

22<sup>nd</sup> Annual Report  
2010-11

**22<sup>nd</sup> Annual Report**

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



**2010-11**



**Suven Life Sciences Limited**



## CEO'S COMMUNIQUE

*Dear Shareholders,*

As all of you are aware that your company is engaged in discovering drugs for unmet medical needs in Central Nervous System (CNS) disorders. I would like to bring to your kind attention the rationale of why Suven is in this field and what are the challenges & opportunities to Suven and benefits to the patients (globally).

### **Central Nervous System disorders: Global Scenario**

The World Health Organization predicts that central nervous system (CNS) disorders will become the major medical need of the 21st Century. CNS disorders represent the largest and fastest growing area of unmet medical need and account for about 35% of the disease burden and the **global CNS market is upwards of \$120 billion. Over 1.5 billion people worldwide suffer from them.** These disorders represent over 15% of the global cost of treating all diseases.



**The central nervous system (CNS) consists of the brain and spinal cord.**

Disorders of this system can be severely debilitating, often causing significant deterioration of quality of life and fatalities. These incapacitating disorders include degenerative conditions such as Alzheimer's disease, Parkinson's disease, Huntington's disease; psychiatric disorders such as depression and schizophrenia as well as other disorders like impaired cognition, epilepsy, and pain.

### **Alzheimer's disease (AD):**

**Alzheimer's disease is one of the scourges of modern day health care** and your company is in the forefront of developing a drug for the symptomatic treatment of this debilitating disease.

Alzheimer's is a dementia that causes problems with memory, thinking and behavior. **Alzheimer's is not just a memory loss as everyone thinks. Alzheimer's kills.**

Alzheimer's is not a normal part of aging, Alzheimer's worsens over time.

Alzheimer's disease is the 5th leading cause of death for those aged 65 and older

Alzheimer's is the only cause of death among the top 10 diseases without a way to prevent, cure, or even slow its progression. Deaths from Alzheimer's increased 66 percent between 2000 and 2008, while deaths from other major diseases, including the number one cause of death (heart disease), decreased substantially

Alzheimer's disease has profound implications for family and government budgets.

**According to Alzheimer's Disease International, the total estimated worldwide cost of the disease in 2010 was 604 billion dollars, or nearly one per cent of global GDP.**



"If Alzheimer's were a country, it would be the 18th largest economy based on GDP," said Daisy Acosta, the chair of ADI, describing Alzheimer's as "the single most important health and social crisis of the 21st century."

Your company's foray into discovering drugs for cognitive improvement in AD, ADHD, Schizophrenia, Parkinson's and Huntington's disease in addition to other CNS disorders like depressive disorders and pain is a risky business and 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 of that the drug works in patients is demonstrated which is referred to as the 'clinical proof of concept'. Thereafter, additional millions of dollars of investment are required to conduct the clinical trials necessary to substantiate safety and efficacy claims for market approval.

**The rewards for successful CNS research in general and Alzheimer's in particular are clearly high, but are associated with significant challenges.**

It takes 13 to 16 years to get a CNS drug to market compared with 10 to 12 years for a non-CNS drug. Approximately 11% of all new drugs that enter clinical trials make it to the market but for central nervous system (CNS) drugs only about 8% becoming available to the public.

When the people are living longer there exists huge unmet medical needs for the treatment of Alzheimer's disease, other cognitive disorders, stroke, multiple sclerosis, Parkinson's disease, and major psychiatric disorders, hence the demand for innovative CNS therapeutics will grow rapidly in the years ahead which is why your company is focusing for the benefit of the patients and shareholders of Suven its research efforts in these debilitating disease areas.

**So far 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.**

It is my pleasure to inform you **that your company is a self funded drug discovery company** and utilized the internal accruals **without borrowing any money from the banks** for all the Discovery activity. Over the years we could generate this kind of pipeline (13 molecules in all) while filing of 37 product patents globally. I thank all of you for your patience and support all these years and we hope to achieve the clinical proof of concept success in one of the molecules in the very near future.

