

23rd Annual Report

In search of new CNS therapies for better living



2011-12



Suven Life Sciences Limited



In search of new CNS therapies for better living



CEO'S COMMUNIQUE

Dear Shareholders

It is my pleasure to communicate to all once again through this annual report and I would like to take this opportunity to apprise you on the happenings at Suven.

As you are well aware that drug discovery and development is a long drawn process and it takes on an average 10-12 years to have a successful molecule. **Suven has been in drug discovery for the past 8 years and we have not yet achieved any success or a milestone but we are on the way to attain that success with our pipeline of molecules which are at various stages of development.**

Our focus area: CNS Disorders

Your company is one of those involved in research in toughest area, Central Nervous System (CNS) disorders and the drugs under this segment are the need of the hour with high unmet medical need. We have embarked on this, knowing full well that success is rarity and failure is norm, but one success will take care of many failures. **At Suven, we have adopted prudent policy of optimizing the R&D cost and charging it to profit and loss account as and when it happens to ensure that we do not carry the burden of molecules in our balance sheets.** However the underlying hidden value of the pipeline will accrue in a big way over a long period of time in the future.



The CNS disorders market is one of the largest and fastest growing markets in the pharmaceutical industry. Alzheimer's disease (AD) is a devastating neurological disorder that affects more than 37 million people worldwide. By 2030, if breakthroughs are not discovered, we will see an increase to nearly 66 million. By 2050, rates could exceed 115 million. The economic burden of Alzheimer's disease is massive

There is no cure for Alzheimer's disease and it is a highly unmet medical need. We face a looming global epidemic of Alzheimer's disease as the world's population ages. Modest advances in therapeutic and preventive strategies that lead to even small delays in the onset and progression of Alzheimer's disease can significantly reduce the global burden of this disease.

AD is not only of high-unmet medical need but also significantly under diagnosed and this unmet medical need offers substantial opportunities. Since there is no curative medicine available for AD at present, medications that provide partial relief from the symptoms have gained momentum and that is the area where your company has focused and **our compound SUVN 502 can slow the worsening of symptoms and improve quality of life for those afflicted with Alzheimer's disease.**

Risk Averseness

The recent reporting of the withdrawal of CNS molecules from clinical trials by many pharmaceutical companies due to various reasons poses further challenges to the path of discovering new molecules and increases the thrust on R&D under this segment.

Lately big and medium size pharma companies are cutting their R&D budgets especially for early stage drug discovery and more so in CNS therapeutic area thus becoming increasingly risk averse as their sources of capital shrink

This scenario puts pressure on small companies who are in drug discovery programs to continue the development of their pipeline into **Proof of Concept (PoC)** clinical trials on their own which lead small companies to take on more



risk by investing huge amounts of money or otherwise they cannot progress their pipeline into next level and if that does not happen they lose the marketing opportunities.

The risk averseness affected your company also in collaborating with a big pharma to move our molecules into clinical stage hence we have decided to move forward on our own in progressing SUVN- 502 into PoC trials. With this, the value of licensing opportunity increases tremendously once the PoC is established but so is the risk.

We are aggressively working to start the PoC study during 2013 for which we have started the work by assembling clinical scientific advisory board and are in the process of finalizing protocols for the PoC study. This requires additional funding over and above the preclinical spending which we are incurring year on year and for that we need to raise capital and the efforts are in full swing.

We are mindful of the risk we are undertaking at Suven but as Alzheimer's disease is one of the world's biggest health problems and any drug that can impact would be simply big and bring in huge benefit not only for the millions of patients afflicted with the disease but also brings in tremendous rewards to the shareholders.

Our Patent Pipeline: Monetary Value

In order to protect our intellectual property we file patents globally and when they are granted to Suven, we will inform the same to the public. After each announcement of the grant of a patent we were swarmed with number of queries as to how soon we can monetize these patents and how soon the revenue streams will accrue to us and unfortunately everyone expects that monetization will happen within that year.

I would like to let all the shareholders know that mere grant of patent will not yield any monetary benefit immediately but it is a must to have Intellectual Property protection through patents for future marketing rights. It takes several hundred million dollars to discover, develop and gain regulatory approval for a new medicine. Lack of patent protection, or some equivalent barrier, imitators could have a free ride on the innovator's FDA approval and can duplicate the compound for a small fraction of the originator's costs.

A patent is an intellectual property (IP) right granted to inventors to exclude others from using the invention for a limited time (currently 20 years from the date of filing) which will allow the innovator to market their product after clinical trial and regulatory approval. Hence the patent is a pre requisite or otherwise the huge expenditure incurred will go to waste if there is no IP protection and market exclusivity during that period.

You will be please to note that your company has a total of 18 inventions and was granted a total of 541 product patents and 36 process patents until March 2012 in various countries. This grant eliminates the risk of our losing market exclusivity if and when our drug moves into commercialization after successful completion of all the Phases of clinical trials and regulatory approval.

I hope I have answered all the recurring queries and the status of our lead compound SUVN 502.

Also you will be glad to know that your company has expanded its drug discovery activity for new therapeutic indication in CNS arena viz: **Major Depressive Disorder (MDD)** and we have a robust preclinical compound SUVN-911 which will also move into IND enabling toxicology studies during the current fiscal 2012-13.

From now onwards we hope to advance one (1) molecule into IND stage every year from our existing pipeline of molecules while continue to expand into other therapeutic areas within CNS arena.

I thank each and every shareholder for reposing confidence on us and supporting us all these years in our search of new CNS therapies for better living to the benefit of all those afflicted with CNS disorders.

Yours Sincerely

Venkat Jasti



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CORPORATE INFORMATION

BOARD OF DIRECTORS

| | |
|--------------------------|---------------------|
| Shri Venkateswarlu Jasti | Chairman & CEO |
| Smt. Sudha Rani Jasti | Whole-time Director |
| Dr. M. R. Naidu | Director |
| Dr. K. V. Raghavan | Director |
| Shri D. G. Prasad | Director |
| Dr. Martin Tolar | Director |
| Dr. Syed E Hasnain | Director |

COMPANY SECRETARY

CS K. Hanumantha Rao

STATUTORY AUDITORS

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

COST AUDITORS

DZR & Co.,
Cost Accountants
216, HMT Satavahana Nagar
Kukatpally, Hyderabad - 500 072.

FACTORY

Unit 1 :

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

Unit 2 :

IDA, Pashamylaram,
Isnapur, Medak Dist, Andhra Pradesh - 502 300

RESEARCH CENTRE - I

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

RESEARCH CENTRE - II

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

BANKERS

State Bank of India
State Bank of Patiala
Bank of India

REGISTRARS & SHARE TRANSFER AGENTS

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

REGISTERED OFFICE

SDE Serene Chambers, Road No.5, Avenue 7, Banjara Hills, Hyderabad - 500 034



NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of Suven Life Sciences Limited will be held on **Thursday, the 27th day of September 2012 at 10.00 a.m. at KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce & Industry [FAPCCI], 11-6-841, Red Hills, Hyderabad -500 004** to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012 and the Audited Profit & Loss Account for the year ended 31st March 2012 together with Director's Report and Auditor's Report thereon.

2. To declare a dividend
3. To appoint a director in place of Prof Seyed E Hasnain, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Dr. M.R. Naidu, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint M/s. Karvy & Co., Chartered Accountants, Hyderabad, the retiring Auditors as Statutory Auditors for the year 2012-13 and to fix their remuneration.

By order of the board

Place : Hyderabad
Date : 14th August 2012

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. 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.
3. 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.
4. The Register of Members of the Company and share transfer books will remain closed from 19th September 2012 to 21st September 2012 (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 18th September 2012 will be in time for payment of dividend subject to provisions of section 206A of the Companies Act, 1956.
5. 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.
6. 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.
7. Corporate Members are requested to send a duly certified copy of the Board Resolution / power of attorney authorizing their representative to attend and vote on their behalf at the Annual General Meeting.
8. Members are requested to send all correspondence concerning registration of transfers, transmission, subdivision or any other shares related matter to Company's Registrars.
9. Members are requested to register their email IDs with the Company's RTA, Karvy Computershare Pvt. Ltd for the purpose of servicing of documents in electronic form.



BRIEF PROFILE OF THE DIRECTOR SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

Prof. Syed E. Hasnain is the Ex-Vice Chancellor of the University of Hyderabad. Before he became the vice chancellor in Dec 1995, he was the first Director of CDFD since 1999.

He holds a PhD degree from JNU [1980]. He also received post-Doctoral Fellowship from the University of Alberta, Canada.

He has been nominated by the Prime Minister of India for the membership of the Scientific Advisory Council to the Prime Minister, the highest decision and policy making body for Science and Technology for the country.

He is also the recipient of Padmashri Award from President Abdul Kalam.

In addition he has many distinctions such as:

- Elected Fellow, German National Academy of Sciences Leopoldina
- Fellow, Third World Academy of Sciences (TWAS)
- Member, Scientific Advisory Council to the Union Cabinet

- J C Bose National Fellow, University of Hyderabad
- Honorary Professor, JNCASR, Bangalore, India
- Founding Fellow and Adviser, ISOGEN
- Distinguished Professor at the Institute of Life Sciences.

Prof. Hasnain has authored more than 175 original research papers and several book chapters. He has about a dozen patents filed in India and abroad. He does not hold any shares in the Company.

Dr. M.R. Naidu is a Doctorate in Science and Graduate in Mechanical Engineering. He had memberships in Professional Bodies like American Society of Mechanical Engineers, Planning Executives Institute and Indian Institute of Engineers. Dr. M.R. Naidu was a former Chairman and Managing Director of M/s. Bharat Heavy Plates and Vessels Limited (BHPV) and Machine Tools, Limited (HMT) and having and vast experience in Technical and Administrative Sectors. He held the position of President, The Andhra Petrochemicals Ltd, and the U.B. Group.

Dr. M. R. Naidu is also a Director on the Board of Nile Limited and Mangal Precision Products Limited. Dr. M. R. Naidu is a member of Audit Committee and Investor Grievance Committee and he is holding 9,800 shares in the Company



REPORT OF THE DIRECTORS

Your Company's Board of Directors has pleasure in presenting this 23rd Annual Report together with Audited Accounts of the Company for the financial year ended March 31, 2012.

FINANCIAL RESULTS

(₹ lakhs)

| | Particulars | 2011-12 | 2010-11 |
|-------|--|----------|----------|
| i. | Revenue from operations | 20420.78 | 15043.39 |
| ii. | Operating expenditure | 18106.13 | 13688.62 |
| iii. | Depreciation and amortization | 599.79 | 544.55 |
| iv. | Operating profit | 1714.86 | 810.22 |
| v. | Interest expense | 990.93 | 610.52 |
| vi. | Other income | 190.25 | 125.75 |
| vii. | Profit before Tax | 914.18 | 325.44 |
| viii. | Provision for Tax | (522.06) | (714.50) |
| ix. | Profit for the year | 1436.24 | 1039.95 |
| x. | Balance brought forward from previous year | 2825.93 | 1764.81 |
| xi. | Profit available for appropriation | 4262.17 | 2804.76 |
| | Appropriations: | | |
| xii. | Proposed final dividend | 350.20 | 291.82 |
| xiii. | Tax on dividend | 56.81 | 47.34 |
| xiv. | Difference in final dividend plus tax (10-11& 09-10) | 0.04 | 1.97 |
| xv. | Transfer to General Reserve | 150.00 | 110.00 |
| xvi. | Balance carried to balance sheet | 3705.12 | 2353.62 |

REVIEW OF OPERATIONS

The Company continued its strong growth momentum during the year under review. The Company's revenue from operations during the financial year 2011-12 stood at ₹20421 lakhs against ₹15043 lakhs in the previous year recording a growth of more than 35 percent. The exports turnover increased by 42 percent, from ₹13601 lakhs in the previous financial year to ₹19358 lakhs in the financial year under review. Profit after tax (PAT) of the Company increased by 38 percent to ₹1436 lakhs from ₹1040 lakhs in the previous financial year, despite spend on Discovery R&D activities to the tune of ₹3368 lakhs representing nearly 16 % to turnover of your company. The Earnings per Share (EPS) of your Company has gone up to ₹1.23 in fiscal 2012 per share from the previous year EPS of Re 0.89 in fiscal 2011 per share, registering a growth of 38%

EXPORTS

Your Company has achieved an export revenue of ₹19358 lakhs out of the total turnover of ₹20421 lakhs representing 95%.

DIVIDEND

Your Directors are pleased to recommended a dividend of Re 0.30 paisa per equity share of Re 1/- each (@ 30 %) for the financial year 2011-12 which will absorb a sum of ₹407 lakhs including tax on dividend on paid up capital of the Company. 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.

AMALGAMATION OF SUVEN NISHTAA PHARMA PVT LTD, (NISHTAA)

Nishtaa - a group company has become a wholly owned subsidiary of your Company w.e.f. 31st December 2011. The Board of Directors in its meeting held on 31st January 2012 has given its consent for amalgamation of Nishtaa with Suven. The Scheme of Amalgamation of Nishtaa with Suven effect from 1st January 2012 (Appointed date) has been sanctioned by the Hon'ble High Court of Andhra Pradesh on 10th July 2012. The Audited Annual Accounts for the year under review were presented in accordance with the said Scheme of Amalgamation.

The amalgamation has enabled better utilization of resources and capital and creation of an integrated Corporate Structure for business development of your company, achieving economies of scale, operational and managerial efficiency and enhanced resource mobilization required for growth. It would also result in uniform management philosophy, utilization of common pool of talent, flexibility in funding expansion plans and achieving better cash flows substantially enhancing shareholders' value. The amalgamation also enhances the competitive strength of the Company to participate vigorously in high growth opportunities available in the Pharmaceutical Sector.

CORPORATE SOCIAL RESPONSIBILITY

Our philosophy is to lend a helping hand to the underserved in our society through the support of various charities like old age homes, children's education by constructing schools, drinking water supply, and health centers. Implementing this philosophy in spirit, we make a positive contribution to the communities in which we operate, and encourage support in health and education/sports programs with an aim to bring sustainable improvements to underserved people.



