

20th Annual Report

1989-2009



In search of new CNS therapies for better living

2008 - 09



Suven Life Sciences Limited



In search of new CNS therapies for better living

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CEO'S COMMUNIQUE

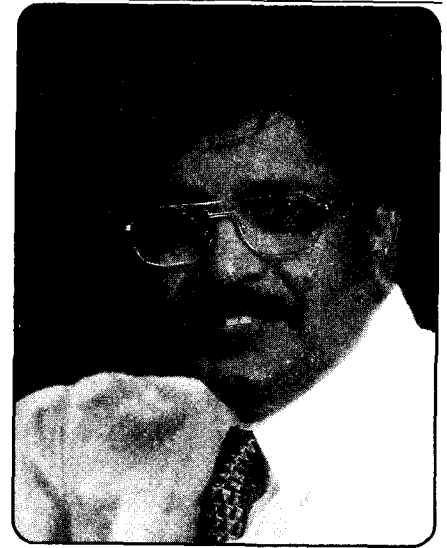
Dear Shareholders,

In March 2009, your company attained the age of 20.

Suven started of as a mere bulk drug-manufacturing company in 1989 and then progressively established itself as a full-fledged Bio Pharmaceutical Company.

Your company is the first and only company from India to discover and develop drugs for unmet medical needs in Central nervous system (CNS) disorders.

Your company also established a collaborative Research Partnership (CRP) with a global giant Eli Lilly in CNS drug discovery, another first for an Indian company.



GLOBAL CNS MARKET

CNS disorders account for about 35 percent of the total disease burden in the world's seven largest pharmaceutical markets *with sales estimated at US\$92 billion in 2007.* "The global CNS disorders market expanded by 8.0% from 2006 and the growth has been primarily driven by treatments for Alzheimer's Disease, ADHD and Parkinson's Disease." The CNS disorders market is one of the largest and fastest growing markets in the pharmaceutical industry. This is largely due to significant levels of unmet medical needs in the treatment of Alzheimer's disease, cognitive disorders associated with various psychiatric and neurological syndromes, stroke, multiple sclerosis, Parkinson's disease, pain, sleep and major psychiatric disorders – plus an aging population in North America, Western Europe, Japan and not to forget India – the demand for innovative CNS therapies will continue to grow rapidly in the decades

THE BEGINNING...

It was during March in 1989 that Suven was born and embarked on a journey with Big Idea of discovering drugs for unmet medical needs and Big Dream with an entrepreneurial and innovation spirit into the pharmaceutical field. This field is large with lucrative global market which is complex and frustrating. But that combination just makes it more compelling and intriguing.

But entrepreneurial inspiration sometimes hits in strange ways and at strange times. Since the atmosphere is not conducive to get into drug discovery activity during 1989, we have to jump onto the bandwagon of generics like every one else.

1st BUSINESS MODEL — CRAMS

With the signing of GATT and TRIPS agreements in 1994, Suven innovated a new business model **CRAMS, Contract Research And Manufacturing Services** to be in the supply chain of global innovators during the clinical phase of the drug development by supply of intermediates to NCE's with the ultimate aim of expanding CRAMS business into a Collaborative Research Partnership (CRP) coinciding with the implementation of IP regime in India by 2005.

Under the CRAMS so far we have undertaken 480 projects out of which 80 are still active in various phases of clinical development by the innovators. Presently 80% of the revenues come from the CRAMS business which is feeding the drug discovery activity. In the future, success of the customer in commercializing these projects will result in substantial revenue growth on a sustained basis throughout the patent period. Currently 80% of our customers are from the top 20 global pharma majors.



2nd BUSINESS MODEL — DDDSS

In order to become a Collaborative Research Partner (CRP) and achieve our goal of Innovation to discover drugs for unmet medical need, your company started the activity during 2002 by creating drug discovery infrastructure, recruiting the talent and training them. With the knowledge attained during this period, Suven embarked on a new business model yet again in the name of **Drug Discovery and Development Support Services (DDDSS)** by Jan 2005 coinciding with the IP protection in India.

The idea of DDDSS is to serve global pharma in their drug discovery and developmental activities so that we can validate our capabilities which in turn will lead the way into Collaborative Research Partnership (CRP) while generating revenues on a continuous basis. DDDSS started yielding results with the validation by 6 global pharma and you will see the ramp up of revenue from 20% to 50% within next 3-4 years strengthening the top and the bottom line.

3rd BUSINESS MODEL — CRP

Your company's aim of becoming a Collaborative Research Partner did happen by September 2006 with Eli Lilly to discover drugs in the Neuroscience Arena, a first for an Indian company. This CRP has expanded into a second Drug Discovery Collaboration during Feb 2008 which is very successful and with the lead optimization in progress we expect to deliver a clinical candidate out of this collaboration during this year thus realizing a substantial milestone. This success will pave the way for many more Collaborative Research Partnerships while continuing to deliver milestone and royalty payments in the years to come.