**We at Suven, know the risk very well for this drug discovery activity which we are undertaking** but we also know how the success can bring the relief to many millions of patients afflicted with these debilitating diseases and huge rewards to us, the shareholders. The magnitude of success can be illustrated by an example of how a **working cure for Alzheimer's can make up to \$20 billion in revenue annually** according to market estimates and we at Suven hope to capture some of that revenue.

Yours sincerely  
Venkat Jasti



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Shri Venkateswarlu Jasti

Smt. Sudha Rani Jasti

Dr. M.R. Naidu

Dr. K.V. Raghavan

Shri D.G. Prasad

Dr. Martin Tolar

Dr. Syed E Hasnain

Chairman & CEO

Wholetime Director

Director

Director

Director

Director

Director

### REGISTERED OFFICE

SDE Serene Chambers,  
Road No.5,  
Banjara Hills  
Hyderabad - 500 034.

### STATUTORY 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.

### RESEARCH CENTRE - II

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

### BANKERS

State Bank of India  
Overseas Branch  
Abids, Hyderabad.

State Bank of Patiala  
Commercial Branch  
Atlanta, Narimanpoint  
Mumbai - 400 021.

Bank of India  
CMC Branch  
Tarapore Towers  
Anna Salai  
Chennai - 600 002.

### REGISTRARS & SHARE TRANSFER AGENTS

Karvy Computershare Pvt. Limited  
Plot No. 17 to 24  
Vittal Rao Nagar, Madhapur,  
Hyderabad - 500 081.

## CONTENTS

	Page No.
Notice	4
Directors' Report	11
Management Discussion & Analysis	18
Report on Corporate Governance	20
Auditors' Report	29
Balance Sheet	32
Profit & Loss Account	33
Cash Flow Statement	34
Schedules	36





## NOTICE

**NOTICE** is hereby given that the 22nd Annual General Meeting of the Members of Suven Life Sciences Limited will be held on **Saturday the 13th day of August 2011 at 10.00 a.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 2011 and the Audited Profit & Loss Account for year ended 31st March 2011 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 a director in place of Mr D.G.Prasad, 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 Statutory Auditors for the year 2011-12 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 a special resolution*

**"RESOLVED THAT** in partial modification of the resolution passed by the members at the Annual General Meeting held on 27th July 2010 re-appointing Mr. Venkateswarlu Jasti as Chairman & CEO, pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof and subject to such other consents or approvals as may be necessary, the Company hereby approves the payment of remuneration on the terms as set out in the explanatory Statement annexed hereto for a period of 3 years commencing from 4th January 2010 till 3rd January 2013 in accordance with the provisions of Section I of Part II of Schedule XIII to the Companies Act, 1956."

**"RESOLVED FURTHER THAT** where in any financial year during the currency of above said tenure of Mr. Venkateswarlu Jasti as Chairman & CEO, the company has no profits or its profits are inadequate, then the company shall pay the remuneration in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956."

#### ITEM NO. 7

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

**"RESOLVED THAT** in partial modification of the resolution passed by the members at the Annual General Meeting held on 27th July 2010 re-appointing Mrs Sudha Rani Jasti as Wholetime Director, pursuant to the provisions of Sections

198, 269, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification or re-enactment thereof and subject to such other consents or approvals as may be necessary, the Company hereby approves the payment of remuneration on the terms as set out in the explanatory Statement annexed hereto for a period of 3 years commencing from 4th January 2010 till 3rd January 2013 in accordance with the provisions of Section I of Part II of Schedule XIII to the Companies Act, 1956."

**"RESOLVED FURTHER THAT** where in any financial year during the currency of above said tenure of Mrs. Sudha Rani Jasti as Whole-time Director, the company has no profits or its profits are inadequate, then the company shall pay the remuneration in accordance with the provisions of Section II of Part II of Schedule XIII to the Companies Act, 1956."

#### ITEM NO. 8

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

**"RESOLVED THAT** pursuant to the provisions of Section 314(1B) of the Companies Act, 1956, the Company hereby give consent for the appointment of Mrs. Sirisha Jasti, a relative of director of the Company as General Manager (HR & ADMN.) of the Company for a period of 3 years w.e.f 1st June 2011 on the salary, allowances and perquisites as under:

Salary: Rs 150,000 p.m."

