertisement	671382	556718
Carriage Outwards	6423931	6508641
Commission on Sales	2106456	9428055
T O T A L	15600590	20893476

SCHEDULE-S FINANCIAL EXPENSES

Interest -- on Fixed Loans	7828588	4208440
-- on Others	5151866	1858888
Finance Charges	3495838	2146736
T O T A L	16476292	8214064

SCHEDULE-T ADMINISTRATIVE & OTHER EXPENSES

Rent	3402503	2214510
Rates & Taxes	675433	214896
Insurance	6673390	4861557
Communication Charges	4503080	3879117
Travelling & Conveyance	9063263	9333790
Printing & Stationery	2912201	2015189
Vehicle Maintenance	2072968	1721743
Directors Remuneration	7835154	5693744
Professional Charges	4343964	3317602
Payments to Auditors :		
-- As Auditors	150000	150000
-- for Tax Matters	50000	125000
-- for other Services	50000	31600
-- for Expenses	1875	4900
Security Charges	2488141	1945957
Donations	1263698	964937
Loss on Sale of Assets	348525	21116
Bad Debts Written Off	3909726	-
Preliminary Expenses written off	212515	212515
General Expenses	5459444	5218966
T O T A L	55415880	41927139



SCHEDULE - U NOTES ON ACCOUNTS

1. Significant Accounting Policies :

(a) Basis of Accounting

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

(b) Use of Estimates

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

(c) Revenue recognition

i) Revenue from 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 contracts 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 stated at cost. Provision for diminution in the value of long-term investments is made only if such diminution is other than temporary in nature in the opinion of the management.

(j) Retirement benefits to employees

- i. Company's contribution to provident fund and Gratuity are charged to Profit and loss account



- ii. Gratuity liability to employees is covered by Group Gratuity scheme of LIC of India.
- iii. Leave encashment is accounted on cash basis and charged to Profit and Loss account.

(k) Borrowing cost

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

(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 end is

accounted for, using the tax rates and laws that have been substantially enacted as of the balance sheet date.

Deferred tax assets arising from timing differences are recognized and carried forward only if there is reasonable certainty that they will be realized in future and reviewed for the appropriateness of their respective carrying value at each balance sheet date.

(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	2,51,258	-
Un expired Letters of Credit	2,78,42,556	5,85,18,176
Disputed Income Tax demands against which Company is in Appeal	-	43,89,739

3. Capital commitments not provided for on account of pending execution (net of advance) Rs. 2,16,98,279/- (Previous year Rs.1, 79,57,608/-)

4. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as of 31st March 2006 (Previous year Nil). During the year an amount of Rs.53,280/- pertaining to 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:**

	Vice Chairman & CEO		Wholetime Director	
	2005-06	2004-05	2005-06	2004-05
Salary & Allowances	41,68,134	33,96,869	24,00,000	11,26,452
Commission	-	-	4,67,213	3,98,632
Contribution to Provident Fund	5,04,000	5,89,448	2,88,000	1,35,174
Perquisites	-	-	7,807	47,169
Computation of Net Profit in accordance with Section U/S198 & 309 of the Companies Act, 1956.				
			2005-06	2004-05
Profit before tax			8,56,73,924	7,40,32,600
Add: Loss on sale of Assets			3,48,525	-
Less: Profit on sale of investments			8,60,26,314	7,40,32,600
			4,18,784	-
Add: remuneration to Directors			8,56,07,530	7,40,32,600
			78,35,154	56,93,744
Net Profit as per Section 309(5) for the year (A)			9,34,42,684	7,97,26,344
Maximum Commission / Remuneration payable:				
Vice Chairman & CEO (Maximum of 5% of (A))			46,72,134	39,86,317
Wholetime Director			31,63,020	17,07,427

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

8. **EMPLOYEE STOCK OPTION SCHEME**

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

The movement in options during the year ended March 31, 2006 is set out below:

	Year ended March 31, 2006	Year ended March 31, 2005
Options outstanding at the beginning of the year	5,85,000	6,00,000
Granted during the year	1,50,000	-
Less: Lapsed	1,26,600	15,000
Converted into equity shares	-	-
Options outstanding at the end of the year	6,08,400	5,85,000

9. **Loans & Advances Include:**

	Maximum Amount			
	Outstanding at any time during		Rupees in Lakhs	
	2005-06	2004-05	2005-06	2004-05
Loans & Advances due by Private company in which some of the directors of the Company are Interested				
Asian Clinical Trials Ltd	85.02	57.00	2.32	Nil

10. 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	
	2006	2005
Cost	14,70,026	14,70,026
Accumulated Depreciation	3,48,938	2,09,286
Net Carrying Amount	11,21,088	12,60,740
Future Minimum Lease Rents Payable	71,938	5,03,026
Less: Interest included in above	894	24,969
PV of Future Minimum Lease Rents payable	71,044	4,76,272

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	71,938 (4,31,628)	Nil (71,938)	Nil
Present Value of Installment payable	68,505 (4,11,035)	Nil (65,237)	Nil

11. Income taxes**a. Income tax Expense**

	Year ended 31-03-2006	Year ended 31-03-2005
Current Tax	70,34,000	54,15,000
Deferred Tax	(65,11,176)	3,06,45,860
Fringe Benefit Tax	5,28,000	-
Total	10,50,824	3,60,60,860

b. Deferred tax Liabilities / Deferred tax Assets

	Year ended 31-03-2006	Year ended 31-03-2005
Deferred tax Liabilities		
Depreciation	15,96,99,488	13,22,92,587
Total	15,96,99,488	13,22,92,587
Deferred tax Assets		
Unabsorbed Dep. & Loss	8,11,35,777	-
MAT Credit	70,34,000	-
Total	8,81,69,777	-
Net Deferred Tax Liability	7,15,29,711	13,22,92,587

Deferred Tax Liability declined in the current year due to Recognition of deferred tax asset on unabsorbed depreciation & loss

Pertaining to previous period (Taken to General Reserve)	Rs. 5,42,51,700
Current year	Rs. 65,11,176
Total Decline	Rs. 6,07,62,876

12. Excise Duty amounting to Rs.32,31,881/- on Closing Stock of finished Goods has been provided during the year to comply with ' Guidance Note on Accounting treatment for Excise duty' issued by Institute of Chartered Accountants of India.



13. Earning per Share

	Year ended 31-03-2006	Year ended 31-03-2005
Net Profit after tax available for Equity shareholders	8,46,26,965	3,79,71,740
Weighted average of number of Equity shares outstanding during the year	2,50,00,000	2,50,00,000
Basic and Diluted Earnings per Equity share	3.39	1.52

14. 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. Asain Clinical Trails Limited
c) Key managerial Persons : 1) Venkat Jasti.
2) Sudha Rani Jasti.

	Subsidiaries	Associates	Key Managerial Person	Total
Purchase of goods	21,18,306 -Nil-	-Nil- (22,86,802)		21,18,306 (22,86,802)
Sale of goods	2,15,06,873 (51,61,695)	-Nil-		2,15,06,873 (51,61,695)
Loans - Given		1,55,23,437 (13,07,007)		1,55,23,437 (13,07,007)
Loans -Repaid		1,52,91,419 (13,07,007)		1,52,91,419 (13,07,007)
Remuneration			78,35,154 (56,93,744)	78,35,154 (56,93,744)

Note: Figures in bracket indicates previous year figures.

15. Miscellaneous Expenditure

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

16 a) Segmental Information (2005-06)

Business Segment

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

- a) Intermediates under Contract Services
b) bulk Drugs
c) Other intermediates, fine Chemicals and other products
d) Research and Development
- I. Intermediates under contract services products are developed and produced on an exclusive basis under contract Manufacturing services
II. Bulk Drugs are those products which are directly used for manufacturing the formulations. These products are marketed by procuring the orders.
III. Other Intermediates and fine chemicals are products like chemicals, Intermediates and Finechemicals those are marketable by procuring the orders.

Geographical Segment

The Company has identified the following geographical reportable segments:

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



Information pertaining to Business Segment - primary

	Intermediates under Contract Services	Bulk Drugs	Other Intermediates, Finechemicals and other Products	Research and Development	Un allocated	Total
Segment Revenue						
External Sales	649426376	83906703	88591429	-	-	821924508
	(398420782)	(103079002)	(92744514)	(483850)	-	(594728148)
Inter Segmental Adj.	-	-	-	-	-	-
	-	-	-	-	-	-
Total	649426376	83906703	88591429	-	-	821924508
	(398420782)	(103079002)	(92744514)	(483850)	-	(594728148)
Segment Result						
Operating Profit	319213588	12279605	12950163	(131392254)	(122546538)	90504564
	(219309168)	(18506740)	(16890796)	(-85522843)	(-102148372)	(67035489)
Other Income	-	-	-	-	-	8153679
	-	-	-	-	-	(13064440)
Interest Expense	-	-	-	-	-	12980454
	-	-	-	-	-	(6067328)
Income Tax -Current Tax	-	-	-	-	-	7034000
	-	-	-	-	-	(5415000)
-Deferred Tax	-	-	-	-	-	(6511176)
	-	-	-	-	-	(30645860)
-Fringe Benefit Tax	-	-	-	-	-	528000
	-	-	-	-	-	(Nil)
Net Profit						84626965
						(37971741)
Other Information						
Segment Assets	-	-	-	276155667	1198191596	1474347263
	-	-	-	(209421900)	(1183216349)	(1392638249)
Segment Liabilities	-	-	-	9151309	197629625	206780934
	-	-	-	(4265270)	(209138911)	(213404181)
Capital employed	-	-	-	267004358	1000561971	1267566329
	-	-	-	(205156630)	(974077438)	(1179234068)
Capital Expenditure	-	-	-	89778747	53507647	143286394
	-	-	-	(60389763)	(47566194)	(107955957)
Depreciation	-	-	-	12682524	33903371	46585895
	-	-	-	(8765660)	(31267397)	(40033057)

