

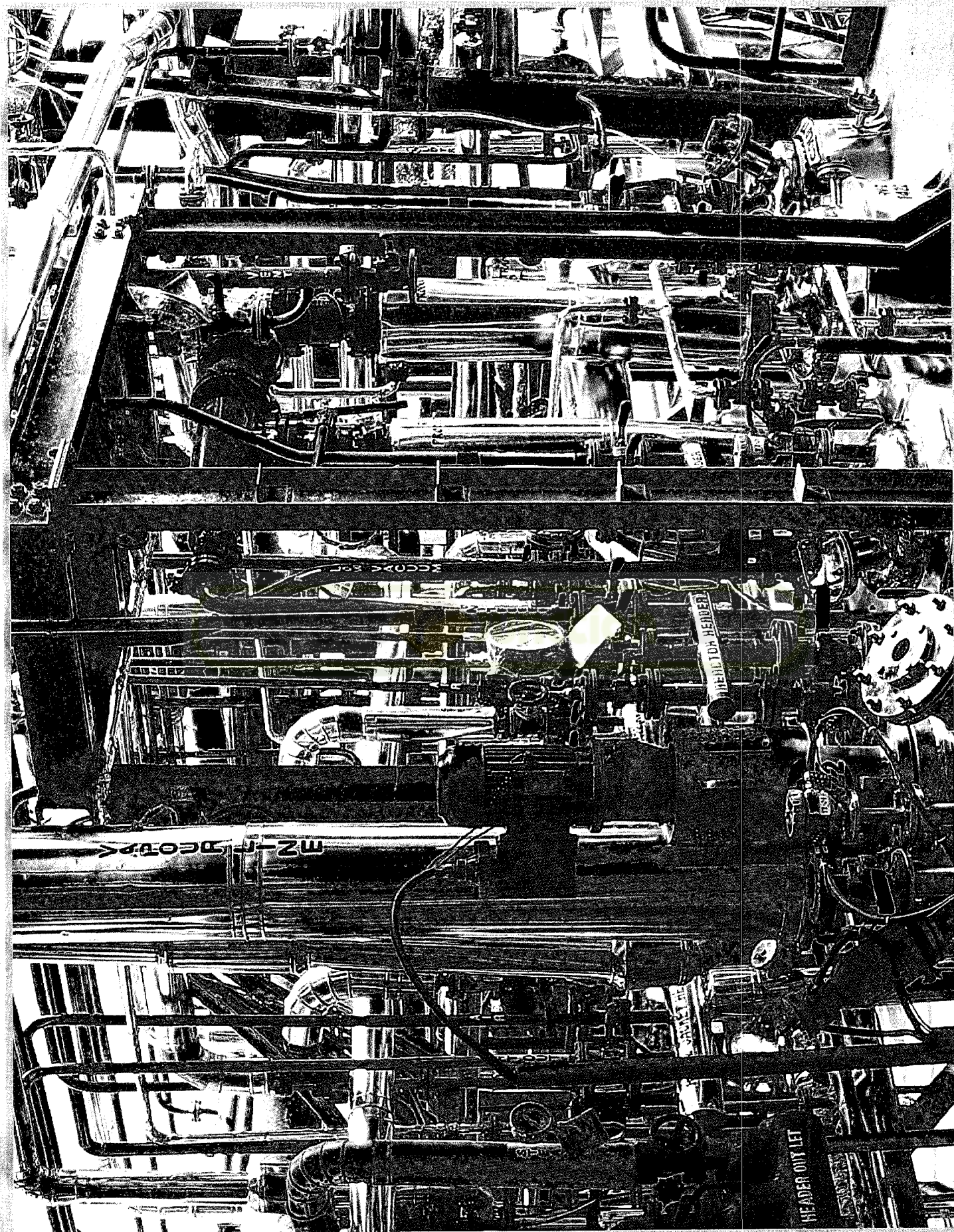
18th Annual Report

D **C**
D **P** Partnering
D **A** for
S **M** end to end Solutions
S **S** **R**