**"RESOLVED FURTHER THAT** Mrs. Sirisha 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 Mrs. Sirisha Jasti not exceeding 15% of salary 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** Mrs. Sirisha 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."

By Order of the Board

Place : Hyderabad  
Date : 30th May 2011

**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 03rd August 2011 to 05th August 2011 (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 2nd August 2011 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. Members are requested to register their email IDs with the Company's RTA, Karvy Computershare Pvt. Ltd for the purpose of servicing of documents in electronic form.

## EXPLANATORY STATEMENT

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

### ITEM NO 6

It may be recalled that the members at the 21st Annual General Meeting held on 27th July 2010 have approved the re-appointment of Mr Venkateswarlu Jasti, as Chairman & CEO of the Company for a period of 5 years w.e.f. 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 1961 and rules made thereunder. In the absence of any such rule, perquisites shall be evaluated at actual cost.

#### Part - A

##### a) Medical Reimbursement

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

##### b) Leave Travel Concession

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

##### c) Club Fees

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

##### d) Personal Accident Insurance

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

#### Part - B

##### a) Provident Fund

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

##### b) Pension/Superannuation Fund

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



c) **Gratuity**

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

**Part - C**

a) **Car**

Use of Company's car with driver for business purposes

b) **Telephone and other communication facilities**

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

**Other Benefits**

**Leave**

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

**Overall Remuneration**

The overall remuneration payable to the 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.

The profits reported for the financial year ended 31-03-2011 are inadequate to pay the above remuneration to Chairman & CEO, therefore the remuneration committee in its meeting held on 30th May 2011 has approved the above remuneration package as stipulated under the provisions of Section II of Part II of the Schedule XIII of the Act to Mr Venkateswarlu Jasti, Chairman & CEO and recommended the same to the Board of Directors.

The information as required under Section II of Part II of the Schedule XIII to the Companies Act, 1956 is furnished hereunder

**I. General Information**

- Nature of industry : Pharmaceuticals
- Year of Commencement of commercial production: 1989
- Financial performance based on given indicators

₹ in lakhs

Particulars	2010-11	2009-10	2008-09
Sales and other income	15222.56	13388.33	14614.6
Gross profit	1480.51	1393.73	2276.7
Interest	610.52	494.03	674.94
Depreciation	544.55	529.14	502.15
Profit before tax	325.44	370.55	1099.68
Income Tax	-714.51	-329.51	-202.55
Profit after tax	1039.95	700.06	712.22
Dividend (%)	25	25	25
Dividend payout	291.83	289.69	289.69
Share Capital	1167.32	1158.74	1158.74
Reserves	11506.42	10647.29	10285.03
Net Worth	12673.74	11806.03	11443.77
Gross Block	15976.83	15579.09	15079.26
Net Block	10567.78	10956.08	11225.97
Borrowings	6415.68	4345.80	4311.05

d) **Export performance and net foreign exchange**

The Company has achieved an export turnover of ₹ 13601.37 lakhs for the year ended 31st March 2011 representing 90.05% to total turnover. Foreign exchange earnings were ₹ 11195.89 lakhs.

e) **Foreign investments or collaborators, if any.**

Company has no foreign investments and there are no foreign collaborations.

**II. Information about the appointee**

a) **Background details and recognitions**

Mr. Venkateswarlu Jasti is a Post Graduate in Pharmacy from Andhra University, Visakhapatnam, and also a Post Graduate in Pharmacy from St. John University, New York, specializing in Industrial Pharmacy. Having registered himself as a Registered Pharmacist, he successfully managed M/s Clinton Bergen Drug Company, M/s Park Way Central Pharma and M/s Kayes Drug Company, NJ, USA. He was the president elect of Essex County Pharmaceutical Society of NJ which no other Indian occupied till now.

He returned from USA to India in 1988-89 and promoted this company in 1989. Since then, he has been successfully managing the company as



Managing Director providing the right direction and leadership in developing technologies, upgrading the facilities, development of export markets etc.

Mr. Jasti has been the Past President of Indian Pharmaceutical Association, and Chairman of Local Organizing Committee for the 52nd Indian Pharmaceutical Congress held at Hyderabad and was President of Bulk Drug Manufacturers Association of India (BDMA) till September, 2004.