RESEARCH AND DEVELOPMENT

Suven's major thrust on innovative R&D in Drug Discovery continues with a spending of ₹3368 lakhs (16% on sales revenue) for the year ended March 2012. During the year there were major qualitative achievements with the grant of 96 product patents and 9 process patents totaling to 105 patents to Suven's R&D pipeline which consists of 13 molecules out of which twelve (12) molecules currently in pre-clinical stage of development in addition to developmental candidate SUVN-502 for Alzheimer's disease and Schizophrenia. Also during the year under review, **Suven bagged Pharmexcil's "Patent Award"** for securing the most number of product patents during 2011 for their New Chemical Entities (NCE's) **under Gold Category third year in a row.**

Suven is committed to neuroscience research and for development of new treatments for neurological disorders. Suven's discovery research focuses on Central Nervous System (CNS) disorders through novel mechanisms using small-molecule medicinal chemistry approaches. Suven's CNS drug discovery scientists are pursuing innovative ways to develop treatments for a variety of CNS disorders like Alzheimer's, Schizophrenia, Depression, Cognitive disorders, Sleep, Neuro-degeneration and Obesity through CNS targets.

DIRECTORS

Prof Syed E Hasnain and Dr M R Naidu retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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

INVESTOR SERVICE

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

The shares of the Company are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE)

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

AUDITORS

Statutory Auditors

Your Company's Auditors, Messrs Karvy & Company, Chartered Accountants retire at the conclusion of forthcoming Annual General meeting and being eligible, offer themselves for re-appointment.

Cost Auditors

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 2011-12 is in process and the Report will be submitted to the Central Government within the prescribed time limit.

DIRECTORS RESPONSIBILITY STATEMENT

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

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

PUBLIC DEPOSITS

The Company has not accepted any public deposits and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.



PARTICULARS OF EMPLOYEES

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 ₹ in Lakhs | Qualification | Experience in years | Date of Commence- ment | Particulars of last Employment |
|-----------------------|-----|---|-------------------------------------|---------------|------------------------|------------------------------|---|
| Dr. N.V.S.Ramakrishna | 50 | Vice-President (Discovery Research) | 103.50 | M.Sc., Ph.D. | 23 | 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 of Directors

Place : Hyderabad,
Date : 14th August, 2012

Venkateswarlu Jasti
Chairman & CEO



ANNEXURE TO THE REPORT OF THE DIRECTORS

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

| Particulars | Year Ended 31st March 2012 | Year Ended 31st March 2011 |
|---|--|-------------------------------|
| 1. Power and fuel Consumption | | |
| a) Purchased Units (KWH in Lakhs) | 103.89 | 111.40 |
| Total Amount (₹ in Lakhs) | 477.06 | 495.27 |
| Rate/Unit (₹) | 4.59 | 4.45 |
| b) Own Generation | | |
| Through Diesel Generator Units (KWH in Lakhs) | 21.67 | 9.99 |
| Units/Liter of Diesel Oil | 2.98 | 3.09 |
| Cost/Unit (₹) | 14.79 | 13.42 |
| 2. Steam coal 'C' Grade Used in Boiler to generate steam for the process | | |
| Quantity (Mts) | 5836.61 | 6,505.25 |
| Total Cost (₹ in Lakhs)) | 315.51 | 281.67 |
| Average Rate (₹ per MT) | 5405.73 | 4,329.85 |
| 3. Furnace Oil | | |
| Quantity (KL) | 628.71 | 467.16 |
| Total Amount (₹ in Lakhs) | 281.25 | 155.33 |
| Average Rate (₹ per KL) | 0.45 | 0.33 |
| 4. Consumption per unit of Production | The company is manufacturing different Products using same facilities concurrently. Therefore it is not possible to give consumption per unit of production. | |

TECHNOLOGY ABSORPTION

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 THE DIRECTORS' REPORT

Research and Development

1. Specific areas in which R&D is carried out by the Company.

Suven's drug discovery activity continues to focus on unmet medical needs in the area of central nervous system (CNS) disorders.

During the year we have forayed into a new therapeutic area i.e. depression. Depression alone affects almost 121 million people worldwide. Nearly 5-10% people in a community at any given time are in need of intervention

2. Benefits derived as a result of the above R&D

Our focus in drug discovery resulted in granting of 96 product patents during the year.

New drug discovery activity also resulted in a new compound code named as SUVN-911, shows robust antidepressant like activity.

SUVN-911 demonstrated excellent safety margin in various in-vitro and in-vivo safety and toxicity models SUVN-911 has good margin of safety in 28-daytoxinrat



3. Future plan of Action

SUVN-911 has completed all preclinical efficacy, safety and preliminary toxicity Studies and ready to enter IND enabling GLP regulatory toxicity studies

4. Expenditure incurred in the R&D centers and innovation centers of Suven during financial year 2012 and 2011 are given below

(₹ in Lakhs)

| Expenditure on R&D and Innovation | Year ended 31st March, 2012 | Year ended 31st March, 2011 |
|--|--------------------------------|--------------------------------|
| (a) Capital | 63.28 | 224.44 |
| (b) Recurring | 3304.91 | 3114.35 |
| (c) Total R&D expenditure | 3368.19 | 3338.79 |
| (d) R&D and innovation expenditure as a percentage of total turnover | 16% | 22 % |

Technology Absorption, Adoption and Innovation

1. Efforts, in brief, made towards technology absorption, adoption and innovation.

Suven's CRAMS division continues to innovate in developing intermediates, API's and formulations by non-infringing processes.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

Efforts of innovative process resulted in 9 process patents.

3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.

| | |
|---|-----|
| a) Technology imported | NIL |
| b) Year of import | NA |
| c) Has technology been fully absorbed | NA |
| d) 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 Note 34.

On behalf of the Board of Directors

Place : Hyderabad,
Date : 14th August, 2012

Venkateswarlu Jasti
Chairman & CEO



ANNEXURE TO THE DIRECTORS' REPORT

Statement as at 31st March, 2012, pursuant to Clause 12 (Disclosure in the Directors' Report) of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 in respect of Options granted under the Company's Employee Stock Option Schemes.

| Sl.No. | Description | 2004 Plan |
|--------|---|---|
| (a) | Options granted | 48,00,000 |
| (b) | The pricing formula | At Market price; as per SEBI pricing formula |
| (c) | Options vested | 43,50,000 |
| (d) | Options exercised | 16,48,738 |
| (e) | The total number of shares arising as a result of exercise of option | 16,48,738 |
| (f) | Options lapsed | 13,45,202 |
| (g) | Variation of terms of options | NIL |
| (h) | Money realized by exercise of options | ₹3,54,55,180 |
| (i) | Total number of options in force | 18,06,060 |
| (j) | i) Employee wise details of options granted to senior managerial personnel during the year. | NIL |
| | 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 |
| (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']. | ₹ 1.23 |
| (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 2011-12. Had the company used the fair value method, the ESOP cost in the financial year would have been ₹1,97,08,227 and net profit would have reduced by this amount. The EPS (in Rs) would have been 1.06 |

(Contd.)



ANNEXURE TO THE DIRECTORS' REPORT (CONTD.)

| Sl.No. | Description | 2004 Plan | | | | | | | | | | | | | | | | | | |
|---------------|---|--|---------------|----------------|------------|-------|------------|-------|------------|-------|------------|--------|------------|-------|------------|-------|------------|-------|------------|-------|
| (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 2012 were - 1806060. The weighted average exercise price of the outstanding options as on March 31st 2012 was ₹25.28 and the weighted average fair value of the outstanding options as on March 31st 2012 was ₹14.87 | | | | | | | | | | | | | | | | | | |
| (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: | 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 | | | | | | | | | | | | | | | | | | |
| | i) risk-free interest rate, | 6.5% | | | | | | | | | | | | | | | | | | |
| | ii) expected life, | 48 months | | | | | | | | | | | | | | | | | | |
| | iii) expected volatility, | 50% | | | | | | | | | | | | | | | | | | |
| | iv) expected dividends, and | 1.33% | | | | | | | | | | | | | | | | | | |
| | v) The price of the underlying share in market at the time of option grant. | <table border="1"> <thead> <tr> <th>Date of grant</th> <th>Market price ₹</th> </tr> </thead> <tbody> <tr> <td>18-09-2004</td> <td>74.85</td> </tr> <tr> <td>30-07-2005</td> <td>88.65</td> </tr> <tr> <td>29-04-2006</td> <td>82.45</td> </tr> <tr> <td>30-09-2006</td> <td>101.15</td> </tr> <tr> <td>03-05-2007</td> <td>41.00</td> </tr> <tr> <td>28-01-2008</td> <td>36.40</td> </tr> <tr> <td>12-07-2010</td> <td>29.75</td> </tr> <tr> <td>30-05-2011</td> <td>22.30</td> </tr> </tbody> </table> | Date of grant | Market price ₹ | 18-09-2004 | 74.85 | 30-07-2005 | 88.65 | 29-04-2006 | 82.45 | 30-09-2006 | 101.15 | 03-05-2007 | 41.00 | 28-01-2008 | 36.40 | 12-07-2010 | 29.75 | 30-05-2011 | 22.30 |
| Date of grant | Market price ₹ | | | | | | | | | | | | | | | | | | | |
| 18-09-2004 | 74.85 | | | | | | | | | | | | | | | | | | | |
| 30-07-2005 | 88.65 | | | | | | | | | | | | | | | | | | | |
| 29-04-2006 | 82.45 | | | | | | | | | | | | | | | | | | | |
| 30-09-2006 | 101.15 | | | | | | | | | | | | | | | | | | | |
| 03-05-2007 | 41.00 | | | | | | | | | | | | | | | | | | | |
| 28-01-2008 | 36.40 | | | | | | | | | | | | | | | | | | | |
| 12-07-2010 | 29.75 | | | | | | | | | | | | | | | | | | | |
| 30-05-2011 | 22.30 | | | | | | | | | | | | | | | | | | | |



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OUTLOOK AND OPPORTUNITIES - GLOBAL

Global pharmaceutical sales are expected to grow at a Compound Annual Growth Rate (CAGR) of 3% - 6% during the period 2012-15, despite the impending loss in revenue expected from the expiry of patents. This gain will largely be driven by robust growth in emerging markets. It is anticipated that such markets will account for approximately 28% of total sales worldwide in 2015, up from only 18% in 2010. This growth is in sharp contrast to the expected CAGR of only 1% - 4% for the primary drug markets of North America and Europe.

Pharmaceutical companies face many challenges and uncertainties, including heightened competition from makers of generic drugs, unprecedented pressure on pricing from payers (such as insurance companies), constraints on public sector budgets and declining R&D productivity. The pressure to reorganize R&D, provide affordable price and marketing overhauls is intense.

According to IMS Health, the big pharmaceutical companies (those with large capitalizations) are struggling to grow, with generic firms outperforming them. However, there are improvements in early-stage product pipelines in the pharmaceutical industry - particularly in the fields of cancer and diabetes - which offer long-term promise. In addition, an aging population and new products are likely to create a robust future for the industry.

TRANSFORMATION PROCEEDS

Due to many patent expirations, the generic drug industry has experienced great growth in the past few years. The global market for generic drugs was worth \$107.8 billion USD in 2009 and is projected to reach \$129.3 billion USD by 2014 with a CAGR of 9 percent. Rising cost pressure on healthcare has resulted in an increase in generic pharmaceutical usage - generic drugs cost 30 to 80 percent less than their original equivalents.

The Pharma industry is facing a number of key resistors to growth, including "patent cliffs," which will erode \$73 billion USD in branded sales over the next four years. Price cuts, reimbursement restrictions and growing regulatory pressure are further set to limit sales growth going forward. Factors that are largely growth neutral for Pharma include US healthcare reform. While the industry's medium-term outlook is boosted by increased sales volume and longer exclusivity for biologics, in the long run cost-containment pressures will intensify, restricting sales growth.

In order to sustain under an unfavorable climate, the industry is transitioning away from the primary-care, small-molecule driven sales model, towards targeting specialist secondary care indications through the use of high-value biologic therapies in the developed markets (Europe and the US), while also taking a global perspective through marketing branded and off-patent medicines in the fast growing emerging markets. Cost-savings facilitated by mergers and acquisitions are also set to bolster profits.

Pharma companies are striving hard to stave off the R&D crisis through mergers and acquisitions, geographic expansion and diversification into new areas such as consumer health. But they recognize that while these efforts yield more predictable sales in the future, they have limited impact on the profit gap. The US, Japan and Western Europe still account for 80 percent of the global market and recent growth in emerging markets cannot replace lost revenues or profits in the short-term future.

From an investment standpoint, the companies best equipped to deal with these challenges are those with robust pipelines capable of offsetting the impact from patent expiries. Diversified players, those that can offset difficulties in one segment or region with better performance in another, are also well placed. Despite the challenges, the industry remains extraordinarily profitable

INDUSTRY OUTLOOK AND OPPORTUNITIES - INDIA

India's pharmaceutical market grew at 15.7 per cent during December 2011. Globally, India ranks third in terms of volume and 14th in terms of value. According to McKinsey, the Indian Pharmaceutical Market is expected to reach top 10 in the world beating Brazil, Mexico, South Korea and Turkey by 2015. More importantly, the incremental market growth of US\$ 14billion over the next decade is likely to be the third largest among all markets. The US and China are expected to add US\$ 200bn and US\$ 23bn respectively.

The Indian pharmaceuticals market will grow to US\$55 billion in 2020; and if aggressive growth strategies are implemented, it has further potential to reach US\$70 billion by 2020. While, Market Research firm Cygnus' report forecasts that the Indian bulk drug industry will expand at an annual growth rate of 21 percent to reach \$16.91 billion by 2014. The report also noted that India ranks third in terms of volume among the top 15 drug manufacturing countries.



SWOT ANALYSIS

STRENGTHS

- Cost competitiveness due to lower labour cost and production cost
- Large pool of installed capacities
- Well established network of Laboratories and R&D infrastructure for new drug discovery and development
- Expertise in reverse engineering and development of new Chemical process made Indian pharmaceutical industry as one of the strongest generic industry.
- Efficient technologies for large number of Generics.
- Increasing liberalization of government policies.

WEAKNESSES

- Lack of culture of innovation in the industry
- Low per capita medical expenditure and healthcare spend in country
- Inadequate regulatory standards
- Production of spurious and low quality drugs tarnishes the image of industry at home and abroad
- Lack of Research & Development (R&D) orientation of Indian Pharmaceutical Companies
- Non-availability of major intermediaries for bulk drugs.
- Lack of experience in International Trade.

OPPORTUNITIES

- Licensing deals and collaborations with MNCs for New Chemical Entities and New Drug Delivery Systems
- Providing marketing operations to sell MNC products in domestic market
- India can be niche player in global pharmaceutical R&D by developing world class infrastructure
- Increasing aging world population
- Increasing incomes and buying power of people especially in rural areas has opened the great opportunity for Indian Pharma companies. Around 70% of the total population of India is residing in rural areas.
- Growing awareness for health and increasing spending on health

THREATS

- Product patent regime poses serious challenges to domestic industries unless it invests in R&D.
- R&D efforts of Indian pharmaceutical companies hampered by lack of enabling regulatory requirement. For instance, restrictions on animal testing out-dated patent office.
- Entry of other foreign competitors in the Indian market
- High Cost of discovering new products and fewer discoveries.
- High cost of sales and marketing.