Suven Life Sciences Limited

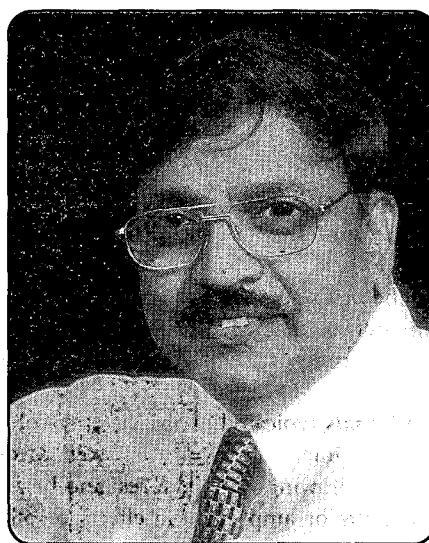
2006 - 07



High Vacuum Distillation Unit at Suryapet (Unit-1)



CEO'S COMMUNIQUE



Dear Shareholders,

Globally healthcare expenditure is rising and all over the world governments are under tremendous pressure to reduce the cost on health care which in turn bringing the pressure mainly on Pharmaceutical companies to reduce costs.

GLOBAL HEALTH CARE SCENARIO

Rising costs per successful new drug launching and rising overall industry R&D expenditures are alarming. The main reason for this is mainly because of increased spending on R&D due to high attrition rate in NCE's and declining R&D productivity leading to anemic pipe line. Recent years trade journals referring drug companies has "dry", "weak" or "strangled" pipelines and New York Times concluded that the "research drought" has grown worse. "The number of drugs approved by the FDA has fallen by more than half since 1996..." while "R&D spending has more than doubled."

In addition to this many block buster lost their patents to generics and combined with governmental pricing pressure the bottom lines of big pharma are under tremendous pressure thus hurting bottom line. Faced with pressure from financial institutions to grow earnings and realize high rates of return and to shore up the anemic pipelines, drug companies are re-tooling their strategies. New initiatives adopted by the big pharma are to outsource, collaborate and partner with strategic players who are equipped to provide end to end solutions.

To be a partner of choice for global pharma majors your company has adopted a thoroughly thought out strategy way back in 1995 by launching CRAMS (Contract Research And Manufacturing Services), DDDSS (Drug Discovery and Development Support Services) in 2005 and CRP (Collaborative Research Partnership) in 2006, thus providing end to end solutions from discovery, development and manufacturing.

SUVEN STRATEGY

Suven CRAMS brings in new technologies and cost savings in manufacturing.

DDDSS brings in speed in preclinical development and clinical trials thus reducing time and money spent.

CRP brings in Innovation thus helping the big pharma to boost up their anemic pipeline.

With all the three components under one roof Suven can provide seamless transition of the project from phase to phase by offering end to end solutions thus becoming a strategic partner to global pharma majors.



SUVEN DRUG DISCOVERY

Since 2003, more than 20% of the revenues have been spent on our drug discovery program to discover drugs for unmet medical needs in Neurosciences. All our focused efforts lead to the filing of Suven's first Investigational New Drug (IND) application of our lead preclinical candidate SUVN-502 for CNS disorders viz Alzheimer Disease and Schizophrenia.

This is the first step of preparing for the proof of concept, the first indication in patients that the new medicine works and later for full scale development. This involves clinical trials comprising of 3 phases before the drug can be approved for marketing.

Phase I trials typically involve healthy volunteers. These trials study the safety of the drug and its interaction with the body, for example, its concentration and duration in the blood following various doses, and begin to answer such questions as whether the drug inhibits or amplifies the effects of other medicines that might be taken at the same time.

