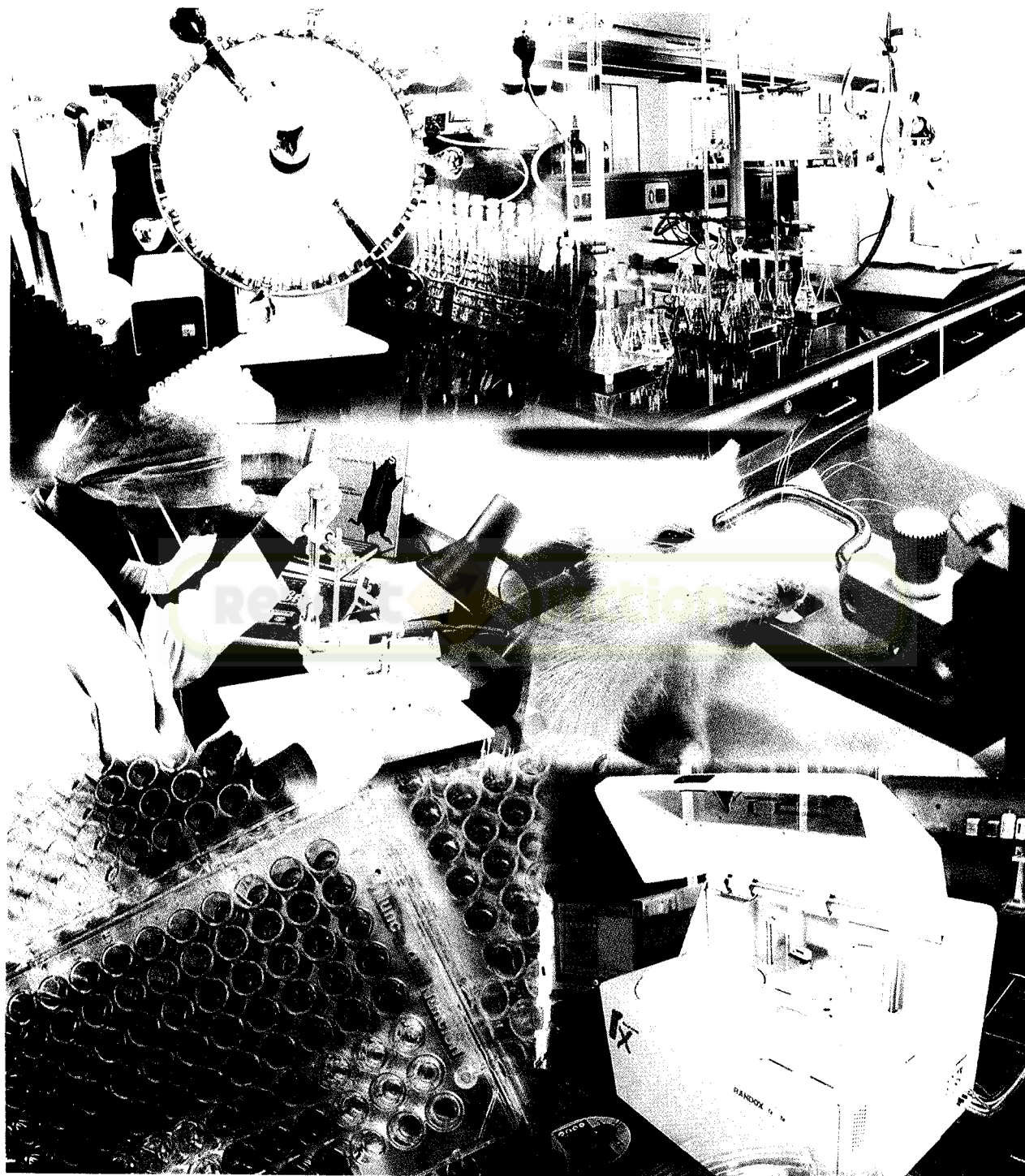


DDDSS

(Drug Discovery & Development Support Services)



