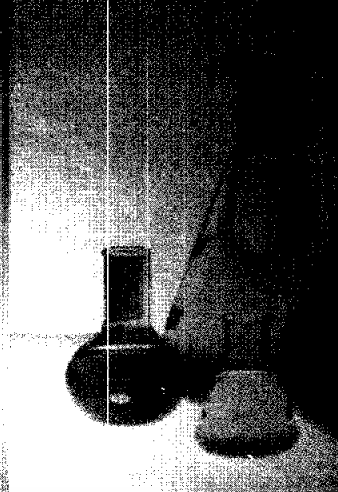


12th
ANNUAL REPORT
2000-2001

Going beyond commitment,

We deliver.



SUVEN

PHARMACEUTICALS LIMITED



A NEW BEGINNING IN THE NEW MILLENNIUM



Dear Friends,

All of you are aware of the path Suven has taken in achieving its stated goal of becoming New Drug Discovery Company.

The year 2000 - 01 is a banner year for Suven. After 6 years of hard work, your Company could show the fruits of the work. The full potential is yet to be capitalized on. It needs another 2-3 years of nurturing and base loading of the activities. Until that time steep fluctuations both in sales and profits will occur. The business model of your Company will give good results and shareholder value only when we attain the critical mass. Till such time growth will be erratic and you could see the same being reflected in the results of the current year. It is very difficult for the management to explain and the stakeholders to understand this kind of fluctuations. But it is the firm belief of the management that the path chosen by your company will certainly keep your company at the top in the near future.

The new era of IPR regime is fast approaching and for your company to be successful, it should expand its activities and upgradation of the facilities. During the year we have started a new synthesis lab with enhanced analytical capabilities while upgrading some of the manufacturing capabilities. To meet the new challenges, we are in the process of upgrading the pilot plant to cGMP levels and constructing a cGMP kilo lab during the current year. Added to this we are building a cGMP manufacturing facility in the form of subsidiary, Suven Synthesis Limited. With the completion of all the developmental activities, your company can start working on the regulated products to pre-clinical, clinical and value added advanced intermediates for NCEs. The next goal of your company will be to prepare for the activity of Drug Discovery after attaining critical mass by providing people and facilities.

— Venkat Jasti
Managing Director

Board of Directors



| | |
|--------------------------|--|
| Shri Bodhishwar Rai | Chairman |
| Shri Venkateswarlu Jasti | Managing Director |
| Dr. M.R. Naidu | |
| Dr.Ramaiah Muthyala | |
| Dr.Hargovind Rathore | |
| Smt. Sudha Rani Jasti | Wholetime Director |
| Dr.S.Ramachandran | (Alternate Director to Dr.Ramaiah Muthyala) |
| Shri Anand Chatorikar | (Alternate Director to Dr.Hargovind Rathore) |

AUDITORS

M/s. Karvy & Company
No.2, Bhooma Plaza, Street No.4
Avenue 7, Banjara Hills
Hyderabad - 500 034.

BANKERS

M/s. State Bank of India
Overseas Branch
Abids, Hyderabad.

REGISTERED OFFICE

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

WORKS

1. Dasaigudem
Suryapet, Nalgonda (Dist). A.P.
2. Plot No.18/B, Phase III
IDA Jeedimetla
Hyderabad - 500 055.

REGISTRARS & SHARE TRANSFER AGENTS

M/s. Karvy Consultants Limited
"Karvy House", 46, Avenue 4,
Street No.1, Banjara Hills,
Hyderabad - 500 034.

Suven Pharmaceuticals Limited

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Notice



Notice is hereby given that the 12th Annual General Meeting of the Members of Suven Pharmaceuticals Limited will be held on Wednesday the 31st October, 2001 at 3.00 p.m. at Hotel Green Park, Green lands, Begumpet, Hyderabad -500 016 to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2001 and the Audited Profit & Loss Account for year ended 31st March, 2001 together with Director's Report and Auditor's Report thereon.
2. To declare a Dividend
3. To appoint a director in place of Shri Bodhishwar Rai, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint M/s. Karvy & Co., Chartered Accountants, Hyderabad, the retiring Auditors as Auditors for the year 2001-2002 and fix their remuneration.

