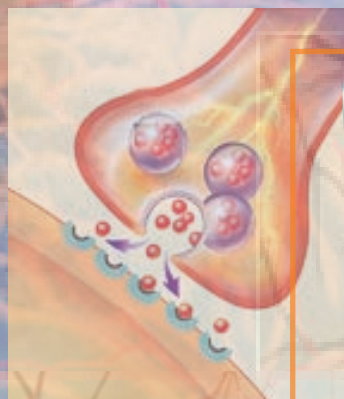


**21<sup>st</sup> Annual Report**

**In Search of new CNS therapies for better living**



**2009-10**



**Suven Life Sciences Limited**





CRAMS for kilos to tons





## CEO'S COMMUNIQUE

*Dear Shareholders,*

### Global Scenario

As we all know with recent recession, uncertain economy, currency fluctuations, change in the global spending pattern, price pressure and healthcare reforms globally, has substantial impact on spending in the pharmaceutical Drug Discovery and Development arena. This change by the major pharmaceutical companies around the world lead to optimization of drug discovery and development process with alliances, collaborative research and by outsourcing activity, a trend which is easier said than done. The struggle within the pharmaceutical sector could be seen from the way the closure of R&D and Manufacturing facilities, reduction in the work force and mergers and acquisitions happening globally. **This new opportunity bodes well for the Indian companies who are in the innovation arena for forging collaborations and for capturing the outsourcing opportunity in Drug Discovery and Development.**



### SUVEN'S FORAY INTO DRUG DISCOVERY

Success in drug discovery and development takes about 8-12 years and it is a "lengthy, expensive and difficult process" with low rate of new therapeutic discovery.

In India the drug discovery process and timelines are not yet well understood since we are accustomed to witnessing great and quick success in reverse engineering all through these years hence there is very little patience or understanding of the process.

With the tremendous support of all the shareholders, your company has ventured into this drug discovery arena during 2003 choosing Central Nervous System (CNS) disorders as a focus area which has high unmet medical need for which we are in search of new CNS therapies for better living.

### R & D SPENDING

From 1950 to 2008, the US Food and Drug Administration (FDA) approved only 1,222 new drugs (new molecular entities (NMEs) or new biologics).

Only 34 new drugs and biologics were approved by FDA in the year 2009 and it is estimated that 2950 compounds are undergoing research as on date.

The percentage of Sales that went into R&D in 2009 by PhRMA companies is close to 16%, Where as Suven is spending on an average of 17.5% over the years. So far your company has spent about Rs 1850 million and out of which Rs 133 millions is written off on the P&L account.

You will be happy to note that your company is one of the very few self funded Drug Discovery companies in the world, which is a rarity, thanks to all the shareholders support all these years.

### PATENT PIPELINE

Your company has filed 37 Product Patents and 10 process patents until now. A total of 333 product patents and 20 process patents were granted all over the world as of now.

Currently, the research and development cost of each New Molecular Entity (NME) is about US\$1.8 billion and takes about 8-12 years hence the invention needs to be protected through patents to have the market exclusivity when the product gets launched.



## ROLE OF PATENTS

It is often quoted that, "if it is worth copying, it is worth protecting by way of patents".

Patents are only one of many kinds of Intellectual Property Rights (IPRs) and are granted for new products or for new processes. They give the owner an exclusive right to exploit those new products or processes for a maximum of 20 years. IPR's, therefore, acknowledged as a powerful commercial tool and an important link between Research & Development and the marketplace.

However, patenting alone does not guarantee for marketing access or success.

In India there is a misconception that merely grant of a patent itself can be monetized within a short span of time which is not a reality since the IPR is a prerequisite for future market exclusivity and potential of the molecule in development.

