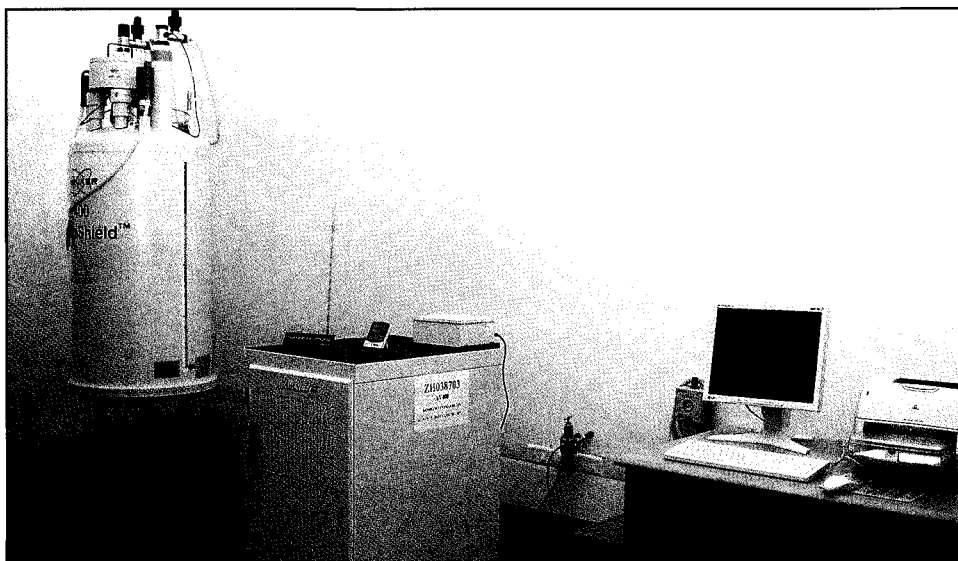


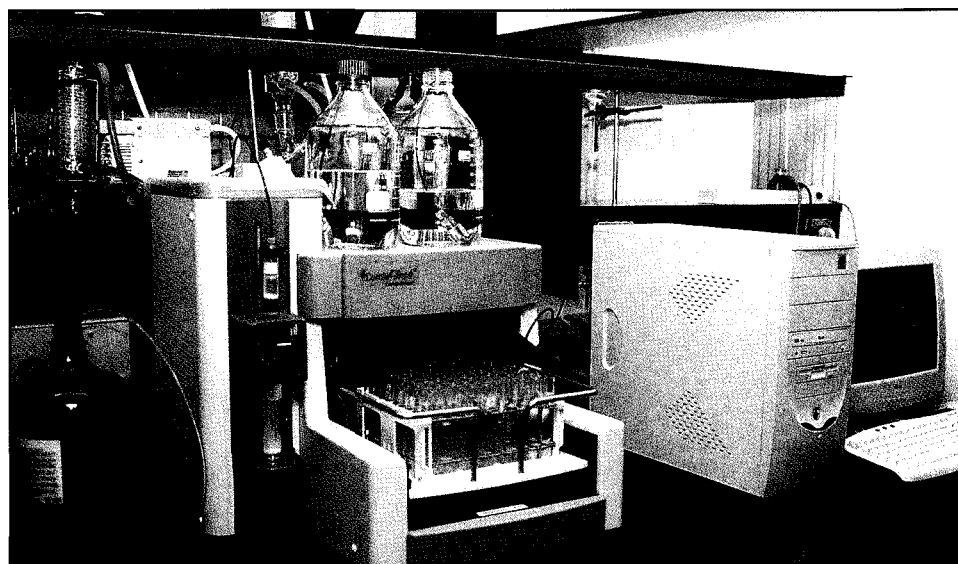
15th Annual Report 2003-04
Suven Life Sciences Limited



400 MHz NMR Spectrometer



Mass Spectrometry Lab (API-4000 & API-3000 LC-MS/MS instruments)



Fully Automated Preparative Library Purification System



MANAGING DIRECTOR'S COMMUNIQUE



Dear Shareholders,

Thomas Jefferson said, " Every generation needs a revolution". The Global Life Sciences industry is experiencing a revolution every decade! Even renowned Global Life Sciences companies, which are not able to adapt to the dynamic market place risk becoming corporate dinosaurs. In the past 12 months, the US pharmaceutical industry had to grapple with variegated issues like anemic pipelines, blockbusters going off patent, a more stringent FDA, reimportation of drugs, authorized generics, offshoring of R&D work, among others. This has taken its toll on several Global pharmaceutical companies.