DRUG DISCOVERY

Our 2002 initiative to discover drugs for unmet medical needs in CNS arena brought many skeptics and admirers (Shareholders).

When you innovate, you've got to be prepared for everyone telling you you're nuts~ (Larry Ellison)

The lifeblood of our business is the R&D spend. There's nothing that flows through a pipe or down a wire or anything else. We have to continuously create new innovation that lets people do something they didn't think they could do the day before. (Steve Ballmer)

As evidenced from our financial results over the years, we are consistently spending more than 20% of revenue on this risk/reward bearing drug discovery activity to develop new drugs in the debilitating diseases of central nervous system that are affecting many millions of elderly population.

Drug discovery and development is a risky business. It can take decades to turn a new product concept into something of real value. Often commercial value is not realized until the first evidence that the drug works in patients is demonstrated, often referred to as the 'clinical proof of concept' that is where our clinical candidate SUVN-502 is heading.

"This is an area where the reward is so great and the unmet need is so high we are going to continue to be involved," said James Summers, head of Abbott's neuroscience drug discovery.

The payoff for treatments would be worth billions of dollars, especially as the world's population ages. This pay off can be reinvested into developing new therapies for unmet medical needs to the benefit of the patients while rewarding the shareholders.



~ Never before in history has innovation offered promise of so much to so many in so short a time. ~ (Bill Gates)

1st SUCCESS IN DRUG DISCOVERY

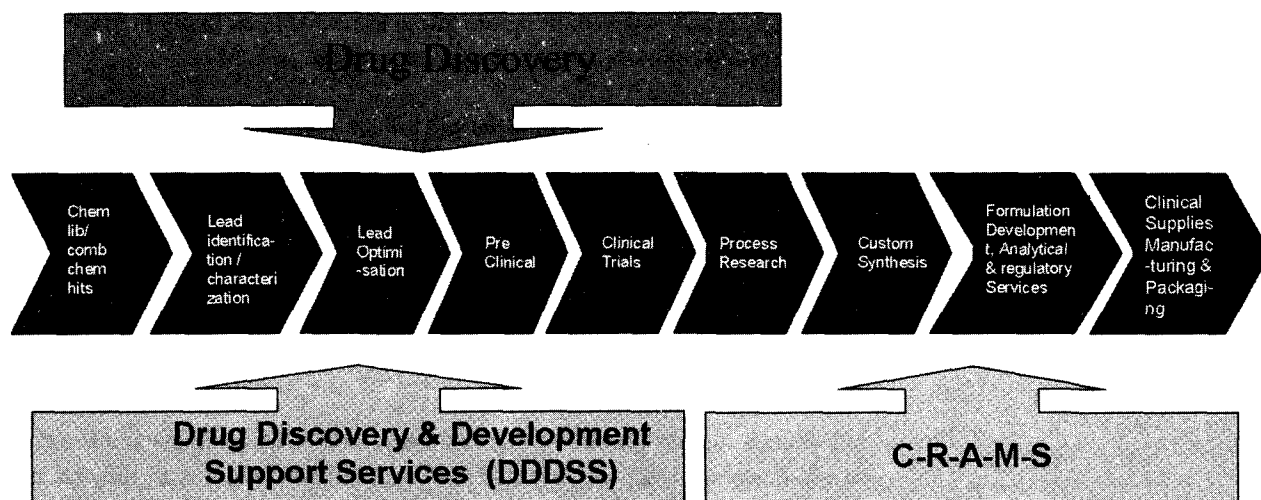
Our initiative of discovering drugs to treat cognitive impairment in Alzheimer's disease, ADHD, Huntington's disease, Parkinson's and Schizophrenia with a *global market share of over \$20 billion* is bearing fruits with our lead candidate SUVN-502 **successfully completing Phase 1 clinical trial** in Switzerland during this year. Now it is progressing into **Proof of Concept (Phase 2 a) stage**.

Successful outcome of POC study will result into out licensing wherein your company expects to earn substantial upfront payment and later developmental milestones and royalties on worldwide sales after successful commercialization.

RISK MITIGATION

Our business model is very unique not only in India but also globally. We have successfully leveraged the infrastructure and the knowledge gained through our drug discovery and collaborative research activity by offering services in the entire spectrum of Drug Discovery, Development and Manufacturing thus moving the projects seamlessly. The revenues generated so far is feeding all our drug discovery activities and with the scale up in our services and expanded offerings we will generate more revenues on a sustained basis. This revenue growth not only boost the bottom line but also will help speed up the development process of our pipeline compounds into the clinic. Ultimately, revenues from drug discovery activity will start accruing in a big way.