By Order of the Board

Place : Hyderabad
Date : 31st July, 2001

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 to 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/mandate/bank details immediately to the Registrars and Transfer Agents M/s.Karvy Consultants Ltd., Hyderabad and in case of Members holding shares in electronic form are requested to notify any change in mailing address 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 16th October 2001 to 22nd October 2001(both days inclusive). Share transfer requisitions received at M/s. Karvy Consultants Ltd., or at the Registered Office of the Company by 5.30 p.m. on 15th October 2001 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 16th October 2001 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 at the close of the business hours on 15th October 2001.

Director's Report



Your Directors have pleasure in presenting their 12th Annual Report together with Audited Accounts of the Company for the Year ended 31st March, 2001

Your management is committed to adopt globally accepted accounting practices. The financial statements for the year ended March 31, 2001 prepared in compliance with US GAAP are included in this Annual Report.

FINANCIAL RESULTS

| | Current Year ended 31-03-2001 (Rs in Lakhs) | Previous Year ended 31-03-2000 (Rs in Lakhs) |
|------------------------------------|--|---|
| Sales and other incomes | 6106 | 3611 |
| Gross Profit | 2246 | 754 |
| Less: Interest | 120 | 199 |
| Depreciation | 115 | 97 |
| Profit before Tax | 2011 | 458 |
| Less: Provision for Taxation | 260 | 43 |
| Profit after Tax | 1751 | 415 |
| Add: Balance brought forward | 126 | 90 |
| Profit available for appropriation | 1877 | 505 |
| Appropriations: | | |
| Dividend | 160 | 115 |
| Dividend tax | 16 | 14 |
| Transfer to General Reserve | 1500 | 250 |
| Balance carried forward | 201 | 126 |

REVIEW OF OPERATIONS

During the financial year 2000-2001, your Company has achieved a most remarkable growth record. There is a quantum jump in the total sales by 71%, and the net profit by 325%, resulting in 321.36% improvement in EPS to Rs 43.78. This sudden spurt has to be understood in terms of the very nature of Company's business model CRAMS (Contract Research and Manufacturing Services) wherein the results of our ongoing innovative research and development will be converted into income in a particular year. Such a growth, however, may not necessarily be repeated in the next year but could surely be sustained over the years to come.

Exports remain our thrust area with 80.69% of the total sales and your company continues to be a net foreign exchange earner.

DIVIDEND

Your Directors are pleased to recommend a higher dividend at a rate of 40%(previous year 30%) for the year ended 31st March, 2001. The noticeable increase in dividend by 10% over the previous year's dividend needs to be appreciated in terms of your Company's growth strategy and is not linked to the exceptional surge in revenues for the year 2000-2001. 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 16th October 2001.

MARKETING

During the year, our normal sales were maintained. We achieved a special breakthrough in the innovative intermediates market by commercialising two of the intermediates for the New Chemical Entities (NCE) market, which gave a one time phenomenal growth both in terms of sales and net profits. Our marketing strategies are committed to this field, so that this kind of growth can be achieved year to year, hopefully by 2004-2005.

RESEARCH AND DEVELOPMENT

Suven Pharmaceuticals Limited continues its path of developing intermediates for New Chemicals Entities (NCE's) under co-operation and secrecy agreements on an exclusive basis with many of the global life science companies. The

Suven Pharmaceuticals Limited

Director's Report

small pilot plant in Jeedimetla Industrial Estate, Hyderabad acquired by the Company last year has now become operational. We have already started upgrading the facility and bulk of the upgradation will take place during the current financial year.

The total R&D expenses for the year were at a higher figure of Rs 165.57 Lakhs (last year Rs118.91 Lakhs) which as a percentage to Company's total sales is 2.75%.

QUALITY ASSURANCE

During the year, your company made considerable progress in maintaining and improving the quality standards. Also the company has since successfully achieved the re-certification of ISO 9002.

ENVIRONMENT

Your company continues to give utmost importance to environment protection and for this purpose we had during the year worked diligently to reduce the pollution load. As a part of Clean and Green effective measures were taken in implementing the recycling of recovered wastewater, thus reducing the load on the environment.

