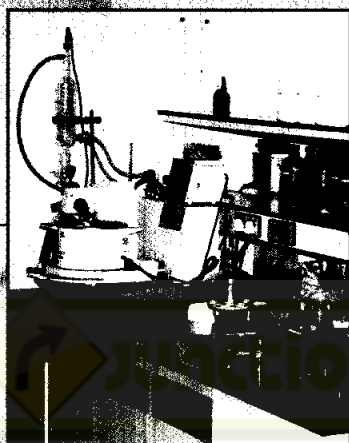


Going beyond commitment,
We deliver.



SUVEN
PHARMACEUTICALS LIMITED





On the Move

Dear Shareholders,

The Indian Pharmaceutical Industry is now gearing up for a huge opportunity that will be thrown up by the introduction of product patent law by 2005. New Drug Discovery costs about \$ 800 mn over a period of 10-12 years and the success factor is extremely low. The high cost, as well as the high risk, is forcing global leaders to look at outsourcing R&D from India with a view to bring down costs.

This trend fits perfectly with the Contract Research and Manufacturing Services (C-R-A-M-S) business model adopted by your company way back in 1994. Today we are proud to be associated with 22 global life science and fine chemical companies by developing and supplying cost effective pharmaceutical and agrochemical intermediates for New Chemical Entities (NCE's), meeting world standards in quality, speed and respect for the environment.

Suven was probably the first company from India to focus on Contract Research leading to manufacture and supply of intermediates for NCE's as a thrust area. While the initial growth in this model is slow, as sales volumes are low during clinical trials, revenues pick up rapidly during registration and commercial launching.

The most important feature of this model is that Suven becomes an exclusive supplier of intermediates from India when the NCE goes into a commercial launch till the expiry of the patent. In fact, Suven becomes one of the three exclusive suppliers of that intermediate on a world wide basis. The perils and pitfalls inherent to a Drug Discovery Program, like the suspension of clinical trials of Dr. Reddy's DRF 2725, are part and parcel of our business model as

well. The sales volumes could surge when any of the NCE's for which we have developed intermediates, is launched commercially. Similarly, volumes could shrink if any of the products, that we are associated with, are suspended during Clinical Trials.

The sharp swings in our performance during the last three years has clearly brought out the volatility of our business model. Our revenues had grown sharply from Rs. 35.41 crores in 1999-00 to Rs. 60.37 crores in 2000-01 primarily because two of our intermediates moved into the commercial phase. The sales and profits have shrunk considerably in 2001-02 because none of our products were involved in a commercial launch. I must also admit, that the decline in sales volumes was higher than expected due to lower sales volume from the products that were commercialized in 2000-01. However, the soundness of this business model is evident from the fact that the net profit of Rs. 8.21 crores for the year 2001-02 shows a growth of 97% over the net profit of Rs. 4.16 crores for 1999-00, despite a substantial decline from the net profit of Rs. 17.51 crores achieved in 2000-01

The success of a few products can do wonders for your company, while there is a steady growth from the contract research pipeline. Today we have six intermediates in the clinical trials Phase III and another twenty in Phase II. The confidence of our customers will increase the research pipeline with better R&D facilities from our side and the introduction of product patent laws in India.

This is just the beginning and we have a long way to go. We are investing a lot in building our R&D and manufacturing facilities. In 2001 we had commissioned the Suven Research Centre (SRC). A cGMP lab was commissioned in May 2002 at the SRC. We are now in the process of building a cGMP pilot plant and a kilo lab, which are expected to be fully operational within 12 months. The cGMP manufacturing facility in Suven Synthesis Limited is expected to be fully operational by the end of this financial year.

Our strategy over the next two years is to build world-class research and manufacturing facilities, and also develop and harness the best talent in research activity to prepare ourselves for achieving a leadership position in the 'C-R-A-M-S' business model and becoming a Drug Discovery Partner to global life science companies by 2005.