Phase II studies enroll patients with the illness an investigational drug is designed to treat. These trials evaluate whether the drug shows favorable effects in treating an illness and seek to determine the proper dose. They provide an opportunity to explore the therapeutic potential of the drug in what may be quite different illnesses. The evaluation of safety continues.

If Phase II results have been encouraging, **Phase III trials**, the largest part of a clinical-development program, go forward. Phase III trials are designed to provide the substantial evidence of efficacy and safety required, in addition to data from earlier-phase trials, before regulatory agencies will approve the investigational drug as a medicine and allow it to be marketed.

We expect in the phase-I of the clinical trial, first dosing of healthy volunteer to take place in the 3rd quarter of this year and the trial to finish by 1st qtr of next year. In addition to this new drug candidate we have several other candidates which are at various phases of pre-clinical development for various CNS diseases like Parkinson's, anxiety, depression and obesity.

We hope to file at least one IND every year if not more so that we have rich pipeline of drug candidates under development in addition to shoring up our discovery pipeline. Our pipe line has created huge interest with many global pharma majors who have expressed their interest in collaborating and co-developing these molecules which are first in class and are for unmet medical needs using novel mechanism of action.

With your unrelenting support and the management's focused approach lead to the building up of many intangible assets and the time has come for unlocking the value of those assets. This occurrence will make your company a force to reckon with, in the pharmaceutical world for developing innovative and cost effective medicines to prevent and cure diseases, to ease the suffering and to enhance the quality of life for many of the unmet medical needs.



COLLABORATIVE RESEARCH PARTNERSHIPS

As you are well aware that we have established a Collaborative Research Partnership with Eli Lilly during the year 2006 which is going very well. With the positive outcome of the first ever research collaboration we expect Lilly to extend this collaboration into a second collaboration for a new disease during this year.

In addition to Lilly Collaboration, we expect to establish additional Collaborative Research Partnership (CRP) with another global pharma major during this year with whom we are in discussions with.

INFRASTRUCTURE

As you all aware that we have the basic infrastructure to do drug discovery and collaborative Research Partnership based drug discovery. In order for us to ramp up the activity on both the fronts, we need to set up a **dedicated drug discovery facility including animal facility**. We hope to start this activity during this year and estimated time of commencement of operations by end 2009 where in we can take many more collaborative research partnerships in addition to more in house drug discovery programs.

Our Vision of Emerging as a leading player by providing full spectrum of services in drug discovery, development, manufacturing and support services under collaboration with leading global life sciences players **has been achieved..**

FUTURE

Next step is to develop and launch drugs globally which are discovered at Suven, which we hope to achieve sooner than later.

I thank all of our shareholders for your unrelenting and continued support for achieving this milestone. Our combined goal is striving to make Suven a global player.

Your Sincerely

Venkat Jasti

Partnering for end to end solutions



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
Plot No. 17 to 24
Vittal Rao Nagar, Madhapur,
Hyderabad - 500 081.

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NOTICE

Notice is hereby given that the 18th Annual General Meeting of the Members of Suven Life Sciences Limited will be held on Thursday the 27th day of September 2007 at 10.30 a.m. at KLN Prasad Auditorium, The Federation of Andhra Pradesh Chambers of Commerce & Industry [FAPCCI], 11-6-841, Red Hills, Hyderabad -500 004 to transact the following businesses:

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007 and the Audited Profit & Loss Account for year ended 31st March, 2007 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 a director in place of Dr KV Raghavan, who retires by rotation, and being eligible, offers himself for re-appointment
5. To appoint M/s. Karvy & Co., Chartered Accountants, Hyderabad, the retiring Auditors as Auditors for the year 2007-08 and to fix their remuneration.

