*Placement Document*
*Not for circulation*
*Private and confidential*
*Serial No. _*

# SUVEN LIFE SCIENCES LIMITED

*Suven Life Sciences Limited was incorporated in the Republic of India under the provisions of Companies Act, 1956 on March 9, 1989 with Registration No. 01-09713. Our company's corporate identification number is L24110TG1989PLC009713. Registered Office: Door No. 8-2-334, 6th Floor, SDE Serene Chambers, Road No. 5, Avenue 7, Banjara Hills, Hyderabad – 500 034, Telangana, India. Tel: +91 40 –2354 1142/3311; Fax: +91 40 – 2354 1152; Email: info@suven.com*

Suven Life Sciences Limited (the "**Company**" or "**Issuer**") is issuing 1,04,53,690 equity shares of face value ₹1 each (the "**Equity Shares**") at a price of ₹ 191.32 per Equity Share, including a premium of ₹ 190.32 per Equity Share, aggregating ₹ 20,000 Lacs (the "**Issue**").

**ISSUE IN RELIANCE UPON CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "ICDR REGULATIONS") AND SECTION 42 OF THE COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER.**

**THIS ISSUE AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED UNDER THE ICDR REGULATIONS ("QIBs") IN RELIANCE UPON CHAPTER VIII OF THE ICDR REGULATIONS AND SECTION 42 OF THE COMPANIES ACT, 2013, READ WITH RULE 14 OF THE COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE BUYER AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN TO QIBs. THIS PLACEMENT DOCUMENT WILL BE CIRULATED ONLY TO SUCH QIBs WHOSE NAMES ARE RECORDED BY OUR COMPANY PRIOR TO MAKING AN INVITATION TO SUBSCRIBE TO EQUITY SHARES.**

**YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.**

Invitations and subscription of the Equity Shares shall only be made pursuant to the Preliminary Placement Document together with the Application Form, this Placement Document and the Confirmation of Allocation Note. See the section "***Issue Procedure***" beginning on page 151. The distribution of this Placement Document or the disclosure of its contents without our Company's prior consent to any person other than Qualified Institutional Buyers (as defined in the ICDR Regulations) and persons retained by Qualified Institutional Buyers to advise them with respect to their purchase of the Equity Shares is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

**INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO RISK LOSING ALL OR PART OF THEIR INVESTMENT. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY READ THE SECTION "*RISK FACTORS*" BEGINNING ON PAGE 45 BEFORE MAKING AN INVESTMENT DECISION IN THIS ISSUE. EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES TO IT OF AN INVESTMENT IN THE EQUITY SHARES PROPOSED TO BE ISSUED PURSUANT TO THIS PLACEMENT DOCUMENT.**

Our Company's outstanding Equity Shares are listed on the BSE Limited (the "**BSE**") and the National Stock Exchange of India Limited (the "**NSE**") (the BSE and the NSE collectively the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on the BSE and the NSE on November 26, 2014 was ₹ 204.85 and ₹ 205.00 per Equity Share, respectively. We have received in-principle approval under clause 24(a) of the Listing Agreement to list our Equity Shares from the BSE and the NSE. Applications will be made for the listing of the Equity Shares offered through this Placement Document on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of the business of our Company or the Equity Shares.

**OUR COMPANY HAS PREPARED THIS PLACEMENT DOCUMENT SOLELY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE.**

A copy of the Preliminary Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges. A copy of this Placement Document (which include disclosures prescribed under Form PAS-4 (as defined hereinafter)) will be filed with the Stock Exchanges. Our Company shall also make the requisite filings with the Registrar of Companies, Andhra Pradesh & Telangana, Hyderabad (the "**RoC**") and the Securities and Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

**This Placement Document has not been reviewed by SEBI, the Reserve Bank of India (the "RBI"), the Stock Exchanges, the RoC or any other regulatory or listing authority. The Equity Shares offered in the Issue have not been recommended or approved by SEBI, nor does SEBI guarantee the accuracy or adequacy of this Placement Document. This Placement Document has not been and will not be registered as a prospectus with any Registrar of Companies in India, will not be circulated or distributed to the public in India or any other jurisdiction and will not constitute a public offer in India or any other jurisdiction. This Placement Document will be circulated or distributed to Qualified Institutional Buyers (as defined in the ICDR Regulations), only and will not constitute an offer to any other class of investors in India or any other jurisdiction.**

Information on our Company's website or any website directly or indirectly linked to our Company's website or the websites of the Global Co-ordinator and the Book Running Lead Manager or its affiliates does not form part of this Placement Document and prospective investors should not rely on such information contained in, or available through, such websites.

The Equity Shares being offered and sold in this Issue have not been and will not be registered under the U.S. Securities Act of 1933, as amended ("**U.S. Securities Act"**), and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Equity Shares are only being offered and sold outside the United States in reliance on Regulation S under the U.S. Securities Act ("**Regulation S**"). For a description of these and certain further restrictions on offers, sales and transfers of the Equity Shares and distribution of this Placement Document, see "***Distribution and Solicitation Restrictions***", "***Notice to Investors***", and "***Transfer Restrictions***" beginning on pages 163, 2 and 168, respectively.

This Placement Document is dated November 29, 2014.

## GLOBAL COORDINATOR AND BOOK RUNNING LEAD MANAGER

ANANDRATHI

## ANAND RATHI ADVISORS LIMITED

## TABLE OF CONTENTS

Page
NOTICE TO INVESTORS .......... 2
REPRESENTATIONS BY INVESTORS .......... 3
ENFORCEMENT OF CIVIL LIABILITIES .......... 10
CERTAIN CONVENTIONS, CURRENCY PRESENTATION AND FINANCIAL DATA .......... 11
INDUSTRY AND MARKET DATA .......... 12
FORWARD-LOOKING STATEMENTS .......... 13
EXCHANGE RATES .......... 15
DEFINITIONS AND ABBREVIATIONS .......... 16
DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013 .......... 21
SUMMARY OF THE ISSUE .......... 24
SUMMARY OF BUSINESS .......... 26
SUMMARY FINANCIAL INFORMATION .......... 32
RISK FACTORS .......... 45
MARKET PRICE INFORMATION .......... 63
USE OF PROCEEDS .......... 66
CAPITALIZATION STATEMENTS .......... 67
CAPITAL STRUCTURE .......... 68
DIVIDEND POLICY .......... 73
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .......... 74
INDUSTRY .......... 94
BUSINESS .......... 114
REGULATIONS AND POLICIES .......... 128
BOARD OF DIRECTORS AND SENIOR MANAGEMENT .......... 134
PRINCIPAL SHAREHOLDERS .......... 147
ISSUE PROCEDURE .......... 151
PLACEMENT .......... 161
DISTRIBUTION AND SOLICITATION RESTRICTIONS .......... 163
TRANSFER RESTRICTIONS .......... 168
INDIAN SECURITIES MARKET .......... 169
DESCRIPTION OF THE EQUITY SHARES .......... 173
TAXATION .......... 178
LEGAL PROCEEDINGS .......... 199
INDEPENDENT AUDITORS .......... 203
GENERAL INFORMATION .......... 204
FINANCIAL STATEMENTS .......... 206
DECLARATION .......... 207
DECLARATION IN ACCORDANCE WITH FORM PAS - 4 .......... 208

## NOTICE TO INVESTORS

Our Company has furnished and accepts full responsibility for the information contained in this Placement Document and to the best of its knowledge and belief, having made all reasonable enquiries, confirms that this Placement Document contains all information with respect to our Company and the Equity Shares, which is material in the context of the Issue. The statements contained in this Placement Document relating to our Company and the Equity Shares are, in material respects, true and accurate and not misleading. The opinions and intentions expressed in this Placement Document with regard to our Company and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information presently available to our Company. There are no other facts in relation to our Company and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by our Company to ascertain such facts and to verify the accuracy of all such information and statements.

The Global Co-ordinator and Book Running Lead Manager ("**GC-BRLM**") has not separately verified the information contained in this Placement Document (financial, legal or otherwise). Accordingly, neither the GC-BRLM nor any of its members, employees, counsel, officers, directors, representatives, agents or affiliates makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the GC-BRLM, or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates in connection with its investigation of as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Placement Document acknowledges that such person has relied on neither the GC-BRLM or on any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates or on any person affiliated with the GC-BRLM in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of our Company and the merits and risks involved in investing in the Equity Shares.

No person is authorized to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of our Company or the GC-BRLM. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

**The Equity Shares have not been approved, disapproved or recommended by any regulatory authority. No regulatory authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in certain jurisdictions.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**The Equity Shares have not been and will not be registered under the U.S. Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. The Equity Shares are only being offered and sold outside the United States in reliance on Regulation S.**

This Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Company and the GC-BRLM this would permit an offering of the Equity Shares or distribution of this Placement Document in any country or jurisdiction, other than India, where action for that purpose is required. Accordingly, the Equity Shares in this Issue may not be offered or sold, directly or indirectly, and neither this Placement Document nor any Issue material in connection with the Equity Shares issued pursuant to this Issue may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the Issue, including merits and risk involved. Investors should not construe the contents of this Placement Document as business, legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this Issue. In addition, neither our Company nor the GC-BRLM is making any representation to any offeree or subscriber of such Equity Shares pursuant to this Issue, regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable legal, investment or similar laws or regulations. Each subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in our Company under Indian law, including Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013, and that it is not prohibited by SEBI or any other statutory authority from buying, selling or dealing in the securities including the Equity Shares. Each subscriber of the Equity Shares in the Issue also acknowledges that it has been afforded an opportunity to request from our Company and review information relating to our Company and the Equity Shares.

This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such document.

The information on our Company's website www.suven.com or any website directly or indirectly linked to our Company's website or the website of the GC-BRLM or their affiliates does not constitute or form part of this Placement Document. Prospective investors should not rely on such information contained in, or available through, such websites.

## REPRESENTATIONS BY INVESTORS

References herein to "you" or "your" is to the prospective investors in the Issue.

By bidding for and/or subscribing to any Equity Shares under this Issue, you are deemed to have represented, warranted, acknowledged and agreed to our Company and the GC-BRLM, as follows:

- You are a qualified institutional buyer as defined in Regulation 2(1)(zd) of the SEBI Regulations ("**QIB**"), and not excluded pursuant to Regulation 86(1)(b) of the SEBI Regulations, having a valid and existing registration under applicable laws and regulations of India, and undertake to acquire, hold, manage or dispose of any Equity Shares that are allocated to you for the purposes of your business in accordance with Chapter VIII of the SEBI Regulations, the Companies Act and all other applicable laws, including reporting obligations;

- You are authorized to consummate the subscription of the Equity Shares in the Issue in compliance with all applicable laws and regulations;

- If you are not a resident of India, but a QIB, you are an Eligible FPI (as defined hereinafter) or an FII (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) or an FVCI, in each case having a valid and existing registration with the SEBI under the applicable laws in India or a multilateral or bilateral development financial institution, and are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by the SEBI or any other regulatory authority, from buying, selling or dealing in securities;

- You will make all necessary filings with appropriate regulatory authorities, including RBI, as required pursuant to applicable laws;

- If you are allotted Equity Shares pursuant to the Issue, you shall not, for a period of one year from date of Allotment, sell the Equity Shares so acquired, except on the floor of the Stock Exchanges, see the section "***Transfer Restrictions***" beginning on page 168;

- You have made, or been deemed to have made, as applicable, the representations set forth under the section "***Transfer Restrictions***" and "***Distribution and Solicitation Restrictions***" beginning on pages 168 and 163, respectively;

- You are aware that the Equity Shares have not been, and will not be, registered under the Companies Act, the SEBI regulations or under any other law in force in India. This Placement Document has not been verified or affirmed by the SEBI, RBI, the Stock Exchanges, RoC or any other regulatory or listing authority and will not be filed with the Registrar of Companies or any other regulatory or listing authority and is intended only for use by QIBs. This Placement Document has been filed with the Stock Exchanges and will be displayed on the websites of our Company and the Stock Exchanges. Our Company shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014;

- You are entitled to subscribe for such Equity Shares under the laws of all relevant jurisdictions which apply to you and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities, formalities, to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Placement Document), and will honour such obligations;

- You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Company or our agents ("**Company Presentations**") with regard to our Company or the Issue; or (ii) if you have participated in or attended any Company Presentations: (a) you understand and acknowledge that the GC-BRLM may not have knowledge of the statements that our Company or our agents may have made at such Company Presentations and are therefore unable to determine whether the information provided to you at such Company Presentations may have included any material misstatements or omissions and accordingly you acknowledge that the GC-BRLM has advised you not to rely in any way on any information that was provided to you at such Company Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

- Neither our Company nor the GC-BRLM or their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates are making any recommendation to you or advising you regarding the suitability of any transactions that you may enter into in connection with the Issue. Your participation in the Issue is on the basis that you are not and will not be a client of the GC-BRLM. Neither the GC-BRLM nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates do not have any duty or responsibility to you for providing the protection afforded to its clients or customers or for providing advice in relation to the Issue and is in no way acting in a fiduciary capacity;

- You are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public. Further, you are aware and understand that the allotment of the Equity Shares shall be on a discretionary basis at the discretion of our Company and the GC-BRLM;

- You have made, or been deemed to have made, as applicable, the representations set forth under "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" beginning on pages 163 and 168, respectively;

- You have been provided a serially numbered copy of this Preliminary Placement Document and have read the Preliminary Placement Document in its entirety; including, in particular, the section titled "***Risk Factors***" beginning on page 45;

- That in making your investment decision, (i) you have relied on your own examination of our Company and the terms of the Issue, including the merits and risks involved, (ii) you have made and will continue to make your own assessment of our Company, the Equity Shares and the terms of the Issue, (iii) you have relied upon your own investigations and resources in deciding to invest in the Equity Shares, (iv) you have consulted with your own independent counsel and advisors or otherwise have satisfied yourself concerning, without limitation, the effects of local laws, including any applicable securities law and (v) you have relied solely on the information contained in the Preliminary Placement Document and no other disclosure or representation by our Company or any other party and (vi) you have received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Company and the Equity Shares;

- You are aware that if you are Allotted more than five per cent of the Equity Shares in the Issue, our Company shall be required to disclose your name and the number of the Equity Shares allotted to you to the Stock Exchanges and the Stock Exchanges will make the same available on their websites and you consent to such disclosures; also, if you are a top ten shareholder in our Company, our Company will be required to make a filing with the RoC within 15 days of the change, as per Section 93 of the Companies Act, 2013;

- Neither the GC-BRLM nor any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates, have provided you with any tax advice or otherwise made any representations regarding the tax consequences of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice from a reputable service provider and will not rely on the GC-BRLM or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive, and agree not to assert, any claim against our Company, the GC-BRLM, or any of their shareholders, directors, officers, employees, counsel, representatives, agents or affiliates with respect to the tax aspects of the Equity Shares or as a result of any tax audits by tax authorities, wherever situated;

- If you are acquiring the Equity Shares to be issued pursuant to the Issue, for one or more managed accounts, you represent and warrant that you are authorised in writing by each such managed account to subscribe to the Equity Shares for each managed account and to make (and you hereby make) the representations, warranties, acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

- You are not a "Promoter" (as defined under the SEBI Regulations) of our Company or any of its affiliates and are not a person related to the Promoters, either directly or indirectly and your bid does not directly or indirectly represent the Promoter or Promoter Group or person related to the Promoters of our Company;

- You have no rights under a shareholders' agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any nominee director on the Board of Directors of our Company other than such rights acquired in the capacity of a lender not holding any Equity Shares of our Company, which shall not be deemed to be a person related to the Promoter;

- You have no right to withdraw your Bid after the Bid/Issue Closing Date (as defined hereinafter);

- You are eligible, including without any limitation under any applicable law or regulation, to apply for and hold the Equity Shares Allotted to you together with any Equity Shares held by you prior to the Issue. You further confirm that your aggregate holding upon such issue of the Equity Shares shall not exceed the level permissible, as per any applicable law or regulation;

- The Bids submitted by you would not eventually result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Code**");

- To the best of your knowledge and belief, together with other QIBs in the Issue that belong to the same group or are under common control as you, the allotment under the present Issue shall not exceed 50% of the Issue. For the purposes of this representation: (a) the expression 'belong to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956 (the "**Companies Act**"); and (b) "control" shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;

- You shall not undertake any trade in the Equity Shares credited to your depository participant account or beneficiary account until such time that the final listing and trading approvals for the Equity Shares is issued by the Stock Exchanges, as applicable;

- You are aware that in-principle approvals under Clause 24(a) of the Listing Agreement have been received from the Stock Exchanges and application for final listing and trading approval shall be made after allotment of Equity Shares. There can be no assurance that such final approvals for listing and trading in the Equity Shares will be obtained in time, or at all. Our Company shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

- You are aware and understand that the GC-BRLM have entered into a Placement Agreement with our Company whereby the GC-BRLM has, subject to the satisfaction of certain conditions set out therein, agreed to manage the Issue and use reasonable efforts to procure subscriptions for the Equity Shares on the terms and conditions set forth therein;

- That the contents of this Placement Document are exclusively the responsibility of our Company and that neither the GC-BRLM nor any person acting on its behalf has, or shall have, any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of our Company and will not be liable for your decision to participate in this Issue based on any information, representation or statement contained in this Placement Document or otherwise. By accepting a participation in this Issue, you agree and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the GC-BRLM or our Company or any other person and, to the greatest extent permitted by law, neither the GC-BRLM nor our Company nor any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received, whether contained in this Placement Document or otherwise;

- As stated in the preceding clause herein, the only information you are entitled to rely on, and on which you have relied on, in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares. You have neither received nor relied on any other information given or representations, warranties or statements made by the GC-BRLM (including any view, statement, opinion or representation expressed in any research published or distributed by the GC-BRLM or their respective affiliates or any view, statement, opinion or representation expressed by any staff (including research staff) of the GC-BRLM or its affiliates) or our Company and the GC-BRLM will not be liable for your decision to accept an invitation to participate in the Issue based on any other information, representation, warranty or statement;

- You agree to indemnify and hold our Company and the GC-BRLM and their respective officers, directors, affiliates, associates and representatives harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations and warranties in this section and the sections titled "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" beginning on pages 163 and 168, respectively. You agree that the indemnity set forth in this paragraph shall survive the resale of the Equity Shares by or on behalf of the managed accounts;

- That our Company, the GC-BRLM, and their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings, which are irrevocable;

- That you are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended from time to time, and any notifications, circulars or clarifications issued thereunder, ("**Security Regulations**"), and have not been prohibited by the SEBI from buying, selling or dealing in securities;

- You understand that the GC-BRLM do not have any obligation to purchase or acquire all or any part of the Equity Shares purchased by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by our Company of any of our respective obligations or any breach of any representations or warranties by our Company, whether to you or otherwise;

- That each of the acknowledgements and agreements set out above shall continue to be true and accurate at all times up to and including the allotment of the Equity Shares and the listing and commencement of trading of Equity Shares, wherever the context may require.

