



17th Annual Report

... of Science, Knowledge, Capability and ... Trust,
..... The bond has been established !



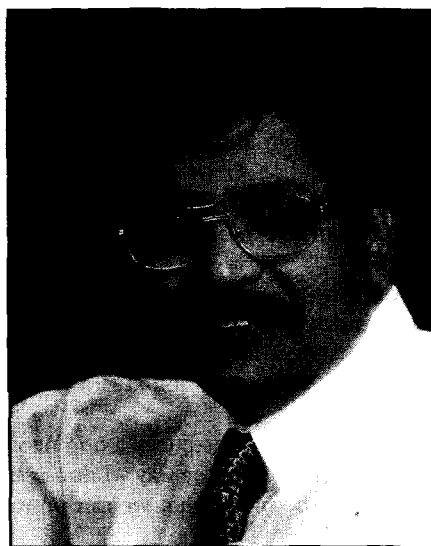
Suven Life Sciences Limited

2005 - 06





CEO'S COMMUNIQUE



Dear Shareholders,

Globally health care costs are soaring. In a big market like USA health care costs are estimated to be over 16% of GDP in 2006. A recent study by Harvard Medical and Law Schools reveal that over 50% of personal bankruptcy filings are due to medical bills. At the same time R&D productivity is anemic. Global pharma are spending more than \$60 billion to get 14, me too new drugs in a year thus increasing the cost of new drugs into market. While the costs for new drugs are mounting, pressures are building on the governments all over the world to reduce the health care cost. This led to the enactment of GAAP (Greater Access for Affordable Pharmaceuticals) by US congress recently.

GLOBAL HEALTH CARE

To discover drugs and bring them to market early with cost effectiveness is the name of the game which in turn is changing the thinking of big pharma as evidenced from the saying of Fred Hassan, CEO of Schering Plough corp: "Observing that science innovation occurs best in small, entrepreneurial environments, a very serious and growing challenge for our industry, is to see whether we can create a small company environment in a very big company organization".

With this kind of observation, one can believe that collaborations with small companies are imminent and India can take a lead from this new development because of the change in the mindset of global pharma coinciding with the Intellectual property protection in India. Sooner that happens; certainly SUVEN will be in the forefront.

Last year we talked about Suven's business strategy and realizing the next step of our strategic vision, Collaborative Research Partnerships (CRP) with global pharmaceutical giants with the initiation of Drug Discovery and Development Support Services (DDDSS) in '05 combined with Contract Research And Manufacturing Services (CRAMS) of '95.

SUVEN STRATEGY

Your company's strategy is the culmination of imagination, creation with bold moves into uncharted waters and visionary zeal of the management.

When we began this strategy way back in 1995, the management has set a new direction, a new strategic vision and then got both the investors and employees committed and aligned behind this new strategic vision and direction.



THE PEOPLE BEHIND

As Lyndon B Johnson (1964) said, "We have the power to shape the civilization that we want. But we need your will, your labor, your hearts, if we are to build that kind of Society"

It is true with Suven also in whatever way we want to build or shape our business and to achieve the end result; we not only need the vision, direction and strategy but also the people. **I would say People are not your most important asset, the right people are.** To be successful one need to get the right people in and keep enough of right people.

Harry Truman once said that "You can accomplish anything in life, provided that you do not mind who gets the credit" Yes, he is right and the credit should go to the employees first and foremost, who have done all the hard work and to the investors who have backed the new initiative which is new to this country.

For any new vision and strategy , one need to retain absolute faith regardless of the changes or difficulties on the way while assessing and confronting the difficult situations as and when it occurs so that we can prevail at the end.

When such a long term vision evolves into flourishing business gradually, rather than with a sudden change, it will certainly endure for long.

As all of you are aware that SUVEN has metamorphosed from CRAMS to DDDSS by initiating in house drug discovery activity during 2002. During this short span of 4 years we have not only created the basic infrastructure to do drug discovery and DDDSS but also trained our people and created Intellectual property by filing more than 39 product patents.

The intangibles that have been created over the years will give rise to new business opportunities both in services i.e. DDDSS and CRAMS besides drug discovery collaborations. I am sure of the innovation lead collaborative research and joint development on risk/ reward basis with collaborators will evolve sooner than later.