He was the past Chairman for Pharmexcil (Pharmaceutical Export Promotion Council) an exclusive statutory body for the promotion of exports of all pharma and biotech products which was set up by Govt. of India.

Mr. Jasti is the Chief architect for the formation of A.P. Chief Minister's task force for Pharma during 2001 and responsible for the creation of Pharma City at Vizag by Govt. of Andhra Pradesh and Pharmexcil (Pharmaceutical Export Promotion Council) head quartered at Hyderabad by Govt. of India.

**b) Past remuneration**

₹ in lakhs

Particulars	2010-11	2009-10	2008-09
Salary	48.00	14.83	36.00
Commission	0.00	0.00	11.96
Contribution to Provident Fund	5.76	5.76	4.32
<b>Total</b>	<b>53.76</b>	<b>20.59</b>	<b>52.28</b>

**c) Job profile and his suitability**

Chairman & CEO has an overall responsibility of the company in terms of its strategic growth and business development. Mr. Venkateswarlu Jasti had been on the Board since inception of the company.

**d) Comparative remuneration profile with respect to industry, size of the company, profile of position**

Mr. Venkateswarlu Jasti, had been on the Board since inception of the company, he bought out a sick company and propelled its growth. He has streamlined the business operations of the company and has been a strategic management person. His skill set and experience place him in a corresponding major pharma industry in India. Considering general industry structure and specific company profile, the proposed remuneration is in line with industry standards and that of comparatively placed companies in India.

**e) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personal, if any.**

Mr. Venkateswarlu Jasti is the promoter director in the company; he is spouse of Mrs. Sudha Rani Jasti, Whole-time Director of the company.

**III. Other information**

**a) Reasons of loss or inadequate profits**

Your company made a pre R&D EBIDTA of ₹ 45.17 Cr for the financial year ended 31st March 2011 and during the same period your company spent ₹ 31.14 Cr on discovery R&D which instead of capitalizing like most other Indian companies, is written off in the balance sheet so that the balance sheet is strong. This write off affecting the profit before tax which is the reason for inadequate profits on the books.

Steps taken or proposed to be taken for improvement

Your Company is hopeful of achieving the breakthrough in its Drug Discovery R&D efforts with outlicensing of at least 1 molecule out of the 13 molecules in the pipeline which are at various stages of discovery and development. Also your company taking all possible steps to achieve higher turnover in CRAMS, DDDSS and CRP business models in the years to come so that profitability will increase.

**b) Expected increase in productivity and profits in measurable terms.**

With the unique business models in place, it would be difficult to forecast the productivity and profits in measurable terms, however, on a conservative basis, your company will achieve normal performance ranging from 15% to 20% growth on year over year basis.

**Disclosures**

The remuneration paid to the Chairman & CEO is as stated above at point II (b). The details of all elements of remuneration paid to the Chairman & CEO are also presented in the Report on Corporate Governance which is attached to the Annual Report.

The tenure of office of Chairman & CEO has been reduced from a period of 5 years to 3 years to suit the requirements of Schedule XIII of the Companies Act, 1956 for payment of minimum remuneration as envisaged in the said schedule. The variation of terms of appointment would require approval of the members in the general meeting. Hence the Board commends the resolution for the approval of the members.





None of the directors is interested in the resolution, except Shri Venkateswarlu Jasti, Chairman & CEO and Smt Sudha Rani Jasti, Whole-time Director of the Company.

#### ITEM NO. 7

It may also be recalled that the members at the 21st Annual General Meeting held on 27th July 2010 have approved the re-appointment of Mrs Sudha Rani Jasti, as Wholetime Director of the Company for a period of 5 years w.e.f 4th January 2010 on the following terms and conditions

#### Salary

₹ 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 1961 and rules made thereunder. In the absence of any such rule, perquisites shall be evaluated at actual cost.

#### PART - A

##### a) Medical Reimbursement

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

##### b) Leave Travel Concession

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

##### c) Club Fees

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

##### d) Personal Accident Insurance

Personal accident insurance for a premium amount, which shall not exceed ₹ 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 Whole-time 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 Whole-time 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.