VENKAT JASTI
MANAGING DIRECTOR

MILESTONES OVER THE YEARS

• 1989	Suven was incorporated & bought a sick unit from APSFC situated at Suryapet
• 1990	Commenced operations
• 1991	Expanded into Fine Chemical Intermediates.
• 1992	Commenced export of Fine Chemical Intermediates
• 1994	Initiation of 'C-R-A-M-S' business model (Contract Research and Manufacturing Services)
• 1995	Went Public (IPO)
• 1996	First sales from 'C-R-A-M-S'
• 1997	ISO 9002 certification
• 1999	Recognition as an Export House
• 1999	Acquired a Drug Unit at Hyderabad, converted into Research centre and Pilot Plant
• 2000	First commercial success of 'C-R-A-M-S'
• 2001	New Suven Research Centre (SRC) inaugurated at Hyderabad
• 2001	Recognition of SRC as in-house R&D unit by DSIR, India
• 2001	Borregaard takes equity stake
• 2002	cGMP Lab at SRC commissioned

PERFORMANCE HIGHLIGHTS

CONTRACT RESEARCH PIPELINE

	2001-02	2000-01
Total no. of products since 1994	202	192
Number of active products	37	32
Number of new products added during the year	10	7
Number of products dropped during the year	5	2
Number of products in Clinical Trials Phase III	6	4
Number of products in Clinical Trials Phase II	20	19
Number of products in Clinical Trials Phase I	11	9
Number of products commercialised	*	2
Number of new customers added	3	2

BUSINESS MIX

	2001-02	2000-01
Contract Research	57%	88%*
Bulk Drugs & other Intermediates	43%	12%

*Two intermediates had been commercialised in the year 2000-01 resulting in a sharp increase in the business volumes from Contract Research. Repeat business from the sale of commercial products is expected soon.

CUSTOMER CONCENTRATION

	2001-02	2000-01
Sales income from top 5 customers	69%	87%

Note : The top 5 customers account for a significant portion of our revenues. Reduction in sales to any of them affects our total sales volumes.

GEOGRAPHICAL DISTRIBUTION OF TOTAL REVENUE

	Year ended 31st March 2002		Year ended 31st March 2001	
	Revenue (Rs in lacs)	%	Revenue (Rs in lacs)	%
USA	1051.00	26.00	1318.18	21.84
Europe	942.00	23.32	2359.29	39.08
India	1462.00	36.18	1164.56	19.29
Rest of the World	586.00	14.50	1194.35	19.79
Total	4041.00	100.00	6036.38	100.00

FINANCIAL HIGHLIGHTS – LAST 5 YEARS

Description	01-02	00-01	99-00	98-99	97-98
OPERATING RESULTS					
Sales & Other Income	4257.77	6106.12	3611.08	3104.34	2570.87
Profit Before finance exps & Tax	1133.16	2131.22	657.15	525.75	488.31
Profit After Tax	820.83	1751.10	415.51	250.19	193.01
Dividend (%)	40.00	40.00	30.00	24.00	18.00
Net profit Margin	19%	29%	12%	8%	8%
Operating profit Margin	27%	35%	18%	17%	19%
Earning Per Share (Rs.)	18.80	43.78	10.39	7.00	6.03
Share Capital	440.00	400.00	400.00	366.11	353.06
Book Value of Share (Rs.)	110.42	87.76	47.92	41.89	37.45
Net Worth	4858.36	3510.36	1916.79	1496.64	1198.49
Return on Net worth (pat/n.w)	17%	50%	22%	17%	16%
Return on Capital employed	15%	43%	14%	8%	7%
R & D Expenditure (% to Income)	6%	3%	3%	3%	2%
Current Ratio	2.40	1.85	1.43	1.65	1.59
Debt (long term) - Equity Ratio	0.02	0.07	0.08	0.51	0.67

CAPITAL HISTORY

PARTICULARS	YEAR OF SUBSCRIPTION	NUMBER OF SHARES	ISSUE PRICE	PREMIUM (Rr. LACS)
Pre IPO Shareholding of Promoters	Till Mar 1995	2050000	*	54.16
Initial Public Offer	Apr-1995	1150000	50.00	460.00
Issue of shares to promoters upon conversion of warrants	1999	800000	20.65	85.20
Issue of shares to Borregaard through preferential offer	2001	400000	250.00	960.00

* Includes shares issued at premium on various dates.