SAFETY

During the year your company conducted several safety training programmes. Also to further involve the employees, a friendly contest was held for safety management to which the response was overwhelming. Certificates of appreciation were distributed to the participants.

MODERNIZATION & UPGRADATION

During the year, the aggregate capital expenditure is Rs 338.72 lakhs and modernization and upgradation continue to be thrust area for us. Your Company plans to plough back good part of profits of the year under review for meeting the cost of modernization and upgradation of various manufacturing facilities. The Programme also includes the upgradation and expansion of R&D facilities at Jeedimetla Industrial Estate.

FUTURE PLANS

In furtherance of Company's plans for previous years, we have started the work of building a new R&D Lab, a cGMP kilolab and upgradation of existing pilot plant into cGMP level. All the works have since achieved good progress.

SOCIAL RESPONSIBILITY

During the year, the company contributed to various charity activities which include Gujarat Earth Quake Relief, Professional and Sports association activities and supporting irrigation schemes to the neighbouring villages.

DEVELOPMENTS AFTER BALANCE SHEET DATE

The Board of Directors met on 30th April 2001, and allotted 4,00,000 Equity Shares of Rs 10/- each at a premium of Rs 240/- per share to M/s Borregaard Industries Limited - the strategic alliance, in pursuance of the Resolution passed by the Company in its Extra Ordinary General Meeting held on 6th February, 2001

DIRECTORS

As per the provisions of the Companies Act, and Articles of Association of the Company, Shri Bodhishwar Rai, Chairman, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Dr Hargovind Rathore who has been on our Board, will now become a representative director of M/s Borregaard Industries Limited. Mr Anand Chatorikar was appointed as Alternate Director to Dr Hargovind Rathore in the Board Meeting held on 31st July, 2001.

INVESTOR SERVICE

Your Company will continue with M/s Karvy Consultants Limited as Registrar and Share Transfer Agents. They can be contacted at 46, Avenue 4, Street No 1, Banjara Hills, Hyderabad - 500 034 (Ph: 3312454, 3320751, 3320752, Fax: 3311968) for any matter relating to shares.

Director's Report

The Shares of the Company are listed on The Stock Exchange, Mumbai and The Hyderabad Stock Exchange Limited. In furtherance of investor-interests, the company has applied for listing of its Shares on the National Stock Exchange and its approval is awaited.

Your company has fulfilled all the formalities with the Depository for trading of its shares in De-mat mode. The shareholders are therefore requested to De-mat their shares in their best interests.

CORPORATE GOVERNANCE

Under the Listing Agreement, the Company is required to implement Corporate Governance from the financial year 2001-2002 and the Board of Directors have initiated the process. A detailed compliance report in this regard will be presented in the next Annual Report.

COST AUDIT

In pursuance of Section 233(B) of the Companies Act, 1956, the Central Government has directed the audit of Cost Accounts of your Company from the Financial Year 2000-2001. The Cost Audit is under process. The Company will submit the Cost Audit Report to the Central Government within the prescribed time limits.

DIRECTORS RESPONSIBILITY STATEMENT

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

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) Accounting policies have been selected and applied consistently and judgements and estimates made 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 or loss of the Company for that period.
- iii) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) The Annual Accounts have been prepared on a going concern basis.

PUBLIC DEPOSITS

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

AUDITORS

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

PERSONNEL

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

| Name of Employee | Age | Designation | Gross Remuneration | Qualification | Experience in years | Date of Commencement | Particulars of last Employment |
|------------------------|-----|---------------------|--------------------|---------------------------------|---------------------|----------------------|--------------------------------|
| 1. Jasti Venkateswarlu | 52 | Managing Director | 31,52,145 | M.Pharm., M.S (Indus. Pharmacy) | 27 Years | 09-03-1989 | Business in U.S.A |
| 2. Jasti Sudha Rani | 47 | Whole Time Director | 16,75,673 | B.Sc | 25 Years | 09-03-1989 | Business in U.S.A |

Director's Report

**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 customers, vendors, bankers 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 employees at all levels that have enabled your Company to achieve an excellent performance.