## SUVEN'S PIPELINE - DISCOVERY

In the short span of 7 years, your company has built a robust preclinical and clinical stage pipeline of molecules. Your Company has twelve (12) internally discovered therapeutic drug candidates currently in pre-clinical stage of development targeting conditions such as ADHD, dementia, depression, Huntington's disease, Parkinson's disease and obesity in addition to developmental candidate SUVN-502 for Alzheimer's disease and Schizophrenia.

## SUVEN'S PIPELINE - DEVELOPMENT

SUVN-502 is entering into development stage soon i.e. Phase 2 a clinical trial for the treatment of cognitive impairment associated with Alzheimer's disease, Schizophrenia and ADHD etc. SUVN-502 is orally bio available potent and selective antagonist of the 5-HT<sub>6</sub> receptor which are exclusively located in the brain and antagonism of the receptor modulates the release of acetylcholine and glutamate, two neurotransmitters known to be involved with memory function. SUVN-502 as of now offers symptomatic treatment for cognitive deficits but gave considerable insight into the neurobiology of dementia hence can be used as a disease-modifying drug also in the future.

Out of the 12 candidates in the preclinical pipeline, three (3) of the pre clinical candidates are expected to move into Phase 1 clinical trial during the coming year and they are

SUVN-504 for obesity

SUVN-507 for schizophrenia and

SUVN-911 for major depressive disorder

## GLOBAL CNS MARKET

Present global market for CNS is over \$100 billion of which market for Cognitive disorders itself is over \$20 billion where your company is concentrating presently.

- 180 million people worldwide suffer from CNS disorders that exhibit significant impairment of memory and other cognitive functions.
- 50% of adults aged over 65, are afflicted with Age associated cognitive decline

## SUVEN'S FOCUS AREA - COGNITION

Most common mental disorders affect cognitive functions, mainly memory processing, perception and problem solving. The most direct cognitive disorders are amnesia, delirium and dementia

Dementia is a progressive and fatal brain disease and a general term for loss of memory and other mental abilities severe enough to interfere with daily life. It is caused by physical changes in the brain. Most common form of dementia is Alzheimer's disease. An estimated 37 million people worldwide suffer from dementia, with Alzheimer's disease causing the majority of the cases.



## ALZHEIMER'S DISEASE

**"We know that Alzheimer's disease is not just 'a little memory loss' - it is a national crisis that grows worse by the day," said Harry Johns, president and CEO of the Alzheimer's Association. "Alzheimer's not only poses a significant threat to millions of families, but also drives tremendous costs for government programs like Medicare and Medicaid."**

**Alzheimer's disease to cost  
United States \$20 trillion  
over next 40 years**

## RECENT DEALS

Because of high unmet medical need, Cognition became a prime deal area and a sample size of the few deals that has occurred recently are

- Dimebon (Medivation with Pfizer) Sep 2008  
– \$225 Mil upfront
- Alzheimer's program (CoMentis with Astellas) Apr 2008  
– \$100 Mil upfront (\$80+\$20) for Phase I program
- BACE discovery collaboration June 2009 (Vitae with BI)  
– \$42 Mil for pure research stage program + IP

## VALUE PROPOSITION FOR SUVEN

Based on the above deals, the value opportunity for Suven NCE's is stronger. The tipping point will emerge only when we can convert all these into quantitative parameters and a high growth trajectory with potential upfront licensing payments and milestone payments combined with double digit royalty stream on global sales if and when marketed.

In order to capture the value opportunity we need to progress SUVN-502 into Proof of Concept (Phase 2 a) stage and move the 3 preclinical candidates SUVN-504, SUVN-507 and SUVN-911 into IND (Phase 1) stage. **For this purpose your company is in the process of raising funds up to \$20 million which should happen Before Dec 2010.**

In addition to cognitive arena, your company is also focusing in other CNS disorders like schizophrenia, pain, depression and obesity which has a combined market size of over \$35 billion.

## COLLABORATIVE RESEARCH PARTNERSHIP

As you are well aware, your company is collaborating with a leading pharmaceutical company Eli Lilly to expand our resources, reach and pipeline. We are in the process of establishing a new collaboration with a global player for which negotiations are underway.