We at Suven Life Sciences, have learnt to operate in a uncertain environment. We believe that uncertainty breeds risks, but at the same time presents opportunities. Our guiding philosophy from the outset has been to harness the opportunities and control the risks. We are of the firm conviction, that one should pursue something one is good at- a concept management guru C.K Prahlad popularized by the term "Core Competence". Our core competence is providing world-class R&D solutions for Global Life Science companies with quality, speed and in a cost effective manner. And finally, your company has always believed in focusing on the long term, even if it meant forsaking short-term rewards.

After the approval from the Indian Parliament, India will become an IPR compliant country from 2005. With this India will now be an outsourcing destination for the Global pharmaceutical companies, for R&D as well as manufacturing. This will mean a significant opportunity for a select few in the Indian pharmaceutical industry, like Suven Life Sciences, who have focused on cutting edge R&D and Manufacturing services with IPR compliance. Going forward these would be the key differentiators, and we are confident Suven Life Sciences would thrive in this new milieu, since it was built for these times.

We are glad to inform you, that the C-R-A-M-S segment of Suven Life Sciences is thriving. Its client list includes the biggest Global Life Science majors. Till date, Suven has completed more than 250 C-R-A-M-S projects and is currently working on 43 C-R-A-M-S projects. Of these 17 are in Phase 1, 17 in Phase 2 and 9 in Phase 3 of clinical development by the Global Pharmaceutical companies.

BUSINESS SCENARIO

C-R-A-M-S MODEL



STRATEGY FOR THE GLOBAL GENERIC APIs MARKET

The company now also focuses on proprietary non-infringing process research. The company's R&D team, along with the international marketing team targets a few patented products, which would go off patent (regulated markets) in the near future. The R&D team of Suven develops a cost effective non-infringing process to manufacture the patented molecule, and files the DMF by entering into an alliance with a Global Generic major, which has filed an ANDA. It plans to pursue this strategy further in the future. Now that Suven Life Sciences has a FDA compliant plant at Pashamylaram, this would further enable its strategy.

DRUG DISCOVERY AND DEVELOPMENT SUPPORT SERVICES

Suven Life Sciences has taken major initiatives to establish itself as a leader in the Drug Discovery and Development Support Services segment. It has continued to invest in state of the art equipment and training of people, to enable Suven to offer globally competitive services in this domain. For offering these services, Suven has set up a Discovery Chemistry Lab, a Bio- Pharmaceuticals Research Lab and a Discovery Biology Lab. The Drug Discovery and Development Support Services provided are- Lead Development, Invitro Screening, Lead Optimization, Preclinical (Toxicology, -ADME, Invivo Screening, Safety Pharmacology), Clinical trials including data management, scale up and supply of actives etc. We envisage that getting to deal with a client at such an early stage in the development process i.e. preclinical, will enable Suven to capture a larger part of the customer's development pie.

COLLABORATIVE RESEARCH IN DRUG DISCOVERY

This will be possible after the Intellectual Property Regime is in place in India i.e. post 2005. The entry barrier to this arena is very high, but your company is prepared to accept the challenge. After a decade of offering C-R-A-M-S, and now Drug Discovery and Development Support services, Collaborative Research in Drug Discovery is the natural corollary, albeit a challenging one. Suven has been developing competencies for Drug Discovery and Development Support Services by training and practicing in the Central Nervous System area.

MANUFACTURING CAPACITIES

Suven Synthesis which was a 100% subsidiary of Suven Life Sciences, was recently merged with Suven Life Sciences. This merger was pursuant to an Order of the Andhra Pradesh High Court. The manufacturing plant at Pashamylaram is a cGMP, FDA compliant plant which is currently undertaking trial batches for validations in order to file new DMFs. The required regulatory approvals for this plant will take place with the triggering of the FDA (USA) audit by our collaborator. The cumulative reactor capacity of the 3 manufacturing plants located at Jeedimetla, Suryapet and Pashamylaram is 330,000 L.

MARKETING AND SALES

The Global Business Development team is well balanced and has an optimal mix of business focus as well as technical competence. You would be happy to note, that Suven Life Sciences USA LLC is proving to be an effective marketing conduit for Suven Life Sciences. It has played a pivotal role in showcasing the strengths of Suven Life Sciences, through its comprehensive lab facilities. This has resulted in Suven Life Sciences signing up two new Global Life Science majors, from whom significant amount of business is expected in the times to come. Suven Life Sciences USA LLC is now targeting small and mid sized U.S biotech companies for marketing Suven's Drug Discovery and Development Support Services.