BOARD OF DIRECTORS

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

REGISTERED OFFICE

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

AUDITORS

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

WORKS

1. Dasaigudem
Suryapet, Nalgonda (Dist). A.P. - 508 213
2. Plot No.18/B, Phase III
IDA Jeedimetla
Hyderabad - 500 055.

BANKERS

State Bank of India
Overseas Branch
Abids, Hyderabad.

REGISTRARS & SHARE TRANSFER AGENTS

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

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NOTICE



Notice is hereby given that 13th Annual General Meeting of the Members of the Company will be held on Wednesday the 18th day of September, 2002 at 3.00 p.m. at Hotel Green Park, Green Lands, Begumpet, Hyderabad - 500 016 to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2002 and the Audited Profit & Loss Account for year ended 31st March 2002 together with Director's Report and Auditor's Report thereon.
2. To declare a Dividend
3. To appoint a director in place of Dr M R Naidu, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Karvy & Company, Chartered Accountants, Hyderabad, the retiring Auditors as Auditors for the year 2002-03 and fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT subject to provisions of Sections 198,309,310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to necessary permissions, if any, approval be and is hereby accorded to the revision in remuneration of Shri Venkateswarlu Jasti as Managing Director for the remaining period of his tenure of appointment w.e.f. 1st August 2002 to 03.01.2005 as under:

Salary: Rs 3,00,000/- p.m. (Rupees Three Lakhs only) with an annual increment not exceeding 10% of annual salary, as may be decided by the Board.

The other terms and conditions of appointment will remain same as approved by the members in the Annual General Meeting held on 30th May 2000."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do such acts, deeds, matters and things as it may deem fit, necessary and delegate to any Director(s) or any other Officer(s) of the Company for the purpose of securing the necessary permissions, if any, in this connection."

By Order of the Board

Place : Hyderabad,
Date : 29th July 2002

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 at least 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 Karvy Consultants Ltd., and in case of Members holding shares in electronic form are requested to notify any change in their mailing address, Bank Account details to the respective Depository Participants.
3. The dividend will be paid subject to deduction of tax at applicable rates. However, no tax will be deducted at source from the dividend payable to an individual shareholder, if the dividend amount does not exceed such limit as prescribed under the provisions of the Income Tax Act / Rules in force, at the time of payment. The Members (eligible as per the Income Tax Act) who desires to receive payment of dividend without deduction of tax at source may file declaration in Form 15G, in duplicate as specified under Section 197A (1) of the Income Tax Act, 1961, on or before 10th September, 2002, with the Share Transfer Agents, Karvy Consultants Ltd. 21, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034.
4. The Members are requested to bring their copies of the Annual Report at the meeting, and handover the attendance slips at the entrance hall of the meeting.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 11th September 2002 to 13th September 2002(both days inclusive). Share Transfers received at Karvy Consultants Ltd., or at the Registered Office of the Company by 5.30 p.m. on 10th September 2002 will be in time for payment of dividend subject to provisions of section 206A of the Companies Act, 1956.
6. Dividend if declared at the Annual General Meeting, will be paid to the members whose names appear on the Register of Members as on 11th September 2002 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 10th September 2002.
7. Reserve Bank of India has introduced easy, hassle free and direct crediting system of dividend/interest to the respective bank accounts of the shareholders through Electronic Clearing System (ECS), free of cost. ECS facilitates automatic credit of payment to one's bank account and eliminates the risk of loss in transit/tampering/delayed delivery and fraudulent encashment of dividend warrant.

Members are encouraged to utilise the ECS for receiving dividends. This notice includes an ECS mandate form for the benefit of members desiring to receive dividends through the ECS mode. Members are requested to provide ECS mandate for crediting the future dividend payment directly to their respective bank accounts.

EXPLANATORY STATEMENT

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

ITEM NO 5

The members may recall that the remuneration of Shri Venkateswarlu Jasti, Managing Director was fixed at Rs 87,500/- p.m. by way of salary, in addition to commission on Net Profits and other benefits while re-appointing him as Managing Director w.e.f. 04.01.2000 for a period of 5 years in the Annual General Meeting held on 30th May 2000, as per the then prevailing provisions of the Companies Act, 1956.