Note: Figures in brackets relates to 2004-2005



1. Segment Assets do not include Income Tax Rs.7,47,89,104/- (previous year Rs.6,59,92,286/-)
2. Segment Liabilities do not include
 - a. Shareholders funds Rs.95,92,61,597/- (previous year Rs.87,73,95,432/-)
 - b. Secured Loans Rs.23,67,75,021/- (previous year Rs.19,80,52,299/-)
 - c. Unpaid Dividend Rs.7,73,659/- (previous year Rs.6,27,002/-)
 - d. Provision for Income Tax Rs.7,21,81,107/- (Previous year Rs.6,46,19,107/-)
 - e. Deferred Tax Liability(net) Rs.7,15,29,711/- (previous year Rs.13,22,92,587/-)
 - f. Proposed Dividend Rs.2,50,00,000/- (previous year Rs.2,50,00,000/-)
 - g. Provision for Tax on Dividend Rs.35,06,250/- (previous year Rs.35,06,250/-)

c) Geographical Information

	Revenue		Location Assets		Additions to Fixed Assets	
	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005
INDIA	184426469	267093421	854369720	764969005	143286394	107955957
U S A	162482396	81155340	-	-	-	-
EUROPE	141508179	90459701	-	-	-	-
ASIA	333507464	156019686	-	-	-	-
	821924508	594728148	854369720	764969005	143286394	107955957

17. 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 31-03-2006		Installed Capacity MT	Production for the year ended 31-03-2005	
		For Sales	For Captive		For Sales	For Captive
a) Bulk Drugs	162.000	71.289	0.004	162.000	74.523	-
b) Intermediates	1144.000	525.200	36.382	1144.000	482.071	16.285
	1306.000	596.489	36.386	1306.000	556.594	16.285

ii) **Stocks - Finished Goods**

	As on 31-03-2006		As on 31-03-2005	
	Quantity MT.	Value Rs.	Quantity MT.	Value Rs.
	a) Bulk Drugs	6.298	12901036	1.226
b) Intermediates	75.520	86992800	57.061	38074493
	81.818	99893836	58.287	42928072

iii) **Turnover**

	CURRENT YEAR		PREVIOUS YEAR	
	Quantity MT.	Value Rs.	Quantity MT.	Value Rs.
	a) Bulk Drugs	66.217	83906703	96.013
b) Intermediates	506.741	706405405	469.856	453557677
c) Recoveries	-	595027	-	373818
	572.958	790907135	565.869	556397683



iv) Raw Materials Consumed				
		CURRENT YEAR		PREVIOUS YEAR
		Quantity	Value	Quantity
		MT.	Rs.	MT.
				Rs.
a)	2-Amino-5-chloro-2-Fluorobenzophenone	4.450	10800467	4.250
b)	O-Phthalaldehyde	21.600	20264326	20.100
c)	Others		313919374	
			344984167	234421129
v) C I F value of Imports (Rupees)				
		CURRENT YEAR		PREVIOUS YEAR
a)	Raw Materials		113136392	71598672
b)	Components and Spare Parts		72015479	45727340
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	% to Total	Value
		Rs.		Rs.
				% to Total
i)	Imported	101072817	29.30	71346108
ii)	Indegenious	243911350	70.70	163075021
		344984167	100.00	234421129
				100.00
b) Stores and Spares :				
		CURRENT YEAR		PREVIOUS YEAR
		Value	% to Total	Value
		Rs.		Rs.
				% to Total
i)	Imported	-	-	-
ii)	Indegenious	1898497	100.00	2106380
		1898497	100.00	2106380
				100.00
(Rupees)				
		CURRENT YEAR		PREVIOUS YEAR
		(Rupees)		(Rupees)
vii)	Expenditure in Foreign Currency			
	Travel		3517585	5003955
	Dividend		68500	83500
	Sales Commission		1360421	319671
	Foreign Branch Expenses		16564163	-
			21510669	5407126
(Rupees)				
		CURRENT YEAR		PREVIOUS YEAR
viii) Earnings in Foreign Currency				
	FOB Value of Exports		631599898	320601179

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

Signatures of Schedules A to U

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

K. Ajay Kumar
Partner

Place : Hyderabad
Date : 31-07-2006

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



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	(Rs. In lakhs)	
	For the year ended 31.03.2006	For the year ended 31.03.2005
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax and Extraordinary items	856.78	717.54
Adjustment for :		
Depreciation	465.86	400.33
Dividend received	(21.00)	(49.81)
Loss / (Gain) on Sale of Assets	3.49	0.21
Loss / (Gain) on Sale of Investments	(4.19)	(27.81)
Unrealised Foreign Exchange (Gain) / Loss	7.16	(13.05)
Preliminary Expenses written off	2.13	2.13
Miscellaneous Receipts-customers a/c w/o	-	(2.35)
Interest	164.67	82.14
Operating profit before Working Capital changes	1474.90	1109.33
Adjustment for :		
- (Increase)/Decrease Trade and other receivables	2.01	(715.33)
- (Increase)/Decrease Inventories	(342.78)	(690.50)
- Increase/(Decrease) Trade Payables	(500.65)	867.68
Cash generated from operations	633.48	571.18
Direct Taxes paid	(102.35)	(69.67)
Cash flow before extraordinary items	531.13	501.51
NET CASH FLOW FROM OPERATING ACTIVITIES	531.13	501.51
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(1334.19)	(1294.08)
Sale of Fixed Assets	4.82	2.07
Purchase of Investments	(1107.30)	-
Share Application in Suven Life Sciences LLC	121.20	(227.94)
Sale of Investments(net)	1385.49	847.94
Dividend Received	21.00	49.81
Loss / (Gain) on Sale of Investments	-	-
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(908.98)	(622.20)



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	(Rs. In lakhs)	
	For the year ended 31.03.2006	For the year ended 31.03.2005
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from issue of Share Capital	-	-
Proceeds from Long Term Borrowings	1119.96	-
Repayment to Long Term Borrowings	(431.40)	(419.11)
Interest paid	(164.67)	(82.14)
Dividend paid	(250.00)	(250.00)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	273.89	(751.25)
Increase/(decrease) in cash and cash equivalents (A+B+C)	(103.96)	(871.94)
Net increase/(decrease) in cash and cash equivalents	(103.96)	(871.94)
Cash and Cash equivalents at the Beginning of the Year	213.89	1085.83
Cash and Cash equivalents at the End of the Year	109.93	213.89

for KARVY & COMPANY
Chartered Accountants

K. Ajay Kumar
Partner

Place : Hyderabad
Date : 31-07-2006

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



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.

State Code

Balance Sheet Date

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

Public Issue

Right Issue

Bonus Issue

Private Placement

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

Total Liabilities

Total Assets

SOURCES OF FUNDS

Paid-up Capital

Reserves & Surplus

Secured Loans

Deferred tax Liability

APPLICATION OF FUNDS

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

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

Turnover (Gross Revenue)

Total Expenditure

Profit Before Tax Tax

Profit After Tax

Earning per share Rs.

Dividend Rate (%)

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

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

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

Place : Hyderabad
Date : 31.07.2006



SUVEN LIFE SCIENCES LIMITED

**CONSOLIDATED
FINANCIAL STATEMENTS
AS OF MARCH 31, 2006**



CONSOLIDATED AUDITORS' REPORT

TO THE BOARD OF DIRECTORS,
SUVEN LIFE SCIENCES LIMITED

1. We have examined the attached consolidated balance sheet of SUVEN LIFE SCIENCES LIMITED and wholly owned subsidiary as at 31st March, 2006, the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the management of SUVEN LIFE SCIENCES LIMITED. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of Subsidiary, whose financial statements reflect total assets of Rs.149.10 Lakhs as at 31st March, 2006 and total revenues of Rs. 1006.95 Lakhs and total net cash inflows amounting to Rs.27.15 Lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiary, is based solely on the report of other auditors.
4. We report that consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India 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, 2006,
 - b) In the case of the consolidated profit and loss account of the consolidated results of operations of the Group for the year ended on that date,And
 - c) In the case of the cash flow statement, of the consolidated cash flows of the Group for the year ended on that date.

