

23rd Annual Report

In search of new CNS therapies for better living



2011-12



Suven Life Sciences Limited



CEO'S COMMUNIQUE

Dear Shareholders

It is my pleasure to communicate to all once again through this annual report and I would like to take this opportunity to apprise you on the happenings at Suven.

As you are well aware that drug discovery and development is a long drawn process and it takes on an average 10-12 years to have a successful molecule. **Suven has been in drug discovery for the past 8 years and we have not yet achieved any success or a milestone** but we are on the way to attain that success with our pipeline of molecules which are at various stages of development.

Our focus area: CNS Disorders

Your company is one of those involved in research in toughest area, Central Nervous System (CNS) disorders and the drugs under this segment are the need of the hour with high unmet medical need. We have embarked on this, knowing full well that success is rarity and failure is norm, but one success will take care of many failures. **At Suven, we have adopted prudent policy of optimizing the R&D cost and charging it to profit and loss account as and when it happens to ensure that we do not carry the burden of molecules in our balance sheets.** However the underlying hidden value of the pipeline will accrue in a big way over a long period of time in the future.



The CNS disorders market is one of the largest and fastest growing markets in the pharmaceutical industry. Alzheimer's disease (AD) is a devastating neurological disorder that affects more than 37 million people worldwide. By 2030, if breakthroughs are not discovered, we will see an increase to nearly 66 million. By 2050, rates could exceed 115 million. The economic burden of Alzheimer's disease is massive

There is no cure for Alzheimer's disease and it is a highly unmet medical need. We face a looming global epidemic of Alzheimer's disease as the world's population ages. Modest advances in therapeutic and preventive strategies that lead to even small delays in the onset and progression of Alzheimer's disease can significantly reduce the global burden of this disease.

AD is not only of high-unmet medical need but also significantly under diagnosed and this unmet medical need offers substantial opportunities. Since there is no curative medicine available for AD at present, medications that provide partial relief from the symptoms have gained momentum and that is the area where your company has focused and **our compound SUVN 502 can slow the worsening of symptoms and improve quality of life for those afflicted with Alzheimer's disease.**

Risk Averseness

The recent reporting of the withdrawal of CNS molecules from clinical trials by many pharmaceutical companies due to various reasons poses further challenges to the path of discovering new molecules and increases the thrust on R&D under this segment.

Lately big and medium size pharma companies are cutting their R&D budgets especially for early stage drug discovery and more so in CNS therapeutic area thus becoming increasingly risk averse as their sources of capital shrink

This scenario puts pressure on small companies who are in drug discovery programs to continue the development of their pipeline into **Proof of Concept (PoC)** clinical trials on their own which lead small companies to take on more



risk by investing huge amounts of money or otherwise they cannot progress their pipeline into next level and if that does not happen they lose the marketing opportunities.

The risk averseness affected your company also in collaborating with a big pharma to move our molecules into clinical stage hence we have decided to move forward on our own in progressing SUVN- 502 into PoC trials. With this, the value of licensing opportunity increases tremendously once the PoC is established but so is the risk.

We are aggressively working to start the PoC study during 2013 for which we have started the work by assembling clinical scientific advisory board and are in the process of finalizing protocols for the PoC study. This requires additional funding over and above the preclinical spending which we are incurring year on year and for that we need to raise capital and the efforts are in full swing.

We are mindful of the risk we are undertaking at Suven but as Alzheimer's disease is one of the world's biggest health problems and any drug that can impact would be simply big and bring in huge benefit not only for the millions of patients afflicted with the disease but also brings in tremendous rewards to the shareholders.

Our Patent Pipeline: Monetary Value

In order to protect our intellectual property we file patents globally and when they are granted to Suven, we will inform the same to the public. After each announcement of the grant of a patent we were swarmed with number of queries as to how soon we can monetize these patents and how soon the revenue streams will accrue to us and unfortunately everyone expects that monetization will happen within that year.