As per the current provisions of the Companies Act, 1956 read with Schedule XIII to the Act, a profit making Company may pay any amount of remuneration to its Managerial Personnel, in accordance with the overall ceiling limits as stipulated under the Companies Act, 1956 and also keeping in view the liberalised managerial remuneration guidelines, the present salary of Shri Venkateswarlu Jasti, Managing Director is low compared to the industry standards in vogue.

In view of his shouldering onerous responsibilities in the context of increased operations of the Company, it is now proposed to revise the remuneration of Managing Director for the remaining period of his tenure of appointment w.e.f. 01.08.2002 to 03.01.2005. Except to the extent varied, the other terms and conditions will remain same as approved by the members in the Annual General Meeting held on 30th May 2000.

The permission of the members in general meeting is required for this revision, in addition to obtaining necessary permissions if any.

Your Directors recommend passing of the resolution.

None of the Directors of the Company except Shri Venkateswarlu Jasti, Managing Director and Smt Sudha Rani Jasti, Whole Time Director, is concerned or interested in the resolution.

By Order of the Board

Place : Hyderabad,
Date : 29th July 2002

K Hanumantha Rao
Company Secretary

Brief Profile of the Director seeking re-appointment at the AGM

Dr. M.R. Naidu is a Bachelor of Mechanical Engineering and Doctor of Science. He is on the Board since 1998 and also a member of Audit Committee of the Company. Dr. Naidu's professional career spans over four decades and held various positions viz., the President, The Andhra Petrochemicals Ltd, the U.B. Group and was formerly the Chairman of Hindustan Machine Tools, Bharat Heavy Plates & Vessels Ltd., and Executive Director, BHPV. His professional knowledge and expertise would be of immense useful to the Company.



DIRECTORS' REPORT



Your Board of Directors have pleasure in presenting this 13th Annual Report together with Audited Accounts of the Company for the financial year 2001-02.

The Financial statements for the year 2001-02 prepared in substantial compliance with US GAAP are also included in this Annual Report.

FINANCIAL RESULTS

	Current Year ended 31-03-2002 (Rs in Lakhs)	Previous Year ended 31-03-2001 (Rs in Lakhs)
Sales and other incomes	4258	6106
Gross Profit	1265	2246
Less: Interest	46	120
Depreciation	132	115
Profit before Tax	1087	2011
Less: Provision for Taxation	266	260
Profit after Tax	821	1751
Add: Balance brought forward	201	126
Profit available for appropriation	1022	1877
Appropriations:		
Dividend	175	160
Dividend tax	—	16
Transfer to General Reserve	650	1500
Balance carried forward	197	201

OVERVIEW

During the year under review, your Company recorded total revenue of Rs 4257.76 lakhs, comprising income from exports of Rs 2578.92 lakhs, domestic income of Rs 1461.86 lakhs and other income of Rs 216.99 lakhs. The decline in income in percentage terms was 30% over the previous financial year. The profit after tax reported by the Company for the financial year 2001-02 stood at Rs 820.82 Lakhs, which marks a decrease by 53% over the previous financial year. This decrease both in terms of sales volume and profits was primarily due to the business model Contract Research And Manufacturing Services (CRAMS) of the Company, wherein the ongoing efforts on innovative research and development can be expected to produce stabilised results in a span of 2 to 3 years; till such time the growth will be erratic both in volumes and profits. This is precisely what your Company is currently going through when we compare results with the previous financial year.

EXPORTS

During the year, the Company generated an export revenue of Rs 2578.91 lakhs (64%) out of the total revenue of Rs 4257.76 Lakhs for the fiscal 2001-02, when compared to the export revenue of Rs 4871.81 lakhs (79.79%) out of the total revenue of Rs 6106.00 lakhs generated for the previous fiscal 2000-01.