- You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of India, and the courts in Hyderabad, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Preliminary Placement Document and this Placement Document;

## OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations (as defined hereinafter), FPIs (which includes FIIs), other than Category III Foreign Portfolio Investor (as defined hereinafter) and unregulated broad based funds, which are classified as Category II foreign portfolio investor (as defined under the SEBI FPI Regulations) by virtue of their investment manager being appropriately regulated, may issue, subscribe or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) (all such offshore derivative instruments are referred to herein as "**P-Notes**") directly or indirectly, only in the event that (i) such offshore derivative instruments are issued only in favour of those entities which are regulated by any appropriate foreign regulatory authorities in the countries of their incorporation; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. An FPI is also required to ensure that no issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are not regulated by an appropriate foreign regulatory authority.

P-Notes have not been and are not being offered or sold pursuant to this Placement Document. Neither this Placement Document nor the Placement Document contains or will contain any information concerning P-Notes, or the issuer(s) of any such P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Company and do not constitute any obligations of, claims on, or interests in our Company. Our Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to our Company. Our Company does not make any recommendation as to any investment in P-Notes and does not accept any responsibility whatsoever in connection with any P-Notes.

Any P-Notes that may be issued are not securities of the GC-BRLM and do not constitute any obligations of, or claims on, the GC-BRLM. Affiliates of the GC-BRLM which are FPIs may purchase, to the extent permissible under law, the Equity Shares in the Issue, and may issue P-Notes in respect thereof.

**Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of such P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-**

**Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.**

## DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

(1) warrant, certify or endorse the correctness or completeness of any of the contents of this Placement Document;

(2) warrant that our Company's Equity Shares issued pursuant to this Issue will be listed or will continue to be listed on the Stock Exchanges; or

(3) take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company;

The filing of this Placement Document should not for any reason be deemed or construed to mean that this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any Equity Shares of our Company pursuant to this Issue may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

## ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a public limited company incorporated under the laws of India. Majority of our directors, senior management personnel and executive officers of our Company are residents of India and a substantial portion of the assets of such persons and of our Company are located in India. As a result, it may be difficult or may not be possible for investors to effect service of process upon our Company or such persons outside India or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908 (the "**Civil Code**") on a statutory basis. Section 13 of the Civil Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, except:

(a) where the judgment has not been pronounced by a court of competent jurisdiction;
(b) where the judgment has not been given on the merits of the case;
(c) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
(d) where the proceedings in which the judgment was obtained were opposed to natural justice;
(e) where the judgment has been obtained by fraud; or
(f) where the judgment sustains a claim founded on a breach of any law than in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. However Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court (within the meaning of such Section), in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties and does not include arbitration awards.

A few countries like the United Kingdom of Great Britain and Northern Ireland, Republic of Singapore and Hong Kong, amongst others, have been declared by the Central Government to be reciprocating territories for the purposes of Section 44A and do not include arbitration awards.

A judgment of a court in a country which is not a reciprocating territory may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit must be filed in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with the public policy of India. Further, any judgment or award for payment of amounts denominated in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India must obtain approval from the RBI to execute such a judgment or to repatriate outside India any amount recovered, and we cannot assure that such approval will be forthcoming within a reasonable period of time, or at all, or that conditions of such approvals would be acceptable. It is unlikely that an Indian court would enforce foreign judgments that would be contrary to or in violation of Indian law. We cannot assure you that Indian courts and/or authorities would not take a longer amount of time to adjudicate and conclude similar proceedings in their respective jurisdictions.

## CERTAIN CONVENTIONS, CURRENCY PRESENTATION AND FINANCIAL DATA

Our Company publishes its financial statements in Indian Rupees. Our Company's financial statements included herein have been prepared in accordance with accounting principles generally accepted in India, or Indian GAAP and the Companies Act, 2013 and have been audited by the Auditors in accordance with the applicable generally accepted auditing standards in India prescribed by the ICAI. Unless otherwise indicated, all financial data in this Placement Document are derived from our Company's financial statements prepared in accordance with Indian GAAP. Indian GAAP differs in certain significant respects from International Financial Reporting Standards ("**IFRS**"), U.S GAAP and other international accounting systems. Our Company does not quantify the impact of U.S. GAAP or International Financial Reporting Standards ("**IFRS**") on the financial data included in this Placement Document, nor does our Company provide a reconciliation of its financial statements to U.S. GAAP or IFRS. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP included in this Placement Document will provide meaningful information is entirely dependent on the reader's familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited. See the section "***Risk Factors***" beginning on page 45.

Our Company's Fiscal commences on April 1 of each year and ends on March 31 of the succeeding year; so all references to a particular Fiscal are to the twelve-month period ended on March 31 of that year. The audited financial statements of our Company for the years ended March 31, 2012, March 31, 2013 and March 31, 2014 and limited reviewed financial results for the quarter and six months ended September 30, 2014, are prepared in accordance with Indian GAAP, are included in this Placement Document and are referred to herein as the "***Financial Statements***".

In this Placement Document, all references to 'you', 'your', 'offeree', 'purchaser', 'subscriber', 'recipient', 'investors', 'prospective investors' and 'potential investor' are to the prospective investors in Equity Shares issued pursuant to the Issue, all references to 'India' are to the Republic of India and all references to the 'Government' or 'GoI' or the 'Central Government' or the 'State Government' are to the Government of India, central or state, as applicable (unless the context otherwise requires). All references to "Rupees", "₹", "Re." and "Rs." are to the currency of India. All references to "U.S. dollars", "dollars", "$", "USD" and "US$" are to the currency of the United States of America. All references to "JPY" and "¥" are to the currency of the Japan. All references to "**£**" are to the currency of the United Kingdom. All references to "€" are to the currency of the member states of the European Union that adopted it as the single currency. References to the words "Lakh" or "Lacs" mean "100 thousand", the word "million" means "10 lakh" and the word "billion" means "1,000 million".

In this Placement Document, certain monetary amounts have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

# INDUSTRY AND MARKET DATA

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to our Company's business contained in this Placement Document consists of estimates/forecasts based on data reports compiled by professional organisations and analysts, on data from recognized industry sources, other external sources, and on our Company's knowledge of the markets in which our Company operates.

None of the Company, the GC-BRLM or any of their respective affiliates and advisors or any other person connected with the Issue has independently verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Accordingly, the GC-BRLM and we do not take any responsibility for the data, projections, forecasts, conclusions or any other information contained in this section. Certain information contained herein pertaining to prior years is presented in the form of estimates as they appear in the respective reports/ source documents. The actual data for those years may vary significantly and materially from the estimates so contained. Similarly, while our Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent source and our Company cannot assure potential investors as to their accuracy.

The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

Unless noted otherwise, the information in relation to the industry and market data is derived from the report titled “*The Pharmaceutical Industry*” by CARE Ratings.

*Disclaimer clause of CARE for the Industry Section*

This report is prepared by CARE Research, a division of Credit Analysis & Research Limited (“CARE”). CARE Research has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Research operates independently of ratings division and this report does not contain any confidential information obtained by ratings division, which they may have obtained in the regular course of operations. The opinion expressed in this report cannot be compared to the rating assigned to the company within this industry by the ratings division. The opinion expressed is also not a recommendation to buy, sell or hold an instrument.

CARE Research is not responsible for any errors or omissions in analysis/inferences/views or for results obtained from the use of information contained in this report and especially states that CARE (including all divisions) has no financial liability whatsoever to the user of this product. This report is for the information of the intended recipients only and no part of this report may be published or reproduced in any form or manner without prior written permission of CARE Research.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Placement Document that are not statements of historical facts constitute 'forward-looking statements'. These statements express views of the management of our Company and expectations based upon certain assumptions regarding trends in the Indian and international financial markets and regional economies, the political climate in which our Company operates and other factors. Prospective investors can identify forward-looking statements by the use of forward-looking terminology, including the words "aim", "anticipate", "believes", "continue", "can", "could" "estimates", "expects", "intends", "may", "will", "plans", "objective", "potential", "project", "pursue", "shall", "will likely result", "will continue", "will achieve", "is likely" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, goals, future events or intentions. All statements regarding our Company's expected financial condition and results of operations, business plans projects under execution, orders-in-hand and prospects are forward-looking statements. These forward-looking statements include statements as to our Company's business strategy, revenue and profitability and other matters discussed in this Placement Document regarding matters that are not historical facts. They appear in a number of places throughout this Placement Document and include statements regarding the intentions, beliefs or current expectations of our Company concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy of our Company and the industry in which we operate.

By their nature, forward-looking statements contained in this Placement Document (whether made by our Company or any third party) are predictions and involve known and unknown risks and uncertainties because they relate to events, and depend on circumstances, and assumptions and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.. Forward-looking statements are not guarantees of future performance. Our Company's actual results of operations, financial condition, liquidity, dividend policy and the development of the industry in which we operate may differ materially from the impression created by the forward-looking statements contained in this Placement Document. In addition, even if the results of operations, financial condition, liquidity and dividend policy of our Company and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Placement Document, those results or developments may not be indicative of results or developments in subsequent periods.

Important factors that could cause actual results and property valuations to differ materially from our expectations include, but are not limited to, the following:

- significant portion of our total income is being generated by certain therapeutic areas;
- the effect of changes in our accounting policies;
- our ability to manage our growth effectively;
- our ability to successfully to receive grant of patents for our innovation and regulatory approvals for our products, NCEs;
- costs and availability of raw materials;
- outcome of legal or regulatory proceedings to which we, are a party to or might become involved in;
- changes in political and social conditions in India;
- difficult condition in the global capital market and the economy generally;
- our ability to control cost and retained key personnel;
- our ability to finance its business and growth;
- our ability to compete effectively, particularly in new markets and business lines;
- potential mergers, acquisitions or restructurings;
- exposure to government price controls;
- changes in the foreign exchange control regulations in India and
- other factors discussed in this Placement Document, including "*Risk Factors*".

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "***Risk Factors***", "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" and "***Business***" beginning on pages 45, 74 and 114 respectively. These forward-looking statements speak only as of the date of this Placement Document. Our Company and the GC-BRLM expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in our Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

The forward-looking statements contained in this Placement Document are based on the beliefs of the management of our Company, as well as the assumptions made by, and information currently available to, the management of our Company. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document and our Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events, changes in assumptions or changes in factors affecting these forward looking statements or otherwise. If any of these risks and uncertainties materialise, or if any of our Company's underlying assumptions prove to be incorrect, our Company's actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and other forward-looking statements attributable to our Company in this Placement Document are expressly qualified in their entirety by reference to these cautionary statements.

## EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and foreign currencies will affect the foreign currency equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into foreign currencies of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth information with respect to the exchange rates between the Rupee and the U.S. dollar (in ₹ per US$ 1.00), for the periods indicated. The exchange rates are based on the reference rates released by the RBI, which are available on the website of the RBI. No representation is made that any Rupee amounts could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all.

On November 26, 2014, the exchange rate (the RBI reference rate) was ₹ 61.86 to US$ 1.00.

(₹ Per US$1.00)

| | Period End | Average[1] | High | Low |
|---|---|---|---|---|
| **Fiscal Year Ended:** | | | | |
| March 31, 2014 | 60.10 | 60.50 | 68.36 | 53.74 |
| March 31, 2013 | 54.39 | 54.45 | 57.22 | 50.56 |
| March 31, 2012 | 51.16 | 47.95 | 54.24 | 43.95 |
| | | | | |
| **Quarter Ended:** | | | | |
| September 30, 2014 | 61.61 | 60.59 | 61.61 | 59.72 |
| June 30, 2014 | 60.09 | 59.77 | 61.12 | 58.43 |
| March 31, 2014 | 60.10 | 61.79 | 62.99 | 60.10 |
| December 31, 2013 | 61.90 | 62.03 | 63.65 | 61.16 |
| | | | | |
| **Month ended:** | | | | |
| October 31, 2014 | 61.40 | 61.34 | 61.75 | 61.04 |
| September 30, 2014 | 61.61 | 60.86 | 61.61 | 60.26 |
| August 31, 2014 | 60.47 | 60.90 | 61.56 | 60.43 |
| July 31, 2014 | 60.25 | 60.06 | 60.33 | 59.72 |
| June 30, 2014 | 60.09 | 59.73 | 60.37 | 59.06 |
| May 31, 2014 | 59.03 | 59.31 | 60.23 | 58.43 |

Source: *www.rbi.org.in*

[1] Represents the average of the reference rates released by the RBI on every working day of the relevant period

## DEFINITIONS AND ABBREVIATIONS

Unless otherwise defined or the context otherwise indicates or requires, certain capitalized terms used in this Placement Document have the meanings set forth below:

| Term | Description |
|---|---|
| "Suven Life Sciences Limited", "SLSL" "Suven" "We", "us", "our", "Issuer", "the Company" and "our Company" | Unless the context otherwise indicates or implies, refers to Suven Life Sciences Limited. |
| Articles or Articles of Association | The articles of association of our Company, as amended. |
| Auditors | M/s. Karvy & Co., Chartered Accountants, the statutory auditor of our Company. |
| Board of Directors or Board | The board of directors of our Company and any committee constituted thereof. |
| Committee | The committee of the Board of Directors. |
| Director(s) | The director(s) of our Company. |
| Equity Shares or Shares | The equity shares of our Company of face value ₹ 1 each. |
| 2004 ESOP Plan | Suven Equity Option Plan, 2004 |
| Immediate Relatives | Any spouse of a person, and includes parent, brother, sister or child of such person or of the spouse as per the definition provided in Regulation 2(1)(l) of the SEBI Takeover Code. |
| QIP Committee | The QIP committee of the Board of Directors described in "***Board of Directors and Senior Management***" beginning on page 134 |
| Memorandum or Memorandum of Association | The memorandum of association of our Company, as amended. |
| Promoters | Venkateswarlu Jasti and Sudha Rani Jasti |
| Promoter Group | Promoter group of our Company as per the definition provided in Regulation 2(1)(zb) of the SEBI ICDR Regulations. |
| Registered Office | The registered office of our Company located at Door No. 8-2-334, 6th Floor, SDE Serene Chambers, Road No. 5, Avenue 7, Banjara Hills, Hyderabad – 500 034, Telangana, India. |
| Registrar of Companies or RoC | The Registrar of Companies, Andhra Pradesh & Telangana, Hyderabad. |