FINANCIAL AND OPERATING PERFORMANCE

The Company continued its strong growth momentum during the year under review. The Company's revenue from operations during the financial year 2011-12 stood at ₹20421 lakhs against ₹15043 lakhs in the previous year recording a growth of more than 35 percent. The exports turnover increased by 42 percent, from ₹13601 lakhs in the previous financial year to ₹19358 lakhs in the financial year under review. Profit after tax (PAT) of the Company increased by 38 percent to ₹1436 lakhs from ₹1040 lakhs in the previous financial year, despite spend on Discovery R&D activities to the tune of ₹3368 lakhs representing nearly 16 % to turnover of your company. The Earnings per Share (EPS) of your Company has gone up to ₹1.23 in fiscal 2012 per share from the previous year EPS of Re 0.89 in fiscal 2011 per share, registering a growth of 38%.

INTERNAL CONTROLS

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



(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the assets that could have a material effect on the financial statements

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

HUMAN RESOURCES

Pharmaceutical industry sector is one of the sectors most affected by a high attrition rate in India. But, the attrition rate in the R&D segment is very high, as the highly skilled work area has severe dearth of experienced professionals and, at the same time, new opportunities are tremendous in the sector, as globalization on the R&D front and the increased outsourcing opportunities in India have created a sudden demand for skilled research people. The other industry-specific issue is the ethical practices.

The pharmaceutical companies have to comply with statutory requirements of quality assurance, like good manufacturing practices, Good Laboratory Practices and voluntary codes of marketing practices. But the strict compliance with international standards is of gold standard in the pharmaceutical industry which cannot be ignored.

Suven believes that training helps in identifying the potential talent from employees and later helps to sharpen their latent skills and motivating them to do the right things in the right way. Since we are in drug discovery arena not many trained people are available, hence the focus at Suven has been to train the fresh graduates to meet our requirements by training

new recruits before they get into a specific area of research and retention of talented employees is always the most important agenda for Suven for the company to grow.

RISK MANAGEMENT

Suven endeavors to adopt best risk management practices in its chosen path of Drug Discovery which is by very nature a risky business and CRAMS. It is a complex process that is highly oriented towards the future. It's essential objective is to develop new products with the results being always somewhat uncertain. Thus, a right attitude for risk is pivotal for successful innovation. Risks must be accepted in a sense that the company must be able to make risk-assessment decisions, and take calculated risks in a balanced manner.

Suven always aims to select the most promising compounds from the vast set of screened compounds. The selected compound is the one that best affects the target and has no obvious toxicological features. Apart from these risk management practices, the Company has also taken appropriate insurance covers to safeguard its assets and its various operations.

SAFETY, HEALTH AND ENVIRONMENT

Your company strongly believes that good environmental management practices are more likely to create and maintain a positive image with customers, suppliers, employees, shareholders, and the communities in which the plant facilities are located and can get closer to the customers, sustain sales, and expand markets. Your Company endeavors to operate within closed-loop systems to achieve minimal environmental impact. To meet these objectives your Company has carried out the audit of systems through an external agency to ensure that they comply with our own policies and standards and applicable regulatory requirements. Your Company's comprehensive environmental management system complies with the requirements as stipulated in the standard: ISO 14001: 2004 and Occupational Health and Safety Management System (OHSAS) complies with the requirements as stipulated in the standard: OHSAS 18001: 2007, for all three units of Suven.



REPORT ON CORPORATE GOVERNANCE

I. COMPANY'S PHILOSOPHY

Your Company firmly believes that good corporate governance practices are ingredients for the balanced development of an organization which would not only maximize the shareholder's value but also contributed to sustained and long lasting development of the organization. The Board of Directors believes in ethical values and high moral standards in achieving the highest standards of corporate governance. All the SUVEN activities are carried out in accordance with good corporate Practices and the Company is constantly striving to better them and adopt the best practices.

Simultaneously, in keeping with best practices, your Company committed to provide full spectrum of quality services and products in Drug Discovery and Development Services (D-D-D-S-S), Contract Research and Manufacturing Services (C-R-A-M-S), Clinical Research Operations (C-R-O) and Collaborative Research Partnership (C-R-P) by fulfilling customer's satisfaction.

II. BOARD OF DIRECTORS

(a) Composition of Board

The Board represents an optimum mix of professionalism, knowledge and experience. As on March 31, 2012, we had a total strength of 7 Directors in the Board, comprising of: 2 Executive Directors, 5 Non-Executive and Independent Directors. The Company immensely benefits from the professional expertise of the Independent Directors. The Board has an adequate combination of Executive Directors, Non-Executive and Independent Directors.

None of the Directors on the Board are Members of more than ten Committees or Chairman of more than five Committees across all the public companies in which they are Directors. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2012 have been made by the Directors.

| Category of Directors | No. of Directors | % of Total No. of Directors |
|-------------------------------|------------------|-----------------------------|
| Executive Directors | 2 | 30 % |
| Independent and Non-Executive | 5 | 70 % |

Key information pertaining to Directors as on 31st March, 2012

| Name of the Director | Category | Directorship in other Public Companies | No. of Committee positions held in all companies as Chairman | No. of Committee positions held in all companies as Member | No. of Board Meetings held/ attended | Attendance at the last AGM held on August 13, 2011 |
|--------------------------|------------------------------------|--|--|--|--------------------------------------|--|
| Shri Venkateswarlu Jasti | Chairman & CEO Promoter | - | - | - | 4/4 | Yes |
| Smt Sudha Rani Jasti | Whole-time Director Promoter | - | - | 1 | 4/2 | No |
| Dr. M. R. Naidu | Independent Non-Executive Director | 2 | - | 5 | 4/3 | Yes |
| Dr K V Raghavan | Independent Non-Executive Director | 1 | 1 | 1 | 4/4 | Yes |
| Shri D G Prasad | Independent Non-Executive Director | 2 | 2 | - | 4/3 | Yes |
| Dr Martin Tolar | Independent Non-Executive Director | - | - | - | 4/0 | No |
| Dr Syed E Hasnain | Independent Non-Executive Director | 1 | - | - | 4/2 | No |



(b) Board Meetings

The Board met Four times in the Financial Year 2011-12, on 30th May 2011, 13th August 2011, 01st November 2011 and 31st January 2012.

None of the Directors is related to other Directors, except Shri Venkateswarlu Jasti who is spouse of Smt Sudha Rani Jasti.

The time gap between any two meetings did not exceed four months as per the requirements of clause 49 of the Listing agreement and the required information was suitably placed before the board meetings. The details relating to financial and commercial transactions where Directors may have a potential interest, if any, were provided to the Board and interested Directors abstained from the proceedings.

III. AUDIT COMMITTEE

a) The present composition of the Audit Committee is as follows

| Name of Directors & Designation | Category of Director | No. of Meetings | |
|---------------------------------|-----------------------------|-----------------|----------|
| | | Held | Attended |
| Shri D G Prasad - Chairman | Independent & Non-Executive | 4 | 3 |
| Dr. M R Naidu - Member | Independent & Non-Executive | 4 | 3 |
| Dr K V Raghavan - Member | Independent & Non-Executive | 4 | 4 |

In addition to the members of the audit committee, these meetings are attended by the Heads of Accounts & Finance, Internal Auditors and Statutory Auditors of the Company and the Company Secretary acts as the Secretary of the Audit Committee.

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 held during the year

During the year Audit Committee met 4 times 30th May 2011, 13th August 2011, 01st November 2011 and 31st January 2012. The attendance of the Committee Members was presented at point (a) above.

IV) REMUNERATION COMMITTEE

a) The present Remuneration Committee composed of independent directors namely Shri D G Prasad, Dr K V Raghavan, Dr M R Naidu and Prof Seyed E Hasnain. The terms of reference of the Committee cover evaluation of compensation and benefits payable to executive directors under the provisions of the Companies Act, 1956 and to recommend the same to the Board.

The Committee has met on 30th May 2011 during the year

b) Remuneration paid to the Executive Directors and sitting fees paid to Non-Executive Directors during 2011-2012 is as under:

i. Executive Directors

| Name of the Director | Salary & Allowances (₹ Lakhs) | Commission (₹ Lakhs) | Contribution to Provident Fund (₹ Lakhs) | Perquisites (₹ Lakhs) |
|--|-------------------------------|----------------------|--|-----------------------|
| Shri Venkateswarlu Jasti Chairman & Chief Executive Officer | 48.00 | Nil | 5.76 | Nil |
| Smt Sudha Rani Jasti Whole time Director | 36.60 | Nil | 4.39 | Nil |



ii. Non-Executive Directors:

| Name of the Director | Sitting fee (₹) | No of shares held. as on 31st March 2012 |
|----------------------|-----------------|--|
| Dr. M. R. Naidu | 49,000.00 | 9,800 |
| Dr. K V Raghavan | 65,000.00 | 2,000 |
| Shri D G Prasad | 45,000.00 | NIL |
| Prof Seyed E Hasnain | 20,000.00 | NIL |
| Dr Martin Tolar | NIL | NIL |

V. I. INVESTOR GRIEVANCES COMMITTEE

a) Investors Grievance Committee of Directors reviews the following:

Expeditious redressal of investor's grievances, Transfer of shares, Dematerialization/ Rematerialization, Non receipt of Annual Reports and declared dividend, all other matters related to shares/ debentures

b) The Constitution of Investors Grievance Committee is as follows:

| Name of the Director | No. of Investors Grievance Committee Meetings | |
|-------------------------------|---|----------|
| | Held | Attended |
| Dr K V Raghavan - Chairman | 3 | 3 |
| Dr. M R Naidu - Member | 3 | 3 |
| Smt Sudha Rani Jasti - Member | 3 | 2 |

c) Name and Address of Compliance Officer

CS K. HANUMANTHA RAO
 Company Secretary & Compliance Officer
 Suven Life Sciences Limited
 Serene Chambers, 6th Floor, Road No. 5, Avenue 7,
 Banjara Hills, Hyderabad - 500 034
 Tel : +91 40-2354 3311, Fax : +91 40-2354 1152

d) Details of complaints/requests received and redressed :

During the year 2011-2012, 100 complaints were received pertaining to the dividends, annual reports, change of bank details/address and split shares etc from shareholder and the complaints have been resolved to the satisfaction of the Complainants. As on 31.03.2012 there were no pending Complaints to be resolved.

II. 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.

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

The Committee meets as and when the memorandum of transfers date is intimated by the Karvy Computershare Pvt. Ltd. (Registrars and Transfer Agents) and accords its approvals accordingly.

The Committee met 3 times during the financial year 2011-12.

VI. ESOP COMPENSATION COMMITTEE

The Committee has been authorized to frame suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India including, The Securities and Exchange Board of India (Insider Trading) regulations 1992; and perform such functions required to be performed by the Compensation Committee under the SEBI Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999.

ESOP Compensation Committee composed of Dr M R Naidu as Chairman, Dr K V Raghavan as Member and Shri Venkateswarlu Jasti as Member of the Committee. The Committee has met on 30th May 2011 during the year.



VII. GENERAL BODY MEETINGS

- a) **Annual General Meeting: Location, date and time of last three Annual General Meetings (AGMs) and Special Resolutions passed there at:**

| Year | Venue | Date and Time | No. of Special Resolutions passed |
|---------|---|------------------------|-----------------------------------|
| 2010-11 | Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016 | 13/08/2011 10.00 AM | Three |
| 2009-10 | Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016 | 27/07/2010 2.30 PM | Two |
| 2008-09 | Hotel Green Park, Greenlands, Begumpet, Hyderabad - 500 016 | 22/09/2009 3.00 PM | One |

- b) **Postal Ballot:**

No item of business relating to matters specified under clause 49 of the Listing Agreement with the Stock Exchanges/ or the provisions contained in section 192A of the Companies Act 1956, requiring voting by postal ballot is included in the Notice Convening the 23rd Annual General Meeting of the Company

VIII. Disclosures

- (i) Disclosure of material, financial and commercial transactions where management has personal interest that may have a potential conflict with the interest of the company at large.

During the year 2011-12, no transactions of material nature had been entered into by the Company with the Management or their relatives that may have a potential conflict with interest of the Company. None of the Non-Executive Directors have any pecuniary material relationship or material transactions with the Company for the year ended March 31, 2012.

- (ii) There were no instances of non-compliance by the company, penalties, and strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.
- (iii) The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement and is being reviewed from time to time.
- (iv) Reconciliation of Share Capital Audit.

A qualified practicing Company Secretary carried out a share capital audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed equity share capital. The audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

IX. MEANS OF COMMUNICATION

Quarterly Results, Press Releases, Presentations and Publications:

The quarterly results are generally published in widely circulated national newspapers the Business Standard and in one vernacular Language newspaper Andhra Prabha (Telugu Daily). And also the half yearly and Annual Audited Financial Results are published in the same manner.

The Financial Results are also displayed on the Company's web site www.suven.com official news releases, presentations made to media are also displayed on the Company's website.

Management Discussion and Analysis detailed report is forming part of this Annual Report.

The Company is filing /submitting its Shareholding Pattern, Financial Results, Report on Corporate Governance on quarterly basis and are posted on the website of the Company and as well as on the website of BSE/ NSE in accordance with the Listing Agreement with the Stock Exchanges which may be accessed by the shareholders.



X) General Information to Shareholders

(i) Annual General Meeting :

Financial Year : 2011 - 2012
 Day and Date : Thursday the 27th day of September 2012
 Time : 10.00 a.m.
 Venue : KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce & Industry [FAPCCI], 11-6-841, Red Hills, Hyderabad -500 004

(ii) Financial Calendar (tentative):

Financial Year April 01, 2012 to March 31,2013

| Quarter Ending | Release of Results |
|--------------------|-----------------------------|
| June 30, 2012 | latest by August 15, 2012 |
| September 30, 2012 | latest by November 15, 2012 |
| December 31, 2012 | latest by February 15, 2012 |
| March 31, 2013 | May 15, 2013* |

**instead of publishing quarterly un-audited results, the Company may opt to publish Audited Annual within 60 days from the end of the financial year as per Stock Exchange Guidelines.*

(iii) Dates of Book Closure : from 19th September, 2012 to 21st September 2012 (both days inclusive)

(iv) Dividend Disclosure: The Board of Directors has recommended a dividend of ₹0.30 paisa per equity share i.e. 30% for the year 2011-12 subject to approval of the shareholders at the ensuing Annual General Meeting.