Suven's Business Model



Collaborative Research Partner (CRP) ...
Seamless transition



INFRASTRUCTURE

To scale up our activities in Drug Discovery, CRP and DDDSS we need to create an integrated drug discovery site which we intend to build by 2011. This will increase the activities by 5 fold by end of 2011 wherein we can take up many more collaborative partnerships while increasing the DDDSS offerings thus *achieving a 50:50 mix in the revenues rather than the present mix of 80:20 of CRAMS to DDDSS* and the profit margins are much better in DDDSS compared to CRAMS.

FUTURE REVENUE

In addition to the revenues of CRAMS and DDDSS on a regular basis, **you can expect to receive CRP milestones very soon** and royalties will start accruing over a period of time. Also our **drug discovery activity will bring in revenues from out licensing in the form of upfront payments** followed by clinical success based milestones and royalties in a big way till the end of patent period.

In drug discovery, time lines are long (10 to 12 years), risk is known while the rewards are huge which we can not imagine in manufacturing. So far your company has managed risk very well with innovative service offerings (CRAMS & DDDSS) and Collaborative Research partnership. **With all these efforts in drug discovery since 2002 we are on track to reap the benefits in a very big and sustainable way from 2012 if not earlier.**

INTELLECTUAL PROPERTY

You will be glad to know that your company is in the forefront in creating the Intellectual Property with a total of **189 granted product patents in CNS arena for 10 inventions** till March 2009. The embedded value has not been so far captured which will eventually reward in a big way and continuously making your company as one of the global players in the disease area of CNS.

THE FUTURE

"Twenty years ago, SUVEN embarked on a mission to discover drugs to treat the debilitating disorders. I am very confident that we are accomplishing our mission of making a positive impact on the lives we touch."

"I am deeply proud of the contributions Suven has made so far to our industry and the value our services have provided to our customers over the past 20 years.

Proud of our past as we are, our focus will remain on the future and the trends impacting our business.

In the very near future many of the present activities will fructify and will generate revenues. Over the next 5 years we plan to accomplish many more successes in all of our activities which will certainly generate revenues to the benefit of our shareholders and new therapies for the benefit of the patients in treating the debilitating diseases affecting the Central Nervous System.

Tremendous support I have received over the years is most gratifying and the trust reposed on our business model will certainly reward us in a real big way in the very near future.

Twentieth Anniversaries don't come around all that often; and I'm very pleased that I and you could be part of this one.

Your Sincerely
Venkat Jasti



BOARD OF DIRECTORS

Shri Venkateswarlu Jasti	Chairman & CEO
Smt. Sudha Rani Jasti	Wholetime Director
Dr. M.R. Naidu	Director
Dr. K.V. Raghavan	Director
Dr. S. Ramachandran	Director
Shri D.G. Prasad	Director
Dr. Martin Tolar	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

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, SDE 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 20th Annual General Meeting of the Members of Suven Life Sciences Limited will be held on Tuesday the 22nd day of September 2009 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 2009 and the Audited Profit & Loss Account for year ended 31st March 2009 together with Director's Report and Auditor's Report thereon.
2. To declare a Dividend
3. To appoint a director in place of Dr K V Raghavan, 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 2009-10 and to fix their remuneration.

Special Business

ITEM NO 5

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

"RESOLVED THAT Shri D.G. Prasad be and is hereby appointed as Director of the company, liable to retire by rotation."

ITEM NO 6

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

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

ITEM NO 7

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 Chairman and CEO or any Director or any officers of the Company. "

By Order of the Board

Place : Hyderabad
Date : 28th July 2009

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 16th September 2009 to 18th September 2009 (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 15th September 2009 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.
8. Corporate Members are requested to send a duly certified copy of the Board Resolution/power of attorney authorizing their representative to attend and vote on their behalf at the Annual General Meeting
9. Members are requested to send all correspondence concerning registration of transfers, transmission, subdivision or any other shares related matter to Company's Registrars.
10. The entire Annual Report is also available at the Company's website www.suven.com



EXPLANATORY STATEMENT

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

ITEM NO(s) 5 & 6

Shri D.G.Prasad and Dr Martin Tolar were co-opted as Additional Directors on the Board of the company pursuant to section 260 of the Companies Act, 1956. Shri D.G.Prasad and Dr Martin Tolar hold 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 D.G.Prasad and Dr Martin Tolar 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 D.G.Prasad and Dr Martin Tolar are concerned or interested in the resolution.

ITEM NO 7

It may be recalled that in the last AGM held on 18th September 2008, the members have approved and authorized the Board to raise funds to the tune of U.S. \$ 50 million (U.S.Dollar Fifty million) or its equivalent of any other Foreign / Indian currencies, since then the management of your company has been waiting for right time to raise the funds. In order to keep the resolution in force, the Board of Directors has decided to seek fresh mandate from the members in the general meeting to raise funds as above said 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 the purpose of meeting its R&D and clinical development expenditure and for creation of dedicated Drug Discovery Centre and for meeting company's on going expansion and upgradation plans.

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 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 : 28th July 2009

K Hanumantha Rao
Company Secretary