**Issue related Terms**

| Term | Description |
|---|---|
| Allocated or Allocation | The allocation of Equity Shares following the determination of the Issue Price to QIBs on the basis of Application Forms submitted by such QIBs, in consultation with the GC-BRLM and in compliance with Chapter VIII of the ICDR Regulations. |
| Allottees | Successful Bidders to whom Equity Shares are issued and Allotted pursuant to the Issue. |
| Allotment | The issue and allotment of Equity Shares pursuant to this Issue. |
| Application or Bid | Indication of interest from a QIB to subscribe for a specified number of Equity Shares in this Issue on the terms set out in the Application Form to our Company. |
| Application Form or Bid cum Application Form | The form, including all revisions and modifications thereto, pursuant to which a QIB submits an Application. |
| Bidder | Any prospective investor, being a QIB, who makes a Bid pursuant to the terms of the Placement Document and the Application Form. |
| Bidding / Issue Period | The period between the Bid/Issue Opening Date and Bid/Issue Closing Date, inclusive of both dates, during which prospective Bidders can submit Bids. |

| Term | Description |
|---|---|
| BSE | BSE Limited. |
| CDSL | Central Depository Services (India) Limited |
| CAN or Confirmation of Allocation Note | Note or advice or intimation to successful Bidders confirming Allocation of Equity Shares to such successful Bidders after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such successful Bidders. |
| Closing Date | On or about November 29, 2014, the date on which the Allotment is expected to be made. |
| Cut-off Price | The Issue Price of the Equity Shares, which shall be determined by our Company, in consultation with the GC-BRLM. |
| Eligible FPIs | FPIs that are eligible to participate in the Issue and does not include qualified foreign investors and Category III Foreign Portfolio Investors (who are not eligible to participate in the Issue) |
| Escrow Agreement | The Escrow Agreement dated November 27, 2014, by and between our Company, Escrow Bank and the GC-BRLM. |
| Escrow Bank | IndusInd Bank Limited |
| Escrow Cash Account/ Escrow Account | The non-interest bearing, no-lien, escrow bank account without any cheque or overdraft facilities opened by our Company with the Escrow Bank under the arrangement between our Company and the Escrow Bank. |
| Floor Price | The floor price of ₹ 201.38 per Equity Share, calculated in accordance with Regulation 85 of the ICDR Regulations. |
| ICDR Regulations | The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended. |
| Issue | The offer, issue and allotment of 1,04,53,690 Equity Shares to QIBs, pursuant to Chapter VIII of the ICDR Regulations and the provisions of Companies Act, 2013 and Private Placement Provisions. |
| Issue Closing Date or Bid Closing Date | November 29, 2014, the date on which our Company (or the GC-BRLM on behalf of our Company) shall cease acceptance of Application Forms. |
| Issue Opening Date or Bid Opening Date | November 27, 2014, the date on which our Company (or the GC-BRLM on behalf of our Company) shall commence acceptance of Application Forms. |
| Issue Price | The price per Equity Share of ₹ 191.32. |
| Issue Size | The issue of 1,04,53,690 Equity Shares aggregating ₹ 20,000 Lacs. |
| Global Coordinator – Book Running Lead Manager/ Book Running Lead Manager/BRLM/ GC-BRLM/Lead Manager/ARAL | Anand Rathi Advisors Limited |
| HSE | Hyderabad Securities and Enterprises Limited (erstwhile Hyderabad Stock Exchange Limited) |
| Listing Agreement | The agreement entered into between our Company and each of the Stock Exchanges in relation to listing of the Equity Shares on each of the Stock Exchanges. |
| NSDL | The National Securities Depository Limited. |
| NSE | The National Stock Exchange of India Limited. |
| Pay-in Date | The last date specified in the CAN for payment of application monies by the QIBs. |
| Placement Agreement | The Placement Agreement, dated November 27, 2014, among our Company and the GC-BRLM. |
| Placement Document | The placement document to be issued by our Company in accordance with Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013. |
| Preliminary Placement Document | The preliminary placement document issued in accordance with Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013. |

| Term | Description |
|---|---|
| QIB or Qualified Institutional Buyer | Any Qualified Institutional Buyer as defined under Regulation 2(1)(zd) of Chapter VIII of the ICDR Regulations. |
| QIP | Private placement to QIBs under Chapter VIII of the ICDR Regulations and Section 42 of the Companies Act, 2013 and the Rules made thereunder. |
| Regulation S | Regulation S, as defined under the U.S. Securities Act. |
| Relevant Date | November 27, 2014, date of the meeting of the QIP Committee duly authorised by the Board of Directors deciding to open the Issue. |
| SEBI | The Securities and Exchange Board of India. |
| SEBI Act | The Securities and Exchange Board of India Act, 1992, as amended. |
| SEBI FPI Regulations | Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014. |
| Stock Exchanges | The BSE and the NSE. |
| STT | Securities Transaction Tax |
| U.S. Securities Act | The U.S. Securities Act of 1933, as amended. |

**Business and Industry Related Terms**

| Terms | Description |
|---|---|
| ADHD | Attention deficit hyperactivity disorder |
| APIs | Active Pharmaceutical Ingredients |
| ADME | Absorption, Distribution, Metabolism, and Excretion |
| ANDAs | Abbreviated New Drug Applications |
| CARE | Credit Analysis and Research Limited |
| CDER | Center for Drug, Evaluation and Research |
| CEP | Certificate of Suitability |
| CMO | Contract Manufacturing Outsourcing |
| CMS | Contract Manufacturing Services |
| CRS | Contract Research Services |
| cGMP | Current Good Manufacturing Practice |
| CRAMS | Contract Research and Manufacturing Services |
| CNS | Central Nervous System |
| DSIR | Department of Scientific & Industrial Research |
| EDQM | European Directorate for the Quality of Medicines |
| GMP | Good Manufacturing Practices, as defined by the WHO |
| HPLC-ECD | High Performance Liquid Chromatography coupled to Electrochemical Detection |
| HPLC-FL | High Performance Liquid Chromatography using Fluorometry |
| IPI | Indian Pharmaceutical Industries |
| ISO | International Organization for Standardization |
| LC-MS/MS | Liquid Chromatography Mass Spectrometry |
| LDA | Lithium diisopropylamide |
| MDD | Major Depressive Disorder |
| MHRA | Medicines and Healthcare Products Regulatory Agency, UK |
| NCE | New Chemical Entity |
| NABL | National Accreditation Board for Testing and Calibration Laboratories |
| OECD | Organisation for Economic Cooperation and Development |
| OHSAS | Occupational Health and Safety Management System |
| PMDA | Pharmaceuticals and Medical Device Agency |
| R&D | Research and Development |
| TRIPS | Agreement on Trade Related Aspects of Intellectual Property Rights, 1994 |
| US-FDA | United States Food & Drug Administration |
| US-IND | Investigational New Drug |
| WHO | World Health Organization, 1948 |

**Conventional and General Terms**

| Terms | Description |
|---|---|
| AGM | Annual General Meeting |
| AIF | Alternate Investment Funds |
| AS | Accounting Standards as issued by the Institute of Chartered Accountants of India. |
| CAGR | Compounded Annual Growth Rate |
| Chapter VIII | Refers to Chapter VIII of the SEBI (ICDR) Regulations, 2009 that deals with Qualified Institutions Placement, and as amended from time to time |
| Civil Code or Code | The Code of Civil Procedure, 1908 of India, as amended |
| Companies Act | Companies Act, 1956 or the Companies Act, 2013, as applicable |
| Companies Act, 1956 | Companies Act, 1956 and the rules made thereunder (without reference to the provisions thereof that have ceased to have effect upon notification of the Notified Sections) |
| Companies Act, 2013 | Companies Act, 2013 and the rules made thereunder, to the extent in force pursuant to notification of the Notified Sections |
| CSR | Corporate Social Responsibility |
| Depositories Act | The Depositories Act, 1996, as amended |
| EBITDA | Earnings before interest, tax, depreciation and amortization |
| EGM | Extraordinary General Meeting |
| FDI | Foreign Direct Investment in an Indian company, in accordance with applicable law |
| FEMA | The Foreign Exchange Management Act, 1999, as amended and the Regulations framed thereunder |
| FII | Foreign Institutional Investor as defined under Section 2(f) the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, registered with SEBI under applicable laws in India |
| FII Regulations | Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended |
| Financial Year or Fiscal Year or Fiscal or FY | A period of twelve months ending March 31 of that particular year, unless otherwise stated |
| Form PAS-4 | Form PAS-4 as prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014 |
| FPI | Foreign Portfolio Investors, as defined under Regulation 2(1)(h) of the Securities And Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 |
| FPI Regulations | Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014 |
| FVCI | Any foreign venture capital investor (as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended) registered with the SEBI under applicable laws in India. |
| GAAP | Generally Accepted Accounting Principles |
| GDP | Gross Domestic Product |
| GoI or Government | Government of India, unless otherwise specified |
| ICAI | The Institute of Chartered Accountants of India |
| IFRS | International Financial Reporting Standards |
| Income Tax Act or IT Act | The Income Tax Act, 1961 of India, as amended |
| India | The Republic of India |
| Indian GAAP | Generally accepted accounting principles followed in India |
| Insider Trading Regulations | The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended |
| Lakh/ Lac/Lacs | One hundred thousand |
| Minimum Wages Act | Minimum Wages Act, 1948, as amended |
| Mutual Fund | A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended |

| Terms | Description |
|---|---|
| Non-Resident Indian(s) or NRI | Non-Resident Indian, as defined under FEMA |
| Notified Sections | Sections of the Companies Act, 2013 that have been notified by the Government of India |
| PAN | Permanent Account Number |
| Portfolio Investment Scheme/PIS | The portfolio investment scheme of RBI specified in Schedule 2 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended. |
| Private Placement Provisions | Section 42 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 |
| ₹ or Re. or Rs. or Rupees or INR | Indian Rupee |
| RBI | The Reserve Bank of India |
| State | Any state in the Republic of India |
| State Government | Government of a State |
| Takeover Code | The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended |
| UK | United Kingdom of Great Britain and Northern Ireland |
| USA | United States of America |
| $ or U.S. dollar or USD or US$ | The currency of the United States |
| VAT | Value Added Tax |
| VCF | A venture capital fund as defined under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 |

## DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 PRESCRIBED UNDER THE COMPANIES ACT, 2013

*The table below sets out the disclosure requirements as provided in Form PAS-4 and the relevant pages in this Placement Document where these disclosures, to the extent applicable, have been provided.*

| Sr. No. | Disclosure Requirements | Relevant Page of this Placement Document |
|---|---|---|
| **1.** | **GENERAL INFORMATION** | |
| a. | Name, address, website and other contact details of our Company indicating both Registered Office and corporate office | 209 |
| b. | Date of incorporation of our Company | 204 |
| c. | Business carried on by our Company and its subsidiaries with the details of branches or units, if any. | 114 – 127 |
| d. | Brief particulars of the management of our Company. | 134 – 146 |
| e. | Names, addresses, DIN and occupations of the Directors. | 134 – 136 |
| f. | Management's perception of risk factors | 45 – 62 |
| g. | Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of: | |
| (i) | Statutory dues; | NIL |
| (ii) | Debentures and interest thereon; | NIL |
| (iii) | Deposits and interest thereon; and | NIL |
| (iv) | Loan from any bank or financial institution and interest thereon. | NIL |
| h. | Names, designation, address and phone number, email ID of the nodal/ compliance officer of our Company, if any, for the private placement offer process. | 206 |
| **2.** | **PARTICULARS OF THE OFFER** | |
| a. | Date of passing of board resolution. | 204 |
| b. | Date of passing of resolution in the general meeting, authorising the offer of securities. | 201 |
| c. | Kinds of securities offered (i.e. whether share or debenture) and class of security. | 24 |
| d. | Price at which the security is being offered including the premium, if any, along with justification of the price. | 24 |
| e. | Name and address of the valuer who performed valuation of the security offered. | Not Applicable |
| f. | Amount which our Company intends to raise by way of securities. | 66 |
| g. | Terms of raising of securities: | |
| (i) | Duration, if applicable; | Not Applicable |
| (ii) | Rate of dividend; | Not Applicable |
| (iii) | Rate of interest; | Not Applicable |
| (iv) | Mode of payment; and | Not Applicable |
| (v) | Repayment. | Not Applicable |
| h. | Proposed time schedule for which the offer letter is valid. | 17 |
| i. | Purposes and objects of the offer. | 66 |
| j. | Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects. | 66 |
| k. | Principle terms of assets charged as security, if applicable. | Not Applicable |
| **3.** | **DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC** | |
| a. | Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons. | 145 |
| b. | Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the | 202 |

| Sr. No. | Disclosure Requirements | Relevant Page of this Placement Document |
|---|---|---|
| | offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed. | |
| c. | Remuneration of Directors (during the current year and last three financial years). | 140 -141 |
| d. | Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided. | F – 1 |
| e. | Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of our Company and the corrective steps taken and proposed to be taken by our Company for each of the said reservations or qualifications or adverse remark. | 93 |
| f. | Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for our Company and all of its subsidiaries. | 202 |
| g. | Details of acts of material frauds committed against our Company in the last three years, if any, and if so, the action taken by our Company. | 202 |
| **4.** | **FINANCIAL POSITION OF THE COMPANY** | |
| a. | The capital structure of our Company in the following manner in a tabular form: | |
| (i)(a) | The authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value); | 68 |
| (b) | Size of the present offer; and | 24 and 68 |
| (c) | Paid up capital: | 68 |
| (A) | After the offer; and | 68 |
| (B) | After conversion of convertible instruments (if applicable); | Not Applicable |
| (d) | Share premium account (before and after the offer). | 68 |
| (ii) | The details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration. | 69 – 70 |
| | Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case. | 70 |
| b. | Profits of our Company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter. | F – 1 |
| c. | Dividends declared by our Company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid). | 73 |
| d. | A summary of the financial position of our Company as in the three audited balance sheets immediately preceding the date of circulation of offer letter. | 36 – 38 |
| e. | Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter. | 42 – 44 |
| f. | Any change in accounting policies during the last three years and their effect on the profits and the reserves of our Company. | 83 |
| **5.** | **A DECLARATION BY THE DIRECTORS THAT** | |
| a. | Our Company has complied with the provisions of the Act and the rules made | 208 |

| Sr. No. | Disclosure Requirements | Relevant Page of this Placement Document |
|---|---|---|
| | thereunder. | |
| b. | The compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government. | |
| c. | The monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter. | |

## SUMMARY OF THE ISSUE

*The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Placement Document, including under the sections "**Risk Factors**", "**Use of Proceeds**", "**Placement**", "**Issue Procedure**" and "**Description of the Equity Shares**".*