Mode of Dividend payment and date

Dividend shall be remitted through National Electronic Clearing Service (NECS) at approved locations, wherever NECS details are available with the Company; and in all other cases, through warrants payable at par. These warrants shall be valid for a period of 90 days. Post expiry of validity period, these may be sent to the Company's Office at # 8-2-334, SDE Serene Chambers, Avenue 7, Road No. 5, Banjara Hills, Hyderabad - 500 034 for issue of demand drafts in lieu of expired dividend warrants.

Date of payment: On and from 12th October 2012, but within the statutory time limit of 30 days

(v) Listing on Stock Exchanges:

The shares of the Company are listed on Bombay Stock Exchange Ltd and National Stock Exchange of India Limited. The Company confirms that it has paid annual listing fees due to the stock exchanges for the financial year 2012-2013

(vi) Stock Code:

(i) Trading Symbol

| Exchange | Scrip Code | Scrip ID |
|--|------------|----------|
| Bombay Stock Exchange Limited | 530239 | SUVEN |
| National Stock Exchange of India Limited | SUVEN-EQ | SUVEN |

(ii) Depository for Equity Shares : NSDL and CDSL

(iii) Demat ISIN Number : INE495B01038



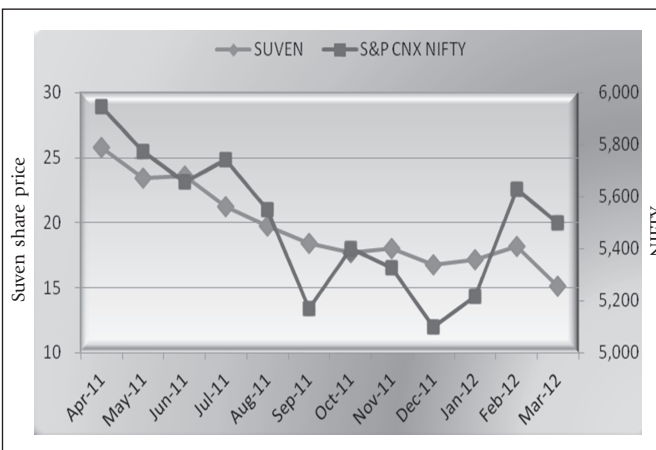
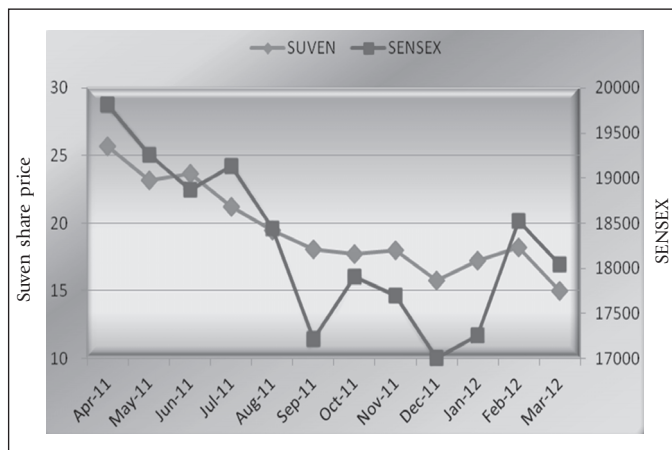
(vii) Stock Market Price Data:

| Month | Bombay Stock Exchange (BSE) Month Share Prices (In ₹) | | BSE SENSEX | |
|--------|--|-------|------------|----------|
| | HIGH | LOW | HIGH | LOW |
| Apr-11 | 25.70 | 16.70 | 19811.14 | 18976.19 |
| May-11 | 23.20 | 18.70 | 19253.87 | 17786.13 |
| Jun-11 | 23.65 | 19.20 | 18873.39 | 17314.38 |
| Jul-11 | 21.25 | 18.80 | 19131.70 | 18131.86 |
| Aug-11 | 19.50 | 15.00 | 18440.07 | 15765.53 |
| Sep-11 | 18.10 | 16.15 | 17211.80 | 15801.01 |
| Oct-11 | 17.70 | 15.50 | 17908.13 | 15745.43 |
| Nov-11 | 18.00 | 14.00 | 17702.26 | 15478.69 |
| Dec-11 | 15.75 | 11.55 | 17003.71 | 15135.86 |
| Jan-12 | 17.20 | 11.50 | 17258.97 | 15358.02 |
| Feb-12 | 18.20 | 13.65 | 18523.78 | 17061.55 |
| Mar-12 | 15.00 | 13.10 | 18040.69 | 16920.61 |

(viii) Stock Price Performance in comparison with NSE NIFTY

| Month | National Stock Exchange (NSE) Month Share Prices (In ₹) | | NSE NIFTY | |
|--------|--|-------|-----------|----------|
| | HIGH | LOW | HIGH | LOW |
| Apr-11 | 25.80 | 16.65 | 5,944.45 | 5,693.25 |
| May-11 | 23.40 | 18.90 | 5,775.25 | 5,328.70 |
| Jun-11 | 23.60 | 19.00 | 5,657.90 | 5,195.90 |
| Jul-11 | 21.25 | 18.10 | 5,740.40 | 5,453.95 |
| Aug-11 | 19.75 | 14.60 | 5,551.90 | 4,720.00 |
| Sep-11 | 18.40 | 15.25 | 5,169.25 | 4,758.85 |
| Oct-11 | 17.70 | 15.50 | 5,399.70 | 4,728.30 |
| Nov-11 | 18.00 | 13.80 | 5,326.45 | 4,639.10 |
| Dec-11 | 16.80 | 11.10 | 5,099.25 | 4,531.15 |
| Jan-12 | 17.15 | 11.45 | 5,217.00 | 4,588.05 |
| Feb-12 | 18.20 | 14.10 | 5,629.95 | 5,159.00 |
| Mar-12 | 15.10 | 11.70 | 5,499.40 | 5,135.95 |

Stock Price Performance in comparison with BSE SENSEX & NSE NIFTY





(ix) Registrar and Transfer Agents: (RTA)

Karvy Computershare Private Limited
Unit: Suven Life Sciences Ltd
 Plot No.17 to 24, Vittal Rao Nagar,
 Madhapur, Hyderabad - 500 081
 Phone No 040 2342 0818, 2342 0828
 Fax No 040 2342 0814
 Email: mailmanager@karvy.com

(x) Share Transfer System

Karvy Computershare Pvt. Ltd, (RTA) has been authorized to process all the valid transfer requisitions on a weekly basis and a memorandum of transfers, if any, will be submitted to the Company. The share certificates duly transferred will be dispatched to the transferees. For this purpose the Company has authorized the Company Secretary of the Company to monitor the Memorandum of Share Transfers (MOT) as and when reported by RTA and he will report to Share transfer Committee for its approval.

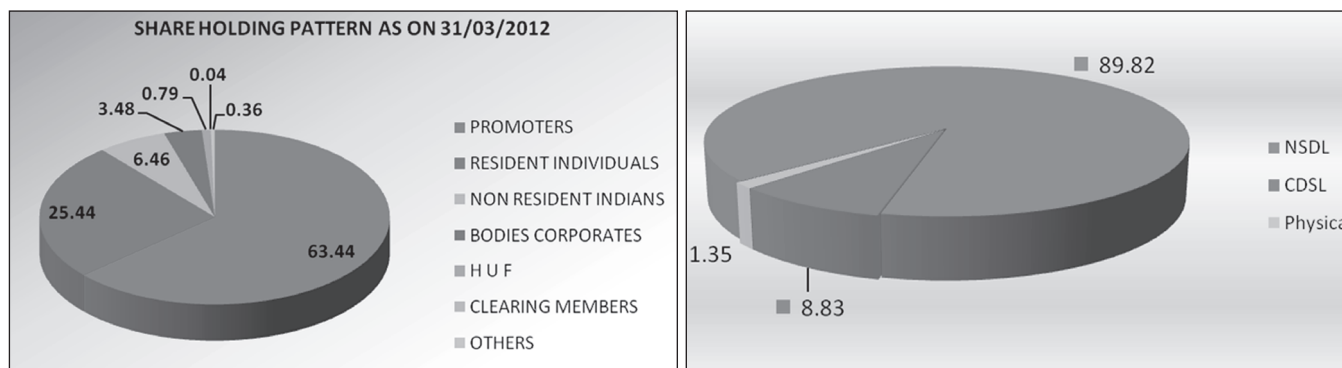
The Company has obtained and filed with the Stock Exchange(s), the half yearly certificates from Company secretary in practice for due Compliance with the share transfer formalities as required under clause 47(c) of listing agreement.

(xi) Distribution Shareholding pattern as on 31st March 2012

| Category (Amount) | Shareholders | | Share Amount | |
|-------------------|--------------|-------------|------------------|-------------|
| | Number | % to total | Amount | % to total |
| 0001 - 05000 | 39173 | 97.67% | 19882158 | 17.03% |
| 5001 - 10000 | 534 | 1.33% | 4090867 | 3.50% |
| 10001 - 20000 | 210 | 0.52% | 3096614 | 2.65% |
| 20001 - 30000 | 65 | 0.16% | 1604729 | 1.37% |
| 30001 - 40000 | 33 | 0.08% | 1179071 | 1.01% |
| 40001 - 50000 | 28 | 0.07% | 1286145 | 1.10% |
| 50001 - 100000 | 37 | 0.09% | 2652356 | 2.27% |
| 100001 and above | 24 | 0.07% | 82940048 | 71.05% |
| TOTAL | 40104 | 100% | 116731988 | 100% |

(xii) Categories of shareholders as on 31st March, 2012

| Sl.No. | Category | Cases | Holding | %To Equity |
|--------|----------------------|--------------|------------------|----------------|
| 1 | Promoters | 6 | 74052828 | 63.44 |
| 2 | Resident Individuals | 38212 | 29696775 | 25.44 |
| 3 | Non Resident Indians | 444 | 7537938 | 6.46 |
| 4 | Corporate Bodies | 609 | 4060250 | 3.48 |
| 5 | H U F | 743 | 920670 | 0.79 |
| 6 | Clearing Members | 39 | 47807 | 0.04 |
| 7 | Others | 51 | 415720 | 0.36 |
| | TOTAL | 40104 | 116731988 | 100.00% |



(xiii) Dematerialization of shares and liquidity

As on 31st March 2012, 98.65% of the paid up equity capital of the Company has been dematerialized and the trading of Equity shares in the Stock Exchanges is under compulsory dematerialization.

Members are encouraged to opt for dematerialization of shares to eliminate bad deliveries, forgery, fake transfers etc., in the market.

(xiv) Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDRs/ADRs/Warrants or any Convertible instruments in the past and hence as on March 31, 2012, the Company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

(xv) Plant Locations

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

Unit 2: IDA, Pashamylaram, Isnapur, Medak Dist, Andhra Pradesh - 502 300

Research Centre (1): 18/B, Phase III, IDA, Jeedimetla, Hyderabad - 500 055

Research Centre (2): Bio-Pharmaceutical Lab, 5th Floor, Serene Chambers, Road No. 5, Banjara Hills, Hyderabad-34

(xvi) Address for correspondence

Regd. Office: Serene Chambers,
6th Floor, Road No. 5, Avenue 7,
Banjara Hills, Hyderabad - 500 034
Tel: +91 40-2354 3311 / 2354 1142, Fax: +91 40-2354 1152
E-mail: info@suven.com, investorservices@suven.com
Website: www.suven.com

(xvii) Unclaimed shares :

Pursuant to clause 5A of the listing agreements with the stock exchanges, the process initiated by the company as envisaged in the said clause is yet to be completed. Therefore, the necessary disclosures relating to the suspense account for the unclaimed shares, if any, will be presented in the next annual report.

(xviii) Unpaid / Unclaimed Dividend

Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by Company to the Investor Education and Protection Fund, established by the Central Government under the provisions of Section 205C of the Companies Act, 1956.

Shareholders of the Company who have either not received or have not encashed their dividend warrants, for the financial years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 are requested to claim the unpaid/unclaimed dividend from the Company before transfer to the fund.



DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

To

The Members of Suven Life Sciences Limited

As required under Clause 49(I)(D) of the Listing Agreement with the Stock Exchanges, I hereby confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management and the same has been placed on the Company's website. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct in respect of the financial year ended 31st March, 2012.

For **SUVEN LIFE SCIENCES LIMITED**

Place : Hyderabad
Date : 14th August 2012

VENKATESWARLU JASTI
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 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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 & CO**
Chartered Accountants
(Firm Regn. No. 001757 S)

K. Ajay Kumar
Partner
(M. No. 21989)

Place : Hyderabad
Date : 14th August 2012



AUDITORS' REPORT

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

We have audited the attached Balance sheet of M/s. Suven Life Sciences Limited ("the Company") as at 31st March, 2012, the statement of Profit & Loss 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 it appears from our examination of the books of the company;
 - c) The Balance Sheet, the statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, the statement of Profit and Loss 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, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 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, 2012;
 - ii) in the case of the statement of Profit and Loss, 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 & CO.,**
Chartered Accountants
(Firm Reg. No 001757S)

Place : Hyderabad
Date : 14th August 2012

K.AJAY KUMAR
P A R T N E R
(M. No.021989)



ANNEXURE TO THE AUDITORS' REPORT

Annexure to the 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) As explained to us, the management has physically verified all the fixed assets during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the 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) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical inventory and book records were not material.
- iii. a) According to the information and explanations given to us, during the year the Company has not granted any loans to companies covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (a) to (iii) (d) of the paragraph 4 of the Order are not applicable.
 - e) According to the information and explanations given to us, the Company has taken an unsecured loan from the party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year is ₹680.00 lakhs and the yearend balance is ₹180.00 lakhs.
- f) In our opinion and according to the information and explanation given to us, the said loan is interest free loan and other terms and conditions are prima facie not prejudicial to the interest of the company.
- g) According to the information and explanations given to us, the said loan is repayable on demand and there is no repayment schedule.
- 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. During the course of our audit, no major weakness has been noticed in the internal control system.
- v. In respect of the contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanation given to us:
 - a) The particulars of the contracts or arrangements referred to in Section 301 that need to be entered in the register maintained under the said section 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 at the relevant time.
- vi. According to the information and explanations given to us, the Company has not accepted deposits from the public within the meaning of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed there under.
- vii. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.
- viii. We have broadly reviewed the books of account and records maintained by the Company relating to the



manufacture of Bulk Drugs, pursuant to Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

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, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues to the extent applicable with the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of the above are in arrears as at the year end 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, there are no amounts in respect of Income tax, Sales Tax, Customs Duty, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of any disputes.