The profits reported for the financial year ended 31-03-2011 are inadequate to pay the above remuneration to Whole-time Director, therefore the remuneration committee in its meeting held on 30/05/2011 has approved the above remuneration package as stipulated under the provisions of Section II of Part II of the Schedule XIII of the Act to Mrs. Sudha Rani Jasti, Whole-time Director and recommended the same to the Board of Directors.

The information as required under Section II of Part II of the Schedule XIII to the Companies Act, 1956 is furnished hereunder

#### I. General Information

a) Nature of industry : Pharmaceuticals

b) Year of Commencement of commercial production: 1989

c) Financial performance based on given indicators



₹ in lakhs

Particulars	2010-11	2009-10	2008-09
Sales and other income	15222.56	13388.33	14614.6
Gross profit	1480.51	1393.73	2276.7
Interest	610.52	494.03	674.94
Depreciation	544.55	529.14	502.15
Profit before tax	325.44	370.55	1099.68
Income Tax	-714.51	-329.51	-202.55
Profit after tax	1039.95	700.06	712.22
Dividend (%)	25	25	25
Dividend payout	291.83	289.69	289.69
Share Capital	1167.32	1158.74	1158.74
Reserves	11506.42	10647.29	10285.03
Net Worth	12673.74	11806.03	11443.77
Gross Block	15976.83	15579.09	15079.26
Net Block	10567.78	10956.08	11225.97
Borrowings	6415.68	4345.80	4311.05

d) Export performance and net foreign exchange

The Company has achieved an export turnover of ₹ 13601.37 lakhs for the year ended 31st March 2011 representing 90.05% to total turnover. Foreign exchange earnings were ₹ 11195.89 lakhs.

e) Foreign investments or collaborators, if any.

Company has no foreign investments and there are no foreign collaborations.

## II. Information about the appointee

a) Background details and recognitions

Mrs. Sudha Rani Jasti is a Graduate in Science from Andhra University; she returned from USA to India in 1988-89 and promoted this company in 1989. Since then, she has been successfully managing the company as Whole-time Director providing the right direction and leadership in all administrative matters.

b) Past remuneration

₹ in lakhs

Particulars	2010-11	2009-10	2008-09
Salary	36.60	16.55	32.78
Commission	0.00	0.00	5.98
Contribution to Provident Fund	4.39	3.95	3.93
Perquisites	-	0.08	0.04
Total	40.99	20.58	42.73

c) Job profile and his suitability

Whole-time Director has an overall responsibility of the company in terms of its administrative matters. Mrs. Sudha Rani Jasti had been on the Board since inception of the company.

d) Comparative remuneration profile with respect to industry, size of the company, profile of position

Mrs. Sudha Rani Jasti, had been on the Board since inception of the company, she bought out a sick company and propelled its growth. She has streamlined the administrative operations of the company. Her skill set and experience place her in a corresponding major pharma industry in India. Considering general industry structure and specific company profile, the proposed remuneration is in line with industry standards and that of comparatively placed companies in India.

e) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personal, if any.

Mrs. Sudha Rani Jasti is the promoter director in the Company, she is spouse of Mr Venkateswarlu Jasti, Chairman & CEO of the company.

## III. Other information

a) Reasons of loss or inadequate profits

Your company made a pre R&D EBIDTA of ₹ 45.17 Cr for the financial year ended 31st March 2011 and during the same period your company spent ₹ 31.14 Cr on discovery R&D which instead of capitalizing like most other Indian companies, is written off in the balance sheet so that the balance sheet is strong. This write off affecting the profit before tax which is the reason for inadequate profits on the books.

Steps taken or proposed to be taken for improvement

Your Company is hopeful of achieving the breakthrough in its Drug Discovery R&D efforts with outlicensing of at least 1 molecule out of the 13 molecules in the pipeline which are at various stages of discovery and development. Also your company taking all possible steps to achieve higher turnover in CRAMS, DDDSS and CRP business models in the years to come so that profitability will increase.

b) Expected increase in productivity and profits in measurable terms.

With the unique business models in place, it would be difficult to forecast the productivity and profits in measurable terms, however, on a conservative basis, your company will achieve normal performance ranging from 15% to 20% growth on year over year basis.