For **KARVY & COMPANY**
Chartered Accountants

Place : Hyderabad
Date : 31-07-2006

K. Ajay Kumar
Partner
M.No. 21989



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2006

	SCHEDULE	AS AT 31/03/2006 Rs.	AS AT 31/03/2005 Rs.
I. SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
a) Share Capital	A	50000000	50000000
b) Reserves & Surplus	B	852116229	761847107
2 LOAN FUNDS			
a) Secured Loans	C	236775021	198052299
3 DEFERRED TAX LIABILITY (NET)			
		71529711	132292587
T O T A L		1210420961	1142191993
II. APPLICATION OF FUNDS			
1 FIXED ASSETS			
a) Gross block	D	1016370335	885904171
b) Less: Depreciation		188653625	144460070
c) Net block		827716710	741444101
d) Capital work-in-progress		26653010	33122269
2 INVESTMENTS			
	E	40931760	70949373
3 CURRENT ASSETS, LOANS AND ADVANCES			
a) Inventories	F	227389588	193112777
b) Sundry Debtors	G	149905903	186247664
c) Cash and Bank balances	H	13708632	25725955
d) Other Current Assets	I	130805970	93507694
e) Loans and Advances	J	12508807	12768240
		534318900	511362330
Less :Current Liabilities and Provisions	K	219836966	215536142
Net Current Assets		314481934	295826188
4 MISCELLANEOUS EXPENDITURE			
preliminary Expenditure		637547	850062
T O T A L		1210420961	1142191993
Notes on Accounts	U		

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

for and on behalf of the Board of Directors

K. Ajay Kumar
Partner

Venkateswarlu Jasti
Vice Chairman & CEO

Sudha Rani Jasti
Wholetime Director

Place : Hyderabad
Date : 31-07-2006

K. Hanumantha Rao
Company Secretary



CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

	SCHEDULE	FOR THE YEAR ENDED 31st Mar 2006 Rs.	FOR THE YEAR ENDED 31st Mar 2005 Rs.
INCOME			
Income from Operations	L	901112263	662400280
Other Income	M	8153679	15429425
Increase/(Decrease) in Stocks	N	38404331	36436120
T O T A L		947670273	714265825
EXPENDITURE			
Materials Consumed	O	347530108	236516706
Manufacturing Expenses	P	108496634	93073991
Research & Development Expenses		195671076	117874008
Central Excise Duty		20336625	26163446
Personnel Expenses	Q	73732557	62510209
Selling Expenses	R	15840242	21716653
Financial Expenses	S	16536006	8238104
Administrative & Other Expenses	T	70007539	55759015
Depreciation		34572867	32270692
T O T A L		882723654	654122824
Profit before Tax		64946619	60143001
Less: Provision for -Current Tax		7056305	5436830
Deferred Tax		(6511176)	30645860
Fringe Benefit Tax		528000	-
Profit after Tax		63873490	24060311
Profit brought forward from previous year		(4932451)	3313488
Profit available for appropriation		58941039	27373799
Appropriations			
Proposed dividend		25000000	25000000
Tax on proposed dividend		3506250	3506250
Transfer to General Reserve		40000000	3800000
Surplus carried to Balance Sheet		(9565211)	(4932451)
		58941039	27373799
Basic and Diluted Earnings per share (in Rs)		2.55	0.96
Notes on Accounts	U		

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

for and on behalf of the Board of Directors

K. Ajay Kumar
Partner

Venkateswarlu Jasti
Vice Chairman & CEO

Sudha Rani Jasti
Wholetime Director

Place : Hyderabad
Date : 31-07-2006

K. Hanumantha Rao
Company Secretary



CONSOLIDATED SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2006 (Rupees)	AS AT 31st Mar 2005 (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	344997344		341197344	
Add: Additions during the year	40000000		3800000	
Deferred Tax Asset pertains to previous year	54251700	439249044	-	344997344
Foreign Exchange Translation Reserve				
Opening Balance	(2353786)		(1845873)	
Add: Additions during the year	650182	(1703604)	(507913)	(2353786)
Share Premium		424136000		424136000
Surplus in Profit & Loss A/c.		(9565211)		(4932451)
T O T A L		852116229		761847107

SCHEDULE-C SECURED LOANS

Corporate Loan From S.B.I. (Foreign Currency Loan) Secured by first and Pari-pasu charge on Land, Buildings, Plant & Machinery.	162515576		91060558	
Working Capital Loans from S.B.I Secured by first charge on Raw Materials, Stock in Process, Finished Goods and Book Debts and second charge on Land, Buildings and Plant & Machinery.	74043681		106344329	
H.P. Loans Obtained from ICICI Bank Secured by hypothecation of Vehicles acquired under the scheme	215764		647412	
T O T A L		236775021		198052299



CONSOLIDATED SCHEDULES TO BALANCE SHEET

		GROSS BLOCK										DEPRECIATION				NET BLOCK			
		AS ON 31.03.2005	ADDITIONS SLSL	ADDITIONS LLC	TOTAL ADDITIONS	DEDUC- TIONS	AS ON 31.03.2006	UPTO 31.03.2005	SLSL	LLC	FOR THE YEAR	DEDUC- TIONS	AS ON 31.03.2006	AS ON 31.03.2006	AS ON 31.03.2005				
SCHEDULE-D FIXED ASSETS																			
1	LAND	21436279	182708	-	182708	-	21618987	-	-	-	-	-	-	-	21618987	-	21436279		
2	BUILDINGS-OFFICE AT FACTORY	4478375	-	-	-	-	4478375	626291	72998	-	72998	-	699289	-	3779086	-	3852084		
3	BUILDINGS-FACTORY	100823144	24168620	-	24168620	-	124991764	6957778	3367493	-	3367493	-	10325271	-	114666493	93865366			
4	PLANT & MACHINERY	490226139	21899088	-	21899088	-	512125227	103654403	26412523	-	26412523	-	130066926	-	382058301	386571736			
5	FURNITURE & FIXTURES	9032484	1029612	-	1029612	1072170	8989926	2338158	509728	69261	578989	593478	2323669	6666257	6694326				
6	OFFICE EQUIPMENT	5121291	444725	-	444725	1108428	4457588	759672	198345	53658	252003	145931	865744	3591844	4361619				
7	* LABORATORY EQUIPMENT --UNIT I	13206272	89313	-	89313	-	13295585	2087243	627298	-	627298	-	2714541	10581044	11119029				
8	* LABORATORY EQUIPMENT --UNIT II	187352180	87138098	-	87138098	-	274490278	13722874	11318873	-	11318873	-	25041747	249448531	173629306				
9	LABORATORY EQUIPMENT --UNIT III	13775016	2551336	-	2551336	-	163226352	626200	736353	-	736353	-	1362553	14963799	13148816				
10	LABORATORY EQUIPMENT --LLC	7979961	-	-	-	-	7979961	654063	-	386396	386396	1040459	-	-	7325898				
11	VEHICLES	8034924	2057592	-	2057592	1785450	8307066	2706861	700771	-	700771	954925	2452707	5854359	5328063				
12	E.T.P. WORKS	13399635	-	-	-	-	13399635	5284655	707501	-	707501	-	5992156	7407479	8114980				
13	MISC FIXED ASSETS	462203	-	-	-	-	462203	250131	21955	-	21955	-	272086	190117	212072				
14	EDP-EQUIPMENTS	10576268	3725302	105146	3830448	979367	13427349	4791741	1912057	160181	2072238	327043	6536936	6890413	5784527				
T O T A L S		885904171	143286394	105146	143391540	12925376	1016370335	144460070	46585895	669496	47255391	3061836	188653625	827716710	741444101				

* Note: Depreciation on R & D Equipment of Rs.1,26,82,524/- has been added to R & D Expenses (Previous Year Rs.87,65,660/-)



CONSOLIDATED SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2006 (Rupees)	AS AT 31st Mar 2005 (Rupees)
SCHEDULE-E		
INVESTMENTS:		
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 :		
a. Equity Shares		
100 Equity Shares of Rs.20/- each in G.S.F.C.Limited	2000	2000
b. Mutual Funds:		
SBI Magnum Insta Cash - Dividend Plan (Previous year 1,77,660.575)	-	1871957
Chola Liquid Inst Plus - Weekly Dividend (Previous year 7,21,779.052)	-	8252202
LIC MF Liquid Fund - Dividend Reinvestment Plan (Previous year 19,31,692.368)	-	20810214
SBI Debt Fund Series (Previous year 40,00,000)	-	40000000
SBI Institutional Income Fund 40,78,421.1194 units of Rs.10 each (Previous year Nil)	40916760	
c. National Savings Certificates		
	13000	13000
<hr/>		
T O T A L	40931760	70936373
<hr/>		
Quoted Investment		
- Book Value	40931760	70934373
- Market Value	40916760	71562167
Un-quoted Investment		
- Book Value	15000	15000
Investments Purchased and Sold during the year		
	Units	Cost (Rs.)
<hr/>		
a) SBI Magnum Insta Cash - Dividend Plan - Mutual Fund	431.5465	4545
b) Chola Liquid Inst Plus-Weekly Dividend - Mutual Fund	500.3400	5792
c) LIC MF Liquid Fund - Dividend Reinvestment Plan	9586.8990	107236
d) SBI Institutional Income Fund	6728133.5658	67500000
<hr/>		



CONSOLIDATED SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2006 (Rupees)	AS AT 31st Mar 2005 (Rupees)
SCHEDULE-F		
INVENTORIES		
(As valued and certified by the Management)		
Raw Materials	53574979	59306514
Stores and Spares	4219422	2615407
Finished Goods	99893836	42928072
Stocks in Process	69701351	88262784
T O T A L	227389588	193112777

SCHEDULE-G		
SUNDRY DEBTORS		
(Unsecured, Considered good)		
Exceeding six months	966984	4101655
Others	148938919	182146009
T O T A L	149905903	186247664

SCHEDULE-H		
CASH AND BANK BALANCES		
Cash on hand	239983	290636
Balances with Scheduled Banks		
--- in current accounts	7984935	6808303
--- in Margin Money deposits	5483714	18627016
T O T A L	13708632	25725955

SCHEDULE-I		
OTHER CURRENT ASSETS		
Interest accrued	754190	716233
Deposits	9668978	9333524
Other Receivables	45593698	17465651
Advance Tax	74789104	65992286
T O T A L	130805970	93507694

SCHEDULE-J		
LOANS AND ADVANCES		
(Unsecured, considered good, advances recoverable in cash or in kind or for value to be received)		
Advances for Purchases	5600379	6192606
Advances for Expenses	1401438	1360691
Other Advances	5506990	5214943
T O T A L	12508807	12768240