DRUG DISCOVERY

The in-house Drug Discovery not only brought Intellectual Property and hopefully products for market eventually, but also spreading Suven's capability all over the world.

Preliminary preclinical data presentation on our lead compounds at Society For Neurosciences (SFN 2005) has evinced keen interest with many global pharma giants. The interactions, delegations, visits and audits after our data presentation at

SFN 2005 are leading into active collaborative initiatives in drug discovery with global pharma majors. We will also be presenting more preclinical data on our lead compounds for various CNS disorders like Alzheimer's, Mild Cognitive Impairment (MCI), schizophrenia, Parkinson, dementia and obesity at Neuroscience 2006 at Atlanta in October 2006. Our aim is to file one Investigational New Drug (IND) application with US FDA and EU authorities before the end of this fiscal year.

This is not the wishful thinking but I see it is going to happen sooner than later and with your continued support, we will succeed.

INFRA- STRUCTURE

But the need of the hour is up gradation of infrastructure to take on the new opportunities that are coming in our way. Hence we will initiate the construction of a new greenfield drug discovery site very soon where in internal drug discovery, collaborative discovery and DDDSS activities can take place meeting global regulatory requirements. This will speed up our discovery process while cutting costs with seamless transition of the product/project from one stage to the other while attracting Collaborative Research Partnerships.



AWARD

You will be happy to note that during 2005 Suven was awarded "Partner of Choice in Drug Discovery for CNS" from India by Frost & Sullivan, a global consulting firm.

The kind of collaborative Research Partnerships (CRP) we are envisaging will be first of its kind for an Indian company wherein the big pharma discovery R&D will be done at SUVEN initially on collaborative basis followed by clinical development at the collaborator.

COLLABORATIVE RESEARCH PARTNERSHIPS

All of us have been waiting for long for this to happen and the time has come for us to move into the next stage of collaborative Research Partnerships (CRP) with global pharma giants on one hand and moving forward with our internal drug discovery program by advancing one of our lead compounds into Phase 1 clinical stage during the course of the year while solidifying the activities in CRAMS and DDDSS. More than a decade of steady efforts guided by unswerving vision has gone by and the goals set to become a Collaborative Research Partner (CRP) looks promising and you will be glad to know that long wait is over since Suven and Lilly has established Drug Discovery collaboration.

Suven has signed an agreement with Eli Lilly and Company; a U.S. based global pharmaceutical company, to collaborate on the pre-clinical research of molecules in the therapeutic area of central nervous system disorders (CNS).

"This effort is a collaboration between Suven and Lilly, with scientists from both parties working together in a team, with the goal of identifying potent, oral compounds that selectively modulate the specified G-Protein Coupled Receptor for the target CNS disease,".

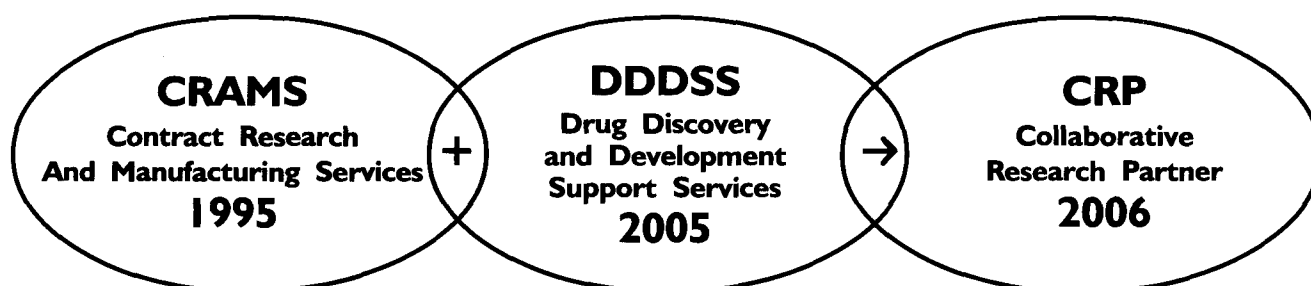
SUVEN AND LILLY COLLABORATION

Suven will receive payments from Lilly and potentially downstream payments if the identified candidates are selected by Lilly for further pre-clinical research and development.