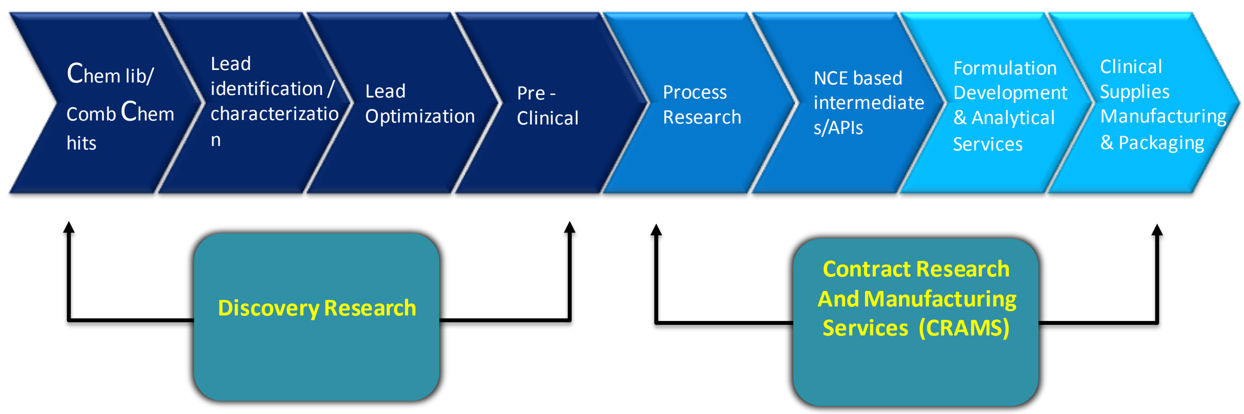
| | |
|---|---|
| **Issuer** | Suven Life Sciences Limited |
| **Face value** | ₹ 1 per Equity Share |
| **Issue Price per Equity Share** | ₹ 191.32 |
| **Issue Size** | The issue of up to 1,04,53,690 Equity Shares aggregating ₹ 20,000 Lacs.<br><br>A minimum of 10 % of the Issue Size i.e. 10,45,369 Equity Shares shall be available for Allocation to Mutual Funds only, and 94,08,321 Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other eligible QIBs. |
| **Date of Board Resolution** | September 22, 2014 |
| **Date of Shareholders' Resolution** | October 21, 2014 |
| **Resolution of QIP Committee for opening of the Issue** | November 27, 2014 |
| **Floor Price** | ₹ 201.38 per Equity Share, calculated in accordance with Regulation 85 of the ICDR Regulations. Under the ICDR Regulations, the Issue Price cannot be lower than the Floor Price subject to discount of not more than 5% on the Floor Price which may be considered by our Company. |
| **Equity Shares issued and outstanding immediately prior to the Issue** | 11,68,28,788 Equity Shares at a face value of ₹1 per share. |
| **Equity Shares issued and outstanding immediately after the Issue** | 12,72,82,478 Equity Shares at a face value of ₹1 per share. |
| **Eligible Investors** | QIBs as defined in regulation 2(1)(zd) of the ICDR Regulations and Chapter VIII of the ICDR Regulations. Only QIBs which are FIIs and Eligible FPIs are permitted to participate in this Issue. For further details, see the sections "***Issue Procedure – Qualified Institutional Buyers***" and "***Transfer Restrictions***" beginning on pages 163 and 168 respectively. |
| **Listing** | (i) Applications for approval, in terms of Clause 24(a) of the listing agreements with the Stock Exchanges were made and (ii) the application for the in-principle and final listing and trading approval, for listing and admission of the Equity Shares and for trading on the Stock Exchanges, will be made only after Allotment of the Equity Shares in the Issue. |
| **Transferability Restrictions** | The Equity Shares being allotted pursuant to this Issue cannot be sold for a period of one year from the date of Allotment, except if sold on the floor of the Stock Exchanges. For further details, see the section "***Transfer Restrictions***" beginning on page 168 |
| **Ranking** | The Equity Shares being issued in the Issue are subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares, including with respect to dividend rights. Shareholders will be entitled to dividends and other corporate benefits, if any, declared by us after the Closing Date, in compliance with the Companies Act, 2013. Shareholders may attend and vote in shareholders' meetings in accordance with the provisions of the Companies Act, 2013. Please see the section "***Description of the Equity Shares***" beginning on page 173. |
| **Use of Proceeds** | The gross proceeds of the Issue are expected to be approximately ₹ 20,000 |

| | |
|---|---|
| | Lacs. The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately ₹ 19,380 Lacs. For further details, please see the section *"**Use of Proceeds**"* beginning on page 66. |
| **Lock-up** | Our Company has agreed that it will not, without the prior written consent of the GC-BRLM (which such consent shall not be unreasonably withheld), for the period commencing from the date of the Placement Agreement and ending 90 days from the Closing Date, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) publicly announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise.<br><br>Our Promoters have agreed that without the prior written consent of the GC-BRLM (which such consent shall not be unreasonably withheld), it will not, during the period commencing from the date of the Placement Agreement and ending 90 days after the date of allotment of the Issue Shares, directly or indirectly: (a) sell, lend, pledge, contract to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) publicly announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise; provided however that the foregoing restrictions will (i) not be applicable to any transfer by the Promoters to their Immediate Relatives, either directly or indirectly, including through a trust mechanism for the benefit of the Promoters and/or any Immediate Relatives, (ii) not be applicable to any pledge or mortgage of the Equity Shares already existing on the date of the Placement Agreement or transfer of such existing pledge or mortgage; and (iii) not restrict the existing shareholders of our Company from acquiring or purchasing any Equity Shares in our Company, directly or indirectly, in accordance with and subject to applicable laws. |
| **Risk Factors** | For a discussion of certain risks in connection with an investment in the Equity Shares, please see the section "***Risk Factors***" beginning on page 45. |
| **Security codes:** | **ISIN:** INE495B01038;<br>**BSE Code**: 530239;<br>**NSE Code**: SUVEN |

## SUMMARY OF BUSINESS

Our Company was incorporated in the year 1989 as a bulk drug manufacturer in the pharmaceuticals industry. The Equity Shares of the Company were initially listed in the year 1995 on the BSE and HSE (not a stock exchange since order of SEBI dated January 25, 2013). Further, the Equity Shares of the Company are also listed on the NSE in the year 2003. Our Company has more than 25 years of experience in the pharmaceutical industry. Our Company was then engaged in manufacturing of bulk drugs and fine chemical intermediates. We then started operations with global pharmaceutical companies in their drug innovation activities of the development of New Chemical Entities ("**NCE**") by providing drug intermediates under our Contract Research and Manufacturing Services ("**CRAMS**") business model. Coinciding with India becoming signatory to the TRIPS agreement and amending its intellectual property laws in consonance with the TRIPS agreement, our Company started its drug discovery research activities. Our Company has since then also ventured into to its own drug innovation activities in the CNS therapeutic segment.

**Suven's Business Model**




**Contract Research and Custom Manufacturing**

Under our CRAMs business model which we commenced in the year 1995, we undertake research, manufacturing and supply of intermediates of NCEs to global pharmaceutical manufacturers, bulk drugs, contract technical services including process R&D services, process development services and formulation development services. As on March 31, 2014, we have obtained 36 process patents under our CRAMS activities. Pharmaceutical companies can outsource part of their research activity to other companies which can in turn support them with services for new product development. This can range from pre-formulation studies, screening studies, formulation development and use of specific drug delivery technology, clinical research, etc. or even a basic idea. CRAMS business is a niche segment with few players dominating the space. Our Company has undertaken over 700 projects under the CRAMS business model for various life science companies.

***New Chemical Entities***

In the year 2005, our Company ventured into the business of drug innovation and drug discovery in the CNS therapeutic segment. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions under our drug discovery activities. Our endeavours in the drug innovation activities has resulted into a pipeline 13 NCEs. Typically, an NCE activity involves several stages of innovation starting from drug discovery, clinical trials, regulatory approvals and commercialization. Our proprietary drugs are in various stages of pre-clinical and clinical trials. As on date of this Placement Document, we have our own pipeline of 13 NCEs across therapeutic areas such as Alzheimer's, Schizophrenia, ADHD, Major Depressive Disorder ("**MDD**"), Obesity and Pain.

'SUVEN-502' for Alzheimer's has completed Phase 1 clinical trial stage in USA and we await the final reports and completion of the remaining process in this regard. Once phase 1 clinical trials are completed in its entirety, that is, after receiving the report and successfully completing the remaining process, we may be entitled to enter into phase 2 clinical trials. Additionally, we have commenced Phase 1 clinical trials for our NCE, SUVN-G3031. Two of our NCEs, SUVN D-4010 and SUVN 911 addressing Alzheimer's, Schizophrenia and depression, respectively are currently undergoing toxicology studies in USA in preparation for US-IND submissions. Our other NCEs are in preliminary stages of development.

As of September 30, 2014, we have 870 employees and 9 consultants. Our research team consists of 386 scientists of which 22 are PhD holders. Our total research team strength is classified into 127 discovery research scientists and 259 process research scientists.

We have three manufacturing facilities located in the state of Telangana at (a) Pashamylaram, (b) Suryapet and (c) Jeedimetla. We are currently developing another manufacturing facility at Vishakhapatnam in Andhra Pradesh.

We have drug discovery and process research laboratory located at our facility at Jeedimetla, a bio-pharmaceutical laboratory and a formulation development centre located at our facility at Pashamylaram. In addition, each manufacturing facility has a process R&D laboratory attached to them.

All our manufacturing facilities are certified for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Our manufacturing units at Suryapet and Pashamylaram are cGMP and US-FDA compliant. Our Company's unit at Pashamylaram has also been approved for manufacture of Gabapentin by the Commissioner of Ministry of Food and Drug Safety, Korea and granted a cGMP certificate by the Freie Und Hansestadt for manufacturing active pharmaceutical ingredients including Tamsulosin hydrochloride, Gabapentin.

Our total income for the Fiscals 2012-14 has grown at a CAGR of 57.95% from ₹ 20,465.77 lacs to ₹ 51,058.62 lacs. During the aforementioned Fiscals, our EBITDA has grown at a CAGR of 197.76% from ₹ 2,504.91 lacs to ₹ 22,208.81 lacs and our net profit after tax has grown at a CAGR of 216.81% from ₹ 1,436.25 lacs to ₹ 14,415.75 lacs.

**Our Competitive Strengths**

***Core competence in CRAMS business model***

Our Company is primarily engaged in CRAMS business where research and development is customized to the needs of our global pharmaceutical customers. We endeavour to follow a non-conflict business model with our customers which mean that our products and services are provided for the innovation of the drug whereas our Company is not involved in developing competing drugs. In the CRAMS segment, we provide the innovator companies in drug development with contract research, manufacturing and supply of, (i) intermediates, (ii) APIs and (iii) formulations. Additionally, under our CRAMS model, we provide services such as contract technical services.

With over two decades of experience in the pharmaceutical industry, we have executed more than 700 CRAMS projects. Our Company is engaged in executing various CRAMS projects for drugs.

For our CRAMS projects, we may be required to undertake various specialized processes. Our facilities are equipped for undertaking specialized processes like cyanation, chiral core technology, Butyl Lithium reaction, reductions (catalytic and chemical), high temperature - high pressure reactions, Lithium diisopropylamide ("**LDA**") and asymmetric synthesis and bio-transformations.

Our Company has experience in performing the following reactions:

| Particulars | | |
|---|---|---|
| • Alkylations | • Halogenation using bromine, chlorine, $POCI_3$ etc | • Metalation - MeLi/n-BuLi/LDA/HMDS |
| • Acylation | • Heck Arylation | • Mitsunobu Reaction |

| Particulars | | |
|---|---|---|
| • Amidation | • Chiral amines synthesis | • Oxidation-Jones, Swern, $KMnO_4$, $NaIO_4$, Nitric Acid |
| • Chiral Alkylation | • Asymmetric synthesis | • Reduction - catalytic, metal hydrides, high pressure, metal catalyzed, Birch reduction, diborane, LAH, DIBAL-H, $NaCNBH_3$ |
| • Condensation | • Carbohydrates | • Suzuki Coupling |
| • Cyanation | • Grignard reactions | • Asymmetric synthesis |
| • Cyclo-condensation | • Horner-Emmons Wadsworth reaction | • Enzymatic resolution |
| • Formylations | • Organoborane | • Hydrogenation using Pd/c, Pt/c, Rh/c and Rani-Ni |
| • Grignard Reactions | | |

In the past, we have performed these reactions and demonstrated our experience through execution for our various customers over a period of time.

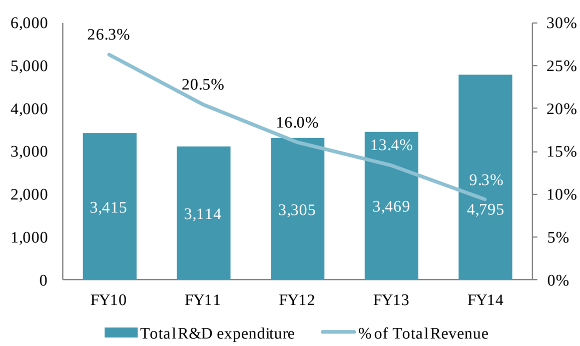
We generate a significant portion of our total revenues from sale of products in our CRAMS business which constitutes 96.69% of our revenues in FY14 while the remaining 3.31% came from services performed under our CRAMS business model. In FY2013-14 three of the drugs for which we manufacture intermediates under phase III clinical trials reached the pre-launch stage contributing to revenues of ₹ 16,706.93 lacs from manufacturing activity of supplying the pre-launch quantities of intermediates to those customers.

Exports to US are primarily driven by increased Abbreviated New Drug Applications (ANDA) approvals by United States Food & Drugs Administration (USFDA). We have granted an exclusive license in June 2013 to TARO Pharmaceuticals North America, Inc. ("**Taro**") to distribute one of our products Malathion Lotion in USA, Canada and Mexico on supply and royalty payments basis effective till April 2028.

***Research driven company***

Our Company is research driven with competencies both in terms of our manufacturing and R&D facilities. Our research team consists of 386 scientists being approximately 45% of our total employee strength. As of September 30, 2014, we have 870 employees and 9 consultants.

Our CRAMS projects involves significant amount of research and innovation as is representative of 36 process patents which our Company has been granted. Out of our total research team strength 259 scientists are involved in CRAMS projects. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions which have been granted to us in our NCE activities. Out of our total research team strength 127 scientists are involved in discovery research.



In FY2014, R&D expenses were 9.3% of the total revenues. We have invested an aggregate amount of ₹ 18,098.46 lacs on R&D in its drug innovation business for financial years 2010-14. Our Company has written off all its R&D expenses in the year in which it was incurred. We believe that our R&D has led, and will continue to lead, to new, innovative processes that can increase the efficiencies of production as well as address opportunities that we have identified in the global market for our businesses.

***Pipeline of proprietary NCEs in the CNS segment***

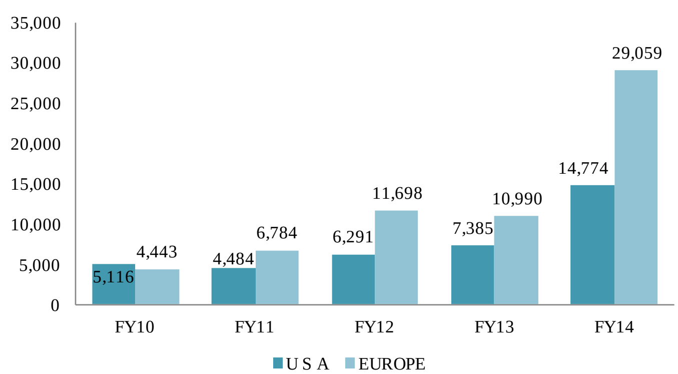
In the year 2005, our Company ventured into the business of drug innovation and drug discovery in the CNS therapeutic segment. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions under our drug discovery activities. Our endeavours in the drug innovation activities has resulted into a pipeline 13 NCEs. Typically, an NCE activity involves several stages of innovation starting from drug discovery, clinical trials, regulatory approvals and commercialization. Our proprietary drugs are in various stages of pre-clinical and clinical trials. As on date of this Placement Documents, we have our own pipeline of 13 NCEs across therapeutic areas such as Alzheimer's, Schizophrenia, ADHD, Major Depressive Disorder ("**MDD**"), Obesity and Pain. 'SUVEN-502' for Alzheimer's has completed Phase 1 clinical trial stage in USA and we await the final reports and completion of the remaining process in this regard. Once phase 1 clinical trials are completed in its entirety, that is, after receiving the report and successfully completing the remaining process, we may be entitled to enter into phase 2 clinical trials. Additionally, we have commenced Phase 1 clinical trials for our NCE, SUVN-G3031. Two of our NCEs, SUVN D-4010 and SUVN 911 addressing Alzheimer's, Schizophrenia and depression, respectively are currently undergoing toxicology studies in USA in preparation for US-IND submissions. Our other NCEs are in preliminary stages of development.

***Presence in regulated markets***

We provide research, manufacturing and supply of intermediates, APIs and formulations in the companies operating in the regulated markets.

In order to gain access to such regulated markets and gain customer confidence, we are required to comply with the stringent technical, quality and operating standards as required by such regulated markets. For instance, we have our manufacturing units at Suryapet and Pashamylaram which are certified as cGMP and US-FDA compliant. Further manufacturing unit at Pashamylaram has also been approved for manufacture of Gabapentin by the Commissioner of Ministry of Food and Drug Safety, Korea and granted a cGMP certificate by the Freie Und Hansestadt for manufacturing active pharmaceutical ingredients including Tamsulosin hydrochloride, Gabapentin.

We generate a significant portion of our revenue which is derived from export of our products and services. In FY2014, 93.71% of our revenues were derived from exports out of which revenues from regulated markets of Europe and USA constituted 56.95% and 28.95% respectively of our revenues. We have witnessed an increase in our revenues from Europe and USA in the last five financial years.




*Increase in contribution from Europe and USA (₹ in Lacs)*

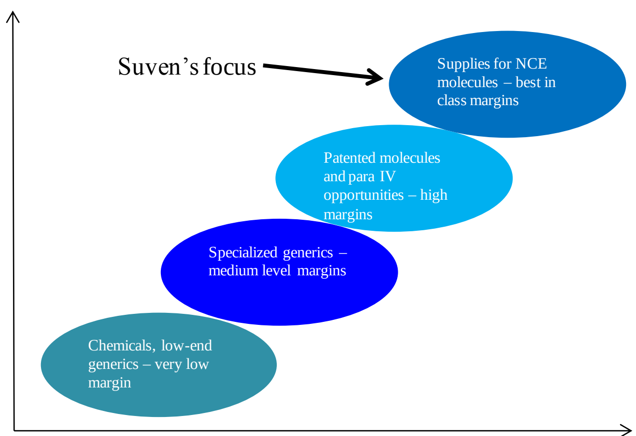
***Experienced Promoter and Key Managerial Team***

Our Promoters have played a key role in developing our business and we benefit from their significant experience in the pharmaceutical business. We also have a qualified key management team with experience in the domestic and international pharmaceutical industries, including in the areas of R&D, regulatory affairs, manufacturing, quality control, sales, marketing and finance. We believe that the healthcare domain knowledge and experience of our Promoters and our key management team provides us with a significant competitive advantage as we seek to grow in our existing markets and enter new segments and geographies.