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

xi. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in the repayment of dues to Financial Institutions and Banks. The company did not have any outstanding debentures during the year.

xii. In our opinion and 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.

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) of the Order are not applicable to the company.

xiv. The Company has not dealt or traded in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the Order are not applicable to the company.

xv. In our opinion and as per the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly the provisions of clause (xv) of paragraph 4 of the companies (Auditor's report) order, 2003 are not applicable to the company.

xvi. In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were raised.

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.

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.

xix. The Company during the year has not issued any debentures. Accordingly, clause 4 (xix) of the Order are not applicable to the company.

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

xxi. According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **KARVY & CO.**,
Chartered Accountants
(Firm Reg. No 001757S)

Place : Hyderabad
Date: 14th August 2012

K.AJAY KUMAR
P A R T N E R
(M. No.021989)



BALANCE SHEET AS AT 31ST MARCH, 2012

| | Note | As at 31st March 2012 (₹ in lakhs) | As at 31st March 2011 (₹ in lakhs) |
|---------------------------------|------|--|--|
| EQUITY AND LIABILITIES | | | |
| Shareholder's Fund | | | |
| Share Capital | 2 | 1,167.32 | 1,167.32 |
| Reserves & Surplus | 3 | 11,584.83 | 11,506.42 |
| Non-Current Liabilities | | | |
| Long-term borrowings | 4 | 5,502.45 | 3,493.90 |
| Long-term provisions | 5 | 178.35 | 104.08 |
| Current Liabilities | | | |
| Short-term borrowings | 6 | 2,285.40 | 2,368.41 |
| Trade payables | 7 | 2,454.11 | 1,892.45 |
| Other current liabilities | 8 | 4,077.77 | 1,233.02 |
| Short - term provisions | 9 | 1,248.50 | 597.79 |
| T O T A L | | 28,498.72 | 22,363.38 |
| ASSETS | | | |
| Non - Current Assets | | | |
| Fixed Assets | | | |
| i) Tangible assets | 10 | 13,244.35 | 10,567.78 |
| ii) Capital work-in-progress | | 2,735.65 | 335.62 |
| Non-Current Investments | 11 | 5.10 | 1,073.61 |
| Deferred Tax Asset (NET) | 12 | 1,760.96 | 766.58 |
| Long-term loans and advances | 13 | 272.82 | 172.38 |
| Current Assets | | | |
| Current Investments | 14 | 447.33 | 965.42 |
| Inventories | 15 | 4,650.17 | 3,336.56 |
| Trade Receivables | 16 | 2,523.93 | 3,137.38 |
| Cash and Bank Balances | 17 | 316.86 | 294.63 |
| Short-term loans and advances | 18 | 2,528.88 | 1,703.67 |
| Other current assets | 19 | 12.68 | 9.75 |
| T O T A L | | 28,498.72 | 22,363.38 |
| Significant Accounting Policies | 1 | | |

The accompanying notes 1 to 36 are an integral part of the Financial Statements

As per our report of even date
for **KARVY & CO.**
Chartered Accountants
(Firm Reg. No.001757S)

for and on behalf of the Board of Directors

K. AJAY KUMAR
Partner
(M.No. 021989)

VENKATESWARLU JASTI
Chairman & C E O

SUDHA RANI JASTI
Whole-time Director

Place : Hyderabad
Date : 14th August 2012

K. HANUMANTHA RAO
Company Secretary



STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

| | Note | For the year ended 31st March 2012 (₹ in lakhs) | For the year ended 31st March 2011 (₹ in lakhs) |
|---|------|---|---|
| Revenue from Operations | 20 | 20,465.77 | 15,104.23 |
| Less : Excise duty | | (44.98) | (60.84) |
| Revenue from Operations (net) | | 20420.78 | 15043.39 |
| Other Income | 21 | 190.25 | 125.75 |
| Total Revenue | | 20,611.03 | 15,169.14 |
| Expenses | | | |
| Cost of Materials Consumed | 22 | 8,145.56 | 5,549.85 |
| Changes in Inventories of Finished goods , Work- in- progress and Stock- in- trade | 23 | (564.74) | (53.43) |
| Manufacturing Expenses | 24 | 2667.83 | 2082.72 |
| Employee benefit expenses | 25 | 2,283.03 | 1,876.83 |
| Research & Development Expenses | 26 | 3,304.91 | 3,114.35 |
| Financial Costs | 27 | 990.93 | 610.52 |
| Depreciation and amortization expenses | | 599.79 | 544.55 |
| Other expenses | 28 | 2269.54 | 1118.29 |
| T O T A L | | 19,696.85 | 14,843.69 |
| Profit Before Tax | | 914.18 | 325.44 |
| Tax expenses | | | |
| Current Tax | | 171.60 | 8.36 |
| Previous year tax | | (0.87) | 7.82 |
| Deferred Tax | | (522.06) | (722.32) |
| MAT Credit entitlement | | (170.73) | (8.36) |
| Profit for the year | | 1,436.24 | 1,039.95 |
| Basic and Diluted Earnings per share (in Rs) | | 1.23 | 0.89 |
| Significant accounting policies & Notes to the Financial Statements | 1-36 | | |

As per our report of even date
for **KARVY & CO.**
Chartered Accountants
(Firm Reg. No.001757S)

for and on behalf of the Board of Directors

K. AJAY KUMAR
Partner
(M.No. 021989)

VENKATESWARLU JASTI
Chairman & C E O

SUDHA RANI JASTI
Whole-time Director

Place : Hyderabad
Date : 14th August 2012

K. HANUMANTHA RAO
Company Secretary



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

| Particulars | For the year ended 31st March 2012 (₹ in lakhs) | | For the year ended 31st March 2011 (₹ in lakhs) | |
|--|---|------------|---|------------|
| | | | | |
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net Profit before Tax and Extraordinary Items | | 914.18 | | 325.44 |
| <i>Adjustments for :</i> | | | | |
| Depreciation & Amortization | 854.53 | | 790.57 | |
| Interest Income | (14.57) | | (10.82) | |
| Finance Cost | 990.93 | | 610.52 | |
| Profit on Sale of Assets | 0.00 | | (6.39) | |
| Loss on sale of Assets | 1.00 | | 0.00 | |
| Dividend Income | (56.49) | | (19.11) | |
| MTM Losses | 348.06 | 2,123.46 | 0.00 | 1,364.78 |
| Operating Profit Before Working Capital Changes | | 3,037.64 | | 1,690.23 |
| <i>Adjustments for :</i> | | | | |
| Trade and Other Receivables | (5.59) | | (356.85) | |
| Inventories | (1,167.03) | | (287.56) | |
| Trade Payables and Other Liabilities | 1,690.31 | | (503.51) | |
| Increase/(Decrease) in Net Current Assets | | 517.69 | | (1147.92) |
| Cash Generated From Operations | | 3,555.33 | | 542.31 |
| <i>Adjustments for :</i> | | | | |
| Income Tax paid | 204.66 | 204.66 | 18.45 | 18.45 |
| Net Cash From Operating Activities (A) | | 3,350.67 | | 523.86 |
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Sale/(Purchase) of Investments | (518.14) | | (879.18) | |
| Purchase of Fixed Assets | (2,727.49) | | (403.53) | |
| Sale of Fixed Assets | 0.35 | | 8.10 | |
| Interest Received | 14.14 | | 9.01 | |
| Dividends Received | 56.49 | | 19.11 | |
| Net Cash Used In Investing Activities (B) | | (3,174.65) | | (1,246.49) |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Borrowings (Net) | 1,139.48 | | 1,569.41 | |
| Interest Paid on borrowings | (983.43) | | (610.52) | |
| Issue of capital with Premium | 0.00 | | 168.91 | |
| Dividend Payouts (including Dividend Tax) | (339.21) | | (339.77) | |
| Net Cash used in financing Activities (C) | | (183.16) | | 788.03 |
| Net Increase in Cash and Cash Equivalents (A+B+C) | | (7.14) | | 65.40 |
| Cash and Cash Equivalents at the beginning the year | | *183.84 | | 113.67 |
| Cash and Cash Equivalents at the end of the year | | 176.70 | | 179.07 |

*includes ₹4.77 lakhs cash & cash equivalents of Suven Nishtaa Pharma Pvt. Ltd.

As per our report of even date
for **KARVY & CO.**
Chartered Accountants
(Firm Reg. No.001757S)

for and on behalf of the Board of Directors

K. AJAY KUMAR
Partner
(M.No. 021989)

VENKATESWARLU JASTI
Chairman & C E O

SUDHA RANI JASTI
Whole-time Director

Place : Hyderabad
Date : 14th August 2012

K. HANUMANTHA RAO
Company Secretary



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Corporate Information & Significant Accounting Policies

(a) Corporate Information

Suven Life Sciences, in the business of design, manufacture and supply of Bulk Actives, Drug Intermediates & Fine Chemicals, Drug Discovery and Development Support Services (DDSS) and Collaborative Research Partnership (CRP) catering to the needs of global Life Science Industry, is committed to provide customers with products fulfilling customer's needs and expectations.

Suven Nishtaa Pharma Pvt. Ltd - a group company has become a wholly owned subsidiary of your Company w.e.f. 31st December 2011. The Board of Directors in its meeting held on 31st January 2012 has given its consent for amalgamation of Nishtaa with Suven. The Scheme of Amalgamation of Nishtaa with Suven effect from 1st January 2012 (Appointed date) has been sanctioned by the Hon'ble High Court of Andhra Pradesh on 10th July 2012. The Audited Annual Accounts for the year under review were presented in accordance with the said Scheme of Amalgamation.

(b) Basis of Accounting

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the accounting standards notified under section 211(3C) of the Companies Act, 1956 of India (the Act) and the relevant provisions of the Act.

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

(c) 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/materialized.

(d) Revenue Recognition

- i. Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers.
- ii. Revenue from Collaborative Research Projects, Contract Technical Services, Clinical Trials Services and Process Development Services are recognized on completion of the work.

iii. Income from Investments

- (i) The Company recognises Interest on investments on accrual basis.
- (ii) Dividend income on investments is accounted for when the right to receive the payment is established

(e) Fixed Assets

Fixed assets are stated at cost and as reduced by accumulated depreciation. All costs including financing costs, up to the date of commissioning and attributable to the fixed assets are capitalised. Exchange difference arising on Long Term Foreign currency monetary items relating to acquisition of fixed assets are adjusted to the carrying cost of such assets

(f) Events Occurring After Balance Sheet Date

Events occurring after the date of balance sheet are considered up to the date of adoption of the accounts, where material and are taken into cognizance.

(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) Investments

Non-current investments are stated at cost and provision for diminution is made if the decline in value is other than temporary in nature.

Investments other than Non-current Investments are stated at cost or market value whichever is lower. Any increase/reduction in the carrying cost is credited / charged to the Profit and Loss account.

(i) 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.

(j) 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.

(k) Foreign Currency Transactions

- i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transaction.



NOTES TO THE FINANCIAL STATEMENTS

- ii. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account, except exchange difference arising on Long Term Foreign currency monetary items relating to acquisition of fixed assets which are adjusted to the carrying cost of such assets.
- iii. In case of Monetary items which are covered by forward exchange contracts, premium or discount on forward exchange contracts are amortised and recognized in the profits and loss account over the period of the contract. Forward Exchange Contracts outstanding at the balance sheet date, are stated at fair value and any gains or losses are recognized in the profit and loss account.
- iv. Financial Derivative Contracts :
The realized gain/loss in respect of settled contracts are recognized in the Profit and loss account.

(l) Retirement benefits to employees

The company has Defined Contribution Plan for its employees' retirement benefits comprising of Provident Fund and Employees Pension Scheme, 1995. The Company contributes to State Plans namely Employees' State Insurance Scheme.

The Company has Defined Benefit Plan comprising of Gratuity Fund and Leave Encashment. The Company contributes to Gratuity Fund administered by LIC. The liability for the Gratuity Fund and Leave Encashment are determined on the basis of an independent actuarial valuation done at the year end. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense.

(m) 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.

(n) 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.

(o) Earnings per share

The basic earnings per share (EPS) is computed by dividing the net profit after tax for the year by the weighted average

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

(p) 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 recognized 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.

(r) 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
Segment assets and liabilities which can be identified to a segment are allocated to the respective segment. 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 unallocated assets.

(s) 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 amortized on a straight-line basis over the vesting period.

(t) Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less

(u) Amalgamation

The amalgamation has been accounted for under the "Pooling of Interest Method" as prescribed by Accounting Standard (AS-14) "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India.



NOTES TO THE FINANCIAL STATEMENTS

| | As at 31st March 2012 (No. of Shares) | As at 31st March 2012 (₹ lakhs) | As at 31st March 2011 (No. of Shares) | As at 31st March 2011 (₹ lakhs) |
|--|---|---------------------------------------|---|---------------------------------------|
|--|---|---------------------------------------|---|---------------------------------------|

NOTE 2: SHARE CAPITAL

Authorised share capital

| | | | | |
|----------------------------|-------------|----------|-------------|----------|
| Equity Shares of ₹1/- each | 400,000,000 | 4,000.00 | 200,000,000 | 2,000.00 |
|----------------------------|-------------|----------|-------------|----------|

Issued, Subscribed and Paid up

| | | | | |
|----------------------------|-------------|----------|-------------|----------|
| Equity Shares of ₹1/- each | 116,731,988 | 1,167.32 | 116,731,988 | 1,167.32 |
|----------------------------|-------------|----------|-------------|----------|

2.1 Reconciliation of number of Shares outstanding

| | | | | |
|---|-------------|----------|-------------|----------|
| As at beginning of the year | 116,731,988 | 1,167.32 | 115,874,400 | 1,158.74 |
| Add: Issue of shares on exercise of options | - | - | 857,588 | 8.58 |
| As at end of the year | 116,731,988 | 1,167.32 | 116,731,988 | 1,167.32 |

2.2 Shareholders holding more than 5% of the Shares in the Company

| | As at 31st March 2012 (No. of Shares) | As at 31st March 2012 (%) | As at 31st March 2011 (No. of Shares) | As at 31st March 2011 (%) |
|-------------------------|---|---------------------------------|---|---------------------------------|
| Mr. Venkateswarlu Jasti | 22,420,940 | 19.21 | 22,420,940 | 19.21 |
| Mrs. Sudha Rani Jasti | 20,256,312 | 17.35 | 20,226,512 | 17.33 |
| Mrs. Sirisha Jasti | 10,268,000 | 8.80 | 10,218,000 | 8.75 |
| Mrs. Madhavi Jasti | 10,550,000 | 9.04 | 10,500,000 | 8.99 |
| Ms. Kalyani Jasti | 10,550,000 | 9.04 | 10,500,000 | 8.99 |

2.3 Shares allotted as fully paid up by way of Bonus Shares for the Period of five years immediately preceding 31st March, 2012;

The Company allotted 5,76,33,250 Equity Shares as fully paid-up Bonus Shares by utilization of Securities Premium in April 2007 except this no shares have been allotted by way of bonus during the preceding period of the five years.