"This is our first true research collaboration with a global pharmaceutical company, thereby helping us realize the next step of our strategic vision," as a collaborative Research Partner (CRP) with a global pharmaceutical company.

This is truly a remarkable and path breaking achievement for all of us at SUVEN for which I am thankful to one and all and I promise that we can do lot more in the years to come with your continued support.

Yours sincerely
Venkat Jasti





BOARD OF DIRECTORS

Shri Bodhishwar Rai	Chairman
Shri Venkateswarlu Jasti	Vice-Chairman & CEO
Smt. Sudha Rani Jasti	Wholetime Director
Shri T. R. Prasad	Director
Dr. M.R. Naidu	Director
Dr. K.V. Raghavan	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.

BANKERS

State Bank of India
Overseas Branch
Abids, Hyderabad.

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

REGISTRARS & SHARE TRANSFER AGENTS

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

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NOTICE

NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of Suven Life Sciences Limited will be held on **Saturday** the 30th day of September 2006 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 2006 and the Audited Profit & Loss Account for the year ended 31st March, 2006 together with Director's Report and Auditor's Report thereon.
2. To declare a Dividend
3. To appoint a director in place of Dr S Ramachandran, 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 2006-07 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 Shri T.R.Prasad 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 Special Resolution

"RESOLVED THAT pursuant to Section 94(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby given to increase the Authorized Share Capital of the Company from Rs 10 crores (Rupees Ten crores only) to

Rs 20 crores (Rupees Twenty crores only) by creating 5 crore (Five crore only) equity shares of Rs 2/- each ranking pari passu with the existing equity shares of the Company and the following new Clause V be and is hereby substituted in place of the existing Clause V of the Memorandum of Association of the company."

"V The Authorized Share Capital of the Company is Rs 20,00,00,000(Rupees Twenty Crores only) divided into 10,00,00,000 equity shares of Rs 2/- each (Rupees Two only) with a right to increase or reduce the Share Capital in accordance with the provisions of the Companies Act, 1956. The Company shall have powers, at any time and from time to time to increase or reduce Capital. Any of the said shares and any new shares may at any time and from time to time be divided into shares of several classes in such manner as the Articles of Association of the Company may prescribe and the shares of each class may confer such preferred or other special rights and privileges and impose such restrictions and conditions whether in regard to dividend, voting, return of capital or other wise as may be prescribed in or under the Articles of Association."

"RESOLVED FURTHER THAT the following new Article 7(a) of the Articles of Association of the Company be and is hereby substituted in place of existing Article 7 (a) as under."

"7(a) The Authorized Share Capital of the Company is Rs 20,00,00,000(Rupees Twenty Crores only) divided into 10,00,00,000 equity shares of Rs 2/- each (Rupees Two only) with a right to increase or reduce the Share Capital in accordance with the provisions of the Companies Act, 1956. "

By Order of the Board

Place : Hyderabad
Date : 31st July 2006

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. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of special businesses is annexed hereto.

3. 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.
4. 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.
5. The Register of Members of the Company and share transfer books will remain closed from -27th September



2006 to 29th September 2006 (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 26th September 2006 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 the Book Closure date in

respect of shares held in physical form and in respect of shares held in electronic form (Demat), dividend will be paid to the beneficial owners as per the list to be provided by the Depositories, as on the book closure date.

7. Members desiring to have any information on the accounts are requested to make a request for the same at least one week before the date of meeting. So that the requisite information will be made available at the meeting.

EXPLANATORY STATEMENT

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

ITEM NO 5

Shri T.R.Prasad was co-opted as Additional Directors on the Board of the company pursuant to section 260 of the Companies Act, 1956. Shri T.R.Prasad holds office of the Director up to the date of ensuing Annual General Meeting. The Company has received notice from a member alongwith required deposit, proposing the candidature of Shri T.R.Prasad 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 Directors are given under the head "Brief profiles of the Directors seeking appointment /re-appointment at the AGM."

None of the Directors except Shri T.R.Prasad is concerned or interested in the resolution.