Our Promoters and key managerial team have over 250 years of cumulative work experience in pharmaceutical industry and all our Key Managerial Personnel have been associated with the Company for nearly a decade or more.

For further details of our Key Managerial Personnel, please refer to chapter titled '***Board of Directors and Senior Management***' beginning on page 134.

**Our Strategy**




***Continue to focus on our CRAMS business***

The last decade has seen a considerable growth of contract research and manufacturing in India. We continue to focus on the entire value chain of drug discovery and development. We follow a non-conflict business model with our customers which means that our products and services are provided for the innovation of the drug whereas our Company is not involved in developing competing drugs.

Our focus has been to work with innovator companies for development and supply of intermediates of the NCEs rather than manufacture and supply of generics. We continue our focus on continuing our relations on a long term basis with these innovator companies from the early phase of drug discovery to commercialization stage.

With our experience and timely delivery of projects coupled with our pipeline of 99 ongoing projects, we are well positioned for long term association with our customers as the NCEs move to next stage of drug development.

***Focus on NCE development in the CNS therapeutic segment***

Our proprietary drugs are in various stages of pre-clinical and clinical trials. We have our own pipeline of 13 NCEs across therapeutic areas such as Alzheimer's, Schizophrenia, ADHD, Major Depressive Disorder ("**MDD**"), Obesity and Pain.

'SUVEN-502' for Alzheimer's has completed Phase 1 clinical trial stage in USA and we await the final reports and completion of the remaining process in this regard. Once phase 1 clinical trials are completed in its entirety, that is, after receiving the report and successfully completing the remaining process, we may be entitled to enter into phase

2 clinical trials. Additionally, we have commenced Phase 1 clinical trials for our NCE, SUVN-G3031. Two of our NCEs, SUVN D-4010 and SUVN 911 addressing Alzheimer's, Schizophrenia and depression, respectively are currently undergoing toxicology studies in USA in preparation for US-IND submissions. Our other NCEs are in preliminary stages of development.

We intend to continue our R&D activities in the NCE development for monetization opportunities in the CNS therapeutic segment.

***Promoting a culture of innovation***

We have developed sophisticated R&D infrastructure and facilities, with a team of 386 R&D personnel. We continue to invest in R&D and recruit talented individuals commensurate to our growth and business outlook. We believe that our continuing R&D initiatives have strengthened our product offerings in the international markets. Building on our existing expertise we aim to continue our culture of innovation within our business focusing on NCE based CRAMs and development of our own NCEs. Apart from our manufacturing facilities we have a dedicated bio-pharmaceutical laboratory, a formulation centre and a research centre to cater to our R&D requirements.

We intend to continue to drive our R&D initiatives towards the development of innovative formulations for our drug innovation business. Additionally, we look to collaborate with global pharmaceutical companies to monetize our NCEs or finished products.

## SUMMARY FINANCIAL INFORMATION

**Limited Review Report for the quarter and the six month ended on September 30, 2014**

*(₹ in Lacs)*

| Sl. No. | Particulars | Quarter ended | | | Six Months ended | | Previous year ended |
|---|---|---|---|---|---|---|---|
| | | 9/30/2014 | 6/30/2014 | 9/30/2013 | 9/30/2014 | 9/30/2013 | 3/31/2014 |
| | | Un-audited | Un-audited | Un-audited | Un-audited | Un-audited | Audited |
| **1** | **Income from operations** | | | | | | |
| | (a) Net sales/income from operations (Net of excise duty) | 13,983.12 | 14,153.16 | 15,141.23 | 28,136.28 | 26,008.19 | 51,031.24 |
| | (b) Other operating income | - | - | - | - | - | - |
| | **Total income from operations (net) (a)+(b)** | **13,983.12** | **14,153.16** | **15,141.23** | **28,136.28** | **26,008.19** | **51,031.24** |
| **2** | **Expenses** | | | | | | |
| | a) Cost of materials consumed | 4,068.03 | 4,695.34 | 4,200.48 | 8,763.37 | 7,575.03 | 15,049.65 |
| | b) Purchases of stock-in-trade | - | - | - | - | - | - |
| | c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 2,078.07 | (47.88) | (727.64) | 2,030.19 | (712.95) | (1,397.66) |
| | d) Employee benefits expense | 781.19 | 911.37 | 759.79 | 1,692.56 | 1,539.62 | 3,144.21 |
| | e) Depreciation and amortisation expense | 248.08 | 238.86 | 221.92 | 486.94 | 431.40 | 883.74 |
| | f) Other expenses - Manufacturing Expenses | 1,552.85 | 1,439.61 | 1,288.32 | 2,992.46 | 2,447.83 | 5,388.94 |
| | - R & D Expenses | 1,098.72 | 894.89 | 1,789.79 | 1,993.61 | 2,583.66 | 4,794.79 |
| | - Others | 565.29 | 471.67 | 689.27 | 1,036.96 | 1,130.59 | 2,145.45 |
| | **Total expenses** | **10,392.23** | **8,603.86** | **8,221.93** | **18,996.09** | **14,995.18** | **30,009.12** |
| **3** | Profit / (Loss) from operations before other income, finance costs and exceptional items (1-2) | 3,590.89 | 5,549.30 | 6,919.30 | 9,140.19 | 11,013.01 | 21,022.12 |
| **4** | **Other Income** | **141.98** | **107.94** | **11.41** | **249.92** | **326.94** | **302.95** |
| **5** | Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4) | 3,732.87 | 5,657.24 | 6,930.71 | 9,390.11 | 11,339.95 | 21,325.07 |
| **6** | Finance costs | 132.99 | 116.42 | 341.28 | 249.41 | 660.34 | 1,051.28 |
| **7** | Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5-6) | 3,599.88 | 5,540.82 | 6,589.43 | 9,140.70 | 10,679.61 | 20,273.79 |
| **8** | Exceptional Items (Ref: Note No.4 below) | 322.06 | 405.99 | - | 728.05 | - | - |
| **9** | Profit/Loss from Ordinary Activities before tax (7+8) | 3,277.82 | 5,134.83 | 6,589.43 | 8,412.65 | 10,679.61 | 20,273.79 |
| **10** | Tax Expenses | 794.17 | 1,661.01 | 2,034.75 | 2,455.18 | 3,147.74 | 5,858.04 |
| **11** | **Net Profit/ (Loss) from Ordinary Activities after tax (9-10)** | **2,483.65** | **3,473.82** | **4,554.68** | **5,957.47** | **7,531.87** | **14,415.75** |
| **12** | Extraordinary Items | - | - | - | - | - | - |
| **13** | **Net Profit / (Loss) for the period (11 + 12)** | **2,483.65** | **3,473.82** | **4,554.68** | **5,957.47** | **7,531.87** | **14,415.75** |
| **14** | Share of profit / (loss) of associates | - | - | - | - | - | - |
| **15** | Minority interest | - | - | - | - | - | - |
| **16** | Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (13+14+15) | 2,483.65 | 3,473.82 | 4,554.68 | 5,957.47 | 7,531.87 | 14,415.75 |
| **17** | Paid-up equity share capital (Face Value of Rs. 1/- each) | 1,168.29 | 1,168.29 | 1,168.29 | 1,168.29 | 1,168.29 | 1,168.29 |

| Sl. No. | Particulars | Quarter ended | | | Six Months ended | | Previous year ended |
|---|---|---|---|---|---|---|---|
| | | 9/30/2014 | 6/30/2014 | 9/30/2013 | 9/30/2014 | 9/30/2013 | 3/31/2014 |
| | | Un-audited | Un-audited | Un-audited | Un-audited | Un-audited | Audited |
| **18** | Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year | - | - | - | - | - | 25,276.34 |
| **19. i** | **Earnings Per Share (EPS) (before extraordinary items) (of Rs.1/- each) (not annualised):** | | | | | | |
| | a) Basic | 2.13 | 2.97 | 3.90 | 5.10 | 6.45 | 12.34 |
| | b) Diluted | 2.13 | 2.97 | 3.90 | 5.10 | 6.45 | 12.34 |
| **19. ii** | **Earnings Per Share (EPS) (after extraordinary items) (of Rs.1/- each) (not annualised):** | | | | | | |
| | a) Basic | 2.13 | 2.97 | 3.90 | 5.10 | 6.45 | 12.34 |
| | b) Diluted | 2.13 | 2.97 | 3.90 | 5.10 | 6.45 | 12.34 |

**Standalone Statement of Assets & Liabilities as per Clause 41(V)(h) as per Listing agreement**

***(₹in lacs)***

| | Particulars | Half year Ended 9/30/2014 | 3/31/2014 |
|---|---|---|---|
| **A** | **EQUITY AND LIABILITIES** | | |
| **1** | **Shareholder's funds:** | | |
| | (a) Share Capital | 1,168.29 | 1,168.29 |
| | (b) Reserves and Surplus | 30,760.29 | 25,276.34 |
| | Sub-total - Shareholders' funds | 31,928.58 | 26,444.63 |
| **2** | **Non-current liabilities** | | |
| | (a) Long-term borrowings | 4,372.55 | 3,772.92 |
| | (b) Deferred tax Liability (net) | 2,326.46 | 2,759.66 |
| | (c) Long-term provisions | 179.36 | 179.36 |
| | Sub-total - Non-current liabilities | 6,878.37 | 6,711.94 |
| **3** | **Current liabilities** | | |
| | (a) Short-term borrowings | 2,498.96 | 2,855.36 |
| | (b) Trade payables | 3,350.11 | 4,090.05 |
| | (c) Other current liabilities | 3,874.57 | 4,751.84 |
| | (d) Short-term provisions | 2,015.52 | 3,808.90 |
| | Sub-total - Current liabilities | 11,739.16 | 15,506.15 |
| | | | |
| | **TOTAL - EQUITY AND LIABILITIES** | **50,546.11** | **48,662.72** |
| **B** | **ASSETS** | | |
| **1** | **Non-current assets** | | |
| | (a) Fixed assets | 21,341.96 | 19,205.41 |
| | (b) Non-current investments | 0.15 | 0.15 |
| | (c) Deferred tax assets (net) | - | - |
| | (d) Long-term loans and advances | 2,013.89 | 1,258.74 |
| | Sub-total - Non-current assets | 23,356.00 | 20,464.30 |
| **2** | **Current assets** | | |
| | (a) Current investments | 5,228.96 | 3.64 |
| | (b) Inventories | 6,100.49 | 7,862.87 |
| | (c) Trade receivables | 6,064.12 | 6,547.03 |
| | (d) Cash and cash equivalents | 2,486.12 | 6,939.96 |
| | (e) Short-term loans and advances | | 6,809.17 |

| | | |
|---|---|---|
| | 7,307.40 | |
| (f) Other current assets | 3.02 | 35.75 |
| Sub-total - Current assets | 27,190.11 | 28,198.42 |
| | | |
| **TOTAL – ASSETS** | **50,546.11** | **48,662.72** |

## SUMMARY OF BALANCE SHEET FOR LAST THREE FINANCIAL YEARS

Summary of Balance Sheet for the financial year ended on March 31, 2014

*(₹ in Lacs)*

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| Shareholder's Fund | | |
| Share Capital | 1,168.29 | 1,168.29 |
| Reserves & Surplus | 25,276.34 | 14,277.70 |
| Non-Current Liabilities | | |
| Long-term borrowings | 3,772.92 | 6,418.33 |
| Long term provisions | 179.36 | 157.78 |
| Deferred Tax Liability (Net) | 2,759.66 | - |
| Current Liabilities | | |
| Short-term borrowings | 2,855.36 | 2,782.59 |
| Trade payables | 4,090.05 | 3,613.53 |
| Other current liabilities | 4,751.84 | 3,611.53 |
| Short - term provisions | 3,808.90 | 731.61 |
| **TOTAL** | **48,662.72** | **32,761.36** |
| **ASSETS** | | |
| Non - Current Assets | | |
| Fixed Assets | | |
| i) Tangible assets | 17,923.39 | 16,151.54 |
| ii) Capital work-in-progress | 1,282.01 | 414.76 |
| Non -Current Investments | 0.15 | 0.15 |
| Deferred Tax Asset (Net) | - | 1,569.63 |
| Long term loans and advances | 1,258.75 | 939.22 |
| Current Assets | | |
| Current Investments | 3.64 | 7.12 |
| Inventories | 7,862.87 | 5,381.43 |
| Trade Receivables | 6,547.03 | 2,377.76 |
| Cash and Bank balances | 6,939.96 | 2,183.30 |
| Short - term loans and advances | 6,809.17 | 3,716.77 |
| Other current assets | 35.75 | 19.68 |
| **TOTAL** | **48,662.72** | **32,761.36** |
| Summary of significant accounting policies | | |

*Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to this year's classification.*

Summary of Balance Sheet for the financial year ended on March 31, 2013

*(₹ in lacs)*

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| **Shareholder's Fund** | | |
| Share Capital | 1,168.29 | 1,167.32 |
| Reserves & Surplus | 14,277.70 | 11,584.83 |
| **Non-Current Liabilities** | | |
| Long-term borrowings | 6,418.33 | 5,502.45 |
| Long term provisions | 157.78 | 178.35 |
| **Current Liabilities** | | |
| Short-term borrowings | 2,782.59 | 2,285.40 |
| Trade payables | 3,613.53 | 2,511.07 |
| Other current liabilities | 3,611.53 | 4,020.81 |
| Short - term provisions | 1,382.72 | 1,248.50 |
| **TOTAL** | **33,412.47** | **28,498.72** |
| **ASSETS** | | |
| **Non - Current Assets** | | |
| **Fixed Assets** | | |
| i) Tangible assets | 16,151.54 | 13,244.35 |
| ii) Capital work-in-progress | 414.76 | 2,364.02 |
| Non - Current Investments | 0.15 | 0.10 |
| Deferred Tax Asset (NET) | 1,569.63 | 1,760.96 |
| Long term loans and advances | 943.83 | 644.44 |
| **Current Assets** | | |
| Current Investments | 7.12 | 452.33 |
| Inventories | 5,381.43 | 4,650.17 |
| Trade Receivables | 2,377.76 | 2,523.93 |
| Cash and Bank balances | 2,178.69 | 316.86 |
| Short - term loans and advances | 4,367.88 | 2,528.88 |
| Other current assets | 19.68 | 12.68 |
| **TOTAL** | **33,412.47** | **28,498.72** |
| Summary of significant accounting policies | | |

*Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to this year's classification.*

Summary of Balance Sheet for the financial year ended on March 31, 2012

*(₹ in Lacs)*

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| **Shareholder's Fund** | | |
| Share Capital | 1,167.32 | 1,167.32 |
| Reserves & Surplus | 11,584.83 | 11,506.42 |
| **Non-Current Liabilities** | | |
| Long-term borrowings | 5,502.45 | 3,493.90 |
| Long term provisions | 178.35 | 104.08 |
| **Current Liabilities** | | |
| Short-term borrowings | 2,285.40 | 2,368.41 |
| Trade payables | 2,454.11 | 1,892.45 |
| Other current liabilities | 4,077.77 | 1,233.02 |
| Short - term provisions | 1,248.50 | 597.79 |
| **TOTAL** | **28,498.72** | **22,363.38** |
| **ASSETS** | | |
| **Non - Current Assets** | | |
| **Fixed Assets** | | |
| i) Tangible assets | 13,244.35 | 10567.78 |
| ii) Capital work-in-progress | 2,735.65 | 335.62 |
| Non -Current Investments | 5.1 | 1,073.61 |
| Deferred Tax Asset (Net) | 1,760.96 | 766.58 |
| Long term loans and advances | 272.82 | 172.38 |
| **Current Assets** | | |
| Current Investments | 447.33 | 965.42 |
| Inventories | 4,650.17 | 3,336.56 |
| Trade Receivables | 2,523.93 | 3,137.38 |
| Cash and Bank balances | 316.86 | 294.63 |
| Short - term loans and advances | 2,528.88 | 1,703.67 |
| Other current assets | 12.68 | 9.75 |
| **TOTAL** | **28,498.72** | **22,363.38** |
| Summary of significant accounting policies | | |

*Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to this year's classification.*