2.4 Rights, preferences and restrictions attached to the Ordinary Shares

The Shares of the Company, having par value of ₹1.00 per share, rank pari passu in all respects including voting rights and entitlement to dividend.

2.5 Shares reserved for issue under Options

| | As at 31st March 2012 (No. of Shares) | As at 31st March 2012 (₹ in lakhs) | As at 31st March 2011 (No. of Shares) | As at 31st March 2011 (₹ in lakhs) |
|-----------------------------|---|--|---|--|
| Equity Shares of ₹1.00 each | 1,806,060 | 461.54 | 1,735,812 | 443.59 |

Terms and Conditions of Options Granted

Each Option entitles the holder thereof to apply for and be allotted one Equity Shares of the Company of ₹1.00 each upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of three years from the date of vesting in respect of Options granted under the Suven Employee Stock Option Scheme -2004

The vesting period for conversion of Options is as follows:

On completion of 24 months from the date of grant of the Options: 25% vests

On completion of 36 months from the date of grant of the Options: 35% vests

On completion of 48 months from the date of grant of the Options: 40% vests

The Options have been granted at the 'market price' as defined from time to time under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.



NOTES TO THE FINANCIAL STATEMENTS

| Particulars | As at 31st March 2012 (₹ in lakhs) | As at 31st March 2011 (₹ in lakhs) |
|---|--|--|
| NOTE 3: RESERVES & SURPLUS | | |
| General Reserve | | |
| Opening Balance | 5,149.71 | 5,039.71 |
| Add: Additions during the year | 150.00 | 110.00 |
| Less: P&L Debit balance upto 31.12.2011 (Suven Nishtaa Pharma Pvt. Ltd.) | (1,423.10) | - |
| | <u>3,876.61</u> | <u>5,149.71</u> |
| Securities Premium Account | 4,003.10 | 3,842.76 |
| Add: Additions during the year | - | 160.33 |
| | <u>4,003.10</u> | <u>4,003.09</u> |
| Surplus in statement of Profit & Loss | | |
| Opening Balance | 2,353.62 | 1,764.81 |
| Add: Profit for the year | 1,583.38 | 1,039.95 |
| Add: Transferred from Suven Nishtaa Pharma Pvt. Ltd on account of amalgamation | (147.14) | - |
| Add: Deferred tax asset on account of amalgamation of Suven Nishtaa Pharma Pvt. Ltd. | 472.31 | - |
| | <u>4262.17</u> | <u>2804.76</u> |
| Less: Appropriations | | |
| Transfer to General Reserve | 150.00 | 110.00 |
| Proposed Dividend (Re 0.30 (2011 - Re 0.25) per share) | 350.20 | 291.83 |
| Earlier year's Dividend for 2010-11 & 2009-10 | 0.03 | 1.69 |
| Income tax on Proposed Dividend | - | - |
| - Current Year | 56.81 | 47.34 |
| - Earlier year's Provision for 2010-11 & 2009-10 | 0.01 | 0.28 |
| At the end of the year | <u>3,705.12</u> | <u>2,353.62</u> |
| T O T A L | 11,584.83 | 11,506.42 |

| | As at 31st March 2012 (₹ in lakhs) | As at 31st March 2011 (₹ in lakhs) |
|--|--|--|
| NOTE 4: LONG - TERM BORROWINGS | | |
| A) Secured | | |
| Term Loans from Banks: | | |
| Corporate Loan from State Bank of India | 1,322.20 | 198.64 |
| Secured by first and pari-pasu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | | |
| Corporate Loan from State Bank of Patiala | 1,195.31 | 1,795.30 |
| Secured by first and Pari-pasu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | | |
| Corporate Loan from Bank of India | 2,329.35 | 1,499.96 |
| Secured by first and Pari-pasu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | | |
| B) Unsecured | | |
| Term Loans from others: | | |
| Loan from Department of Science and Technology | 655.60 | - |
| T O T A L | <u>5,502.45</u> | <u>3,493.90</u> |

The schedule maturity of the Long-term borrowings is summarized as under:

| Borrowings repayable | Term Loans | Term Loans |
|--|-----------------|-----------------|
| In the first year | 1,993.04 | 713.37 |
| Current maturities of long-term borrowings (Refer Note 8) | <u>1,993.04</u> | <u>713.37</u> |
| In the second year | 2,098.40 | 1,468.64 |
| In the third to fifth year | 2,842.85 | 2,025.26 |
| After five year | 561.20 | - |
| Long-term borrowings | <u>5,502.45</u> | <u>3,493.90</u> |



NOTES TO THE FINANCIAL STATEMENTS

| | As at 31st March 2012 (₹ in lakhs) | As at 31st March 2011 (₹ in lakhs) |
|--|--|--|
| NOTE 5: LONG - TERM PROVISIONS | | |
| - for Gratuity | 72.72 | 25.84 |
| - for Leave encashment | 105.63 | 78.24 |
| T O T A L | 178.35 | 104.08 |
| NOTE 6: SHORT - TERM BORROWINGS | | |
| A. From Banks | | |
| Secured Loans | | |
| Working Capital Loans from S.B.I | 2,105.40 | 2,208.41 |
| 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. | | |
| B. Loans and advances from related parties (Unsecured) | | |
| | 180.00 | 160.00 |
| T O T A L | 2,285.40 | 2,368.41 |
| NOTE 7: TRADE PAYABLES | | |
| Micro, Small and Medium Enterprises | - | - |
| Others | 2,454.11 | 1,892.45 |
| T O T A L | 2,454.11 | 1,892.45 |
| NOTE 8: OTHER CURRENT LIABILITIES | | |
| a. Current maturities of long-term borrowings (Refer Note 4) | 1993.04 | 713.37 |
| b. Interest accrued but not due | 7.50 | - |
| c. Unclaimed Dividend | 17.10 | 14.90 |
| d. Other Payables | | |
| Advance Received from Customers | 837.62 | 14.71 |
| Liabilities for Expenses | 761.72 | 424.65 |
| Liabilities for statutory dues | 84.36 | 59.78 |
| Liabilities for Capital Works | 376.42 | 5.61 |
| T O T A L | 4,077.77 | 1,233.02 |
| NOTE 9: SHORT - TERM PROVISIONS | | |
| for Taxation | 170.73 | 16.18 |
| for Dividend | 350.20 | 291.83 |
| for Corporate Dividend Tax | 56.81 | 47.34 |
| for Gratuity | 241.62 | 178.61 |
| for Leave encashment | 81.07 | 63.83 |
| for MTM Losses | 348.06 | - |
| T O T A L | 1,248.50 | 597.79 |



NOTES TO THE FINANCIAL STATEMENTS

| Sl. No. | Particulars | GROSS BLOCK | | | | | | DEPRECIATION | | | | NET BLOCK | | |
|---------|-------------------------------|------------------|---------------------------|------------------------------------|-----------|------------|------------------|------------------|-------------------------------|--------------|------------|-----------------|------------------|------------------|
| | | AS AT 01/04/2011 | Additions during the year | Amalgamated asset as on 01/01/2012 | Total | Deductions | AS ON 31/03/2012 | As at 01/04/2011 | Amalgamated assets 01/01/2012 | For the year | Deductions | UPTO 31/03/2012 | AS AT 31/03/2012 | AS AT 31/03/2011 |
| 1 | Land - Freehold | 315.85 | 0.78 | 143.76 | 316.63 | - | 460.39 | - | - | - | - | - | 460.39 | 315.85 |
| 2 | Buildings - Office at factory | 44.78 | - | - | 44.78 | - | 44.78 | 10.64 | - | 0.73 | - | 11.37 | 33.41 | 34.14 |
| 3 | Buildings - factory | 1,903.28 | 25.00 | 1,248.24 | 1,928.28 | - | 3,176.52 | 379.59 | 74.14 | - | - | 568.49 | 2,608.03 | 1,523.69 |
| 4 | Plant and Equipment | 7,066.36 | 200.87 | 1,243.24 | 7,267.23 | - | 8,510.47 | 2,975.47 | 391.18 | - | - | 3,487.60 | 5,022.87 | 4,090.89 |
| 5 | Furniture and Fixtures | 193.67 | 1.46 | 238.55 | 195.14 | - | 433.68 | 100.58 | 16.10 | - | - | 165.36 | 268.33 | 93.09 |
| 6 | Vehicles | 154.31 | 0.58 | - | 154.89 | 2.88 | 152.01 | 76.27 | 14.61 | - | 1.52 | 89.36 | 62.65 | 78.04 |
| 7 | Office equipment | 87.74 | 1.20 | 2.34 | 88.94 | - | 91.29 | 38.60 | 4.25 | - | - | 43.21 | 48.07 | 49.14 |
| 8 | Laboratory equipment | 379.93 | 4.53 | 628.42 | 384.46 | - | 1,012.88 | 124.57 | 25.59 | - | - | 207.47 | 805.41 | 255.36 |
| 9 | E.T.P Works | 134.00 | - | 6.35 | 134.00 | - | 140.35 | 95.30 | 7.18 | - | - | 103.38 | 36.97 | 38.70 |
| 10 | Misc Fixed assets | 4.62 | - | - | 4.62 | - | 4.62 | 3.82 | 0.22 | - | - | 4.04 | 0.58 | 0.80 |
| 11 | EDP-Equipments | 367.00 | 31.39 | 74.82 | 398.39 | - | 473.21 | 319.52 | 65.79 | - | - | 424.70 | 48.51 | 47.48 |
| | Sub total | 10,651.55 | 265.81 | 3,585.72 | 10,917.36 | 2.88 | 14,500.21 | 4,124.36 | *599.79 | 1.52 | 5,104.99 | 9,395.22 | 6,527.19 | |
| 12 | R & D Equipments | 5,325.28 | 63.28 | - | 5,388.57 | - | 5,388.57 | 1,284.70 | 254.74 | - | - | 1,539.44 | 3,849.13 | 4,040.59 |
| | Total Tangible assets | 15,976.83 | 329.10 | 3,585.72 | 16,305.93 | 2.88 | 19,888.77 | 5,409.06 | 854.53 | 1.52 | 6,644.43 | 13,244.35 | 10,567.78 | |
| | Previous year | 15,579.09 | 403.98 | - | - | 6.23 | 15,976.83 | 4,623.00 | 790.58 | 4.52 | 5,409.06 | 10,567.78 | | |

Capital Work in progress for the year 2011-12 ₹2735.65 lakhs (Previous year ₹335.62 lakhs)

Depreciation on R & D Equipment of ₹254.74 lakhs has been added to R & D Expenses (Previous Year ₹246.02 lakhs)

Amalgamated Assets pertains to M/s. Suven Nishitaa Pharma Pvt. Ltd.

* depreciation for the year includes depreciation on account of amalgamation for a period of 3 months.



NOTES TO THE FINANCIAL STATEMENTS

| | As at 31st March 2012 (₹ in lakhs) | As at 31st March 2011 (₹ in lakhs) |
|--|--|--|
| NOTE 11: NON - CURRENT INVESTMENTS | | |
| A. Trade Investments - Unquoted | | |
| Investment In Equity shares of subsidiary company: Share Application in Suven Nishtaa Pharma Pvt. Ltd | - - - | 600.00 468.46 |
| B. Other Investments | | |
| a) Investment In Equity shares: 100 Equity Shares of ₹20/- each in G.S.F.C. Limited | 0.02 | 0.02 |
| b) Investment In Mutual Funds: SBI Infrastructure fund 50000 units of ₹10/- each (Previous year 50000 units) | 5.00 | 5.00 |
| c) Investment In National Savings Certificates | 0.08 | 0.13 |
| T O T A L | 5.10 | 1,073.61 |
| Aggregate value of Investments : | | |
| Quoted | | |
| - Book Value | 5.00 | 5.00 |
| - Market Value | 3.91 | 4.69 |
| Un-quoted | | |
| - Book Value | 0.10 | 1,068.61 |
| NOTE 12: DEFERRED TAX LIABILITIES/DEFERRED TAX ASSETS | | |
| Deferred Tax Liabilities | | |
| Depreciation | 2522.31 | 2319.20 |
| T O T A L | 2522.31 | 2319.20 |
| Deferred Tax Assets | | |
| Unabsorbed Losses | 4184.22 | 3036.87 |
| Provision for Gratuity and Leave Encashment | 93.70 | 43.56 |
| Disallowance under IT Act | 5.35 | 5.35 |
| T O T A L | 4283.27 | 3085.78 |
| Net Deferred Tax Liability/(Asset) | (1760.96) | (766.58) |
| NOTE 13: LONG TERM LOANS AND ADVANCES | | |
| (Unsecured, considered good, advances recoverable in cash or in kind or for value to be received) | | |
| Capital Advances | 85.26 | 3.95 |
| Security Deposits | 187.56 | 168.43 |
| T O T A L | 272.82 | 172.38 |



NOTES TO THE FINANCIAL STATEMENTS

| | As at 31st March 2012 (₹ in lakhs) | As at 31st March 2011 (₹ in lakhs) |
|--|--|--|
| NOTE 14: CURRENT INVESTMENTS | | |
| Investment In Mutual Funds: | | |
| SBI Premier Liquid Fund | 447.33 | 965.42 |
| 44588.4611 units of ₹1003.25/- each (Previous year 9622923.1207) | | |
| T O T A L | 447.33 | 965.42 |

NOTE 15: INVENTORIES

(As valued and certified by the Management)

| | | |
|--------------------|-----------------|-----------------|
| Raw Materials | 1,488.45 | 944.92 |
| Work -in - Process | 1,779.38 | 1,211.06 |
| Finished Goods | 1,118.08 | 1,003.43 |
| Stores and Spares | 264.26 | 177.15 |
| T O T A L | 4,650.17 | 3,336.56 |

NOTE 16: TRADE RECEIVABLES

Unsecured, considered good

| | | |
|---|-----------------|-----------------|
| Outstanding for a period exceeding six months | 36.11 | 34.99 |
| Others | 2,487.81 | 3,102.40 |
| T O T A L | 2,523.93 | 3,137.38 |