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
for **SUVEN PHARMACEUTICALS LIMITED**

Place : Hyderabad
Date : 31st July, 2001

Bodhishwar Rai
Chairman

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.

| | Current Year ending 31.03.2001 | Previous Year ending 31.03.2000 |
|---|--------------------------------------|---------------------------------------|
| I Power and Fuel Consumption | | |
| 1. Electricity | | |
| a) Purchased Units | | |
| In kWh | 34,47,213 | 26,65,867 |
| Total Amount | Rs 1,52,27,277 | Rs 1,07,77,189 |
| Rate/Unit | Rs 4.42 | Rs 4.04 |
| b) Own generation-Diesel Generator | | |
| Units in kWh | 9,34,456 | 5,71,806 |
| Units/Liter of Diesel Oil | 3.22 | 3.18 |
| Cost/Unit | Rs 4.59 | Rs 3.47 |
| 2. a) Steam Coal 'C' Grade Used in Boiler to generate steam for the process: | | |
| Quantity (in MTS) | 5010.43 | 3121.64 |
| Total cost | Rs 97,06,010 | Rs 67,48,771 |
| Average Rate/MT | Rs 1937.16 | Rs 2161.93 |
| c) Consumption per unit of Production | | |

Since the Company is manufacturing different products using the same facilities at the same time, it is not practicable to give consumption per unit of production.

Annexure to the Directors' Report

**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 Directors' Report.

I Research and Development

1. Specific areas in which R&D is carried out by the Company.
 - Process optimisation of newly developed products.
 - Innovative process development of new intermediates.
 - Emphasis on Eco-Friendly Technologies.
2. Benefits derived as a result of the above R&D.
 - Process optimisation lead to effective scale up for 3 newly developed products.
 - 10 new intermediates developed during the year.
 - Reduction of pollution load on environment.
3. Future plan of Action.
 - To meet the global standards in current Good Manufacturing Practices (cGMP's) as per ICH Guidelines, upgradation and modernisation of both manufacturing and R&D facilities.
4. Expenditure on Research and Development.

| | Rs. |
|--|-------------|
| a) Capital | 61,14,590 |
| b) Recurring | 1,04,42,471 |
| c) Total | 1,65,57,061 |
| d) Total R&D Expenditure as a percentage of Total Turnover | 2.75 |

II Technology Absorption, Adoption and Innovation

1. Efforts, in brief, made towards technology absorption, adoption and innovation.
 - The Company has adopted innovative process in the manufacturing of its products.
 - Eco-friendly technologies attempted with recycling of waste water.
2. Benefits derived as a result of the above efforts, e.g product improvement, cost reduction, product development, import substitution, etc.
 - Innovative process lead to the reduction in the cost.
 - Reduction of pollution load on the environment.
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 | NA |
| 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 therefor and future plans of action. | NA |

Annexure to the Directors' Report

**FOREIGN EXCHANGE EARNINGS & OUTGO**

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.

| | Current year ending 31.03.2001 | Previous Year ending 31.03.2000 |
|--|--------------------------------------|---------------------------------------|
| 1. Earnings in Foreign Exchange during the year | | |
| F.O.B value of Exports | 48,09,39,877 | 19,40,84,528 |
| 2. C.I.F value of Imports (on cash basis) | | |
| Raw material | 15,50,87,257 | 8,45,35,653 |
| Capital Goods | — | — |
| Spare parts, Components & Consumables | 13,65,615 | — |
| 3. Expenditure in Foreign currency During the year (on cash basis) | | |
| Travelling Expenses | 29,21,551 | 16,07,488 |
| Interest and Bank Charges | — | — |
| Sales Commission | 94,02,687 | 1,14,60,264 |
| Others | — | — |
| 4. Dividend Remittances in Foreign Currency during the year | 4,54,200 | 4,45,680 |
| 5. Total Foreign Exchange used (2+3+4) | 16,92,31,310 | 9,80,49,085 |

Report

On behalf of the Board

for **SUVEN PHARMACEUTICALS LIMITED**

Place : Hyderabad
Date : 31st July, 2001

Bodhishwar Rai
Chairman