CONSOLIDATED SCHEDULES TO BALANCE SHEET

	AS AT 31st Mar 2006 (Rupees)	AS AT 31st Mar 2005 (Rupees)
SCHEDULE-K		
CURRENT LIABILITIES AND PROVISIONS		
A. CURRENT LIABILITIES		
Liabilities for Capital Works	20858998	17426817
Liabilities for Purchases	57412462	77338125
Liabilities for Expenses	37997566	24966751
Unclaimed Dividend	773659	627002
Liabilities for statutory dues	2084619	2030260
(A)	119127304	122388955
B. PROVISIONS		
-- for Taxation	72203412	64640937
-- for Dividend	25000000	25000000
-- for Corporate Dividend Tax	3506250	3506250
(B)	100709662	93147187
T O T A L (A+B)	219836966	215536142



CONSOLIDATED SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2006 (Rupees)	Previous Year 31st Mar 2005 (Rupees)
SCHEDULE-L		
INCOME FROM OPERATIONS		
Sales		
Exports	615471463	312653332
Domestic	153928799	228762956
Contract Technical Services (Gross)	131712001	116971178
(Tax Deducted at Source Rs.19,13,958 Previous year Rs. 11,97,933)		
Conversion Charges Received (Gross)	-	4012814
(Tax Deducted at Source Rs. Nil Previous year Rs. 83,913)		
Sale of Import Licences	-	-
TOTAL	901112263	662400280

SCHEDULE-M OTHER INCOME

Interest-(Gross)		
- On Deposits	427836	961251
- From APSEB	382792	377167
- ICD	-	65594
(Tax Deducted at Source Rs.3,44,783 Previous year Rs.3,40,646)		
Dividend Income from Mutual Funds	2099750	4981401
Foreign Exchange Fluctuations - Gain (Net)	4824517	3553802
Miscellaneous Receipts	-	2709194
Gain on Investments	418784	2781016
T O T A L	8153679	15429425

SCHEDULE-N INCREASE / DECREASE IN STOCKS

Opening Stock :		
Work - in - Progress	88262784	48236895
Finished Goods	42928072	46517841
A	131190856	94754736
Closing Stock :		
Work - in - Progress	69701351	88262784
Finished Goods	99893836	42928072
B	169595187	131190856
Increase in Stocks (B-A)	38404331	36436120



CONSOLIDATED SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2006 (Rupees)	Previous Year 31st Mar 2005 (Rupees)
SCHEDULE-O		
MATERIALS CONSUMED		
1) Raw Materials		
Opening Stock	59048581	26412065
Purchases	337041843	267033725
Less: Closing Stock	51106257	59048581
(A)	344984167	234397209
2) Packing Materials		
Opening Stock	168161	134758
Purchases	2558008	2152900
Less: Closing Stock	180228	168161
(B)	2545941	2119497
T O T A L (A+B)	347530108	236516706

SCHEDULE-P **MANUFACTURING EXPENSES**

Power & Fuel	57714667	51269661
Consumable Stores	10133759	7636430
Factory Upkeep Expenses	14671355	12547237
Environment Management Expenses	6522112	3768128
Safety Expenses	1606712	1460854
Repairs & Maintenance :		
-- Buildings	199642	169521
-- Plant & Machinery	15501795	14443583
-- Others	2146592	1778577
T O T A L	108496634	93073991

SCHEDULE-Q **PERSONNEL EXPENSES**

Salaries, Wages & Bonus	61943183	52180706
Staff Welfare Expenses	6312590	6146075
Contribution to PF & Other Funds	5476784	4183428
T O T A L	73732557	62510209



CONSOLIDATED SCHEDULES TO PROFIT & LOSS ACCOUNT

	Current Year 31st Mar 2006 (Rupees)	Previous Year 31st Mar 2005 (Rupees)
SCHEDULE-R		
SELLING EXPENSES		
Sales Promotion	6398821	4771241
Advertisement	902327	1008716
Carriage Outwards	6432638	6508641
Commission on Sales	2106456	9428055
T O T A L	15840242	21716653

SCHEDULE-S **FINANCIAL EXPENSES**

Interest -- on Term Loans	7828588	4208440
-- on Others	5151866	1858888
Finance Charges	3555552	2170776
T O T A L	16536006	8238104

SCHEDULE-T **ADMINISTRATIVE & OTHER EXPENSES**

Rent	6847451	8828764
Rates & Taxes	675433	259746
Insurance	8097735	6456558
Communication Charges	5097482	4740327
Travelling & Conveyance	12229530	11242471
Printing & Stationery	2912201	2052818
Vehicle Maintenance	2680409	1828262
Directors Remuneration	7835154	5693744
Professional Charges	5388189	3874639
Payments to Auditors :		
-- As Auditors	150000	306975
-- for Tax Matters	50000	125000
-- for other Services	50000	31600
-- for Expenses	1875	4900
Security Charges	2498219	1979236
Donations	1263698	964937
General Expenses	6682679	7135407
Loss on Sale of Assets	3425243	21116
Bad Debts Written Off	3909726	-
Preliminary Expenses written off	212515	212515
T O T A L	70007539	55759015



SCHEDULE - U NOTES ON CONSOLIDATED ACCOUNTS

1. Significant Accounting Policies :

(a) Basis of Accounting

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

(b) Use of Estimates

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

(c) Consolidation

(i) Basis of Consolidation:

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

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

Name of Subsidiary	: Suven Life Sciences USA LLC
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Country of Incorporation	: USA
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Holding Company's Interest	: 100%
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Financial Year of the Subsidiary Ended on	: 31st March, 2006.
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(iii) Principles of Consolidation:

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

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

(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. The Company recognizes Interest on investments 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 : 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 contracts 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.

(j) 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.

(k) 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.

(l) 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. All other borrowing costs are charged to revenue.

(m) Segmental information - Basis of preparation

i. Segment Revenue and Expenses

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

ii. Segment Assets and Liabilities

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

(n) Earnings per share

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

(o) Employee Stock Option Schemes

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

(p) 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.

(q) 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 forward only if there is reasonable certainty that they will be realized in future and reviewed for the appropriateness of their respective carrying value at each balance sheet date.

(r) 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.

(s) Provisions

1. 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	2,51,258	-
Un expired Letters of Credit	2,78,42,556	5,85,18,176
Disputed Income Tax demands against which Company is in Appeal	-	43,89,739

3. Capital commitments not provided for on account of pending execution (net of advance)-Rs.2,16,98,279 /- (previous year-Rs.1,79,57,608/-)

4. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as of 31st March 2006 (Previous year Nil). During the year Rs. 53,280 /- Unclaimed dividend 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. National Savings Certificates to the extent of Rs. 3,000/- have been pledged with Government Authorities.

7. EMPLOYEE STOCK OPTION SCHEME

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

The movement in options during the year ended March 31, 2006 is set out below:

	Year ended March 31, 2006	Year ended March 31, 2005
Options outstanding at the beginning of the year	5,85,000	6,00,000
Granted during the year	1,50,000	-
Less: Lapsed	1,26,600	15,000
Converted into equity shares	-	-
Options outstanding at the end of the year	6,08,400	5,85,000

8. Loans & Advances Include:

	Maximum Amount			
	Outstanding at any time during		Rupees in Lakhs	
	2005-06	2004-05	2005-06	2004-05
Loans & Advances due by Private company in which some of the directors of the Company are Interested				
Asian Clinical Trials Ltd	85.02	57.00	2.32	Nil



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	
	2006	2005
Cost	14,70,026	14,70,026
Accumulated Depreciation	3,48,938	2,09,286
Net Carrying Amount	11,21,088	12,60,740
Future Minimum Lease Rents Payable	71,938	5,03,026
Less: Interest included in above	894	24,969
PV of Future Minimum Lease Rents payable	71,044	4,76,272

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	71,938 (4,31,628)	Nil (71,938)	Nil
Present Value of Installment payable	68,505 (4,11,035)	Nil (65,237)	Nil

10. Income taxes

a. Income tax Expense

	Year ended 31-03-2006	Year ended 31-03-2005
Current Tax	70,56,305	54,36,830
Deferred Tax	(65,11,176)	3,06,45,860
Fringe Benefit Tax	5,28,000	-
Total	10,73,129	3,60,82,690

b. Deferred tax Liabilities / Deferred tax Assets

	Year ended 31-03-2006	Year ended 31-03-2005
Deferred tax Liabilities		
Depreciation	15,96,99,488	13,22,92,587
Total	15,96,99,488	13,22,92,587

Deferred tax Assets

	Year ended 31-03-2006	Year ended 31-03-2005
Unabsorbed Dep. & Loss	8,11,35,777	-
MAT Credit	70,34,000	-
Total	8,81,69,777	-

Net Deferred Tax Liability	7,15,29,711	13,22,92,587
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Deferred Tax Liability declined in the current year due to Recognition of deferred tax asset on unabsorbed depreciation & loss

Pertaining to previous period (Taken to General Reserve)	Rs. 5,42,51,700
Current year	Rs. 65,11,176
Total Decline	Rs. 6,07,62,876



11. Excise Duty amounting to Rs. 32,31,881/- 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 31-03-2006	Year ended 31-03-2005
Net Profit after tax available for Equity shareholders	6,38,73,490	2,40,60,311
Weighted average of number of Equity shares outstanding during the year	2,50,00,000	2,50,00,000
Basic and Diluted Earnings per Equity share	2.55	0.96

13. Related Party Transactions

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

- a) Associates : 1) Asain Clinical Trails Limited
 b) Key managerial Persons : 1) Venkat Jasti.
 2) Sudha Rani Jasti.