I would like to let all the shareholders know that mere grant of patent will not yield any monetary benefit immediately but it is a must to have Intellectual Property protection through patents for future marketing rights. It takes several hundred million dollars to discover, develop and gain regulatory approval for a new medicine. Lack of patent protection, or some equivalent barrier, imitators could have a free ride on the innovator's FDA approval and can duplicate the compound for a small fraction of the originator's costs.

A patent is an intellectual property (IP) right granted to inventors to exclude others from using the invention for a limited time (currently 20 years from the date of filing) which will allow the innovator to market their product after clinical trial and regulatory approval. Hence the patent is a pre requisite or otherwise the huge expenditure incurred will go to waste if there is no IP protection and market exclusivity during that period.

You will be please to note that your company has a total of 18 inventions and was granted a total of 541 product patents and 36 process patents until March 2012 in various countries. This grant eliminates the risk of our losing market exclusivity if and when our drug moves into commercialization after successful completion of all the Phases of clinical trials and regulatory approval.

I hope I have answered all the recurring queries and the status of our lead compound SUVN 502.

Also you will be glad to know that your company has expanded its drug discovery activity for new therapeutic indication in CNS arena viz: **Major Depressive Disorder (MDD)** and we have a robust preclinical compound SUVN-911 which will also move into IND enabling toxicology studies during the current fiscal 2012-13.

From now onwards we hope to advance one (1) molecule into IND stage every year from our existing pipeline of molecules while continue to expand into other therapeutic areas within CNS arena.

I thank each and every shareholder for reposing confidence on us and supporting us all these years in our search of new CNS therapies for better living to the benefit of all those afflicted with CNS disorders.

Yours Sincerely

Venkat Jasti



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Shri Venkateswarlu Jasti	Chairman & CEO
Smt. Sudha Rani Jasti	Whole-time Director
Dr. M. R. Naidu	Director
Dr. K. V. Raghavan	Director
Shri D. G. Prasad	Director
Dr. Martin Tolar	Director
Dr. Syed E Hasnain	Director

COMPANY SECRETARY

CS K. Hanumantha Rao

STATUTORY AUDITORS

Karvy & Company
Chartered Accountants
No.2, Bhooma Plaza, Street No.4
Avenue 7, Banjara Hills, Hyderabad - 500 034.

COST AUDITORS

DZR & Co.,
Cost Accountants
216, HMT Satavahana Nagar
Kukatpally, Hyderabad - 500 072.

FACTORY

Unit 1 :
Dasaigudem (V), Suryapet (M),
Nalgonda Dist, Andhra Pradesh - 508 213

Unit 2 :
IDA, Pashamylaram,
Isnapur, Medak Dist, Andhra Pradesh - 502 300

BANKERS

State Bank of India
State Bank of Patiala
Bank of India

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 - 500 034

REGISTRARS & SHARE TRANSFER AGENTS

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

REGISTERED OFFICE

SDE Serene Chambers, Road No.5, Avenue 7, Banjara Hills, Hyderabad - 500 034



NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of Suven Life Sciences Limited will be held on **Thursday, the 27th day of September 2012 at 10.00 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 2012 and the Audited Profit & Loss Account for the year ended 31st March 2012 together with Director's Report and Auditor's Report thereon.

2. To declare a dividend
3. To appoint a director in place of Prof Seyed E Hasnain, 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 Statutory Auditors for the year 2012-13 and to fix their remuneration.

By order of the board

Place : Hyderabad
Date : 14th August 2012

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. 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.
3. 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.
4. The Register of Members of the Company and share transfer books will remain closed from 19th September 2012 to 21st September 2012 (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 18th September 2012 will be in time for payment of dividend subject to provisions of section 206A of the Companies Act, 1956.
5. 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.
6. 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.
7. 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.
8. Members are requested to send all correspondence concerning registration of transfers, transmission, subdivision or any other shares related matter to Company's Registrars.
9. 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.



BRIEF PROFILE OF THE DIRECTOR SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING

Prof. Syed E. Hasnain is the Ex-Vice Chancellor of the University of Hyderabad. Before he became the vice chancellor in Dec 1995, he was the first Director of CDFD since 1999.