## STATEMENT OF PROFIT AND LOSS FOR THE LAST THREE FINANCIAL YEARS

Statement of Profit and Loss for the financial year ended on March 31, 2014

*(₹ in Lacs)*

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| **INCOME** | | |
| Revenue from Operations (Gross) | 51,058.62 | 25,828.02 |
| Less: Excise Duty | (27.38) | (39.56) |
| | 51,031.24 | 25,788.46 |
| Other Income | 302.95 | 104.34 |
| **TOTAL** | **51,334.19** | **25,892.80** |
| **EXPENSES** | | |
| Cost of Materials Consumed | 15,049.65 | 8,827.40 |
| Changes in Inventories of Finished goods, Work- in-progress and Stock- in- trade | (1,397.66) | (559.63) |
| Manufacturing Expenses | 5,388.94 | 3,904.81 |
| Employee benefit expenses | 3,144.21 | 2,537.70 |
| Research & Development Expenses | 4,794.79 | 3,469.33 |
| Financial Costs | 1,051.28 | 1,350.94 |
| Depreciation and amortisation expenses | 883.74 | 786.71 |
| Other expenses | 2,145.45 | 2,290.30 |
| **TOTAL** | **31,060.40** | **22,607.56** |
| **Profit before tax** | **20,273.79** | **3,285.24** |
| Tax expenses | | |
| Current Tax | 4,325.76 | 664.28 |
| Previous year tax | - | (13.17) |
| Deferred Tax | 4,329.28 | 191.34 |
| MAT Credit entitlement | (2,797.00) | (641.16) |
| Total tax expenses | 5,858.04 | 201.29 |
| **Profit for the year** | **14,415.75** | **3,083.95** |
| Basic and Diluted Earnings per share (in ₹) | 12.34 | 2.64 |
| Summary of significant accounting policies | | |

*Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to this year's classification.*

Statement of Profit and Loss for the financial year ended on March 31, 2013

*(₹ in Lacs)*

| **Particulars** | **For the year ended 31st March 2013** | **For the year ended 31st March 2012** |
|---|---|---|
| **Income** | | |
| Revenue from Operations (Gross) | 25,828.02 | 20,465.77 |
| Less: Excise Duty | (39.56) | (44.98) |
| | **25,788.46** | **20,420.78** |
| Other Income | 104.34 | 190.25 |
| **TOTAL** | **25,892.80** | **20,611.03** |
| **Expenses** | | |
| Cost of Materials Consumed | 8,827.40 | 8,145.56 |
| **Changes in Inventories of Finished goods,** | | |
| Work-in-progress and Stock-in-trade | (559.63) | (564.74) |
| Manufacturing Expenses | 3,904.81 | 2,667.83 |
| Employee benefit expenses | 2,537.70 | 2,283.03 |
| Research & Development Expenses | 3,469.33 | 3,304.91 |
| Financial Costs | 1,350.94 | 990.93 |
| Depreciation and amortization expenses | 786.71 | 599.79 |
| Other expenses | 2,290.30 | 2,269.54 |
| **TOTAL** | **22,607.56** | **19,696.85** |
| **Profit before tax** | 3,285.24 | 914.18 |
| **Tax expenses** | | |
| Current Tax | 664.28 | 171.60 |
| Previous year tax | (13.17) | (0.87) |
| Deferred Tax | 191.34 | (522.06) |
| MAT Credit entitlement | (641.16) | (170.73) |
| **Total tax expenses** | 201.29 | (522.06) |
| | | |
| **Profit for the year** | **3,083.95** | **1,436.24** |
| Basic and Diluted Earnings per share (in ₹) | 2.64 | 1.23 |
| Summary of significant accounting policies | | |

*Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to this year's classification.*

Statement of Profit and Loss for the financial year ended on March 31, 2012

*(₹ in Lacs)*

| **Particulars** | **For the year ended 31st March 2012** | **For the year ended 31st March 2011** |
|---|---|---|
| **INCOME** | | |
| Revenue from Operations (Gross) | 20,465.77 | 15,104.23 |
| Less: Excise Duty | (44.98) | (60.84) |
| Revenue from Operations (Net) | 20,420.78 | 15,043.39 |
| Other Income | 190.25 | 125.75 |
| **TOTAL** | **20,611.03** | **15,169.14** |
| **EXPENSES** | | |
| Cost of Materials Consumed | 8,145.56 | 5,549.85 |
| Changes in Inventories of Finished goods, Work- in-progress and Stock- in- trade | (564.74) | (53.43) |
| Manufacturing Expenses | 2,667.83 | 2,082.72 |
| Employee benefit expenses | 2,283.03 | 1,876.83 |
| Research & Development Expenses | 3,304.91 | 3,114.35 |
| Financial Costs | 990.93 | 610.52 |
| Depreciation and amortisation expenses | 599.79 | 544.55 |
| Other expenses | 2,269.54 | 1,118.29 |
| **TOTAL** | **19,696.85** | **14,843.69** |
| **Profit before tax** | 914.18 | 325.44 |
| Tax expenses | | |
| Current Tax | 171.60 | 8.36 |
| Previous year tax | (0.87) | (7.82) |
| Deferred Tax | (522.06) | (722.32) |
| MAT Credit entitlement | (170.73) | (8.36) |
| **Profit for the year** | 1,436.24 | 1,039.95 |
| Basic and Diluted Earnings per share (in ₹) | 1.23 | 0.89 |
| Summary of significant accounting policies | | |

*Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to this year's classification.*

## CASH FLOW STATEMENT FOR THE LAST THREE YEAR

Cash Flow Statement for the financial year ended on March 31, 2014

*(₹ in Lacs)*

| Particulars | For the year ended 31st March 2014 | | For the year ended 31st March 2013 | |
|---|---|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net Profit before Tax and Extraordinary Items | | 20,273.79 | | 3,285.24 |
| Adjustments for : | | | | |
| Depreciation & Amortisation | 1,148.99 | | 1,046.65 | |
| Interest Income | (147.21) | | (23.53) | |
| Interest on Finance cost | 769.47 | | 1,283.74 | |
| Profit on sale of Assets | (0.47) | | (0.12) | |
| Dividend Income | (101.84) | 1,668.94 | (80.69) | 2,226.05 |
| Operating Profit Before Working Capital Changes | | 21,942.73 | | 5,511.29 |
| Adjustments for : | | | | |
| Trade and Other Receivables | (4,882.93) | | (1,511.66) | |
| Inventories | (2,481.44) | | (731.26) | |
| Trade Payables and Other Liabilities | 1,637.96 | | 369.39 | |
| Increase/(Decrease) in Net Current Assets | | (5,726.41) | | (1,873.53) |
| Cash Generated From Operations | | 16,216.32 | | 3,637.76 |
| Adjustments for : | | | | |
| Income Tax paid | 4,085.51 | 4,085.51 | 569.16 | 569.16 |
| Net Cash From Operating Activities (A) | | 12,130.81 | | 3,068.60 |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Sale/(Purchase) of Investments | 3.48 | | 445.16 | |
| Purchase of Fixed Assets | (3,788.10) | | (2,006.91) | |
| Sale of Fixed Assets | 0.47 | | 2.45 | |
| Interest Received | 131.13 | | 16.52 | |
| Changes in bank balances not considered as cash equivalents | (14.26) | | (3.89) | |
| Dividend Received | 101.84 | | 80.69 | |
| Net Cash Used In Investing Activities (B) | | (3,565.44) | | (1,465.98) |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Borrowings (Net) | (2,650.06) | | 1,926.13 | |
| Interest Paid on borrowings | (762.85) | | (1,283.74) | |
| Issue of capital with Premium | - | | 19.95 | |
| Dividend Payouts (including Dividend Tax) | (410.06) | | (407.02) | |
| Net Cash used in financing Activities (C) | | (3,822.97) | | 255.32 |
| **Net Increase in Cash and Cash Equivalents (A+B+C)** | | **4,742.40** | | **1,857.94** |
| Cash and Cash Equivalents at the beginning the year | | 2,034.64 | | 176.70 |
| Cash and Cash Equivalents at the end of the year | | 6,777.04 | | 2,034.64 |

*Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to this year's classification.*

Cash Flow Statement for the financial year ended on March 31, 2013

*(₹ in Lacs)*

| Particulars | For the year ended 31st March 2013 | | For the year ended 31st March 2012 | |
|---|---|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| **Net Profit before Tax and Extraordinary Items** | | **3,285.24** | | **914.18** |
| *Adjustments for :* | | | | |
| Depreciation & Amortisation | 1,046.64 | | 854.53 | |
| Interest Income | (23.53) | | (14.57) | |
| Interest on Finance cost | 1,283.74 | | 990.93 | |
| Profit on sale of Assets | (0.12) | | - | |
| Loss on sale of Assets | - | | 1 | |
| Dividend Income | (80.69) | | (56.49) | |
| MTM Losses | - | 2,226.04 | 348.06 | 2,123.46 |
| Operating Profit Before Working Capital Changes | | 5,511.28 | | 3,037.64 |
| *Adjustments for :* | | | | |
| Trade and Other Receivables | (1,511.68) | | 19.01 | |
| Inventories | (731.26) | | (1,167.03) | |
| Trade Payables and Other Liabilities | 369.39 | | 1,690.31 | |
| Increase/(Decrease) in Net Current Assets | | (1,873.55) | | 542.29 |
| Cash Generated From Operations | | 3,637.73 | | 3,579.93 |
| *Adjustments for :* | | | | |
| Income Tax paid | 569.16 | 569.16 | 204.66 | 204.66 |
| **Net Cash From Operating Activities (A)** | | **3,068.57** | | **3,375.27** |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Sale/(Purchase) of Investments | 445.16 | | (518.14) | |
| Purchase of Fixed Assets | (2,006.91) | | (2,727.49) | |
| Sale of Fixed Assets | 2.45 | | 0.35 | |
| Interest Received | 16.52 | | 14.14 | |
| Changes in bank balances not considered as cash equivalents | (3.89) | | (24.60) | |
| Dividends Received | 80.69 | | 56.49 | |
| **Net Cash Used In Investing Activities (B)** | | **(1,465.98)** | | **(3,199.25)** |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Borrowings (Net) | 1,926.13 | | 1,139.48 | |
| Interest Paid on borrowings | (1,283.74) | | (983.43) | |
| Issue of capital with Premium | 19.95 | | - | |
| Dividend Payouts (including Dividend Tax) | (407.02) | | (339.21) | |
| **Net Cash used in financing Activities (C)** | | **255.32** | | **(183.16)** |
| **Net Increase in Cash and Cash Equivalents (A+B+C)** | | **1,857.91** | | **(7.14)** |
| **Cash and Cash Equivalents at the beginning the year** | | **176.70** | | **183.84** |
| **Cash and Cash Equivalents at the end of the year** | | **2,034.64** | | **176.70** |

*Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to this year's classification.*

Cash Flow Statement for the financial year ended on March 31, 2012

*(₹ in Lacs)*

| Particulars | For the year ended 31st March 2012 | | For the year ended 31st March 2011 | |
|---|---|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net Profit before Tax and Extraordinary Items | | 914.18 | | 325.44 |
| Adjustments for : | | | | |
| Depreciation & Amortization | 854.53 | | 790.57 | |
| Interest Income | (14.57) | | (10.82) | |
| Interest on Finance cost | 990.93 | | 610.52 | |
| Profit on sale of Assets | 0.00 | | (6.39) | |
| Loss on sale of Assets | 1.00 | | 0.00 | |
| Dividend Income | (56.49) | | (19.11) | |
| MTM Losses | 348.06 | 2,123.46 | 0.00 | 1,364.78 |
| Operating Profit Before Working Capital Changes | | 3,037.64 | | 1,690.23 |
| Adjustments for : | | | | |
| Trade and Other Receivables | (5.59) | | (356.85) | |
| Inventories | (1,167.03) | | (287.56) | |
| Trade Payables and Other Liabilities | 1,690.31 | | (503.51) | |
| Increase/(Decrease) in Net Current Assets | | 517.69 | | (1,147.92) |
| Cash Generated From Operations | | 3,555.33 | | 542.31 |
| Adjustments for : | | | | |
| Income Tax paid | 204.66 | 204.66 | 18.45 | 18.45 |
| **Net Cash From Operating Activities (A)** | | **3,350.67** | | **523.86** |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Sale/(Purchase) of Investments | (518.14) | | (879.18) | |
| Purchase of Fixed Assets | (2,727.49) | | (403.53) | |
| Sale of Fixed Assets | 0.35 | | 8.10 | |
| Interest Received | 14.14 | | 9.01 | |
| Dividend Received | 56.49 | | 19.11 | |
| **Net Cash Used In Investing Activities (B)** | | **(3,174.65)** | | **(1,246.49)** |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Borrowings (Net) | 1,139.48 | | 1,569.41 | |
| Interest Paid on borrowings | (983.43) | | (610.52) | |
| Issue of capital with Premium | 0.00 | | 168.91 | |
| Dividend Payouts (including Dividend Tax) | (339.21) | | (339.77) | |
| **Net Cash used in financing Activities (C)** | | **(183.16)** | | **788.03** |
| **Net Increase in Cash and Cash Equivalents (A+B+C)** | | **(7.14)** | | **65.40** |
| Cash and Cash Equivalents at the beginning the year | | *183.84 | | 113.67 |
| Cash and Cash Equivalents at the end of the year | | 176.70 | | 179.07 |
| *includes ₹4.77 lacs cash & cash equivalents of Suven Nishtaa Pharma Pvt Ltd | | | | |

*Previous year figures have been regrouped and reclassified wherever considered necessary to confirm to this year's classification.*

## RISK FACTORS

*This section describes the risks that we currently believe may materially affect our business and operations. You should carefully consider the following, in addition to any forward-looking statements and the cautionary statements in this Placement Document and the other information contained in this Placement Document, before making any investment decision relating to the Equity Shares. Prospective investors should read this section in conjunction with the sections "**Business**" and "**Management's Discussion and Analysis of Financial Condition and Results of Operations as per Financial Statements**", as well as other financial and statistical information contained in this Placement Document. The risks described below are not the only ones relevant to us or the Equity Shares. Additional risks may be unknown to us and some risks that we do not currently believe to be material could later turn out to be material. Although we will seek to mitigate or minimize these risks, one or more of a combination of these risks could materially and adversely impact our business, financial condition and results of operations. Investors should pay particular attention to the fact that our Company is an Indian company and is subject to a legal and regulatory regime which in some respects may be different from that applicable in other countries. Investors should consult tax, financial and legal advisors about the particular consequences of an investment in the Issue.*

### RISKS RELATING TO OUR COMPANY

***Internal Risk Factors***

1. ***Our Company is involved in certain legal and other proceedings. An adverse outcome in such proceedings may have a material adverse effect on our business, results of operations and financial condition.***

Our Company is currently involved in certain legal proceedings in India. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. We can give no assurance that these legal proceedings will be decided in our favour and we may incur significant expenses and management time in such proceedings and may have to make provisions in our financial statements, which could increase our expenses and liabilities. If any new developments arise, for example, a change in Indian law or rulings against us by the appellate courts or tribunals, we may face losses and may have to make provisions in our financial statements, which could increase our expenses and our liabilities. If such claims are determined against us, there could be a material adverse effect on our reputation, business, financial condition and results of operations, which could adversely affect the trading price of our Equity Shares.

Details of the total number of proceedings pending against our Company are mentioned below:

Litigation filed against us:

| Nature of cases/claims | Number of cases outstanding | Amount involved *(₹ in Lacs)** |
|---|---|---|
| Tax | 2 | 24.62 |
| Civil | 4 | Not quantifiable |
| Labour | Nil | Nil |
| Legal Notice | 1 | Not quantifiable |

* *To the extent quantifiable.*

Litigation filed by our Company:

| Nature of cases/claims | Number of cases outstanding | Amount involved *(₹ in Lacs)** |
|---|---|---|
| Tax | Nil | Nil |
| Civil | 2 | Not quantifiable |
| Labour | Nil | Nil |
| Criminal | Nil | Not quantifiable |

* *To the extent quantifiable.*

For further details of these legal proceedings, please refer to chapter titled "***Legal Proceedings***" beginning on page 199.