RESEARCH AND DEVELOPMENT

Suven spent Rs 104.4 million, on R&D of which Rs 52.6 million was revenue expenditure and Rs 51.8 million was capital expenditure. The R&D expenditure was 10.03 % of total income, which puts it in the top bracket among Indian Life Science companies. This is in line with our vision and objective, since we have always strived to be an Intellectual Property based company.

During the year the company filed 13 new Provisional Product Patents (PCT), and 3 new Process Patents (PCT), taking the total number of patents filed to date to 28.

FINANCIAL AND OPERATING PERFORMANCE

The sales of the company for FY 2004 were Rs 511.7 million as compared to Rs 452 million in FY 2003. The increase in sales was 13%. Exports for the FY2004 were Rs 351.4 million while exports for FY2003 were Rs 310.3 million. The increase in exports in FY2004 compared to FY2003 was 13%. The profit after tax for FY 2004 was Rs 73.7 million compared to Rs 56.3 million for FY 2003. This was an increase of 31%.

Global Consolidated Sales were Rs 528.6 million in FY 2004. The Consolidated Profit after tax for FY 2004 was Rs 52.9 million.

The equity share capital has gone up from Rs 44 million during FY 2003 to Rs 50 million during FY 2004. This was due to a private placement of 3 million Equity shares (Rs 2 paid up per share) at a price of Rs 91.40 per share. The total proceeds from this placement were Rs 274.20 million

STREAMLINING OF OPERATIONS

The company is now implementing an ERP system to standardize operations across the enterprise. As in the past, the company continues to focus on its mission statement "Going Beyond Commitment, We Deliver!", and on quality by setting a higher benchmark for itself each year.

THE ROAD AHEAD

We are now optimally positioned to seize the opportunities post 2005. As displayed on the cover page of the Annual Report, all the components of our business strategy are nicely falling into place, like pieces in a jig saw puzzle! All these years of investment and toil will bear fruit in the coming years. We have waited patiently, now is our time. Like the legendary poet Henry Wadsworth Longfellow wrote in *The Student's Tale* "All good things come to those who wait".



BOARD OF DIRECTORS

Shri Bodhishwar Rai	Chairman
Shri Venkateswarlu Jasti	Managing Director
Dr. M.R. Naidu	Director
Dr. Ramaiah Muthyala	Director
Dr. K.V. Raghavan	Director
Smt. Sudha Rani Jasti	Wholetime Director
Dr.S.Ramachandran	Director

REGISTERED OFFICE

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

AUDITORS

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

FACTORY

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

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

COST AUDITOR

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

RESEARCH CENTRE - I

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

BANKERS

State Bank of India
Overseas Branch
Abids, Hyderabad.

RESEARCH CENTRE - II

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

REGISTRARS & SHARE TRANSFER AGENTS

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

CONTENTS

INDIAN GAAP (Audited)	Page No.		Page No.
Notice	5-9	Consolidated Financial Statements	48-62
Directors' Report	10-14	Subsidiary Financial Statements (WOS)	63-70
Management Discussion & Analysis	15-20	US GAAP (Un-audited)	
Report on Corporate Governance	21-26	Consolidated Balance Sheets	72
Auditors' Report	27-29	Consolidated Statements of Income	73
Balance Sheet	30	Consolidated Statments of Stockholders Equity	74
Profit & Loss Account	31	Consolidated Statements of Cash Flows	75-76
Schedules	32-44	Notes to Consolidated Financial Statements	77-90
Cash Flow Statement & General Business Profile	45-47	Reconciliation of Consolidated Statement	91



NOTICE

NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of Suven Life Sciences Limited will be held on Friday the 17th day of September 2004 at 3.00 p.m. at Hotel Green Park, Green lands, Begumpet, Hyderabad - 500 016 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2004 and the Audited Profit & Loss Account for year ended 31st March, 2004 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 re-appointment.
4. To appoint M/s. Karvy & Co., Chartered Accountants, Hyderabad, the retiring Auditors as Auditors for the year 2004-05 and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Dr K.V. Raghavan be and is hereby appointed as Director of the company, liable to retire by rotation."

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

"RESOLVED THAT Dr S Ramachandran be and is hereby appointed as Director of the company, liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the following shall be inserted as Article 5(a) in the Articles of Association of the Company."

- 5(a) Notwithstanding anything contained in these Articles, in accordance with the provisions of Section 77 A and subject to other provisions of the Act, the Company may purchase its own shares or other securities in the form of buy-back upto such percentage(s) as may be stipulated from time to time in this regard upon such terms and conditions as it may consider appropriate, in such manner as may be prescribed and subject to such approvals as may be required by Law.