	Associates	Key Managerial Person	Total
Purchase of goods	-Nil- (22,86,802)		-Nil- (22,86,802)
Loans - Given	1,55,23,437 (13,07,007)		1,55,23,437 (13,07,007)
Loans -Repaid	1,52,91,419 (13,07,007)		1,52,91,419 (13,07,007)
Remuneration		78,35,154 (56,93,744)	78,35,154 (56,93,744)

Note: Figures in bracket indicates previous year figures.

14. Miscellaneous Expenditure

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

15 a) Segmental Information (2005-06)

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

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

Geographical Segments

The Company has identified the following geographical reportable segments:

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



Information pertaining to Business Segment - primary

	Intermediates under Contract Services	Bulk Drugs	Other Intermediates, Finechemicals and other Products	Research and Development	Un allocated	Total
Segment Revenue						
External Sales	728614131 (466092914)	83906703 (103079002)	88591429 (92744514)	- (483850)	-	901112263 (662400280)
Inter Segmental Adj.	-	-	-	-	-	-
Total	728614131 (466092914)	83906703 (103079002)	88591429 (92744514)	- (483850)	-	901112263 (662400280)
Segment Result						
Operating Profit	398187908 (283510630)	12196751 (16847779)	12864942 (15381744)	(195671076) (117390158)	(157805131) (147569091)	69773394 (50780904)
Other Income	-	-	-	-	-	8153679 (15429425)
Interest Expense	-	-	-	-	-	12980454 (6067328)
Income Tax -Current Tax	-	-	-	-	-	7056305 (5436830)
-Deferred Tax	-	-	-	-	-	(6511176) (30645860)
-Fringe Benefit Tax	-	-	-	-	-	528000 (Nil)
Net Profit						63873490 (24060311)
Other Information						
Segment Assets	-	-	-	276155667 (209421900)	1154102260 (1148306235)	1430257927 (1357728135)
Segment Liabilities	-	-	-	9151309 (4265270)	210685657 (211270872)	219836966 (215536142)
Capital employed	-	-	-	267004358 (205156630)	943416603 (937035363)	1210420961 (1142191993)
Capital Expenditure	-	-	-	89778747 (61277720)	53612793 (48336706)	143391540 (109614426)
Depreciation	-	-	-	13068920 (9124819)	34186471 (31911533)	47255391 (41036352)

Note: Figures in brackets relates to 2004-2005



c) Geographical Information

	Revenue		Location Assets		Additions to Fixed Assets	
	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005	As on 31.03.2006	As on 31.03.2005
INDIA	184426469	267093421	854369720	764969005	143286394	107955957
U S A	241670151	148827472	-	9597365	105146	1658469
EUROPE	141508179	90459701	-	-	-	-
ASIA	333507464	156019686	-	-	-	-
	901112263	662400280	854369720	774566370	143391540	109614426

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

Signatures of Schedules A to U

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

K. Ajay Kumar
Partner

Place : Hyderabad
Date : 31-07-2006

for and on behalf of the Board of Directors

Venkateswarlu Jasti
Vice Chairman & C E O

Sudha Rani Jasti
Wholetime Director

K. Hanumantha Rao
Company Secretary



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

(Rs. In lakhs)

	For the year ended 31.03.2006	For the year ended 31.03.2004
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net Profit before Tax and Extraordinary items	649.47	578.64
Adjustment for :		
Depreciation	472.55	410.36
Dividend received	(21.00)	(49.81)
Loss / (Gain) on Sale of Assets	34.25	0.21
Loss / (Gain) on Sale of Investments	(4.19)	(27.81)
Unrealised Foreign Exchange (Gain) / Loss	7.16	(18.13)
Preliminary Expenses written off	2.13	2.13
Miscellaneous Receipts-customers a/c w/o	0.00	(2.35)
Interest	165.26	82.38
Operating profit before Working Capital changes	1305.63	975.63
Adjustment for :		
- (Increase)/Decrease Trade and other receivables	81.00	(877.39)
- (Increase)/Decrease Inventories	(342.78)	(690.50)
- Increase/(Decrease) Trade Payables	(389.93)	873.21
Cash generated from operations	653.92	280.95
Direct Taxes paid	(102.58)	(69.88)
Cash flow before extraordinary items	551.34	211.07
NET CASH FLOW FROM OPERATING ACTIVITIES	551.34	211.07
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(1334.90)	(1310.66)
Sale of Fixed Assets	90.90	2.07
Purchase of Investments	(1107.30)	0.00
Sale of Investments(net)	1385.49	847.94
Dividend Received	21.00	49.81
Loss / (Gain) on Sale of Investments	0.00	0.00
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(944.81)	(638.78)



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006 (CONTD.)

	(Rs. In lakhs)	
	For the year ended 31.03.2006	For the year ended 31.03.2005
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from issue of Share Capital/SAM	0.00	0.00
Proceeds from Long Term Borrowings	1119.96	0.00
Repayment to Long Term Borrowings	(431.40)	(419.11)
Interest paid	(165.26)	(82.38)
Dividend paid	(250.00)	(250.00)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	273.30	(523.55)
Increase/(decrease) in cash and cash equivalents (A+B+C)	(120.17)	(951.27)
Net increase/(decrease) in cash and cash equivalents	(120.17)	(951.27)
Cash and Cash equivalents at the Beginning of the Year	257.26	1208.53
Cash and Cash equivalents at the End of the Year	137.09	257.26

for KARVY & COMPANY
Chartered Accountants

K. Ajay Kumar
Partner

Place : Hyderabad
Date : 31-07-2006

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



SUVEN LIFE SCIENCES USA LLC
(Wholly Owned Subsidiary Company)

FINANCIAL STATEMENTS

AS OF MARCH 31, 2006



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, 2006, 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, 2006, 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 18, 2006

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, 2006

ASSETS	03/31/06 (US Dollar)
Current assets	
Cash	60,869
Accounts receivable	225,889
Total current assets	<u>286,758</u>
Other recoverable	47,485
TOTAL ASSETS	334,243
LIABILITIES AND MEMBER'S EQUITY	
Current liabilities	
Accounts payable and accrued expenses	292,656
Total current liabilities	<u>292,656</u>
Member's equity	
Contributed by parent company - Suven Life Sciences Ltd., India	1,277,865
Accumulated deficit	<u>(1,236,278)</u>
Total member's equity	<u>41,587</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	334,243

SUVEN LIFE SCIENCES USA LLC
(A WHOLLY OWNED SUBSIDIARY OF SUVEN LIFE SCIENCES LIMITED, India)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2006

	03/31/06 (US Dollar)
Gross revenue	2,278,159
Cost of revenue	<u>508,083</u>
Gross profit	1,770,076
Clinical trial expenses	1,454,272
General and administrative expenses	<u>700,078</u>
Net loss before depreciation, other expenses and tax	(384,274)
Depreciation	<u>25,333</u>
Net loss before other expenses and tax	(409,607)
Loss on sale of fixed assets	<u>25,185</u>
Net loss before tax	(434,792)
Income tax	500
Net loss	<u>(435,292)</u>



SUVEN LIFE SCIENCES USA LLC
(A WHOLLY OWNED SUBSIDIARY OF SUVEN LIFE SCIENCES LIMITED, India)
STATEMENTS OF CHANGES IN MEMBER'S EQUITY
March 31, 2006

	Member's equity (US Dollar)	Accumulated deficit (US Dollar)	Total member's equity (US Dollar)
Balance at March 31, 2005	1,500,000	(800,986)	699,014
Contribution transferred back to Suven Life Sciences Ltd., India	(222,135)	-	(222,135)
Net loss	-	(435,292)	(435,292)
Balance at March 31, 2006	1,277,865	(1,236,278)	41,587

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2006

	03/31/06 (US Dollar)
Cash flows from operating activities	
Net loss	(435,292)
Adjustment to reconcile net loss to net cash provided by operating activities	
Depreciation	25,333
Loss on sale of fixed assets	25,185
(Increase) / Decrease in accounts receivable	196,709
(Increase) / Decrease in other current assets	(9,858)
Increase / (Decrease) in accounts payable and accrued expenses	243,825
Total adjustments	481,194
Net cash provided by operating activities	45,902
Cash flows from investing activities	
Capital expenditure	(2,357)
Proceeds from sale of fixed assets	140,120
Net cash provided by investing activities	137,763
Cash flows from financing activities	
Contribution returned to parent company	(250,000)
Net cash used in financing activities	(250,000)
Net decrease in cash	(66,335)
Cash at the beginning of the year	99,339
Cash at the end of the year	33,004
Supplementary disclosure of cash flows information	
Cash paid during the year for income tax	-



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2006

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

During the year the Company has ceased most of it's operations in the USA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies

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

Use of Estimates

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

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

Revenue Recognition

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

Cash and Cash Equivalents

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

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.

On March 31, 2006, all of the Property and equipments were transferred to Suven Life Sciences Limited, USA, a related party for \$ 29,734, consist of followings:

	March 31, 06 US Doller
Computer equipment	22,433
Furniture and fixture	24,750
	<u>47,183</u>
Less : Accumulated Depreciation	<u>17,449</u>
Net Assets	<u>29,734</u>
Less : Transferred to Suven Life Sciences Limited USA	<u>29,734</u>
Net assets as of March 31, 2006	<u><u>-</u></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, 2006, the Company's provision for doubtful accounts is Nil.