He holds a PhD degree from JNU [1980]. He also received post-Doctoral Fellowship from the University of Alberta, Canada.

He has been nominated by the Prime Minister of India for the membership of the Scientific Advisory Council to the Prime Minister, the highest decision and policy making body for Science and Technology for the country.

He is also the recipient of Padmashri Award from President Abdul Kalam.

In addition he has many distinctions such as:

- Elected Fellow, German National Academy of Sciences Leopoldina
- Fellow, Third World Academy of Sciences (TWAS)
- Member, Scientific Advisory Council to the Union Cabinet

- J C Bose National Fellow, University of Hyderabad
- Honorary Professor, JNCASR, Bangalore, India
- Founding Fellow and Adviser, ISOGEN
- Distinguished Professor at the Institute of Life Sciences.

Prof. Hasnain has authored more than 175 original research papers and several book chapters. He has about a dozen patents filed in India and abroad. He does not hold any shares in the Company.

Dr. M.R. Naidu is a Doctorate in Science and Graduate in Mechanical Engineering. He had memberships in Professional Bodies like American Society of Mechanical Engineers, Planning Executives Institute and Indian Institute of Engineers. Dr. M.R. Naidu was a former Chairman and Managing Director of M/s. Bharat Heavy Plates and Vessels Limited (BHPV) and Machine Tools, Limited (HMT) and having and vast experience in Technical and Administrative Sectors. He held the position of President, The Andhra Petrochemicals Ltd, and the U.B. Group.

Dr. M. R. Naidu is also a Director on the Board of Nile Limited and Mangal Precision Products Limited. Dr. M. R. Naidu is a member of Audit Committee and Investor Grievance Committee and he is holding 9,800 shares in the Company



REPORT OF THE DIRECTORS

Your Company's Board of Directors has pleasure in presenting this 23rd Annual Report together with Audited Accounts of the Company for the financial year ended March 31, 2012.

FINANCIAL RESULTS

(₹ lakhs)

	Particulars	2011-12	2010-11
i.	Revenue from operations	20420.78	15043.39
ii.	Operating expenditure	18106.13	13688.62
iii.	Depreciation and amortization	599.79	544.55
iv.	Operating profit	1714.86	810.22
v.	Interest expense	990.93	610.52
vi.	Other income	190.25	125.75
vii.	Profit before Tax	914.18	325.44
viii.	Provision for Tax	(522.06)	(714.50)
ix.	Profit for the year	1436.24	1039.95
x.	Balance brought forward from previous year	2825.93	1764.81
xi.	Profit available for appropriation	4262.17	2804.76
	Appropriations:		
xii.	Proposed final dividend	350.20	291.82
xiii.	Tax on dividend	56.81	47.34
xiv.	Difference in final dividend plus tax (10-11 & 09-10)	0.04	1.97
xv.	Transfer to General Reserve	150.00	110.00
xvi.	Balance carried to balance sheet	3705.12	2353.62

REVIEW OF OPERATIONS

The Company continued its strong growth momentum during the year under review. The Company's revenue from operations during the financial year 2011-12 stood at ₹20421 lakhs against ₹15043 lakhs in the previous year recording a growth of more than 35 percent. The exports turnover increased by 42 percent, from ₹13601 lakhs in the previous financial year to ₹19358 lakhs in the financial year under review. Profit after tax (PAT) of the Company increased by 38 percent to ₹1436 lakhs from ₹1040 lakhs in the previous financial year, despite spend on Discovery R&D activities to the tune of ₹3368 lakhs representing nearly 16 % to turnover of your company. The Earnings per Share (EPS) of your Company has gone up to ₹1.23 in fiscal 2012 per share from the previous year EPS of Re 0.89 in fiscal 2011 per share, registering a growth of 38%

EXPORTS

Your Company has achieved an export revenue of ₹19358 lakhs out of the total turnover of ₹20421 lakhs representing 95%.

DIVIDEND

Your Directors are pleased to recommend a dividend of Re 0.30 paisa per equity share of Re 1/- each (@ 30 %) for the financial year 2011-12 which will absorb a sum of ₹407 lakhs including tax on dividend on paid up capital of the Company. 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.