16th Annual Report 2004-05
Suven Life Sciences Limited

In - vivo Brain Microdialysis

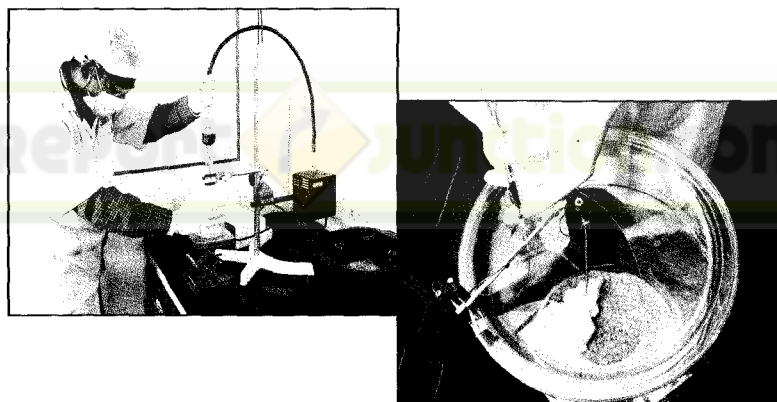
Rats : *iv, po, ip, sc*



Rapid Turn-around - We do not Compete, we Complement

Brain Penetration

Rats & Mice Tissue and Steady - state



Rapid Turn-around - We do not Compete, we Complement

In-vivo Metabolism

Rats & Mice



Rapid Turn-around - We do not Compete, we Complement



CEO'S COMMUNIQUE



Dear Shareholders,

BUSINESS ENVIRONMENT

"It is this triple convergence-of new players, on a new playing field, developing new processes and habits for horizontal collaboration- that I believe is the most important force shaping global economies and politics in the early twenty first century. Giving so many people access to all these tools of collaboration, along with the ability through search engines and the Web to access billions of pages of raw information, ensures that the next generation of innovations will come from all over Planet Flat. The scale of the Global Community that is soon going to be able to participate in all sorts of discovery and innovation is something the world has simply never seen before."

The above paragraph by the renowned journalist *Thomas Friedman* from his best seller *"The World is Flat"* captures the spirit of globalization, which is sweeping the world. Happily for us, India is expected to play a key role in the new era. Given its pool of scientific talent and entrepreneurial verve, the Indian Pharmaceutical industry is bound to make an indelible impression in the Global market place in the years to come. From January 1st 2005, India has become a part of the Global Patent regime. Of course there are some issues, which need to be clarified in this context, but the first big step has been taken. This would certainly serve as a confidence builder for the Global Pharmaceutical players who are looking at India as a base for Drug Discovery and Development Support Services and research related to New Chemical Entities.

DRUG DISCOVERY AND DEVELOPMENT SUPPORT SERVICES (DDDSS)

DDDSS is a sector, which plays a key role in the Global Pharmaceutical industry. It provides independent product development services to the pharmaceutical, biotechnology and medical device industries. This industry has evolved from providing limited clinical trial services in the 1970s to a full services industry today characterized by broader relationships with customers and by service offerings in that encompass the entire drug development process including preclinical evaluation, study design, clinical trial management, data collection, biostatistical analysis and product registration support. The potential market is huge the R&D expenditure in 2005 of PhRMA (Pharmaceutical Research and Manufacturers of America) member companies will be \$ 40 billion. Of this prehuman / preclinical R&D expenditure will be \$ 14 billion.

Your company has launched this new business model DDDSS in January 2005, coinciding with IP protection. This segment of business will be the key driver for



growth in the years to come for Suven. The company has invested in people, infrastructure, software and business processes in this area for the past 3 years. This was done in anticipation of India becoming a part of the Global Patent regime and Drug Discovery and Development Services work would be outsourced to the well-prepared companies in India. One of the mantras for attracting business from Global life Science majors is to cultivate the right mindset, create infrastructure and train people and Suven has strived hard in this regard.

As expected work related to DDDSS has started moving to India, albeit slowly. It is with pride that I will share with you, that your company has been first off the blocks. We hope to extract this first mover advantage to the maximum in the times to come. We concluded a contract with an established pharmaceutical company, based in the USA to undertake a Phase 4 clinical trial for a drug addressing pulmonary hypertension. The contract is of a considerable size and the first of its kind in India. We are in advanced stages of negotiations for two other clinical trials projects with established US based life science companies.

C-R-A-M-S MODEL

The C-R-A-M-S model continues to be the mainstay of the company. As in the past, your company is leveraging the business relationships with Global Life Science majors, which it has built over the past decade, to generate business. It is also forging new alliances with other established players in the Life Sciences Industry, across the globe. Till date, Suven has worked on 274 projects and 45 active projects which are at various phases of development by innovator.