NOTE 17: CASH AND BANK BALANCES

Cash and Cash Equivalents:

| | | |
|-------------------------------|---------------|---------------|
| In current account | 172.09 | 177.39 |
| Cash on hand | 4.61 | 1.68 |
| | 176.70 | 179.07 |
| Other bank balances: | | |
| Earmarked balances with banks | 140.16 | 115.56 |
| | 140.16 | 115.56 |
| T O T A L | 316.86 | 294.63 |

NOTE 18: SHORT - TERM LOANS AND ADVANCES

Unsecured, considered good

| | | |
|---|-----------------|-----------------|
| Advances for Purchases | 87.33 | 96.08 |
| Advances for Expenses | 138.09 | 182.20 |
| Prepaid expenses | 89.01 | 75.36 |
| VAT Credit Receivable | 479.11 | 380.80 |
| CENVAT Credit Receivable | 538.00 | 299.86 |
| Service Tax Credit Receivable | 291.66 | 177.83 |
| MAT Credit Entitlement | 552.79 | 382.06 |
| Advance Tax and TDS(Net of Provision for Tax) | 316.32 | 51.20 |
| Other Advances | 36.57 | 58.29 |
| T O T A L | 2,528.88 | 1,703.67 |



NOTES TO THE FINANCIAL STATEMENTS

| | As at 31st March 2012 (₹ in lakhs) | As at 31st March 2011 (₹ in lakhs) |
|--------------------------------------|--|--|
| NOTE 19: OTHER CURRENT ASSETS | | |
| Interest Accrued | 12.68 | 9.75 |
| T O T A L | 12.68 | 9.75 |

| | For the year ended 31st March 2012 (₹ in lakhs) | For the year ended 31st March 2011 (₹ in lakhs) |
|---|---|---|
| NOTE 20: REVENUE FROM OPERATIONS | | |
| A. Sale of Products | 19,213.86 | 12,682.72 |
| B. Sale of Services | 1,251.90 | 2,421.51 |
| T O T A L | 20,465.77 | 15,104.23 |
| A) Sale of Products | | |
| a) Bulk Drugs | 814.59 | 1202.26 |
| b) Intermediates | 18382.79 | 11464.36 |
| c) Recoveries | 16.48 | 8.60 |
| d) Job works | 0.00 | 7.50 |
| T O T A L | 19213.86 | 12682.72 |
| B) Sale of Services | | |
| a) Collaborative Research Project | 0.00 | 1099.81 |
| b) Contract Technical Services | 372.07 | 452.33 |
| c) Clinical Trials Services | 200.59 | 121.86 |
| d) Process Development Charges | 641.19 | 747.51 |
| e) Formulation Development Charges | 38.05 | 0.00 |
| T O T A L | 1251.90 | 2421.51 |
| T O T A L (A+B) | 20465.77 | 15104.23 |

NOTE 21: OTHER INCOME

| | | |
|--|---------------|---------------|
| Interest from bank deposit (Gross) | | |
| (Tax Deducted at Source ₹1.51 lakhs Previous year ₹1.10 lakhs) | 14.57 | 10.82 |
| Dividend Income from Mutual Funds | 56.49 | 19.11 |
| Gain on forward contracts | - | 46.33 |
| Foreign Exchange Fluctuations Gain (Net) | 75.55 | 14.61 |
| Miscellaneous Receipts | 43.64 | 28.50 |
| Profit on sale of assets | - | 6.39 |
| T O T A L | 190.25 | 125.75 |



NOTES TO THE FINANCIAL STATEMENTS

| | For the year ended 31st March 2012 (₹ in lakhs) | For the year ended 31st March 2011 (₹ in lakhs) |
|--|---|---|
| NOTE 22: COST OF MATERIALS CONSUMED | | |
| 1) Raw Materials | | |
| Opening Stock | 944.92 | 709.71 |
| Purchases | 8,589.25 | 5,728.65 |
| Less: Closing Stock | 1,460.09 | 944.92 |
| TOTAL (A) | 8,074.08 | 5,493.44 |
| 2) Packing Materials | | |
| Opening Stock | 11.95 | 10.62 |
| Purchases | 76.95 | 57.74 |
| Less: Closing Stock | 17.42 | 11.95 |
| TOTAL (B) | 71.49 | 56.41 |
| T O T A L (A+B) | 8,145.56 | 5,549.85 |

Details of Major Raw material consumed

| Particulars | Year Ended 31st March 2012 | | Year Ended 31st March 2011 | |
|--|----------------------------|---------------------|----------------------------|---------------------|
| | Quantity MT. | Value ₹ In Lakhs | Quantity MT. | Value ₹ In Lakhs |
| a) 2-Amino-5-chloro-2-Fluorobenzophenone | 8.25 | 174.13 | 10.25 | 210.90 |
| b) Caustic Soda Lye | 2395.42 | 294.64 | 2358.09 | 201.59 |
| c) 3- Isochromanone | 249.90 | 2536.17 | 184.60 | 1823.05 |
| d) Methanol | 2946.00 | 723.55 | 1652.88 | 323.93 |
| e) Chloro Acetaldehyde Dimethyl Acetal | 23.54 | 111.75 | 36.46 | 164.54 |
| d) Others | - | 4233.84 | - | 2769.43 |
| T O T A L | | 8074.08 | | 5493.44 |



NOTES TO THE FINANCIAL STATEMENTS

| | For the year ended 31st March 2012 (₹ in lakhs) | For the year ended 31st March 2011 (₹ in lakhs) |
|--|---|---|
| NOTE 23: CHANGES IN INVENTORIES OF FINISHED GOODS, WORK- IN- PROGRESS AND STOCK- IN-TRADE | | |
| Opening Stock | | |
| Work - in - Progress | 1,329.29 | 950.35 |
| Finished Goods | 1,003.43 | 1,210.71 |
| TOTAL (A) | 2,332.72 | 2,161.06 |
| Closing Stock | | |
| Work - in - Progress | 1,779.38 | 1,211.06 |
| Finished Goods | 1,118.08 | 1,003.43 |
| TOTAL (B) | 2,897.46 | 2,214.49 |
| Increase in Stocks C = (B-A) | 564.74 | 53.43 |

Break-up of Stocks - Finished Goods

| Particulars | For the year ended 31st March 2012 | | For the year ended 31st March 2011 | |
|------------------|---------------------------------------|---------------------|---------------------------------------|---------------------|
| | Quantity MT. | Value ₹ In Lakhs | Quantity MT. | Value ₹ In Lakhs |
| a) Bulk Drugs | 6.199 | 89.01 | 1.324 | 31.08 |
| b) Intermediates | 86.999 | 1029.07 | 73.841 | 972.35 |
| T O T A L | 93.198 | 1118.08 | 75.165 | 1003.43 |

| | For the year ended 31st March 2012 (₹ in lakhs) | For the year ended 31st March 2011 (₹ in lakhs) |
|--|---|---|
| NOTE 24: MANUFACTURING EXPENSES | | |
| Power & Fuel | 1,404.40 | 1,066.40 |
| Consumable Stores | 41.10 | 32.66 |
| Factory Upkeep Expenses | 415.50 | 352.46 |
| Environment Management Expenses | 198.15 | 125.28 |
| Safety Expenses | 37.75 | 36.54 |
| Quality Control Expenses | 126.46 | 135.96 |
| Repairs & Maintenance: | | |
| Buildings | 11.26 | 5.04 |
| Plant & Machinery | 433.22 | 328.39 |
| T O T A L | 2,667.83 | 2,082.72 |



NOTES TO THE FINANCIAL STATEMENTS

| | For the year ended 31st March 2012 (₹ in lakhs) | For the year ended 31st March 2011 (₹ in lakhs) |
|---|---|---|
| NOTE 25: EMPLOYEE BENEFIT EXPENSES | | |
| Salaries, Wages & Bonus | 1,711.65 | 1,436.51 |
| Staff Welfare Expenses | 235.79 | 155.99 |
| Contribution to PF & Other Funds | 335.60 | 284.33 |
| T O T A L | 2,283.03 | 1,876.83 |

In accordance with Accounting Standard 15 "Employees Benefits", the Company has classified various benefits provided to employees as under:

I. Defined Contribution Plans and respective Contributions

(₹ in lakhs)

| Particulars | Employers contribution debited to P&L A/c | |
|-------------------------------------|---|-----------------------|
| | Year Ended 31.03.2012 | Year Ended 31.03.2011 |
| a. Provident Fund | 132.12 | 111.71 |
| b. State Defined Contribution Plans | | |
| i. Employees' State Insurance | 16.69 | 17.56 |
| ii. Employees' Pension Scheme, 1995 | 37.65 | 36.64 |

II. Defined Benefit Plans

- a) Disclosure relating to Employee benefits - As per AS 15 (Revised)
For defined benefit plan - Gratuity (Projected Unit Credit Method)

(₹ in lakhs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---------------------------------------|---------------------------------------|
| A. Change in present value of obligation | | |
| Present value of obligation at the beginning of the year | 349.86 | 221.40 |
| Current Service cost | 31.49 | 9.38 |
| Interest cost | 27.99 | 17.71 |
| Benefits paid | (0.09) | (3.36) |
| Net Actuarial (Gain) / Loss Recognized during the year | 72.97 | 86.86 |
| Present value of obligation at the end of the year | 482.22 | 331.99 |
| B. Changes in the Fair Value of Plan Assets | | |
| Present Value of Plan Assets at the beginning of the year | 127.54 | 93.48 |
| Expected Return on Plan Assets | 11.80 | 8.74 |
| Actuarial Gain / (Loss) | 0.00 | 0.00 |
| Contributions | 28.63 | 25.36 |
| Benefits Paid | (0.09) | (0.45) |
| Fair Value of Plan Assets at the end of the year | 167.88 | 127.54 |
| C. Net (Asset) / Liability recognized in the Balance Sheet | | |
| Present value of obligation at the end of the year | 204.45 | 127.92 |
| Fair value of Plan Assets at the end of the year | 109.89 | 76.53 |
| Funded status (surplus) / deficit | 314.34 | 204.45 |
| Net (Asset)/Liability recognized in the Balance Sheet | 314.34 | 204.45 |



NOTES TO THE FINANCIAL STATEMENTS

(₹ in lakhs)

| | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|--|---------------------------------------|---------------------------------------|
| D. Expenses recognized in the Profit & Loss Account | | |
| Service Cost | 31.49 | 9.38 |
| Interest Cost | 27.99 | 17.71 |
| Expected return on Plan Assets | (11.80) | (8.74) |
| Net Actuarial (Gain) / Loss recognized during the year | 72.97 | 86.86 |
| Total Expenses recognized in Profit and Loss account | 120.65 | 105.21 |
| Assumptions Used | | |
| Discount Rate (per annum) | 8.00% | 8.00% |
| Rate of increase in Compensation levels | 9.00% | 9.00% |
| Rate of Return on Plan Assets (for Funded Scheme) | 9.25% | 9.00% |
| Expected Average remaining working lives of employees (years) | 25.05 | 25.48 |

b) Other Employee Benefit Plan

The liability for Leave Encashment as at the year end is ₹186.70 Lakhs (previous year ₹142.06 Lakhs) and the assumptions are as same as above.

| | For the year ended 31st March 2012 (₹ in lakhs) | For the year ended 31st March 2011 (₹ in lakhs) |
|---|---|---|
| NOTE 26: RESEARCH AND DEVELOPMENT EXPENSES | | |
| Lab Maintenance | 737.30 | 617.83 |
| Patent related expenses | 475.89 | 291.23 |
| R & D Materials | 479.18 | 603.39 |
| R & D other expenses | 248.81 | 341.55 |
| R & D salaries | 1108.99 | 1014.33 |
| Depreciation | 254.74 | 246.02 |
| T O T A L | 3304.91 | 3114.35 |

NOTE 27 FINANCE COSTS

| | | |
|------------------|---------------|---------------|
| Interest Expense | 888.50 | 532.17 |
| Bank Charges | 102.43 | 78.35 |
| T O T A L | 990.93 | 610.52 |



NOTES TO THE FINANCIAL STATEMENTS

| | For the year ended 31st March 2012 (₹ in lakhs) | For the year ended 31st March 2011 (₹ in lakhs) |
|---|---|---|
| NOTE 28: OTHER EXPENSES | | |
| Administrative & Other Expenses | | |
| Rent | 100.47 | 89.65 |
| Rates & Taxes | 7.60 | 10.65 |
| Service Tax | 7.44 | 7.98 |
| Insurance | 109.35 | 71.93 |
| Communication Charges | 66.01 | 54.90 |
| Travelling & Conveyance | 234.62 | 234.46 |
| Printing & Stationery | 65.64 | 51.47 |
| Vehicle Maintenance | 27.85 | 29.93 |
| Professional Charges | 125.48 | 87.25 |
| Payments to Auditors : | | |
| towards Statutory Audit | 4.63 | 4.25 |
| towards Tax Matters | 1.50 | 1.50 |
| for other Services | 0.75 | 0.75 |
| for Expenses | 0.20 | 0.05 |
| Security Charges | 68.92 | 60.01 |
| Donations | 4.65 | 1.45 |
| Repairs & Maintenance - Others | 31.57 | 23.02 |
| Loss on Sale of Assets | 1.00 | - |
| Loss /(Gain) on Forward Contracts | 625.61 | - |
| MTM on Forward Contracts | 348.06 | - |
| General Expenses | 130.46 | 96.88 |
| TOTAL (A) | 1,961.82 | 826.13 |
| Selling Expenses | | |
| Sales Promotion | 18.99 | 21.32 |
| Advertisement | 6.75 | 4.02 |
| Carriage Outwards | 138.19 | 122.40 |
| Commission on Sales | 52.98 | 114.22 |
| TOTAL (B) | 216.91 | 261.95 |
| Clinical Trial Services Expenses (C) | 90.81 | 30.21 |
| Total other expenses (A+B+C) | 2269.54 | 1118.29 |



NOTES TO THE FINANCIAL STATEMENTS

NOTE 29: ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

29.1 Contingent Liabilities

| Particulars | (₹ in lakhs) | |
|---|-----------------------|-----------------------|
| | Year Ended 2011-12 | Year Ended 2010-11 |
| Corporate Guarantee given on behalf of Suven Nishtaa Pharma Private Limited | Nil | 2375.00 |
| Un expired Letters of Credit | 358.71 | 478.31 |
| Disputed Service Tax demands against which company is in appeal | Nil | 38.25 |
| Disputed VAT demands against which company is in appeal | Nil | 7.53 |

29.2 Capital commitments not provided for on account of pending execution [net of advance ₹225.19 Lakhs (Previous year ₹2.80 Lakhs)]

29.3 During the year Unclaimed Dividend pertaining to 2003-04 amounting to ₹0.91 Lakhs has been transferred to Investor Education and Protection Fund. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as of 31st March 2012 (Previous year Nil).