New accounting pronouncements

In May 2005, the FASB issued SFAS NO.154, Accounting Changes and Error Corrections, which replaces APB Opinion No. 20, Accounting Changes and SFAS No. 3. Reporting Accounting Changes in Interim Financial Statements. This pronouncement applies to all voluntary changes in accounting principle, and revises the requirements for accounting for and reporting a change in accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle, unless it is impracticable to do so. This pronouncement also requires that a change in the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is effected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The statement does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of SFAS No. 154. The adoption of this accounting pronouncement is not expected to have a material effect on the financial statements.

In March 2005, the FASB issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations (FIN 47). FIN 47 clarifies that an entity must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. Asset retirement obligations covered by FIN 47 are those for which an entity has a legal obligation to perform an asset retirement activity, even if the timing and method settling the obligation are conditional on a future event that may or may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of this accounting pronouncement did not have a material effect on the Company's 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 Synthon Chiragenics Corporation, a research and Development Company specializing in carbohydrates based Chiral Technology for pharmaceutical Companies, 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. During the year the Company has ceased most of the operations in the USA.

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, 2006 are insignificant.

5. RELATED PARTY TRANSACTIONS

Purchases of chemicals and consumables and performing chemical operations from Suven Life Sciences Limited (India) - Parent Company, were 76,590 for the year ended March 31, 2006. On March 31, 2006, all of the Property and equipments were transferred to Suven Life Sciences Limited, USA, a related party for \$ 29,734.

6. AFFILIATED PARTY TRANSACTIONS

Payment of clinical research expenses to Asian Clinical Trials Pvt. Ltd. (India) - Affiliated Company, were \$ 1,454,272 for the year ended March 31, 2006.



7. FINANCING AND INVESTMENT FROM PARENT

During the year ended March 31, 2006, \$250,000 was returned to parent company. This was erroneously classified as equity, instead of short term loans. The Company had no 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, 2006 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, 2006, sales to three customers amounted to \$1,552,510 (68.15% of net revenues). As of March 31, 2006, accounts receivable due from these customers were \$175,589 (77.73% of accounts receivables).

10. LEASE COMMITMENTS

During the year, the Company had transferred facility lease to Suven Life Sciences Limited, the branch of Suven Life Sciences Limited - India.

For the year ended March 31, 2006 rent expenses were \$ 75,967.

11. LITIGATION AND CONTIGENCIES

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.

12. OTHER ASSETS

The Company has \$ 47,485 other assets at year ended March 31, 2006, recoverable from Suven Life Sciences Limited - U.S.A, consist of:-

	<u>US Doller</u>
Rent expense	5,583
Deposits	12,168
Net fixed assets	<u>29,734</u>
Total	<u><u>47,485</u></u>



SUVEN LIFE SCIENCES LIMITED

FINANCIAL STATEMENTS

AS OF MARCH 31, 2006

PREPARED IN COMPLIANCE WITH

ACCOUNTING PRINCIPLES GENERALLY ACCEPTED

IN

UNITED STATES

(UNAUDITED)



CONSOLIDATED BALANCE SHEETS AS AT MARCH 31, 2006

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

	As at March 31,	
	2006	2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	7,451,279	7,471,957
Restricted cash and cash equivalents	6,257,353	16,968,979
Marketable securities	40,916,760	71,562,167
Account receivables, net	130,546,704	158,436,234
Receivables from related parties	-	-
Receivables from employees	222,385	360,480
Inventories	244,126,936	208,942,769
Prepaid expenses	2,975,790	2,925,271
Deferred taxes	89,610,086	63,613,579
Income tax receivable	3,113,692	1,351,349
Other current assets	55,658,520	27,500,790
Total current assets	580,879,505	559,133,575
Restricted cash and cash equivalents	-	1,285,016
Receivables from employees	-	138,615
Other non current assets	9,681,978	9,346,524
Deferred tax	213,922	232,560
Property plant and equipment, net	660,107,514	611,442,184
Total Assets	1,250,882,919	1,181,578,474
LIABILITY AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	74,043,681	106,344,329
Current portion of long-term borrowings	52,598,588	42,794,686
Current installment of capital lease obligations	215,764	409,776
Payable to related parties	-	1,220,042
Accounts payable	110,507,484	107,868,389
Advances received from customers	-	-
Deferred taxes on unrealized holding gains	-	228,994
Accrued payroll	3,388,185	7,912,998
Other current liabilities	2,858,278	2,657,262
Total current liabilities	243,611,980	269,436,476
Long -term borrowings, excluding current portion payable	109,916,988	48,265,872
Capital lease obligations, excluding current installments payable	-	212,667
Other non current liabilities	6,026,677	5,164,143
Deferred taxes	92,381,113	83,296,167
Total liabilities	451,936,758	406,375,325
Stockholders' Equity		
Common stock, 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	421,970,756
Retained earnings	327,909,722	304,697,598
Accumulated other comprehensive losses	(934,317)	(1,465,205)
Total stockholders' equity	798,946,161	775,203,149
Total liabilities and stockholders' equity	1,250,882,919	1,181,578,474

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



CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED MARCH 31, 2006

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

	Year Ended March 31,		
	2006	2005	2004
Revenues			
Export Sales	724,008,292	390,707,809	375,615,788
Domestic Sales	184,946,172	267,093,421	151,671,689
(Domestic sales includes excise duty of Rs 19,835,008; Rs 28,948,363 and Rs 19,423,599 for the year ended March 31, 2006; 2005 and 2004 respectively)			
	908,954,464	657,801,230	527,287,477
Cost and expenses			
Cost of goods sold	458,845,823	306,934,988	262,819,850
Research and development expenses	212,342,874	135,239,461	56,241,044
Selling, general and administrative expenses	141,546,670	156,016,171	120,380,002
Depreciation	49,510,568	42,155,863	40,775,888
Total operating expenses	862,245,934	640,346,483	480,216,784
Operating income before other income/(expenses) and taxes	46,708,530	17,454,747	47,070,693
Interest earned	810,628	1,404,012	1,741,612
Interest expenses	(12,980,454)	(6,067,328)	(4,700,385)
Other income	7,343,051	13,477,834	20,161,069
Income from continuing operations before income taxes	41,881,755	26,269,265	64,272,989
Income tax benefit/(expense)	9,836,619	3,747,779	(18,007,005)
Income before equity in losses of equity affiliate	51,718,374	30,017,044	46,265,984
Equity in losses of equity affiliates	-	-	(4,600,000)
Net income	51,718,374	30,017,044	41,665,984
Earnings Per Share			
Basic Earnings Per Share	2.07	1.20	1.84
Diluted Earnings Per Share	2.06	1.19	1.84
Weighted average common stock outstanding - Basic	25,000,000	25,000,000	22,598,361
Weighted average common stock outstanding - Diluted	25,120,094	25,137,610	22,598,361

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, 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	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	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
Unrealized holding (gain)/loss on available for sale securities, net of tax	-	-	-	-	(398,127)	(398,127)
Net income	-	-	-	51,718,374	-	51,718,374
Currency translation adjustments	-	-	-	-	929,015	929,015
Comprehensive income	-	-	-	-	-	52,249,262
Dividends, including dividend tax	-	-	-	(28,506,250)	-	(28,506,250)
Tax benefits on public issue expenses	-	-	-	-	-	-
Balance as at March 31, 2006	25,000,000	50,000,000	421,970,756	327,909,722	(934,317)	798,946,161

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





CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2006

(Expressed in Indian Rupees)

	Year Ended March 31,		
	2006	2005	2004
Cash Flows From Operating Activities			
Net income as per statements of income	51,718,374	30,017,044	41,665,984
Adjustment to reconcile net Income to net cash provided by operating activities			
Depreciation	78,864,889	68,286,976	49,266,361
Deferred income tax (benefit)/ expenses	(16,892,924)	(9,184,609)	11,866,345
Interest accrued on held-to-maturity securities	-	-	(60,000)
Loss/ (Gain) on sale of property, plant & equipment	2,953,764	(180,866)	(120,955)
(Profit)/ Loss on sale of available for sale securities	(418,784)	(2,781,016)	178,397
Equity in losses of equity affiliates	-	-	4,600,000
Changes in operating assets & liabilities			
(Increase)/Decrease in accounts receivables, net	27,889,530	(95,950,798)	8,238,794
Decrease in receivables from related parties	-	26,522,060	2,723,422
(Increase)/Decrease in receivables from employees	276,710	(3,230)	91,327
Increase in inventory	(35,184,167)	(73,091,255)	(12,580,178)
Increase in prepaid expenses	(50,519)	(425,867)	(1,329,517)
(Increase)/Decrease in other current assets	(28,157,730)	(6,012,711)	1,178,581
Increase in other non current assets	(335,454)	(1,516,175)	(1,745,140)
Increase/(Decrease) in accounts payable	2,639,095	44,911,493	(30,581,308)
(Decrease)/ increase in accrued payroll	(4,524,813)	1,805,914	2,414,915
Increase/(Decrease) in accounts payable to related parties	(1,220,042)	1,220,042	-
Decrease in tax receivable	(1,762,343)	53,367	1,201,201
Increase in other current liabilities	201,016	527,417	194,748
Increase in other non current liabilities	862,534	2,966,164	1,070,933
Net cash (used) / provided by Operating Activities A	76,859,136	(12,836,050)	78,273,910
Cash Flows From Investing Activities			
Purchase of property, plant & equipment	(136,922,281)	(131,558,345)	(119,212,785)
Cash paid for acquisition, net of cash acquired	-	-	(80,394,718)
Proceeds from sale of property, plant & equipment	6,438,297	217,000	160,000
Proceeds from sale of held to maturity securities	-	773,205	-
Investments in available for sale securities	(108,530,713)	(194,367,749)	(484,393,929)
Proceeds from sale of available for sale securities	138,967,784	278,672,192	344,716,339
Decrease/(Increase) in restricted cash & cash equivalents	11,996,643	(12,156,307)	(476,464)
Net Cash used in Investing Activities B	(88,050,270)	(58,420,004)	(339,601,558)



CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2006

(Expressed in Indian Rupees)

	Year Ended March 31,		
	2006	2005	2004
Cash Flows From Financing Activities			
Net proceeds from issuance of common stock	-	-	269,744,250
Additional short term borrowing obtained	-	34,125,192	-
Repayment of short-term borrowings	(32,300,648)	-	(2,877,517)
Additional long term borrowing obtained	71,455,018		
Repayment of long term borrowings	-	(41,479,512)	132,540,070
Payments under capital lease obligations	(406,679)	(389,832)	(457,751)
Cash dividends paid	(25,000,000)	(25,000,000)	(19,800,000)
Tax on dividends paid	(3,506,250)	(3,267,188)	(2,536,875)
Net Cash (used) / provided by Financing Activities C	10,241,441	(36,011,340)	376,612,177
Effect of exchange rate changes on Cash & Cash equivalents D	929,015	(16,132)	(1,845,873)
Net increase / (Decrease) in cash & cash equivalents A+B+C+D	(20,678)	(107,283,526)	113,438,657
Cash & Cash equivalents at the beginning of the year	7,471,957	114,755,483	1,316,826
Cash & Cash equivalents at the end of the year	7,451,279	7,471,957	114,755,483
Supplementary Information			
Income tax paid	8,796,818	5,361,803	4,939,459
Interest paid	12,980,454	6,067,328	4,700,385
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.

Earnings per share

The Company has adopted SFAS No.128 relating to



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. 3,827,964, Rs. 2,753,197 and Rs. 2,173,855, and towards Provident Fund Plan for the year ended March 31, 2006; 2005; and 2004 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-term loans closely approximate their carrying value in the consolidated financial statements of Rs. 162,515,576 and Rs. 91,060,558 at March 31, 2006 and 2005 respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (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, 2006 two customers have contributed 31.76% and 9.95% respectively, during the year ended March 31, 2005 two customers have contributed 19.34% and 10.75% of the total revenues respectively and during the year ended March 31, 2004 four customers have contributed 25%, 15%, 13% and 10% 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

In May 2005, the FASB issued SFAS NO.154, Accounting Changes and Error Corrections, which replaces APB Opinion No. 20, Accounting Changes and SFAS No.3. Reporting Accounting changes in Interim Financial Statements. This pronouncement applies to all voluntary changes in accounting principle, and revises the requirements for accounting for and reporting a change in accounting principle. SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle, unless it is impracticable to do so. This pronouncement also requires that a change in the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is effected by a change in accounting principle. SGAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The statement does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of SFAS No. 154. The adoption of this accounting pronouncement is not expected to have a material effect on the financial statements.

In March 2005, the FASB issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement

Obligations (FIN 47). FIN 47 clarifies that an entity must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. Asset retirement obligations covered by FIN 47 are those for which an entity has a legal obligation to perform an asset retirement activity, even if the timing and method settling the obligation are conditional on a future event that may or may not be within the control of the entity. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2006. The adoption of this accounting pronouncement did not have a material effect on the Company's financial statements.

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, Suven 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 Suven 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 Suven 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 Suven 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 Suven 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, 2006		
	Number of shares	Weighted average exercise price	Weighted average remaining contractual life (Months)
Outstanding at the beginning of the year			
Stock options	585,000	74.85	Nil
Granted during the year	150,000	88.65	15
Exercised during the year	Nil	Nil	
Forfeited during the year	126,600	Nil	
Outstanding at the close of the year	608,400	84.05	15
Exercisable at the end of the year	Nil	Nil	Nil
	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	Nil	Nil	
Forfeited during the year	15,000	Nil	
Outstanding at the close of the year	585,000	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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

	Year ended March 31,	
	2006	2005
	Rs.	Rs.
Net Income as reported	51,718,374	30,017,044
Less: Stock compensation under SFAS No. 123	7,146,552	3,831,346
Proforma Net Income	44,571,822	26,185,698
Earnings Per Share		
Basic		
- As Reported	2.07	1.20
- Pro forma	1.78	1.05
Diluted		
- As Reported	2.06	1.19
- Pro forma	1.77	1.04

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

	March 31, 2006			March 31, 2005		
	Carrying value	Unrealized holding loss/(income)	Fair value	Carrying Value	Unrealized holding loss/(Income)	Fair value
Units of Mutual funds	40,916,760	-	40,916,760	70,936,373	(625,794)	71,562,167
	40,916,760	-	40,916,760	70,936,373	(625,794)	71,562,167

Investment in marketable securities consists of the following:

- 1 SBI Magnum Insta Cash - Dividend Plan
- 2 Chola Liquid Inst Plus - Weekly Dividend
- 3 LIC MF Liquid Fund - Dividend Reinvestment Plan
- 4 SBI Debt Fund Series
- 5 SBI Institutional Income Fund

(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,	
	2006	2005
2006	-	360,480
2007	174,118	122,615
2008	48,267	16,000
	222,385	499,095

The estimated fair values of the receivables from the employees on the balance sheet date amounts to Rs. 204,594 and Rs 472,061 as of March 31, 2006 and 2005 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,	
	2006	2005
Raw materials	53,574,979	59,306,514
Stocks- in- process	69,701,351	88,262,784
Finished goods	116,631,184	58,758,064
Stores and spares	4,219,422	2,615,407
	244,126,936	208,942,769

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

	March 31,	
	2006	2005
Maintenance expenses	142,200	448,284
Insurance	2,833,590	2,457,112
Subscription	Nil	19,875
	2,975,790	2,925,271

(14) Property, plant & equipment

	March 31, 2006			March 31, 2005		
	Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	21,618,987	-	21,618,987	21,436,279	-	21,436,279
Buildings	120,964,456	11,654,616	109,309,840	96,795,836	7,617,150	89,178,686
Plant and Machinery	503,980,603	261,396,720	242,583,883	482,081,515	218,110,405	263,971,110
Lab equipments	304,877,094	58,934,455	245,942,639	223,078,308	34,124,831	188,953,477
Office equipment	4,457,588	1,665,600	2,791,988	5,121,291	1,350,260	3,771,031
Furniture and Fixtures	8,989,925	6,016,916	2,973,009	9,032,483	5,203,614	3,828,869
Vehicles	8,305,876	4,386,102	3,919,774	8,033,734	4,616,446	3,417,288
Computers and Data processing equipments	13,134,592	8,820,208	4,314,384	10,283,511	6,520,336	3,763,175
Constructions in progress	26653010	-	26,653,010	33,122,269	-	33,122,269
	1,012,982,131	352,874,617	660,107,514	888,985,226	277,543,042	611,442,184

(15) Other non current assets

Other non current assets of Rs 9,681,978 and Rs 9,346,524 on March 31, 2006 and 2005 respectively, mainly comprises of deposits towards rent, insurance, telephone and other deposits.

(16) 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,	
	2006	2005
Interest receivable	754,190	716,233
Excise duty and VAT receivable	35,516,790	17,582,366
Advances to suppliers	5,600,379	6,192,606
Advances for expenses	1,401,438	1,360,691
Other Advances	12,385,723	1,648,894
	55,658,520	27,500,790

(13) Income tax receivables

Tax receivable of Rs 3,113,692 and Rs 1,351,349 as of March 31, 2006 and 2005 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.



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 33.66% and 36.5925% and 35.875% for March 31, 2006, 2005 and 2004 respectively, as per the enacted, income tax laws of these years.

Domestic Taxes	Year Ended March 31,		
	2006	2005	2004
Current taxes payable	7,056,305	5,436,830	6,140,660
Deferred tax expense/(benefits)	(16,892,924)	(9,184,609)	11,866,345
Total	(9,836,619)	(3,747,779)	18,007,005

(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,		
	2006	2005	2004
Income before taxes	41,881,755	26,269,265	64,272,989
Income tax rates as per tax laws in India	33.66	36.5925	35.875
Income tax	14,097,399	9,612,581	23,057,935
Adjustments			
Non deductible expenses, net	531,553	223,911	213,371
Research and Development expenses	(28,152,217)	(23,423,110)	(17,499,670)
Non taxable income	(706,776)	(1,822,819)	(669,462)
Tax payable under Minimum Alternative tax Scheme, net of credit available	-	5,415,000	6,119,000
(Decrease)/Increase in tax due to change in tax rates	(2,606,995)	839,955	(711,431)
Others	22,305	21,830	(178,629)
Valuation allowances	6,978,112	5,384,873	7,675,890
	(9,836,619)	(3,747,779)	18,007,005



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(17) Deferred tax assets/liabilities

	As at March 31,	
	2006	2005
Deferred taxes - Assets		
(a) Current		
Leave Encashment	1,655,707	1,484,332
Inventory	-	3,385,236
Unabsorbed depreciation	80,920,379	58,744,011
MAT Credit	7,034,000	-
Operational loss of foreign subsidiary	6,978,112	5,184,583
	96,588,198	68,798,162
Less: Valuation Allowance	(6,978,112)	(5,384,873)
Total deferred tax - Current assets	89,610,086	63,413,289
(b) Non Current		
Gratuity	213,922	232,560
Total Deferred tax Assets	89,824,008	63,645,849
Deferred taxes - Liabilities		
(c) Current		
Unrealized holding gains	-	228,994
(d) Non Current		
Property, plant and equipments	92,381,113	83,296,167
Total deferred tax liabilities	92,381,113	83,525,161
Net deferred tax liabilities	2,557,105	19,879,312

Deferred tax assets recognised on carry forward operating losses amounting to Rs 10,869,456, Rs. 17,654,869 and Rs 24,908,269 will expire in year ended on March 31, 2011, March 31, 2013 and March 31, 2014 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. 20,731,171 of deductible temporary differences at the end of the current year; a Rs. 6,978,112 valuation allowance is recognized.