2. ***Our Company is involved in litigations, inter alia, in relation to its unit located at Suryapet under the Air (Prevention & Control of Pollution) Act, 1981 and the Water (Prevention & Control of Pollution) Act, 1974 wherein the appellants/complainant have prayed, inter alia, to restrain our Company to undertake activities at its unit at Suryapet. Any adverse order or judgment in these matters may affect our business and results of operations in addition to any other costs which we may have to incur due to such order(s).***

Our Company is involved in litigation wherein an appeal bearing I.A. No. 100 of 2014 has been filed before the Appellate Authority, Hyderabad by Banoth Srinu and others under the Air (Prevention & Control of Pollution) Act, 1981 and the Water (Prevention & Control of Pollution) Act, 1974 wherein the appellants have prayed before the Appellate Authority, Hyderabad, to restrain our Company to undertake activities at its unit at Suryapet in furtherance to the order of the Andhra Pradesh Pollution Control Board ("APPCB") dated October 25, 2013 wherein the APPCB, inter alia, directed our Company to restrict the production to 75% of the consented capacities only till the construction and commissioning of zero liquid discharge system. The matter is pending hearing. Additionally, B Srinivas and B Chandrasekhar have filed a complaint bearing H.R.Case no. 744 of 2014 before Commissioner, Human Rights Commission, Andhra Pradesh ("**APHRC**") dated February 10, 2014 requesting action against our Company. The Appellant has requested the APHRC to take action against our Company and give directions to our Company to pay compensation to the affected people around our Company's unit at Suryapet, Nalgonda. Any adverse order in these matters may require us to close down our operations at Suryapet or may require us to incur further expenses in upgrading our facilities or restoring environmental conditions in the adjoining region including any litigation costs. We cannot assure you as to when the litigations which the Company is involved in may come to an end or whether any orders may be passed in our favour.

For further details of the legal proceedings, please refer to chapter titled "***Legal Proceedings***" beginning on page 199.

3. ***There is a long time gap between drug discovery and commercialisation of a drug. Our future earnings are dependent on the successful development of drugs by our customers for which we manufacture various intermediates and bulk drugs under our CRAMs business model.***

We generate a significant portion of our total revenues from sale of products in our CRAMS business. Our revenues from sale of products in the CRAMs business during the financial years ended March 2014, 2013 and 2012, contributed 96.69%, 94.83%, and 93.88%, respectively, of our revenue from operations. Typically, a drug undergoes various stages of discovery and trials before it may be commercialised and involves obtaining various regulatory approvals at each stage. Our revenues from sale of products or sale of services may decline as a result of regulatory action which may not necessarily be limited to our clients or us, pricing pressures, reduction in research and development activities of our clients and is dependent on the successful development of the drug. Similarly, in the event of any breakthroughs in the development of alternative drugs, our projects may become obsolete and is dependent on our clients' R&D decisions and budgetary allocations. Our future earnings in relation to our CRAMS business are dependent on the performance of our clients in its drug discovery activities. In a situation where our client abandons a particular R&D process or failure of the drug to clear clinical trial stages or receiving regulatory approvals by our client in relation to our CRAMS project we may not be able to generate any future revenues from such projects including any anticipated earnings on successful commercialisation of the drug.

4. ***Monetization of our business activity with respect to our NCEs is uncertain. Any failure to achieve monetisation of our drug discovery business would render all our investments, time and effort made for all our innovation R&D activities futile.***

In the year 2005, our Company ventured into the business of drug innovation and drug discovery in the CNS therapeutic segment. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions under our drug discovery activities. Our endeavours in the drug innovation activities has resulted into a pipeline 13 NCEs. Typically, an NCE activity involves several stages of innovation starting from drug discovery, clinical trials, regulatory approvals and commercialization. Our proprietary drugs are in various stages of pre-clinical and clinical trials.

Drug innovation business is inherently capital intensive and generally takes around 10-15 years on an average before commercialisation. We have a pipeline of 13 NCEs which at various stages of discovery and trials which our Company is developing. As such, these NCEs have to successfully complete various stages of research and trials. For the financial year ended March 31, 2014, we have incurred expenses of ₹ 4,794.79 lacs in our entire research and development including our NCE and CRAMS activities. We cannot assure you that our activities in the drug innovation business will be successful. In the event that any drug which we are innovating fails at any of the stages of innovation or any alternative drug is commercialised in the market, we stand to lose all or most of our investments, time and effort made for all the R&D activities which may adversely affect our future revenues. Additionally, in case of successful completion of clinical trials, we may not be in a position to successfully monetize our innovative drug which may lead to subdued revenues from such activities.

For our NCEs to contribute to our revenues, we need to successfully monetize them at an advanced stage of drug innovation life cycle. Once a product is developed by our R&D units, it needs to be timely commercialised for it to contribute to the revenue of our Company. It cannot be assured that we will be able to successfully monetize our NCE products including Suven-502 in the future without any undue delay. In the event, we do not successfully commercialise or monetise our NCE products or if our commercialisation is unduly delayed for any reason whatsoever, it may adversely affect our business operations and growth prospects.

5. ***Our success depends on our ability to develop and deliver intermediates and bulk drugs required by our customers as per specific quality standards and specifications. Any manufacturing or quality control problems may damage our reputation and expose us to litigation or other liabilities, which could adversely affect our operations, profitability and financial condition.***

Our CRAMs business generates our entire revenues under which we research, manufacture and supply intermediates, bulk drugs and other fine chemicals out of our facilities located in India. Our customers, being global pharmaceutical manufacturers and drug innovators, and our Company are subject to significant regulatory scrutiny in several jurisdictions. We own and operate manufacturing facilities in India. Depending on the jurisdiction in which our products are marketed or as per the requirement of our clients, we may be required maintain our facilities to be compliant with current good manufacturing practices ("cGMP") stipulated by the USFDA, WHO, Pharmaceuticals and Medical Devices Agency, Japan ("PMDA Japan"), the Central Drugs Standard Control Organization of India ("CDSCO") and other regulatory agencies. We are also required to meet various quality standards and specifications for our clients under each project which we undertake with them.

We may be exposed to investigation of our manufacturing facilities and practices by our client. There can be no assurance that there will not be any recalls of any of our products or investigations of our manufacturing facilities or our processes in the future.

Disputes over non-conformity of our products with such quality standards or specifications are generally referred to independent testing laboratories in which, generally, the customer makes a final decision. If any independent laboratory confirms that our products do not conform to the prescribed or agreed standards and specifications, we would bear the expenses of replacing and testing such products, which could adversely affect our business, results of operations and financial condition.

We also face the risk of loss resulting from, and the adverse publicity associated with, manufacturing or quality control problems. Such adverse publicity harms the brand image of our business. We may be subject to claims resulting from manufacturing defects or negligence in storage and handling of our products. In certain foreign jurisdictions, the quantum of damages, especially punitive, awarded in cases of product liability can be extremely high. The existence, or even threat, of a major product liability claim could also damage our reputation and affect customers' views of our other CRAMS projects, thereby adversely affecting our business, results of operations and financial condition. Any loss of our reputation or brand image, for whatsoever reason may lead to a loss of existing business contracts and adversely affect our ability to enter into additional business contracts in the future.

***6. If we are unable to maintain a sufficiently large portfolio of our CRAMS projects and manage their execution in a timely manner, our results of operations could be adversely affected.***

We generate our revenues from CRAMs business vertical. Our success largely depends on our ability to timely execute our ongoing CRAMS projects and procure additional CRAMS projects to generate higher revenues.

We increasingly invest greater resources to develop our new products pipeline, which results in higher risks. The time from commencing research and development activity to a possible commercial launch of a product varies between 10 to 15 years and involves multiple stages during which the product may be abandoned as a result of factors such as developmental problems, the inability to achieve our clinical goals, the inability to obtain necessary regulatory approvals in a timely manner or at all, and the inability to produce and market such new products successfully and profitably. Our products currently under development, if and when fully developed and tested, may not perform as we expect. Our investment in the R&D of new products may result in significant cost with no assurances of future revenues or profits. Our inability to procure additional CRAMs projects or delays in any part of the process or our inability to obtain regulatory approvals for our products or to provide adequate capital in the future towards the cost of such R&D activities could have a material adverse effect on our business, prospects, results of operations and financial condition by restricting or delaying the introduction of new products.

***7. If we are unable to develop and register intellectual property rights and protect them or if we infringe on the intellectual property rights of others, we may be subject to legal proceedings. Such failure to protect our intellectual property rights or legal proceedings could adversely affect our competitive position, business, financial condition.***

Our success also depends, in part, on our ability in the future to obtain and protect intellectual property rights and operate without infringing the intellectual property rights of others. Our competitors may have filed patent applications, or hold patents, relating to products or processes that compete with those we are developing, or their patents may impair our ability to do business in a particular geographic area.

There can be no assurance that we would be able to obtain patent registrations in all the jurisdictions which we have applied or intend to apply. Such failure to protect our intellectual property rights may adversely affect our competitive business position. If any of our unregistered proprietary rights are registered by a third party, we may not be able to make use of such proprietary rights in connection with our business and consequently, we may be unable to capitalize on the value associated such intellectual properties.

If we fail to receive the registration of our patents, we may be required to invest significant resources in developing a new process/product. Further, the intellectual property protection obtained by us may be inadequate and/or we may be unable to detect any unauthorized use and/or that we may need to undertake expensive and time-consuming litigation to protect our intellectual property rights and this may have an adverse effect on our business, prospects, results of operations and financial condition.

In the event that the confidential technical information in respect of our products or business becomes available to third parties or to the general public, any competitive advantage we may have over other companies in the pharmaceuticals industry could be harmed. If a competitor is able to reproduce or otherwise capitalise on our technology, it may be difficult, expensive or impossible for us to obtain necessary legal protection. Consequently, any leakage of confidential technical information could have an adverse effect on our business, results of operations, financial condition and future prospects.

In the normal course of business, we may be subject to lawsuits and the ultimate outcome of litigation could adversely affect our results of operations, financial condition and cash flows. Regardless of regulatory approval, should anyone commence a lawsuit against us with respect to any alleged patent infringement by us, whether because of the filing of an application for governmental approval, such as an ANDA, or otherwise, the expense of any such litigation and the resulting disruption to our business, whether or not we are successful, could harm our business. The uncertainties inherent in patent litigation make it difficult for us to predict the outcome of any such litigation.

***8. Our Company's business is dependent on certain principal customers who are multi-national pharmaceuticals companies and the loss of such customers could adversely affect our business. Delay in payment by some of our Company's customers may affect its business and financial condition.***

Our Company is dependent on certain principal customers. Our Company's principal customers include multi-national pharmaceuticals companies. Our top 10 customers accounted for 87.54%, 79.08% and 82.26% of our total revenues for the financial years 2014, 2013 and 2012 respectively. The loss of a significant customer could have an adverse effect on our business. Since we are significantly dependent on certain key customers, the loss of any one of such customers or a significant reduction in demand from some of our customers could have an adverse effect on our business and financial results. Also some of our customers may delay in making payments due to us and this may affect the results of our operations and financial conditions.

***9. Regulations to permit or continue the research and development of our NCEs may be delayed in key markets such as the United States, or may otherwise jeopardize our investment in such NCEs.***

We have made, and expect to continue to make, substantial investments in our research and development of NCEs, which require significant financial commitments at various stages of innovation and trials. In aggregate, we have 13 NCEs including SUVEN – 502, SUVN – G3031, SUVN D4010, SUVN 911 in our drug innovation business.

Undertaking development activities of NCEs is highly regulated and the regulatory regimes may undergo changes from time to time. Any changes in the regulatory regime governing our NCE business may result in added expenses for compliance. Such additional expenses may affect our profitability and results of operations. Significant delays in the development of our NCEs, or significant impediments that may be built into such discovery and development processes, could diminish the value of the investments that we have made, and will continue to make, in our NCE business. As a result, our NCE development activity may suffer significant delays, adversely affecting our ability to develop and successfully monetize our NCEs.

***10. We are dependent on our Executive Directors and senior management to manage our current operations and meet future business challenges. Our success depends on our senior management team and our ability to attract and retain such persons. Any failure to retain our senior management team or to replace them with persons of comparable skills and expertise may materially affect our business and results of operations.***

Our future success is dependent on our Executive Directors and senior management to maintain strategic direction, manage current operations and risk profile and meet future business challenges, including the planned expansion and the addition of new businesses. Additionally, our Company may not be able to benefit from the experience and expertise of our other Directors if any of them cease or are disqualified to be a Director on the Board of our Company. Our Company does not maintain key man insurance and the loss of, or inability to attract or retain, such persons could adversely affect our business and results of operations. For example, the expertise, experience and services of our Company's current Executive Directors and senior management are integral to our business. Although, all the senior management of our Company have been employed with us for over a decade, our Company does not enter into employment agreements with the senior management personnel who are therefore not obligated to work for our Company for any specified period. If one or more of these key personnel are unwilling or unable to continue in their present positions, we may not be able to replace them with persons of comparable skill and expertise promptly or at all, and we may not be able to further augment our management team appropriately and this could have a material adverse effect on our business, results of operations and financial condition.

***11. Our Business is dependent on the R&D budget allocations of our customers and other global pharmaceutical companies and implementation of R&D projects. Adverse financial conditions and regulatory conditions of our customers may have an impact on our performance.***

Our CRAMS business is principally dependant on research and innovation budget allocations and implementation of such R&D by our customers. In recent years, R&D productivity has slipped in regulated markets. Reductions in R&D budget allocations of our customers could translate into reduction in the number of CRAMS projects being executed by our Company or inability to procure additional CRAMS projects. A reduction of budgetary allocations for R&D by our customers for any reason could have a material adverse effect on our business, results of operations and financial condition.

***12. Our success depends on our ability to retain and attract key qualified personnel including technical experts, researchers and scientists and, if we are not able to retain them or recruit additional qualified personnel, we may be unable to successfully develop our business.***

We are highly dependent on the principal members of our management and scientific staff including researchers and scientists, the loss of whose services might significantly delay or prevent the achievement of our business or scientific objectives. Our research team consists of 386 scientists of which 22 are PhD holders. Out of our total research team strength is classified into 127 discovery research scientists and 259 process research scientists. We have issued appointment letters and not entered into employment agreements in relation to our executive officers and key employees, and each of those executive officers and key employees may terminate their employment upon notice and without cause or good reason. Currently, we are not aware of any executive officer's or key employees' departure which has had, or planned departure which is expected to have, any material impact on our operations.

Competition among life sciences research and innovative drug development companies for qualified employees is intense, and the ability to retain and attract qualified individuals is critical to our success. There can be no assurance that we will be able to retain and attract such individuals currently or in the future on acceptable terms, or at all, and the failure to do so may have a material adverse effect on our business, prospects, results of operations and financial condition.

***13. Certain government/statutory approvals/certifications/licenses may have expired or renewal/fresh applications for the same are pending before the concerned authorities. Any failure to obtain them in a timely manner or at all may adversely affect our operations.***

We require certain statutory and regulatory permits, licenses and approvals to operate our business. We have made renewal applications for certain approvals or licenses that have expired or that are required for our business but have not yet received these approvals or licenses. Our cGMP approval for Pamabrom USP issued by the Drug Control Administration, Government of Andhra Pradesh has expired on December 31, 2012. Our Company has applied for the renewal of the said cGMP approval vide application dated August 18, 2014. We cannot assure that we would be granted the cGMP approval in a timely manner. In the future as well, our Company will be required to renew such permits, licenses and approvals, and obtain new permits, licenses and approvals in order to carry on current business operations and for any proposed new operations or expansions. While we believe that we will be able to renew or obtain such permits, licenses and approvals as and when required, there can be no assurance that the relevant authorities will issue or renew any of such permits, licenses or approvals in the timeframe anticipated by it or at all. Such non-issuance or non-renewal may result in the interruption of our business operations and may have a material adverse effect on our results of operations, financial conditions and any present or future expansions. Further, in the event any of such approvals or licenses or any renewals thereof are refused to be granted to us, we may be required to discontinue our relevant operations for want of such approvals or licenses. For instance, prior to commencing any clinical trials/research undertaking our Company has to submit DMFs and seek approvals from the concerned authorities including USFDA and WHO. In the event, we do not receive the consent, we may be forced to discontinue our plans to conduct such clinical trial/research.

***14. We derive a significant portion of our revenues from exports and accordingly face exchange rate risks.***

We generate a significant portion of our revenues from European countries, USA and other countries, and a significant portion of our expenses are incurred in Indian rupees. In Fiscal 2014, about 93.71% of our Company's revenue was from exports out of which Europe and USA constituted 56.94% and 28.95%, respectively. While depreciation of the Rupee against the U.S. Dollar and other foreign currencies increases the Rupee value of such revenues, an appreciation of the Rupee, particularly with respect to the U.S. Dollar, decreases the Rupee value of our revenues. Therefore, in the event there is sustained appreciation in the Rupee, our revenues in Rupee terms will be adversely affected although there may not be a fall in sales in actual terms. Further, we only hedge a part of our net foreign exchange position and hence any significant fluctuation in exchange rates may adversely affect our business, financial condition and results of operations.