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

"RESOLVED THAT in supersession of earlier ESOP Resolution passed by the members in the 14th Annual General Meeting held on 20th September, 2003 and in accordance with the provisions contained in the Articles of Association and Section 81 and all other applicable provisions of the Companies Act, 1956(hereinafter referred to as the " Act") and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999(hereinafter referred to as the " SEBI Guidelines") (including any statutory modification(s) or re-enactment of the Act or the SEBI Guidelines, for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary, and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the company(hereinafter referred to as 'the Board" which term shall be deemed to include any committee including ESOP compensation committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), consent of the company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or benefit of such person(s) who are in employment of the company, including Directors of the company, whether part time or full time whether working in India or out of India, under a Scheme titled" Employee Stock Option Plan 2004" (hereinafter referred to as the " ESOP" or " Scheme" or " Plan") such number of equity shares of the company, which could give rise to the issue of equity shares not exceeding 5% of the issued Equity Share Capital of the company, on March 31st, 2004, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other provisions of the law as may be prevailing at that time."

"RESOLVED FURTHER THAT the new Equity shares to be issued and allotted by the company in the manner aforesaid shall rank pari passu in all respects with the then existing Equity Shares of the company."

"RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of securities, the Board be and is hereby authorized on behalf of the company to evolve, decide upon and bring into effect the Plan and make any modifications, changes, variations, alterations, or revisions in the said Plan from time to time or to suspend, withdraw or revise the Plan from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the company to settle any questions,



difficulties, or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members"

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

"RESOLVED THAT in accordance with the provisions contained in the Articles of Association and Section 81 and all other applicable provisions of the Companies Act, 1956(hereinafter referred to as the " Act") and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999(hereinafter referred to as the " SEBI Guidelines") (including any statutory modification(s) or re-enactment of the Act or the SEBI Guidelines, for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the company(hereinafter referred to as 'the Board" which term shall be deemed to include any committee including ESOP compensation committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), consent of the company be and is hereby accorded to the Board to extend the benefits of Employees Stock Option Plan proposed in the resolution under Item No 8 in this Notice to the eligible employees/ directors of the subsidiary companies, and/ or to such other persons, as may from time to time be allowed under prevailing laws, rules and regulations, and/or amendments thereto from time to time, on such terms and conditions as may be decided by the Board."

"RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of securities, the Board be and is hereby authorized on behalf of the company to evolve, decide upon and bring into effect the Plan and make any modifications, changes, variations, alterations, or revisions in the said Plan from time to time or to suspend, withdraw or revise the Plan from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the company to settle any questions, difficulties, or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members"

By Order of the Board

Place : Hyderabad
Date : 30th July, 2004

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 14th September 2004 to 16th September 2004 (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 13th September 2004 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 at the close of the business hours on 13th September 2004.
6. The Company will continue to extend Electronic Clearing System (ECS) facility to its members for automatic credit of dividend payment to one's bank account. ECS 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. ECS mandate form for the benefit of the members desiring to receive dividends through the ECS mode is enclosed in this Report. The ECS mandate form is also available on Company's website: www.suven.com.



EXPLANATORY STATEMENT

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

ITEM NO 5 & 6

Dr K.V.Raghavan and Dr S Ramachandran were co-opted as Additional Directors on the Board of the company pursuant to section 260 of the Companies Act, 1956. Dr K.V.Raghavan and Dr S Ramachandran hold office of the Director up to the date of ensuing Annual General Meeting. The Company has received notices from a member alongwith required deposit, proposing the candidatures of Dr K.V.Raghavan and Dr S Ramachandran for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Your Directors recommend the resolution for your approval.

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

None of the Directors except Dr K.V.Raghavan and Dr S Ramachandran is concerned or interested in the resolution.

ITEM NO 7

The Articles of Association of the Company do not contain the enabling Article for Buy-back of securities as per Section 77 A (2)(a) of the Companies Act, 1956 which provides for the Company to purchase its own securities. In order to have the provision of Buy-back of securities in the Articles it is proposed to amend the Articles by incorporating a new Article 5(a) in the Articles of Association of Company.

Your Directors recommend the resolution for your approval.

The Directors to the extent of their shareholding in the Company may be deemed to be concerned or interested in the said resolution.

ITEM NO 8

The company recognizes that its key competitive differentiator is its workforce. The management of the company is of the opinion that Employee Stock Options are an appropriate mechanism through which the employees can participate in the growth of the company. Employee Stock options are a method through which the interests of the company can be aligned with the interests of the employees. Again, Employee Stock options serve as incentives as well as rewards for performance.