(18) Borrowings

(a) Long term borrowings comprises of:

	March 31,	
	2006	2005
Foreign currency long term loan from SBI	162,515,576	91,060,558
Current portion of long term borrowings	52,598,588	42,794,686
Long term borrowings excluding current portion payable	109,916,988	48,265,872

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,	
	2006	2005
Foreign currency long term loan	2.75% + 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	
2007	52,598,588
2008	39,448,941
2009	42,480,547
2010	27,987,500
	109,916,988

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

	As at March 31,	
	2006	2005
Export packing credit	-	94,748,543
Cash credits	74,043,681	11,595,786
	74,043,681	106,344,329

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, 2006 is 11% (previous year 6.41% per annum).

As of March 31, 2006 the Company has fund based unused lines of credits of Rs. 35,956,319 (previous year - Rs. 3,655,671), which relates to export packing credits, bills discounting facilities and cash credit. As of March 31, 2006 the Company also has non-fund based unused lines of credit for Rs. 37,157,444 (previous year - Rs. 6,481,824) towards letters of credits and Rs. 2,248,742 (previous year - Rs. 2,500,000) for bank guarantees.

(19) 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,	
	2006	2005
Vehicles - Gross block	1,470,026	1,470,026
Accumulated depreciation thereon	699,410	420,105
Future minimum lease rents payable for year ended March 31		
2006	-	431,628
2007	215,814	215,814
	215,814	647,442
Less: Interest included in the above	3,147	24,999
Present value of capital lease obligation	212,667	622,443
Less: Current installment of capital lease obligations	212,667	409,776
Capital lease obligations, excluding current installments	Nil	212,667

(20) Accounts payable comprises of the following:

	March 31,	
	2006	2005
Trade payables	57,412,462	76,118,083
Payable for capital goods	20,858,998	17,426,817
Payable for expenses	32,236,024	14,323,489
	110,507,484	107,868,389

(21) Accrued payroll

Accrued payroll of Rs 3,388,185 and Rs 7,912,998 represents amount payable to employees towards salaries, bonus and other benefits payables as of March 31, 2006 and 2005.

(22) Other current liabilities comprises of the following

	March 31,	
	2006	2005
Statutory payables	2,084,619	2,030,260
Unclaimed dividends	773,659	627,002
	2,858,278	2,657,262

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

	March 31,	
	2006	2005
Provision for compensated absences	4,918,917	4,056,383
Gratuity	1,107,760	1,107,760
	6,026,677	5,164,143

(24) Interest earned

Interest income of Rs 810,628, Rs 1,404,012 and Rs 1,741,612 for the years ended March 31, 2006, 2005 and 2004 respectively represent the interest received on short term fixed deposits with banks and interest accrued on investments in deep discount bonds.

(25) 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, 2006, 2005 and 2004, the Company has incurred and charged to expenses entire amount of interest of Rs 12,980,454, Rs 6,067,328 and Rs 4,700,385 respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(26) Other income comprises of the following

	Year Ended March 31,		
	2006	2005	2004
Exchange fluctuations	4,824,517	2,825,357	6,593,440
Dividend income from mutual funds	2,099,750	4,981,401	1,626,157
Bad debts recovered	-	-	279,529
Sale of Import licenses	-	-	11,119,450
Profit on sale of property, plant and equipment		180,866	120,955
Gain on sale of investments	418,784	2,781,016	-
Other miscellaneous income	-	2,709,194	49,752
Scrap Sales	-	-	371,787
	7,343,051	13,477,834	20,161,069

(27) 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, 2006, 2005 and 2004 are as given under:

YEAR ENDED MARCH 31, 2006

	Intermediates under Contract services	Bulk actives	Other inter- mediates, fine chemicals and other products	R&D	TOTAL
Revenues from external customers	742,111,354	72,584,066	94,259,044	-	908,954,464
Gross Profit	422,630,770	10,974,368	16,503,503	(212,342,874)	237,765,768



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2005

	Intermediates under Contract services	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 services	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

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

	Year Ended March 31,		
	2006	2005	2004
Segment Gross Profits	237,765,768	215,626,781	208,226,584
Selling, general and administrative expenses	141,546,670	156,016,171	120,380,003
Depreciation	49,510,568	42,155,863	40,775,889
Income from continuing operations before taxes	46,708,530	17,454,747	47,070,693

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.

YEAR ENDED MARCH 31, 2006

	R&D	Others	Total
Assets	352,110,157	805,835,062	1,157,945,219
Liabilities	9,151,309	350,404,336	359,555,645

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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					
	2006	%	2005	%	2004	%
U.S.A	244,541,882	26.90%	148,824,979	22.63%	81,074,514	15.45
EUROPE	141,089,857	15.52%	91,251,936	13.87%	122,330,270	23.30
INDIA	184,426,469	20.29%	267,093,421	40.60%	161,091,554	30.69
REST OF THE WORLD	338,896,256	37.28%	150,630,894	22.90%	160,392,214	30.56
	908,954,464	100	657,801,230	100	524,888,552	100

(28) Related Party transactions

During the year ended March 31, 2006, 2005 and 2004 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
Asain Clinical Trails Limited	Directors of Asian Clinical Trails Ltd are related to promoters of the Company

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

The summary of receivables and payables as at March 31, 2006 and 2005 with the above stated related parties are as mentioned below:

	March 31,	
	2006	2005
(a) Loans given	15,523,437	-
(b) Loans Repaid	15,291,419	-
(c) Receivable/ (Payable) to related parties	232,018	(1,220,042)

Analysis of transactions with related parties is as follows:

	Year Ended March 31,		
	2006	2005	2004
Sales	-	133,788,377	-
Purchases	-	-	31,021,783
Purchase of Capital goods	-	577,262	2,286,802

(29) Commitments and Contingencies

(a) Commitments

(i) Capital commitments:

The Company has commitments with various vendors towards purchase of capital assets. As of March 31, 2006 and 2005, the estimated amount of contracts remaining to be executed was Rs 21,698,279 and Rs 17,957,608 respectively



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(b) Contingencies

The Company is obligated to Income Tax authority and various banks towards bank guarantees and letter of credit amounting to Rs 28,093,814 and Rs 62,907,915 as of March 31, 2006 and 2005 respectively.

(30) 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. 3,360,020, and Rs. 8,828,764 and Rs. 6,422,212 as operating lease rents for the year ended March 31, 2006, 2005 and 2004 respectively.

(31) Stockholders Equity

- (a) **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.
- (b) **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.
- (c) 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.
- (d) **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 1.00 per share and Rs 0.90 for the year ended March 31, 2006, 2005 and 2004 respectively.
- (e) **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 NET PROFIT UNDER INDIAN GAAP

(Expressed in Indian Rupees)

	Year Ended March 31,		
	2006	2005	2004
Net Income as per US GAAP	51,718,374	30,017,044	41,665,984
Adjustments			
Profit element in sales reversed	-	9,251,174	5,908,174
Increase in Foreign exchange gain due to reversal of Sales	-	-	(728,445)
Profit element in sales reversed earlier, now recognised excluding the forex loss	(9,251,174)	(5,179,729)	(9,272,696)
Public issue expenses	-	-	(4,455,750)
Start up expenses	-	-	7,072,438
Preliminary expenses	(212,515)	(212,515)	
Income taxes	(10,381,748)	(39,830,469)	(12,657,119)
Provision for gratuity	-	(347,115)	953,215
Leave encashment routed separately for US GAAP through provision	(825,351)	(229,012)	(129,370)
Provision for leave encashment	1,687,884	3,542,291	422,457
Depreciation	31,609,498	27,250,624	24,441,399
Profit on sale of assets	(471,479)	(201,982)	(203,934)
Foreign exchange fluctuation capitalised	-	-	(4,534,843)
Equity in lossess of equity affiliates	-	-	4,600,000
Consolidated net profit as per Indian GAAP	63,873,490	24,060,311	53,081,511

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	Preference Shares	Equity Holding %	Preference Holding %	The net Aggregate of profits (losses) of the subsidiary company for its financial year so far as they concern the members of Suven Life Sciences Limited	The net Aggregate of profits (losses) of the subsidiary company for its previous financial year so far as they concern the members of Suven Life Sciences Limited	Changes in the interest of Suven Life Sciences Limited, between the financial year and 31st March 2004	Material changes between the end of the financial year and 31st March 2004
a) Dealt with in the account of Suven Life Sciences Limited for the year ended 31.03.2006									
b) Not Dealt with in the account of Suven Life Sciences Limited for the year ended 31.03.2006									
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									
In Rs.									
Suven Life Sciences Limited USA LLC	31.03.2006	N.A	-	100%	-	(20753475)	-	(13911429)	-

for and on behalf of the Board of Directors

VENKATESWARLU JASTI
Vice Chairman & C.E.O

SUDHA RANI JASTI
Wholetime Director

Place : Hyderabad

Date : 31.07.2006

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 Seventeenth Annual General Meeting to be held on Saturday the 30th day of September, 2006 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 Seventeenth Annual General Meeting to be held on Saturday the 30th day of September, 2006 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 _____ 2006.

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.