29.4 There are no delays in payments to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006. The information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

29.5 Managerial Remuneration:

| Particulars | (₹ in lakhs) | | | |
|--------------------------------|----------------|--------------|---------------------|--------------|
| | Chairman & CEO | | Whole-time Director | |
| | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| Salary & Allowances | 48.00 | 48.00 | 36.60 | 36.60 |
| Commission | 0.00 | 0.00 | 0.00 | 0.00 |
| Contribution to Provident Fund | 5.76 | 5.76 | 4.39 | 4.39 |
| Perquisites | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL | 53.76 | 53.76 | 40.99 | 40.99 |

The Company has paid a minimum remuneration of ₹4.00 Lakhs per month to Mr. Venkateswarlu Jasti, Chairman & CEO of the Company and ₹3.05 Lakhs per month to Mrs. Sudha Rani Jasti, Whole-time Director of the Company for the financial year ending 31st March 2012.

The above remuneration excludes provision for gratuity, since the liability is determined for all the employees on an independent actuarial valuation basis. The specific amount of gratuity Directors cannot be ascertained separately.

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

29.7 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.



NOTES TO THE FINANCIAL STATEMENTS

The movement in options during the year ended March 31, 2012 is set out below:

| Particulars | Year Ended | Year Ended |
|--|----------------------------|----------------------------|
| | 2011-12 (No. of Shares) | 2010-11 (No. of Shares) |
| Options outstanding at the beginning of the year | 17,35,812 | 24,19,880 |
| Add: Granted during the year | 5,00,000 | 2,00,000 |
| TOTAL | 22,35,812 | 26,19,880 |
| Less: Lapsed | 4,29,752 | 26,480 |
| Converted into equity shares | Nil | 8,57,588 |
| Options outstanding at the end of the year | 18,06,060 | 17,35,812 |

29.8 Excise Duty amounting to ₹18.38 Lakhs 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.

29.9 Hedging and Derivatives

Company has entered into Forward Exchange contract, being derivative instruments for hedging purpose and not intended for trading or speculation purposes, to establish the amount of currency in Indian Rupees required or available at the settlement date of certain payables and receivables. The following are the outstanding Forward Exchange Contracts as on 31st March 2012, entered into by the company;

| Foreign Currency | Buy or Sell | No. of Contracts | Cross Currency | Amounts in USD | |
|------------------|-------------|------------------|----------------|----------------|-------------|
| | | | | 2011-12 | 2010-11 |
| USD | Sell | 11 | Indian Rupees | \$95,00,000 | \$12,50,000 |

NOTE 30: SEGMENT REPORTING

A) Primary Segment:

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) Manufacturing (CRAMS)
 - b) Services (DDDSS)
 - c) Research and Development
- I. Manufacturing (CRAMS) - Bulk Drugs & Intermediates under contract services products are developed and produced on an exclusive basis under contract manufacturing services
 - II. Services (DDDSS) - Which consists of Collaborative Research Projects (CRP), Clinical Trials and Testing and Analysis services



NOTES TO THE FINANCIAL STATEMENTS

B) Secondary Segment:

Geographical Segment

The Company has identified the following geographical reportable segments:

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

(₹ in lakhs)

| Particulars | Manufacturing (CRAMS) | Services (DDDSS) | Research and Development | Un allocated | Total |
|----------------------------|-------------------------------|-----------------------------|--------------------------|-----------------------|-------------------------------|
| Segment Revenue | | | | | |
| External Sales | 19168.88 (12614.38) | 1251.90 (2429.01) | - - | - - | 20420.78 (15043.39) |
| Inter segmental Adjustment | - | - | - | - | - |
| Total | 19168.88 (12614.38) | 1251.90 (2429.01) | - - | - - | 20420.78 (15043.39) |
| Segment Result | | | | | |
| Operating Profit | 6507.91 (3494.25) | 531.83 (1063.51) | -3304.91 (-3114.35) | -2122.40 (-711.53) | 1612.43 (731.88) |
| Other Income | - | - | - | - | 190.25 (125.75) |
| Interest Expense | - | - | - | - | 888.50 (532.17) |
| Income Tax -Current Tax | - | - | - | - | 171.60 |
| Previous Current Tax | - | - | - | - | -0.87 (16.18) |
| Deferred Tax | - | - | - | - | -522.06 (-722.32) |
| MAT Credit entitlement | - | - | - | - | -170.73 (-8.36) |
| Net Profit | - | - | - | - | 1436.24 (1039.95) |
| Segment Assets | | | | | |
| Segment Assets | 17446.83 (14024.31) | 3681.82 (919.78) | 3988.33 (4167.95) | 3381.74 (3251.34) | 28498.72 (22363.38) |
| Segment Liabilities | | | | | |
| Segment Liabilities | 6622.67 (1948.60) | 376.65 (289.82) | 1728.73 (661.00) | 1337.72 (214.54) | 10065.77 (3113.96) |
| Capital Expenditure | 265.81 (179.54) | 3585.72 - | 63.28 (224.44) | - - | 3914.81 (403.98) |
| Depreciation | 465.44 (458.97) | 86.90 (42.79) | 254.74 (246.02) | 47.45 (42.79) | 790.57 (790.57) |

*Capital expenditure related to Amalgamation of Suven Nishtaa Pharma Pvt. Ltd



NOTES TO THE FINANCIAL STATEMENTS

(₹ in lakhs)

| Country | Revenue | | Location of Assets | | Additions to Fixed Assets | |
|--------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------------------|--------------------------|
| | Year Ended 31.03.2012 | Year Ended 31.03.2011 | Year Ended 31.03.2012 | Year Ended 31.03.2011 | Year Ended 31.03.2012 | Year Ended 31.03.2011 |
| INDIA | 1036.74 | 1442.02 | 19867.82 | 15959.51 | 3911.18 | 403.98 |
| U S A | 6291.27 | 4483.97 | 20.95 | 17.32 | 3.63 | 0.00 |
| EUROPE | 11698.14 | 6783.95 | 0.00 | 0.00 | 0.00 | 0.00 |
| Others | 1394.63 | 2333.45 | 0.00 | 0.00 | 0.00 | 0.00 |
| TOTAL | 20420.78 | 15043.39 | 19888.77 | 15976.83 | 3914.81 | 403.98 |

NOTE 31: RELATED PARTY DISCLOSURES

A) Related Parties

1. Subsidiary : Suven Nishtaa Pharma Pvt. Ltd
2. Key Managerial Personnel : Mr. Venkateswarlu Jasti
Mrs. Sudha Rani Jasti

B) Transactions with the Related Parties:

(₹ in lakhs)

| Particulars | Subsidiary | Key Managerial Personnel | Total |
|----------------------------|-------------------|--------------------------|---------------------|
| Remuneration | - | 94.90 (94.90) | 94.90 (94.90) |
| Guarantees and Collaterals | 0.00 (2375.00) | - | 0.00 (2375.00) |
| Finance | 0.00 (1068.46) | 180.00 (160.00) | 180.00 (1228.46) |
| Sale | 0.00 (10.71) | - | 0.00 (10.71) |
| Balance outstanding | - | 180.00 (160.00) | 180.00 (160.00) |

Note: Figures in bracket indicates previous year figures

NOTE 32: AMALGAMATION OF M/S. SUVEN NISHTAA PHARMA PVT. LTD.

In terms of the Scheme of Amalgamation & Arrangement (Scheme) approved by orders dated 10.07.2012 of Hon'ble High Court of Andhra Pradesh, M/s. Suven Nishtaa Pharma Private Limited (Nishtaa) a wholly owned subsidiary whose core business is to carry on the business of Pharmaceutical Formulations contract services has been amalgamated with the Company with effect from 1st January, 2012.

The amalgamation has been accounted for under the "Pooling of Interest Method" as prescribed by Accounting Standard (AS-14) "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India.

In accordance with the said scheme all the assets, debts, liabilities, duties and obligations of "Nishtaa" have been vested in the Company with effect from 1st January, 2012 and have been recorded at their respective book values under pooling of Interest method of accounting for amalgamation. There were no differences in the accounting policies of "Nishtaa" and the Company.



NOTES TO THE FINANCIAL STATEMENTS

NOTE 33: EARNINGS PER SHARE

| Particulars | Year ended 31-03-2012 | Year ended 31-03-2011 |
|---|--------------------------|--------------------------|
| Net Profit after tax available for Equity shareholders (₹ in Lakhs) | 1436.24 | 1023.18 |
| Weighted average of number of Equity shares outstanding during the year | 11,67,31,988 | 11,65,47,325 |
| Basic and Diluted Earnings per Equity share (Re.1/- Face Value) | 1.23 | 0.89 |

NOTE 34: OTHERS

| A) Value of Imports on C I F basis | | (₹ in lakhs) | |
|------------------------------------|-------------------------------|-------------------------------|--|
| Particulars | Year Ended 31st March 2011 | Year Ended 31st March 2011 | |
| a) Raw Materials | 3056.04 | 2146.12 | |
| b) Components and Spare Parts | 37.18 | 257.86 | |
| B) Expenditure in Foreign Currency | | (₹ in lakhs) | |
| Particulars | Year Ended 31st March 2011 | Year Ended 31st March 2011 | |
| Travel | 56.42 | 71.85 | |
| Dividend | 10.89 | 1.40 | |
| Sales Commission | 52.45 | 111.24 | |
| Foreign Branch Expenses | 380.85 | 271.23 | |
| Research & Development Expenses | 444.11 | 249.81 | |
| TOTAL | 944.72 | 705.53 | |

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

| Particulars | Year Ended 31st March 2012 | | Year Ended 31st March 2012 | |
|-----------------------------|----------------------------|---------------|----------------------------|---------------|
| | Value ₹ In Lakhs | % to Total | Value ₹ In Lakhs | % to Total |
| a) Raw Materials | | | | |
| i) Imported | 2696.43 | 33.40 | 1966.07 | 35.79 |
| ii) Indigenous | 5377.65 | 66.60 | 3527.37 | 64.21 |
| TOTAL | 8074.08 | 100.00 | 5493.44 | 100.00 |
| b) Stores and Spares | | | | |
| i) Imported | - | - | - | - |
| ii) Indigenous | 41.10 | 100.00 | 32.66 | 100.00 |
| TOTAL | 41.10 | 100.00 | 32.66 | 100.00 |



NOTES TO THE FINANCIAL STATEMENTS

D. Dividend remittances in foreign currency

| Year of Remittance | On Account of Financial Year | No. of Non-Resident Shareholders | No. of Shares held | Amount of Dividend (₹ in Lakhs) |
|--------------------|------------------------------|----------------------------------|--------------------|---------------------------------|
| 2011/2012 | 2010/2011 | 9 | 4357900 | 10.89 |
| 2010/2011 | 2009/2010 | 8 | 561200 | 1.49 |

E) Earnings in Foreign Currency

(₹ in lakhs)

| | Year Ended 31st March 2012 | Year Ended 31st March 2011 |
|----------------------|-------------------------------|-------------------------------|
| FOB Value of Exports | 18178.04 | 11195.89 |

NOTE 35:

On account of the Amalgamation of M/s. Suven Nishtaa Pharma Private Limited with the company w.e.f 01.01.2012, previous year figures are not comparable with the current year figures.

NOTE 36:

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

Signatures of Note 1 to 36

As per our report of even date
for **KARVY & CO.**
Chartered Accountants
(Firm Reg. No.001757S)

for and on behalf of the Board of Directors

K. AJAY KUMAR
Partner
(M.No. 021989)

VENKATESWARLU JASTI
Chairman & C E O

SUDHA RANI JASTI
Whole-time Director

Place : Hyderabad
Date : 14th August 2012

K. HANUMANTHA RAO
Company Secretary



NATIONAL ELECTRONIC CLEARING SERVICE (CREDIT CLEARING) MANDATE FORM

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

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

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

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

Place:

Date:

Signature of the Shareholder

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

Banks Stamp

Date:

Signature of Authorized Official of the Bank

Note:

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



E-COMMUNICATION REGISTRATION FORM

To

Karvy Computershare Private Limited
 (Unit: Suven Life Sciences Limited)
 Plot no.17 to 24, Vittalrao Nagar,
 Madhapur, Hyderabad - 500 081

Dear Sir/Madam,

RE: Green Initiative in Corporate Governance

I agree to receive all communication from the Company in electronic mode. Please register my e-mail id in your records for sending communication through e-mail.

Folio No. : _____

DP ID : _____

Client ID : _____

PAN : _____

Name of 1st Registered Holder : _____

Name of Joint Holder(s) : _____

Registered Address : _____

E-mail ID : _____

Date: _____ Signature of the first holder : _____

Important Notes:

- 1) On registration, all the communication will be sent to the e-mail ID registered in the folio/DP ID & Client ID.
- 2) Shareholders are requested to keep company informed as and when there is any change in the e-mail address. Unless the email Id given above is changed by you by sending another communication in writing, the company will continue to send the notices/documents to you on the above mentioned email ID.



SUVEN LIFE SCIENCES LIMITED

Regd. Off: SDE Serene Chambers, Road No.5, Avenue 7, Banjara Hills, Hyderabad - 500 034

ATTENDANCE SLIP

Please complete this Attendance Slip and hand It over at the entrance of the Meeting Hall

| | | |
|-----------------------------|--|--|
| DP ID No. | | NAME AND ADDRESS OF THE REGISTERED SHAREHOLDER |
| Client ID No./ Folio No. | | |
| No. of Shares | | |

I/We hereby record my/our presence at the 23rd Annual General Meeting to be held on **Thursday the 27th day of September 2012 at 10.00 a.m. at KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce & Industry [FAPCCI], 11-6-841, Red Hills, Hyderabad -500 004.**

Signature of Shareholder/Proxy



SUVEN LIFE SCIENCES LIMITED

Regd. Off: SDE Serene Chambers, Road No.5, Avenue 7, Banjara Hills, Hyderabad - 500 034

PROXY FORM

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 Twenty third Annual General Meeting to be held on Thursday the 27th day of September, 2012 at 10.00 a.m. at KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce & Industry [FAPCCI], 11-6-841, Red Hills, Hyderabad -500 004, and at any adjournment thereof.

Signed this _____ day of _____ 2012

| | | | |
|-----------------------------|--|-----------------|------------------------------------|
| DP ID No. | | Signature _____ | Affix ₹1.00 Revenue Stamp |
| Client ID No./ 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.



Health Camp



Formulation Development Centre