As one could see from the value opportunity point of view that your company is in a sweet spot but success in Drug Discovery is not always guaranteed and when that success occurs, it is highly rewarding and transforms your company into a global player in the CNS disorders arena and after that there is no looking back.

## MOVING FORWARD

Until now all of you have given the management the greatest support ever imagined in moving forward into this uncharted territory of drug discovery that too into a highly complex CNS disorders arena.

Nothing drives shareholder value or energizes a company more powerfully than profitable growth. Your patience combined with your management's perseverance and with your company's robust pipeline which is maturing fast should give your company the first success very soon.

*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
Dr. Syed E Hasnain	Director

## REGISTERED OFFICE

SDE Serene Chambers,  
Road No.5,  
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

DZR & Co., Cost Accountants  
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.5, 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 21st Annual General Meeting of the Members of Suven Life Sciences Limited will be held on Tuesday the 27th day of July 2010 at 2.30 p.m.. at **Hotel Green Park, Green Lands, Begumpet, Hyderabad 500016** to transact the following Businesses:

### Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2010 and the Audited Profit & Loss Account for year ended 31st March 2010 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 a director in place of Dr M R Naidu, 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 2010-11 and to fix their remuneration.

### Special Business

#### ITEM NO 6

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

"RESOLVED THAT Prof. Syed E Hasnain 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 as ordinary resolution

"RESOLVED THAT pursuant to Section(s) 269,198,309,310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the statutory authorities, if required, approval of the members be and is hereby accorded to the re-appointment of Shri Venkateswarlu Jasti as Chairman and CEO of the Company for a period of 5 years commencing from 4th January 2010 on the following terms and conditions

#### Salary

Rs 6,90,000 (Rupees Six lakhs Ninety Thousand 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 of Directors.

### 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 1962 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 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 Chairman and CEO shall be governed by the Section II of Part II of the Schedule XIII of the Companies Act, 1956 as amended from time to time.

**ITEM NO 8**

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

"RESOLVED THAT pursuant to Section(s) 269,198,309,310, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to approval of the 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 2010 on the following terms and conditions

**Salary**

Rs 3,05,000 (Rupees Three lakh Five Thousand 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 1962 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 Part II of the Schedule XIII of the Companies Act, 1956 as amended from time to time.

### ITEM NO 9

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 314(1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 and subject to the approval of the Central Government, the Company hereby give consent for the appointment of Ms Kalyani Jasti, a relative of director of the Company as the President (US Operations) of the Company w.e.f 1st September 2010 on the salary, allowances and perquisites as under:

Salary: \$120,000 p.a.

Performance Bonus: 20% of salary."

"RESOLVED FURTHER THAT Ms Kalyani Jasti shall also be entitled for the reimbursement of actual traveling, boarding and lodging expenses and other amenities as may be incurred by her from time to time, in connection with the Company's business and any other allowances, benefits and perquisites as are provided to the senior executives of the Company and/ or which may become applicable in the future and / or any other allowance, perquisite as the Board may decide from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby empowered to sanction at their discretion increment to Ms Kalyani Jasti and the Board be and is hereby further empowered to withhold the annual increment as it may consider in the best interest of the Company from time to time."

"RESOLVED FURTHER THAT the remuneration payable to Ms Kalyani Jasti as aforesaid shall be subject to such modification as the Central Government may suggest or require which the directors are hereby authorized to accept on behalf of the Company."

"RESOLVED FURTHER THAT Ms Kalyani Jasti shall be in the exclusive employment of the company and will not hold a place of profit in any other company during her employment in the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as are necessary to give effect to the aforesaid resolution."

### ITEM NO 10

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 and/or private placement, 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 : 30th April 2010

**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 July 21st 2010 to July 23rd 2010 (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 July 20th 2010 will be in time for payment of dividend subject to provisions of section 206A of the Companies Act, 1956.