DIVIDEND

The Board of Directors of your Company is pleased to recommend and maintain the same dividend rate of 40% subject to deduction

of tax at source as applicable to the shareholders for the financial year 2001-02. This commitment of the Company's management to its stakeholders needs to be understood in terms of its growth strategy. 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 11th September 2002

SHARE CAPITAL & RESERVES

During the year, your Company has issued 400000 equity shares of Rs. 10/- each (Rupees Ten only) at a premium of Rs.240/- (Rupees Two hundred and Forty Only) per share to Borregaard Industries limited on preferential basis, in pursuance of Resolution passed in the Extra- Ordinary General Meeting of the Company held on 6th February 2001. As a result the issued and paid up capital of the Company increased from Rs. 4.00 Crores to Rs. 4.40 Crores.

The accumulated share premium increased by Rs. 9.60 Crores due to the allotment of 400000 Equity Shares to Borregaard Industries Limited at a premium of Rs. 240/- per share.

MARKETING

During the year under review, your Company was not able to maintain last year's sales level. The Company's focal point remains in the innovative intermediates market for New Chemical Entities (NCEs), under CRAMS model and our growth will flow from the success achieved by our customers through the use of these NCEs. We have made a beginning with marketing of our new R&D products and are watching the eventual success of our customers.

RESEARCH AND DEVELOPMENT

Research and Development remains thrust area of Suven for developing intermediates for New Chemical Entities (NCEs) under co-operation and secrecy agreements on an exclusive basis with many of the global life science companies. During the year the upgradation of R&D facilities were partly completed at Jeedimetla unit, Hyderabad. The total R&D expenses for the year at Rs. 262.21 Lakhs, represents 6.49% of sales during the year.

QUALITY ASSURANCE

Your Company will continue its emphasis on maintaining the quality standards. To meet the ever-increasing needs of regulatory requirements, QA systems have been undergoing upgradation and re-orientation. During the current year, we plan to expand the activities of QA / QC by constructing a new Analytical Development Lab, alongwith upgradation of pilot plant.

MODERNISATION AND UPGRADEATION

With the changing Global scenario in the pharmaceuticals industry and more emphasis on regulatory requirements, our manufacturing facilities, would need to be constantly modernised and upgraded, so as to meet the requirements of the customers. During the year an amount of Rs 503.00 Lakhs was spent on capital expenditure mainly towards upgradation of manufacturing facilities.

DIRECTORS' REPORT



ENVIRONMENT

Reducing the pollution load on the environment will remain thrust area for the Company. During the year, the Company established effective methods for recovery and re-cycling of wastewater.

SAFETY

During the year, the Company has organised several safety programmes for the benefit of employees. The programmes introduced the use of safety manuals, training on fire fighting equipments, safety drills and other educational aids on safety standards.

SOCIAL RESPONSIBILITY

During the year, the Company contributed to various charities covering social, religious and educational activities.

DIRECTORS

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Dr.M.R.Naidu, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

INVESTOR SERVICE

Your Company's share registry will continue with Karvy Consultants Limited, Registrars and Transfer Agents. They can be contacted at 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad-500 034 (Phone Nos.3312454, 3320751 and 3320752, Fax No.3311968) for any query relating to Shares.

The shares of the Company are listed on The Stock Exchange, Mumbai and The Hyderabad Stock Exchange Limited, Hyderabad (Regional Stock Exchange).

REPORT ON CORPORATE GOVERNANCE

A detailed Report on Corporate Governance prepared in substantial compliance with the provisions of Listing Agreements with the Stock Exchanges is presented in this Annual Report. A Report on Management Discussion and Analysis prepared and attached to the Director's Report also forms part of this 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 2001-2002. The Cost Audit is under process and the Report will be submitted to the Central Government within the statutory time limit.

DIRECTORS RESPONSIBILITY STATEMENT

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

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures.
- 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 of the Company for that period.
- 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 frauds and other irregularities.
- The Annual Accounts have been prepared on a going concern basis.

PUBLIC DEPOSITS

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

AUDITORS

The Auditors, Karvy & Company, Chartered Accountants retire at the conclusion of this Annual General Meeting and being eligible, offer themselves for re-appointment.

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 Rs	Qualification	Experience in years	Date of joining	Particulars of last Employment
Jasti Venkateswarlu	53	Managing Director	24,35,118	M.Pharm., M.S (Indus. Pharmacy)	28 Years	09-03-1989	Business in U.S.A