MANUFACTURING AND QUALITY INITIATIVES

The GMP compliant facilities and its qualified personnel are the bedrock on which the company delivers value to its customers both in the C-R-A-M-S and the Generic APIs segment. The company has always borne in mind, Gandhiji's exhortation that the customer is the reason for our business. In its incessant quest for excellence, the company underwent several quality audits on various dimensions. The feedback from the audits has been incorporated into the processes of the company which will lead to higher performance in the future.

MARKETING AND SALES

The company has a dynamic business development team based both in USA and India. The business development initiatives are spearheaded by a new addition to the Suven team, Mr. Nayan Nanavati. Mr. Nanavati was formerly a senior level executive at the Global Contract Research Organization, Parexel. He brings with him the experience and contacts emanating from 20 years of experience with Global Life Science companies including Novo Nordisk and Organon.

RESEARCH AND DEVELOPMENT

During the year, the company spent Rs. 154 million on R&D of which Rs. 85.2 million was revenue R&D. The revenue R&D for FY 2004 was Rs. 52.6 million. The expensed R&D for FY 2005 was 14% of total revenues, compared to the figure of 10.03% for FY2004. This is testimony to the fact that your company is genuinely a knowledge-based company. The company has so far filed 35 patents (6 Process and 29 Product patents).

Your company's focused R&D is in the therapeutic area of Central Nervous System which is arguably the most challenging frontier in drug discovery. Suven's research in this therapeutic area spans into various disease categories like Alzheimer's, Parkinson's, Dementia, Cognition, Bipolar disorder etc. Your company is extremely confident that the competencies developed due to the inhouse R&D work undertaken will not only create intellectual property but also would result into a significant amount of high end DDDSS work finding its way to the company from Life Science companies from across the globe leading to collaborative research and NCE development.



FINANCIAL AND OPERATING PERFORMANCE

The revenues of the company for FY 2005 were Rs. 607.8 million as compared to Rs. 511.7 million in FY2004. The increase in revenues was 18 %. Exports for FY 2005 were Rs. 327.6 million, while exports for FY 2004 were Rs. 310.3 million. The profit after tax for FY 2005 was Rs. 37.9 million, as compared to Rs. 73.7 million for FY 2004. The decrease in profit after tax was 49%.

Global Consolidated revenues for FY 2005 were Rs. 714.27 million and the consolidated profit after tax was Rs. 24.06 million.

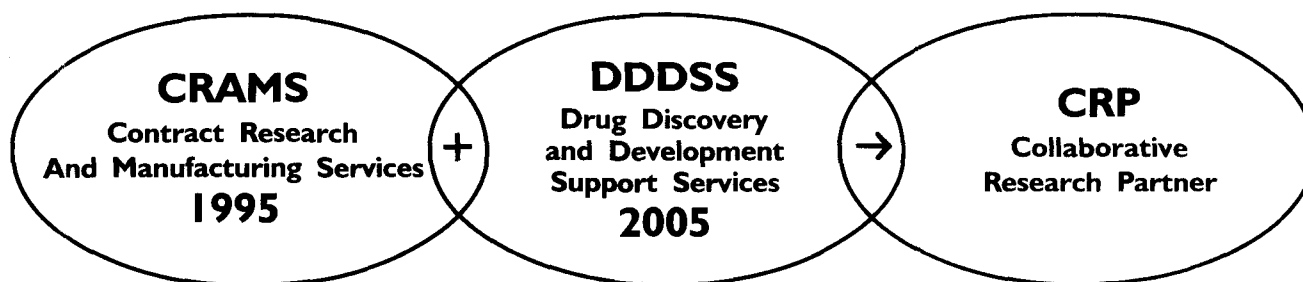
STREAMLINING OF OPERATIONS

For a company, which believes in embracing global standards in all dimensions, a robust Enterprise Resource System is essential. We have ensured that all the potential users of this system in the organization are being involved at various stages in the implementation of the system. Apart from automating the business processes, the information captured by the ERP system would be the mother lode for business intelligence. The ERP system is expected to go live during the current fiscal year.

BUSINESS OUTLOOK

We operate in turbulent times where the external environment is in constant flux. However, we are confident that the bold initiatives taken and investments made in the past few years have started to bear fruit, and the real benefits will accrue in the coming years. Apart from the C-R-A-M-S and Generic APIs segments, which provide stability to the company's performance, the coming years, will see a lot of traction in the DDDSS segment. No other company has developed competencies or infrastructure in all these areas in India. With all these activities under one roof your company can undertake work in Drug Discovery and Development with seamless transition of work from one stage to other which will be of immense advantage for small and medium biotech companies and virtual companies in the field of Drug Discovery. All these activities transformed your company from contract research company to collaborative research partner starting 2005.