ITEM NO 6

The present Authorized Share Capital of the Company is Rs 10 crores consisting of 5 crore equity shares of Rs 2/- each. In view of the proposed expansion plans of the company involving fund raising either through ADRs/GDRs/FCCBs and / or such other modes of raising capital, which may be converted into equity at a later stage and / or an equity issue of any kind, it is proposed to suitably increase the Authorized Share Capital of the Company. As per Section 94(1)(a) of the Companies Act, 1956 permission of the shareholders of the Company is required to give effect to the proposed increase.

Hence your Directors commend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution

By Order of the Board

Place : Hyderabad
Date : 31st July 2006

K Hanumantha Rao
Company Secretary

Brief profile of the Director seeking appointment / re-appointment at the Annual General Meeting

1. Dr. S.Ramachandran M.Sc., Phd, is a renowned Synthetic Organic Chemist having 40 years of experience and is of immense value to the Company in R & D activities for Drug Intermediates and Fine Chemical Intermediates planned for the Company. Dr S.Ramachandran is also a Director on the Board of Vasudha Pharma Chem Limited and Natco Organics Limited. Dr S.Ramachandran does not hold any shares in the Company. Dr S Ramachandran is a member of Audit Committee and Chairman of Investor Grievances Committee of the Board of your Company.
2. Shri T R Prasad is a ret'd. IAS Officer (1963 batch) and holds a Master's Degree in Physics (Electronics) from Banaras University. He is a lifetime fellow of the Institute of Engineers (FIE).

Shri T.R.Prasad took over as Cabinet Secretary, Government of India in the year 2000 and held this

post for a period of two years, after which Shri T.R.Prasad was a member of Finance Commission till 31st December 2004.

Prior to the above positions, Shri T.R.Prasad held the following positions

Defence Secretary, Government of India, Secretary, Industrial Policy and Promotion, Ministry of Industry, Chairman, Foreign Investment Promotion Board, Secretary, Heavy Industry and Chairman, Maruti Udyog Limited

Shri T.R.Prasad is also a Director on the Boards of TVS Motors Company Limited, TAJGVK Hotels & Resorts Limited, Nelcast Limited and GMR Infrastructure Company Limited. Shri T.R.Prasad does not hold any shares in the Company.

Shri T.R.Prasad is Chairman of Audit Committee of the Board of TVS Motors Company Limited and member of Audit Committee of the Board of your Company.



DIRECTORS' REPORT

Your Company's Board of Directors has pleasure in presenting this 17th Annual Report together with Audited Accounts of the Company for the financial year 2005-06.

Financial statements for the year 2005-06 prepared in substantial compliance with US GAAP are also included in this Annual Report.

FINANCIAL RESULTS

	Current Year Ended 31-03-06 (Rs in Millions)	Previous Year Ended 31-03-05 (Rs in Millions)
Sales and other incomes	830.08	607.78
Gross Profit	136.03	113.50
Less: Interest	16.47	8.21
Depreciation	33.90	31.26
Profit before Tax	85.68	74.03
Less: Provision for Taxation	1.05	36.06
Profit after Tax	84.63	37.97
Add: Balance brought forward	29.75	24.09
Profit available for appropriation	114.38	62.06
Appropriations:		
Dividend	25.0	25.0
Dividend tax	3.5	3.5
Transfer to General Reserve	40.0	3.8
Balance carried forward	45.88	29.75

REVIEW OF OPERATIONS

Your Company has recorded a total income of Rs 830.08 Mn during the year 2005-06 consisting of exports of Rs 636.98 Mn, domestic sales of Rs. 153.93 Mn, Contract Technical Services of Rs.31.07 Mn and other income of Rs 8.15 Mn. Profit before tax (PBT) increased by 15.74% to Rs 85.68 Mn from Rs 74.03 Mn when compared to previous year PBT primarily on account of increase in revenues under CRAMS business model during the year under review. The EPS (in Rs) has also increased to 3.39 this year over the previous year EPS (in Rs) of 1.52.

EXPORTS

Your Company has achieved an export turnover of Rs 636.98 Mn when compared to the previous year exports of Rs 327.63 Mn. The exports revenue has been nearly doubled over the previous year exports revenue.