Employee Stock Option Plan 2004

Stock options-

Under this scheme, employees will be given an option to acquire a certain number of shares of the face value of Rs 2 each, at the price as mentioned hereinafter.

The broad terms and conditions of the Plan are as under:

The company will constitute an ESOP compensation committee, which will be a Committee of the Board of Directors, and will consist of a majority of independent directors, for administration and superintendence of the ESOP. The ESOP compensation committee will formulate the detailed terms and conditions of the ESOP. The ESOP Compensation Committee will specify inter alia, the following

- Quantum of options to be granted under the Plan per employee, and in aggregate
- Conditions under which options vested in employees may lapse in case of termination of employment for misconduct
- Time period within which an employee exercise vested options in the event of termination or resignation
- The exercise period within which the employee should exercise the options and that options would lapse on failure to exercise the options within the exercise period
- Rights of an employee to exercise all the vested options at one time or at various points of time within the exercise period
- Procedure for making a fair and reasonable adjustment to the number of options and to the exercise period, in case of rights issues, bonus issues, other corporate actions or otherwise.
- Lock in period for the shares issued pursuant to the exercise of the options if any
- Any other related or incidental matters

The salient features of the Plan as under:

A Total number of options to be granted

The total number of options to be granted that may in aggregate be issued under the scheme cannot exceed 5% of the issued share capital of the company as of March 31, 2004 i.e 5% of 25000000 shares, which is 1250000 shares

B Identification of classes of employees entitled to participate in the ESOP

Employees entitled to participate in the ESOP are "employees" of the company including Directors (whether full time or not) as defined in the ESOP Guidelines (including any statutory modification(s) or reenactment of the Act or the Guidelines, for the time being in force), as may be decided by the ESOP Compensation committee, from time to time. Under the prevailing regulations, an employee who is a promoter or belongs to the promoter group will not be eligible to participate in the ESOP. Identification of employees eligible to participate in the ESOP and grant of options to identified employees will be based on such parameters as may be decided by the ESOP compensation committee in its discretion from time to time. The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner.

**C Requirements of vesting and period of vesting**

Vesting of options commences after a period of 1 year from the date of grant and extends up to 4 years from the date of grant. The vesting schedule will be decided by the ESOP Compensation Committee

D. Maximum period within which the options will be vested

4 years from the date of grant

E. Exercise price or pricing formula

The exercise price for the purposes of the grant of options will be computed at Market price. "Market price" means the latest available closing price, prior to the date of the meeting of the Board of Directors in which options are granted/ shares are issued on the stock exchange on which the shares of the company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.

F Exercise period and the process of exercise

The exercise period will be upto 3 years from the date of vesting, as decided by the ESOP Compensation Committee. The Options will be exercisable by the Employees by a written application to the company to exercise the options, in such manner, and on execution of such documents, as may be prescribed by the ESOP compensation committee from time to time. The options will lapse if not exercised within the specified exercise period.

G Process for determining the eligibility of employees to ESOP

The process for determining the eligibility of the employee will be specified by the ESOP Compensation committee, and will be based on, such criteria that may be determined by the ESOP Compensation Committee at its sole discretion

H Maximum number of options to be granted per employee and in aggregate

Maximum number of options granted per employee will not exceed 225000 shares. The aggregate of all such grants shall not exceed 5% of the issued and outstanding equity shares of the company as on 31st March 2004.

I The company will conform to the accounting policies specified in Clause 13.1 of the SEBI guidelines and/or such other guidelines as may be applicable from time to time.**J The company will value the options using the intrinsic value method**

The difference between the employee compensation cost computed using the intrinsic value of the stock options and the employee compensation cost that shall have been recognized if fair value of the options had been used, and the impact of this difference on profits and on EPS of the company shall be disclosed in the Director's report.

As the Plan will entail further shares to be offered to persons other than existing shareholders of the company, consent of the members is sought pursuant to the provisions of Section 81(IA) and all other applicable provisions, if any of the Act, and as per the requirement of Clause 6 of the SEBI Guidelines. The Board accordingly commends the Resolution for approval of the Members as a special resolution.

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

ITEM NO 9

As per the SEBI guidelines, a separate resolution is required to be passed if the benefits of ESOP are to be extended to the employees of a subsidiary or holding company. This separate resolution is being proposed accordingly to cover those employees, and/or such other persons as may be permitted from time to time under prevailing laws, rules and regulations, and/or amendments thereto from time to time. This may be read with Explanatory Statement for Item No 8. The Board accordingly commends the resolution for approval of the Members as a special resolution.

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

By Order of the Board

Place : Hyderabad
Date : 30th July, 2004

K Hanumantha Rao
Company Secretary