Suven's Business Strategy





BOARD OF DIRECTORS

Shri Bodhishwar Rai	Chairman
Shri Venkateswarlu Jasti	Vice-Chairman & CEO
Dr. M.R. Naidu	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.

FACTORY

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

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

RESEARCH CENTRE - I

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

RESEARCH CENTRE - II

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

AUDITORS

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

COST AUDITOR

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

BANKERS

State Bank of India
Overseas Branch
Abids, Hyderabad.

REGISTRARS & SHARE TRANSFER AGENTS

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

CONTENTS

INDIAN GAAP (Audited)	Page No.		Page No.
Notice	5-10	Consolidated Financial Statements	53-72
Directors' Report	11-17	Subsidiary Financial Statements (WOS)	73-80
Management Discussion & Analysis	18-21	US GAAP (Un-audited)	
Report on Corporate Governance	22-27	Consolidated Balance Sheets	82
Auditors' Report	28-30	Consolidated Statements of Income	83
Balance Sheet	31	Consolidated Statments of Stockholders Equity	84
Profit & Loss Account	32	Consolidated Statements of Cash Flows	85-86
Schedules	33-49	Notes to Consolidated Financial Statements	87-101
Cash Flow Statement & General Business Profile	50-52	Reconciliation of Consolidated Statement	102



NOTICE

NOTICE

Notice is hereby given that the 16th Annual General Meeting of the Members of Suven Life Sciences Limited will be held on Monday the 12th day of September, 2005 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 2005 and the Audited Profit & Loss Account for year ended 31st March, 2005 together with Directors' Report and Auditors' 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 M/s. Karvy & Co., Chartered Accountants, Hyderabad, the retiring Auditors as Auditors for the year 2005-06 and to fix their remuneration.

Special Business

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

"RESOLVED THAT in partial modification of the disclosures made in terms of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as the "SEBI ESOP guidelines, 1999") in the explanatory statement annexed to the ESOP resolutions passed under section 81 of the Companies Act, 1956 and other applicable laws, for offering stock options convertible into equity shares to the employees of the company as well as to the employees of subsidiary companies of the company as approved by the members in the Annual General Meeting held on 17th September 2004, approval of the company be and is hereby accorded for the amendments in the disclosures made under the clause 6.2 (g) of SEBI ESOP Guidelines, 1999 on the ESOP resolutions."

"RESOLVED FURTHER THAT the disclosures made under the head "Process for determining the eligibility of employees to ESOP" on the previous ESOP Resolutions be substituted in the manner as set out in the explanatory statement annexed hereto and all other disclosures will remain un-altered and in force as approved by the members in AGM held on 17th September 2004."

"RESOLVED FURTHER THAT the Board of Directors including compensation committee be and is hereby authorized to do such other acts, deeds and things and to give effect to such consequential changes, if any, as are necessary in the Scheme and other documents as it may think fit and appropriate."

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

"RESOLVED THAT pursuant to Section(s) 198, 269, 309, 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of other statutory authorities, if required, approval of the members be and is hereby accorded to the re-appointment of Shri Venkateswarlu Jasti as Vice-Chairman and CEO of the Company for a period of 5 years commencing from 4th January 2005 on the following terms and conditions.

Salary

Rs. 6,00,000 (Rupees Six lakhs only) per month with an annual increment not exceeding 15% of salary effective from the month of January every year as may be decided by the Board.

Commission

Not more than 1% on net profits of the company calculated as per section 349 and 350 of the Companies Act, 1956.

Perquisites

In addition to salary and commission as above said, the following perquisites will be paid and / or provided. Valuation of all perquisites shall be done in accordance with the provisions of the Income Tax Act, 1961 and rules made thereunder. In the absence of any such rule, perquisites shall be evaluated at actual cost.

Part A

a) Medical Reimbursement

Reimbursement of medical expenses actually incurred for self and his family members including dependant parents of appointee.

b) Leave Travel Concession

For self and family including dependant parents of appointee to and from any place in India once in a year in accordance with the rules of the Company.

c) Club Fees

Club fees subject to a maximum of 2 clubs will be allowed, provided that no admission or life membership fees shall be paid

d) Personal Accident Insurance

Personal accident insurance for a premium amount, which shall not exceed Rs 10,000 per annum.