DIVIDEND

Your Directors are pleased to recommend a dividend @ 50% (Re 1/- per share) for the financial year 2005-06 which will absorb a sum of Rs 28.50 Mn including tax on dividend. If approved in the Annual General Meeting the dividend will be paid to the shareholders who are on the Register of Members of the Company as on the book closure date.

ESOPS

During the year, Compensation Committee of the Board has granted 150,000 stock options to the eligible employees of your Company as well as to the employees of Wholly Owned Subsidiary at USA and with this the total number of stock options granted stood at 750,000 out of 12,50,000 options reserved under the plan. The disclosures as required under the SEBI Guidelines on ESOPs are annexed to the Directors Report.

MARKETING

With the enhancement of services from CRAMS to DDDSS and CRO activities, project management has become a key business in addition to the product development. Hence during the year your company has started a branch office in NJ and employed additional people for business development and project management along with the logistics management.

RESEARCH AND DEVELOPMENT

Suven continues to spend heavily on R&D. Your company's total R&D spend (revenue and capital) is about 26.59% to the total turnover during the year. Drug Discovery and Development Support Services (DDDSS) business model, which was launched in the year 2005, is gearing up and expected to produce promising results in the years to come, which will enable your company to grow into a collaborative research partner (CRP) for global life sciences companies.

QUALITY ASSURANCE

Your Company's ISO 14000-1996 systems have been upgraded to 14001- 2004 during the year. Unit III at Pashamylaram, Medak District, and a cGMP compliant plant facility has been accredited with WHO GMP Certification by the statutory authorities. cGMP & GMP practices across Suven manufacturing facilities and preparation of dossiers have been consistently followed during the year. Various quality audits conducted by the international customers during the year were successful. The Focus on "Customer satisfaction" remains as our top priority.

SUBSIDIARY

The consolidated and standalone financials of Suven Life Sciences USA LLC a Wholly Owned Subsidiary (WOS) -- at New Jersey are also presented in this Annual Report.

SOCIAL RESPONSIBILITY

Your Company continues to shoulder its social responsibility and has made contributions to various charities like education, sports, spiritual and cultural programmes and supplied drinking water to the neighboring villages around the plant facilities during the year.



*DIRECTORS

As per the provisions of the Companies Act, 1956 and Articles of Association of the Company, Dr S Ramachandran retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. Shri T.R.Prasad was co-opted as additional director by the Board during the year and holds office as a Director until the ensuing Annual general meeting and being eligible, offers himself for appointment.

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

INVESTOR SERVICE

Your Company's share registry operations (physical as well as electronic form of holdings) will continue with Karvy Computershare Private Limited, Registrars and Transfer Agents. They can be contacted at 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad-500 034 (Phone Nos.23312454, 23320751 and 23320752, Fax No.23311968) for any query relating to Shares.

The shares of the Company are listed on National Stock exchange of India Limited, Bombay Stock Exchange Limited 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 together with the Auditors' Certificate regarding the compliance of conditions of corporate governance, forms part of Annual Report. A Report on Management Discussion and Analysis is prepared and attached to the Director's Report.

COST AUDIT

In pursuance of Section 233(B) of the Companies Act, 1956, the Central Government has directed audit of the Cost

Accounting Records of your Company. The Cost Audit Report for the Financial Year 2005-06 is in process and the Report will be submitted to the Central Government within the prescribed time limit.

DIRECTORS RESPONSIBILITY STATEMENT

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

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

PUBLIC DEPOSITS

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 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/ Nature of Duties	Gross Remuneration Rs. in Millions	Qualification	Experience in years	Date of Commence- ment	Particulars of last Employment
Mr. Venkateswarlu Jasti	57	Vice-Chairman & CEO.	4.67	M.Pharm.M.S (Indus. Pharmacy)	32 Years	09-03-1989	Business in U.S.A
Mrs. Sudha Rani Jasti	52	Wholetime Director	3.16	B.Sc.	25 Years	09-03-1989	Business in USA
Dr. N.V.S.Ramakrishna	45	Vice-President (Discovery Chemistry)	3.75	M.Sc, P.hd	17 Years	04-03-2002	Vice-President (Discovery Research) Zydus Cadila