AMALGAMATION OF SUVEN NISHTAA PHARMA PVT LTD, (NISHTAA)

Nishtaa - a group company has become a wholly owned subsidiary of your Company w.e.f. 31st December 2011. The Board of Directors in its meeting held on 31st January 2012 has given its consent for amalgamation of Nishtaa with Suven. The Scheme of Amalgamation of Nishtaa with Suven effect from 1st January 2012 (Appointed date) has been sanctioned by the Hon'ble High Court of Andhra Pradesh on 10th July 2012. The Audited Annual Accounts for the year under review were presented in accordance with the said Scheme of Amalgamation.

The amalgamation has enabled better utilization of resources and capital and creation of an integrated Corporate Structure for business development of your company, achieving economies of scale, operational and managerial efficiency and enhanced resource mobilization required for growth. It would also result in uniform management philosophy, utilization of common pool of talent, flexibility in funding expansion plans and achieving better cash flows substantially enhancing shareholders' value. The amalgamation also enhances the competitive strength of the Company to participate vigorously in high growth opportunities available in the Pharmaceutical Sector.

CORPORATE SOCIAL RESPONSIBILITY

Our philosophy is to lend a helping hand to the underserved in our society through the support of various charities like old age homes, children's education by constructing schools, drinking water supply, and health centers. Implementing this philosophy in spirit, we make a positive contribution to the communities in which we operate, and encourage support in health and education/sports programs with an aim to bring sustainable improvements to underserved people.



RESEARCH AND DEVELOPMENT

Suven's major thrust on innovative R&D in Drug Discovery continues with a spending of ₹3368 lakhs (16% on sales revenue) for the year ended March 2012. During the year there were major qualitative achievements with the grant of 96 product patents and 9 process patents totaling to 105 patents to Suven's R&D pipeline which consists of 13 molecules out of which twelve (12) molecules currently in pre-clinical stage of development in addition to developmental candidate SUVN-502 for Alzheimer's disease and Schizophrenia. Also during the year under review, **Suven bagged Pharmexcil's "Patent Award"** for securing the most number of product patents during 2011 for their New Chemical Entities (NCE's) **under Gold Category third year in a row.**

Suven is committed to neuroscience research and for development of new treatments for neurological disorders. Suven's discovery research focuses on Central Nervous System (CNS) disorders through novel mechanisms using small-molecule medicinal chemistry approaches. Suven's CNS drug discovery scientists are pursuing innovative ways to develop treatments for a variety of CNS disorders like Alzheimer's, Schizophrenia, Depression, Cognitive disorders, Sleep, Neuro-degeneration and Obesity through CNS targets.

DIRECTORS

Prof Syed E Hasnain and Dr M R Naidu retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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

INVESTOR SERVICE

Your Company's share registry operations (physical as well as electronic form of holdings) will continue with Karvy Computershare Private Limited, Registrars and Transfer Agents. They can be contacted at Plot No-17 to 24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081 (Phone Nos. 040-23420818, 23420828 Fax No. 040 -23420814) for any query relating to Shares.

The shares of the Company are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE)

REPORT ON CORPORATE GOVERNANCE

A detailed Report on Corporate Governance prepared in substantial compliance with the provisions of Listing Agreements with the Stock Exchanges together with the

Auditors' Certificate regarding the compliance of conditions of corporate governance, forms part of Annual Report.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

AUDITORS

Statutory Auditors

Your Company's Auditors, Messrs Karvy & Company, Chartered Accountants retire at the conclusion of forthcoming Annual General meeting and being eligible, offer themselves for re-appointment.

Cost Auditors

In pursuance of Section 233(B) of the Companies Act, 1956, the Central Government has directed audit of the Cost Accounting Records of your Company. The Cost Audit Report for the Financial Year 2011-12 is in process and the Report will be submitted to the Central Government within the prescribed time limit.

DIRECTORS RESPONSIBILITY STATEMENT

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

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

PUBLIC DEPOSITS

The Company has not accepted any public deposits and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.