Part B

a) Provident Fund

Company's contribution to Provident Fund as per the rules of the Company



b) Pension/Superannuation Fund

Company's contribution to Pension / Superannuation fund as per rules of the Company.

c) Gratuity

Payable in accordance with the approved fund at a rate not exceeding one-half month's salary for each completed year of service as per rules of the Company.

Part C

a) Car

Use of Company's car with driver for business purposes

b) Telephone and other communication facilities

Use of telephone and other communication facilities at residence for business purposes.

Other Benefits

Leave

One month full pay and allowances as per rules of the company, for every 11 months of service. Encashment of leave at the end of tenure as per rules of the Company.

Overall Remuneration

The overall remuneration payable to the Vice-Chairman and CEO shall not exceed the ceilings prescribed under section 198 and 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act including any re-enactment and modifications thereto.

Minimum Remuneration

In the event of company having no profits or its profits are inadequate in any financial year during the tenure of the appointment, then the remuneration of the Vice-Chairman and CEO shall be governed by the Section II of the Part II of the Schedule XIII of the Companies Act, 1956 as amended from time to time.

Termination

Either party can give the other party, 3 months notice for terminating this office of Vice-Chairman and CEO."

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

"RESOLVED THAT pursuant to Section(s) 198, 269, 309, 310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of other statutory authorities, if required, approval of the members be and is hereby accorded to the re-appointment of Smt. Sudha Rani Jasti as Wholtime Director of the Company for a period of 5 years commencing from 4th January, 2005 on the following terms and conditions.

Salary

Rs 2,00,000 (Rupees Two lakh only) per month with an annual increment not exceeding 15% of salary effective from the month of January every year as may be decided by the Board.

Commission

Not more than 0.5% on net profits of the company calculated as per section 349 and 350 of the Companies Act, 1956.

Perquisites

In addition to salary and commission as above said, the following perquisites will be paid and / or provided. Valuation of all perquisites shall be done in accordance with the provisions of the Income Tax Act, 1961 and rules made thereunder. In the absence of any such rule, perquisites shall be evaluated at actual cost.

Part A

a) Medical Reimbursement

Reimbursement of medical expenses actually incurred for self and her family members including dependant parents of appointee.

b) Leave Travel Concession

For self and family including dependant parents of the appointee to and from any place in India once in a year in accordance with the rules of the Company.

c) Club Fees

Club fees subject to a maximum of 2 clubs will be allowed, provided that no admission or life membership fees shall be paid.

d) Personal Accident Insurance

Personal accident insurance for a premium amount, which shall not exceed Rs 10,000 per annum.

Part B

a) Provident Fund

Company's contribution to Provident Fund as per the rules of the Company.

b) Pension/Superannuation Fund

Company's contribution to Pension / Superannuation fund as per rules of the Company.

c) Gratuity

Payable in accordance with the approved fund at a rate not exceeding one-half month's salary for each completed year of service as per rules of the Company.



Part C

a) Car

Use of Company's car with driver for business purposes

b) Telephone and other communication facilities

Use of telephone and other communication facilities at residence for business purposes.

Other Benefits

Leave

One month full pay and allowances as per rules of the company, for every 11 months of service. Encashment of leave at the end of tenure as per rules of the Company.

Overall Remuneration

The overall remuneration payable to the Wholetime Director shall not exceed the ceilings prescribed under section 198 and 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act including any re-enactment and modifications thereto.

Minimum Remuneration

In the event of company having no profits or its profits are inadequate in any financial year during the tenure of the appointment, then the remuneration of the Wholetime Director shall be governed by the Section II of the Part II of the Schedule XIII of the Companies Act, 1956 as amended from time to time.

Termination

Either party can give the other party, 3 months notice for terminating this office of Wholetime Director."

ITEM NO 8

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

"RESOLVED that pursuant to the provisions of Section 81(1A) and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provision of the Articles of Association of the Company, the Listing Agreement entered into between the Company and various stock exchanges, the guidelines and clarifications issued by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Government of India (GOI) and any other statutory/regulatory authorities, and subject to all such other approvals, permissions, consents and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions, which may be agreed to by the Board of