Special Business

ITEM NO 6

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. \$ 50 million (U.S. Dollar Fifty 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. "

By Order of the Board

Place : Hyderabad
Date : 31st July 2007

K Hanumantha Rao
Company Secretary

NOTES

- 1.1. 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 business(es) 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 -25th September 2007 to 27th September 2007 (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 24th September 2007 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 6

The Board of Directors in their meeting held on 31st July 2007 has decided to raise funds either from the international capital markets by way of the issue of American Depository Receipts (ADRs) / Global Depository Receipts (GDRs) / Foreign Currency Convertible Bonds (FCCBs) and / or other securities (debt instruments) to international investors and / or through domestic offerings to various investors, for purpose of meeting its R&D expenditure for conducting Clinical Trials upto proof of concept (Phase 2) of our New Chemical Entity (NCE) SUVN - 502 for Alzheimer's disease and for creation of dedicated Drug Discovery Centre.

The ADRs / GDRs / FCCBs / or other securities will be listed in one or more foreign stock exchanges and will be convertible into equity shares of your company at a conversion price to be decided between the Company and such investors.

The detailed terms and conditions for the offer and the rights and privileges of the holders of ADRs / GDRs / FCCBs will be determined in consultation with the lead managers, advisors and underwriters to be appointed by the Company. Since the pricing of the these debt instruments could be decided at a later stage, the resolution did not state the issue price or the precise number of securities to be issued. The

Board of Directors or any committee constituted for this purpose shall finalize the terms and conditions in consultation with the agencies afore said in accordance with the applicable laws, guidelines, rules and regulations in this regard.

As per Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and as per the terms of listing agreement with the stock exchanges, the further issue of shares / offer and allotment of shares to the persons other than the existing shareholders would require approval of the members in the general meeting authorizing the Board of Directors to issue securities as stated in the resolution.

The Board recommends the resolution for your approval.

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

By Order of the Board

Place : Hyderabad

Date : 31st July 2007

K Hanumantha Rao
Company Secretary

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

1. **Shri Bodhishwar Rai** was former Chairman & Managing Director of Allahabad Bank, Calcutta; former Managing Director of S.B.I Funds Management Limited, Bombay. Mr. Bodhishwar Rai with rich and varied experience in Banking Industry, Financial Management is the Chairman of the Board of Directors for guiding the Company's top management. Shri Bodhishwar Rai holds 7250 shares as on 31st March 2007 in the Company

Shri Bodhishwar Rai is also a Director on the Board of Sutlej Textiles & Industries Ltd, Madhya Bharat Papers Ltd., Oriental Carbon & Chemicals Ltd, Texmaco Ltd., Hindustan Wires Ltd, Magma Leasing Ltd, West Coast Paper Mills Ltd, NRC Ltd, Jubilant Organosys Ltd, HB Estates Developers Ltd, Domino's Pizza India Ltd, Dhir & Dhir Asset Reconstruction & Securitization Co.Ltd

Shri Bodhishwar Rai is Chairman of the Audit Committee of the Board of your Company and holds Chairmanship of the Audit Committee of the Boards of Madhya Bharat Papers Ltd, Oriental Carbon & Chemical Ltd, Hindustan Wires Ltd, Jubilant Organosys Ltd, and Shri Bodhishwar

Rai is member of Audit Committee of Sutlej Textiles & Industries Ltd, Magma Leasing Ltd, HB Estates Developers Ltd.

Shri Bodhishwar Rai is also a member of Investor Grievances Committee of Oriental Carbon & Chemicals Ltd., Jubilant Organosys Ltd,

2. **Dr. K.V. Raghavan** is a Fellow of the National Academy of Engineering, Indian Institute of Chemical Engineers (IICChE) and A.P. Academy of Sciences and a Distinguished Fellow of University of Grants Commission (UGC). He was appointed as the Director of Central Leather Research Institute (CLRI), Chennai in 1994. He took over the Directorship of Indian Institute of Chemical Technology, Hyderabad in 1996. On successful completion of this tenure, he was appointed at Scientist in Director's Grade at IICT in October 2003. He took over as the Chairmanship of Recruitment and Assessment Centre of DRDO in May 2004

Dr. K.V. Raghavan is also Director on the Boards of Godavari Sugar Mills Limited Dr. K.V. Raghavan holds 500 shares as on 31st March 2007 in the Company



DIRECTORS' REPORT

Your Company's Board of Directors has pleasure in presenting this 18th Annual Report together with Audited Accounts of the Company for the financial year 2006-07.