Directors of the Company (hereinafter referred to as the "Board", which term shall also include any committee thereof), the consent and approval of the Company be and is hereby accorded to the Board for issuance of the Company's securities (as defined below) in pursuance of one or more International or Domestic Public Offerings, by way of direct issuance and allotment of shares including in the form of Global Depository Receipts (GDRs) and / or American Depository Receipts (ADRs) and / or any other securities linked to shares and / or any other convertible instrument or securities such as Convertible Debentures, Bonds, Foreign Currency Convertible Bonds (FCCBs), Convertible Warrants (hereinafter referred to as securities) to be subscribed by foreign / domestic investors including but not limited to NRIs, FIIs, Qualified Institutional Buyers (QIBs), Mutual Funds, Banks, Insurance Companies, other institutions/ corporate bodies and / or individuals or otherwise whether or not such investors are members of the Company, in any Foreign Currency or Indian Rupees, subject to such conditions as the Board may consider appropriate, provided that the amount for which the Securities to be issued shall not exceed U.S. \$ 25 million (U.S.Dollar 25 million) or its equivalent of any other Foreign / Indian currencies in one or more tranches and shall be in accordance with all applicable laws and regulations. The Board be and is hereby authorized subject to applicable laws and regulations to issue the aforesaid securities to the investors, in such manner as they may deem appropriate in their absolute discretion in one or more tranches and at a premium to market price(s), and if necessary, in consultation with Lead Managers and / or Underwriters and / or other Advisors of the Company concerned with the offering, as they may deem appropriate."

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issuance of the securities may have to be subject to such terms or conditions as are in accordance with prevalent market practices and applicable laws and regulations including but not limited to the terms and conditions relating to payment of interest, dividend, premium on redemption, the terms for issue of additional shares or variations in the price or period of conversion of Securities into Equity shares or terms pertaining to voting rights or options for redemption of Securities or conversion rights and that the Company is also entitled to enter into and execute all such arrangements with any Lead Managers, Underwriters, Guarantors, Depositories, Custodians and all such Agencies as may be involved or concerned in such offerings of securities and to remunerate all such agencies including by way of commission, brokerage, fees or the like, also to seek the listing of such securities or securities representing the same in one or more Domestic / International Stock Exchanges, in accordance with all applicable laws and regulations."

"RESOLVED FURTHER THAT the Company and / or any Agency or Bodies as are authorized by the Board may issue Depository Receipts (including by way of GDRs or ADRs or



FCCBs) represented by underlying shares in the capital of the company or such other Securities as may be required with such features and attributes as are prevalent in International / Domestic capital markets for instruments of this nature and to provide the tradability and free transferability thereof in accordance with market practices and subject to applicable laws and regulations and the Articles of Association of the Company."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of securities as may be required to be issued and allotted upon conversion of any Securities (referred to above) or as may be necessary in accordance with the terms of offering."

"RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board is hereby authorised to do all such acts, deeds, matters and things as the Board may in its absolute discretion deem necessary or desirable for such purpose, including but not limited to entering into arrangements for managing, underwriting, marketing, listing, trading, and appointing Lead Managers, Underwriters, Guarantors, Depositories, Custodians, Registrars, Trustees and such other agencies and to issue any Prospectus or Offering Document and sign the same and all other required applications, filings, deeds, documents and writings and to pay any fees, commissions, remuneration and expenses and to resolve any doubts or question that may arise in the issue and allotment of securities relating to the Offerings ".

"RESOLVED FURTHER THAT the consent of the Company be and is hereby accorded, in terms of Section 293 and other applicable provisions, if any, of the Companies Act, 1956 and subject to compliance with all applicable laws and regulations to the Board to issue Securities or raise loans, by the creation of mortgage(s) and / of charges and / or lien(s) on all or any of the Company's immovable and / or movable assets both present and future in such form and manner and

on such terms and conditions as may be deemed fit and appropriate by the Board."

"RESOLVED FURTHER that the Board be and is hereby empowered to delegate all or any of the powers described above to any Committee of Directors or to Vice-Chairman and CEO or any Director or any officers of the Company. "

ITEM NO 9

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

"RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 6th July, 1996 and pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby is accorded to the Board of Directors of the Company (the Board which expression shall include any Committee of the Board formed for this purpose) to borrow from time to time any sum or sums of money, on such terms and conditions and in such manner, (including by way of issue of debt instruments) as the Board may deem fit, which together with the moneys already borrowed by the Company (apart from temporary loans obtained from the company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, which have not been set apart for any specific purpose, provided that the total amount of money so borrowed shall not, at any time exceed the limit of Rs 200 crores (Rupees Two Hundred Crores only)."

By Order of the Board

Place : Hyderabad
Date : 30th July, 2005

K Hanumantha Rao
Company Secretary