Financial statements for the year 2006-07 prepared in substantial compliance with US GAAP are also included in this Annual Report.

FINANCIAL RESULTS

	Current Year Ended 31-03-07 (Rs in Millions)	Previous Year Ended 31-03-06 (Rs in Millions)
Sales and other incomes	1145.19	830.08
Gross Profit	178.50	136.03
Less: Interest	30.27	16.47
Depreciation	40.14	33.90
Profit before Tax	108.09	85.68
Less: Provision for Taxation	(5.09)	1.05
Profit after Tax	113.17	77.59
Add: Balance brought forward	45.88	29.75
Profit available for appropriation	159.05	107.34
Appropriations:		
Dividend	28.82	25.00
Dividend tax	4.89	3.50
Transfer to General Reserve	45.00	3.8
Balance carried forward	80.34	29.75

REVIEW OF OPERATIONS

Your Company has recorded a total income of Rs 1145.19 Mn during the year 2006-07 consisting of exports of Rs 878.78 Mn, domestic sales of Rs 136.30 Mn, Contract Technical Services of Rs 44.35 Mn, Clinical Trials Services of Rs 43.43 Mn, Process Development Charges of Rs 27.76 Mn and other income of Rs 14.56 Mn. Profit before tax (PBT) increased by 20.73% to Rs 108.09 Mn from Rs 85.68 Mn when compared to previous year PBT. The EPS (in Rs) has also increased to 4.32 this year over the previous year EPS (in Rs) of 3.39.

EXPORTS

Your Company has achieved an export turnover of Rs 878.78 Mn when compared to the previous year exports of Rs 636.98 Mn. The exports revenue has been increased by 27.52% over the previous year exports revenue.

DIVIDEND

Your Directors are pleased to recommend a dividend @ 25% (Re 0.25 paise per share) for the financial year 2006-07 which will absorb a sum of Rs 33.71 Mn including tax on dividend on the post bonus issue paid up capital of the Company, which is above the average quantum of dividend amount

declared and paid by your Company over the immediately preceding 3 financial years. 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 300,000 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 10,50,000 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.

INCREASE IN SHARE CAPITAL

During the year under review, the issued and paid up capital of your Company has gone up from Rs 500,00,000 to Rs 576,33,250 due to allotment of equity shares to shareholders of Asian Clinical Trials Limited pursuant to scheme of amalgamation with your Company as sanctioned by the Hon'ble High Court of Andhra Pradesh and due to allotment of equity shares to employees of your company and its subsidiaries who have exercised the stock options. The Company announced issue of Bonus Shares in the ratio of 1:1 and the shares have since been allotted in the month of April, 2007.

SIGNIFICANT EVENTS

SUVEN has been given Best Management award by the State Government of Andhra Pradesh for the outstanding contribution in maintenance of Industrial Relations, Labour Welfare and Productivity and was accorded National Safety award by the National Safety Council. Your Company's Unit III at Pashamylaram, Medak District a cGMP compliant plant has secured USFDA acceptance for supply of active pharmaceutical ingredients (APIs)

RESEARCH AND DEVELOPMENT

Suven's major thrust on R&D in Drug Discovery continues with an expenditure of Rs. 270.38 Mn recording about 23.91% of the turnover for the year under review. Your Company has signed its first Collaborative Research Partnership (CRP) 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). During the year your Company has secured a Patent from European Patent Office (EPO) on Novel Serotonin Receptor Ligands and the treatment of Disorders associated with Neurodegenerative diseases

QUALITY ASSURANCE

At SUVEN Safety, Health and Environment (SHE) is of paramount importance. To validate SHE policy as a global