***15. Our ongoing projects may be delayed, cancelled or not fully paid for by our clients, which could materially harm our cash flow position, revenues and earnings. Information relating to our ongoing projects may not be representative of our future results.***

Our ongoing projects do not necessarily indicate future earnings related to the performance or delivery of that work. We may also encounter problems executing the project as ordered, or executing it on a timely basis. Moreover, factors beyond our control or the control of our clients may postpone a project or cause its cancellation, including delays or failures to obtain necessary approvals including those in relation to clinical trials, and other types of difficulties or obstructions. Due to the possibility of cancellations or changes in project scope and schedule, as a result of exercise of our clients' discretion, problems we encounter in project execution, or reasons outside our control or the control of our clients, we cannot predict with certainty when, if or to what extent an ongoing project will be performed. Delays in the completion of a project may lead to clients delaying or refusing to make payment to us of some or all of the amounts we expect to be paid in respect of the project. Even relatively short delays or surmountable difficulties in the execution of a project could result in our failure to receive, on a timely basis or at all, the final payments due to us on a project. Additionally, we run the risk of our customer not being able to successfully develop a drug. In such circumstances, our anticipated or future earnings may adversely affect our business outlook and future financial performance. Any delay, cancellation, execution difficulty in regard to our projects in respect of any of the foregoing, could materially harm our cash flow position, revenues and earnings.

***16. Our business is research-driven which is dynamic and ever changing and we may not be able to adapt to such changes and maintain our growth in face of the competitive environment that we currently operate in. Changes in technology may render our current technologies obsolete or require us to make substantial capital investments. Any such unplanned or significant capital expense could adversely affect out financial condition.***

Our Company is a research based and research driven company. Our industry is continually changing due to technological advances and scientific discoveries characterized by high expenses incurred on R&D. Our business model is based on continuous evolution of innovative and customised products for drug development for our clients. Our field involves specialised research and development and manufacturing of various types of chemical formulations including intermediates. For such R&D, we require specific skill sets. Further, the field of R&D is a very dynamic and ever changing and we may fail to adapt to such changes. Although our research team have considerable knowledge in R&D, we cannot assure if they can manage to keep up with the pace of constant changes and diversification. Further, since we operate in a highly competitive environment globally, it cannot be assured that we will be able to keep pace with our competitors in terms of investments in R&D, expansion, acquisitions for inorganic growth, etc. If we cannot keep pace with our competitors or continuously develop new products, our business and financial conditions may be adversely affected. If our pharmaceutical technologies, such as formulations and drug delivery systems become obsolete, and we are unable to effectively introduce new delivery systems, our business and results of operations could be adversely affected.

Although we strive to keep our technology, facilities and machinery current with the latest international standards, the technologies, facilities and machinery we currently employ may become obsolete and we may not have the resources to adequately invest in R&D. The cost of implementing new technologies and upgrading our manufacturing facilities as well as R&D could be significant and could adversely affect our business, prospects, results of operations and financial condition.

***17. Our Company has witnessed substantially high profits in the financial year ended March 31, 2014 as compared to previous years attributable to commercialisation of three intermediates manufactured by us for our customer. In the future, we cannot assure you that we may be able to sustain such levels of profitability which is dependent on the commercialisation of intermediates.***

For the financial year ended March 31, 2014, we have witnessed an increase in our revenue from operations and profit after tax of 97.69% and 367.44% respectively from the previous financial year ended March 31, 2013. This is attributed to the commercialisation of three of drugs resulting in one-time revenue of ₹ 16,706.93 Lacs, in the financial year ended March 31, 2014. Considering such revenue generation is dependent on the successful commercialisation of the drugs, we cannot assure you that we may be able to sustain such levels of revenue and profitability in the future.

***18. Our Company entitled to certain tax benefits under the provisions of the Income Tax Act, 1961, which, if withdrawn, may adversely affect its results of operations and financial condition.***

As per the section 35(2AB) of the Income-tax Act, 1961, a company engaged in the business of manufacture or production of any article or thing, not being an article or thing specified in the list of the Eleventh Schedule, incurring any expenditure on scientific research (not being expenditure in the nature of cost of any land or building) on in-house research and development facility as approved by the Department of Scientific and Industrial Research ("DSIR"), is entitled to a deduction of two times of the expenditure so incurred. As per the said provision, weighted deduction is allowed in respect of eligible expenditure incurred up to March 31, 2017 (i.e. only up to Assessment Year ("AY") 2017-18).

The in-house R&D unit of our Company is registered and approved by DSIR and the said approval is valid till March 31, 2015. In view of above, the said unit is entitled to claim weighted deduction on the expenditure on scientific research, subject to fulfilment of other conditions laid down u/s. 35(2AB) of the Act and guidelines issued by DSIR.

With effect from AY 2015-16, our Company is entitled to a deduction of 15% of actual cost of "new assets" (as defined under Section 32AC of the Income Tax Act, 1961) acquired and installed after March 31, 2014 but before April 1, 2017 subject to fulfilment of prescribed conditions. The aggregate amount of actual cost of new assets should exceed ₹ 25 crores.

In the event that these or similar benefits are no longer available to our Company due to any change in law or a change in the nature of our R&D facilities, the effective tax rates payable by our Company may increase and consequently our financial condition and result of operations may be adversely affected. For further details of the tax benefits available to our Company, please refer to chapter titled "***Taxation***" beginning on page 178.

***19. All our manufacturing and R&D facilities and our registered office are located in India. Any social or political unrest or natural disaster or breakdown of services and utilities where our facilities are located could have material adverse effect on our business and financial condition.***

All our manufacturing and R&D facilities and our registered office are based in India. As a result, any social or political unrest or natural disaster or breakdown of services and utilities including disruptions in infrastructural facilities such as electricity and water supply to such units, which could require us to incur additional costs or disrupt our operations to the extent that we would be required to find alternative sources of supply of such infrastructural facilities.

***20. Our Registered office and our liaison offices are not owned by us and we have only lease and leave and license agreements, respectively in relation to these properties. In the event we are unable to renew the lease or leave and license agreements, respectively, or if such agreements are terminated, we may suffer a disruption in our operations.***

The premises used by our Company as its registered office situated at Door No. 8-2-334, 6th Floor, SDE Serene Chambers, Road No. 5, Avenue 7, Banjara Hills, Hyderabad – 500 034, Telangana, India is taken on lease basis whereas our liaison office located at 1100, South Cornwall Road, 1st Floor, Monmouth Junction, New Jersey 08852, USA is taken on a leave and license basis. Upon the termination of these lease / licenses, we are required to return the said premises to the respective lessors / licensors. The term of these agreements may or may not be renewed. In the event any of the lessors / licensors terminate or do not renew the lease / license on commercially acceptable terms, or at all, we shall be required to vacate such premises. We may be required to identify alternative premises and enter into fresh lease or leave and licence agreements. Such a situation could result in loss of business and may adversely affect our operations.

***21. The loss, shutdown or slowdown of operations at any of our facilities, or the failure of information technology systems, could have a material adverse effect on our results of operations and financial condition.***

Our facilities are subject to operating risks, such as the breakdown or failure of equipment, power supply interruptions, facility obsolescence or disrepair, labour disputes, natural disasters and accidents. The occurrence of any of these risks could affect our operations by causing production at one or more facilities to shut down or slow down. No assurance can be given that one or more of the factors mentioned above will not occur, and this could have a material adverse effect on our results of operations and financial condition.

Our R&D technology systems are a critical part of our business and help us manage key research processes, together with our management information system. Any delays in implementing critical upgrades to our information management systems or technical failures associated with our information technology systems, including those caused by power failures, computer viruses or unauthorized tampering of our information technology systems, may adversely impact our ability to manufacture our products, manage our vendors and dealers and provide services to our customers. In addition, we may be subject to claims as a result of any theft or misuse of personal information of customers stored on our systems, all of which could adversely affect our results of operations and financial condition.

***22. If there is a delay and/or failure in supplies of raw materials from our suppliers, it may adversely affect our business and results of operations.***

In some of our key business operations, such as the manufacture, formulation and packaging of products, we rely on third parties for the timely supply of specified raw materials, equipment, contract manufacturing, formulation or packaging services and maintenance services. Although we actively manage these third party relationships to ensure continuity of supplies on time and to our required specifications, some events beyond our control could result in the complete or partial failure of supplies or in supplies not being delivered on time. Any such failure could adversely effect our business and results of operations.

***23. We engage contract labour for carrying out certain of our operations and we may be held responsible for paying the wages of such workers, if the independent contractors through whom such workers are hired default on their obligations, and such obligations could have an adverse effect on our results of operations and financial condition.***

We appoint independent contractors who in turn engage on-site contract labour for performance of certain of our operations in our manufacturing faculties. Although we do not engage these labourers directly, we may be held responsible for any wage payments to be made to such labourers in the event of default by such independent contractors. Any requirement to fund their wage requirements or other such difficulties in managing contract labour may have an adverse impact on our results of operations and financial condition.

***24. If we are sued by the end users of the drugs manufactured by our customers for defects in the drugs or in case where the desired results are not obtained or which causes reactions or side effects including fatal effects, it could harm our financial condition.***

Pharmaceutical business inherently exposes us to potential liability. Our customers market their drugs for which we develop intermediates in highly regulated markets, including the United States of America. We may be subject to litigations or regulatory actions in cases where end users of such drugs do not achieve desired results or in cases where the drug causes reactions or side effects or turns fatal. Such exposure to legal or regulatory actions could also result in increased costs of compliance in addition to litigation costs. If such claims are determined against us, there could be a material adverse effect on our reputation, business, financial condition and results of operations.

***25. Our Promoters or members of our Promoter Group may pledge or dispose of the Equity Shares held by them which may adversely impact the trading price of our Equity Shares.***

Except for the lockup on our Promoters' ability to transfer or dispose the Equity Shares as discussed in the section titled ***'Placement'*** beginning on page 161, there is no restriction on our Promoters and members of the Promoter Group to dispose, transfer or pledge their Equity Shares, and our Promoters and / or members forming part of the Promoter Group may at any time pledge or dispose of the Equity Shares held by them including immediately after listing of Equity Shares pursuant to this Issue. In the event of creation of such a pledge, the pledgee may exercise the right of acquiring, selling or otherwise disposing of such Equity Shares if the pledgor fails to abide by the terms and conditions of the pledge so created. Any transfer / sale of Equity Shares by our Promoter and / or members forming part of the Promoter Group will lead to a dilution of the Promoter holding in our Company which may adversely impact the trading price of our Equity Shares.

***26. We are subject to the risk of loss due to fire because the materials we use in our manufacturing processes are highly unstable. We are also subject to the risk of some other natural calamities or general disruptions affecting our production facilities.***

We use highly inflammable and unstable materials including Lithium diisopropylamide, Butyllithium, Raney nickel, Palladium on carbon and Lithium Aluminium Hydride in our manufacturing processes and are therefore subject to the risk of loss arising from fire. Although we have implemented industry acceptable risk management controls at our manufacturing locations and continuously seek to upgrade them, the risk of fire associated with these materials cannot be completely eliminated. In addition to fire, natural calamities such as floods, earthquakes, rains, inundations and heavy downpours could disrupt our manufacturing and storage facilities. We maintain insurance policies to guard against losses caused by fire. Very recently, due to the impact of cyclone Hudhud, our manufacturing facility being set up at Vishakhapatnam suffered losses, the extent of which has not been ascertained yet. We have not obtained any insurance policy in relation to our facility at Vishakhapatnam which is being constructed. Our insurance coverage for damages to our properties and disruption of our business due to these events may not be sufficient to cover all of our potential losses. If any of our manufacturing facilities were to be damaged as a result of fire or other natural calamities, it would temporarily reduce our manufacturing capacity and adversely affect our business operations, financial condition and results of operations.

***27. Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, and this may have a material adverse effect on our business and financial condition.***

We maintain insurance for a variety of risks, including risks relating to fire, special perils, burglary, etc., and other similar risks. While we believe that the insurance coverage which we maintain directly or through our contractors, would be reasonably adequate to cover the normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time, nor that we have taken out sufficient insurance to cover all material losses. Any liability in excess of our insurance limits could result in additional costs, which would reduce our profits and adversely affect our business and results of operations. For details, see the section titled “***Business - Insurance***” beginning on page 114.

***28. Our Promoter and members of our Promoter Group have significant influence over our operations, which enable them to influence the outcome of matters submitted to shareholders for approval and may take positions with which the other shareholders do not agree.***

As of September 30, 2014, our Promoters together with members of the Promoter Group hold approximately 64.76% of our share capital. Please see section titled "***Principal Shareholders***" beginning on page 147. The Promoter Group may be in a position to influence decisions relating to our business and the outcome of matters submitted to shareholders for approval. This control could delay, defer or prevent a change in control of our Company, impede a merger, consolidation, takeover or other business combination involving our Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company even if it is in our Company’s best interest. In addition, for so long as the Promoter Group continues to exercise significant control over our Company, it may influence the material policies of our Company in a manner that could conflict with the interests of our other shareholders. The Promoter Group may have interests that are adverse to the interests of our other shareholders and may take positions with which we or our shareholders do not agree.

***29. We have contingent liabilities and our financial condition could be adversely affected if any of these contingent liabilities materializes.***

As of March 31, 2014, contingent liabilities disclosed in the notes to our audited financial statements aggregated ₹ 24.62 Lacs. Set forth below are our contingent liabilities that had not been provided for as of March 31, 2014:

| Nature of contingent liability | Amount (₹ in Lacs) |
|---|---|

| | |
|---|---|
| Income tax appeal for the assessment year 2010-11 | 16.98 |
| Income tax appeal for the assessment year 2011-12 | 7.64 |
| **Total** | **24.62** |

***30. Restrictive financial and other covenants may limit our operations and financial flexibility.***

As at March 31, 2014, our Company had total borrowings of ₹ 9,056.96 Lacs, which includes short term borrowings of ₹ 2,855.36 Lacs, long term borrowings of ₹ 3,772.92 Lacs and current maturities of long term borrowings of ₹ 2,428.68 Lacs. Some of our Company's financing agreements and debt arrangements set limits on and/or require prior approval of lenders before, among other things, pledging assets as security, making investments and other restricted payments, selling assets, effecting any consolidations or mergers, making acquisitions, hedging, undergoing a change of control, declaring dividends and making substantial changes to the nature of the business. In addition, certain covenants may limit our Company's ability to borrow additional funds or to incur additional liens. Such restrictions or limitations may adversely limit our Company's operations and financial flexibility, and adversely affect its business, results of operations and financial condition. For further details of our borrowings please refer to chapter titled '***Financial Statements'*** beginning on page 206.

***31. Compliance with, and changes in, safety, health and environmental laws and various labour, workplace and related laws and regulations applicable in jurisdictions in which we operate, may impose additional costs and may increase our compliance costs and as such adversely affect our business, prospects, results of operations and financial condition.***

We are subject to a broad range of safety, health and environmental laws and various labour, workplace and related laws and regulations in the jurisdictions in which we operate, which impose controls on the disposal and storage of raw materials, noise emissions, air and water discharges, on the storage, handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of our operations. The discharge of raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may cause us to be liable to government and regulatory bodies or to third parties. In addition, we may be required to incur costs to remedy the damage caused by such discharges, pay fines or other penalties for non-compliance. Compliance with, and changes in, safety, health and environmental laws and various labour, workplace and related laws and regulations or any adverse order or judgment in a litigation involving our Company may increase our compliance costs and as such adversely affect our business, prospects, results of operations and financial condition.

As of September 30, 2014, we have 870 permanent employees. Labour laws in India are fairly stringent and may restrict our ability to have human resource policies that would allow us to react swiftly to the needs of our business. There can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may materially and adversely affect our business, prospects, results of operations and financial condition.

***32. We incur substantial costs for our drug discovery business operations, and the failure to obtain additional financing in the form of debt or equity on terms commercially favourable to us, may adversely affect our ability to grow and our future profitability.***

We require substantial capital for our drug discovery business operations. We have invested an aggregate amount of ₹ 18,098.46 Lacs on research and development from Financial Year 2010- Financial Year 2014. The actual amount and timing of our future capital requirements may differ from estimates as a result of, among other things, unforeseen delays or cost overruns in developing our products, changes in business plans due to prevailing economic conditions, unanticipated expenses and regulatory changes. To the extent our planned expenditure requirements exceed our available resources; we will be required to seek additional debt or equity financing. Additional debt financing could increase our interest cost and require us to comply with additional restrictive covenants in our financing agreements. Additional equity financing could dilute our earnings per Equity Share and your interest in our Company and could adversely impact the Equity Share price.

Our ability to obtain additional financing on favorable commercial terms, if at all, will depend on a number of factors, including our future financial condition, results of operations and cash flows, the amount and terms of our then existing indebtedness, general market conditions and market conditions for financing activities and the economic, political and other conditions in the markets where we operate.

We cannot assure you that we will be able to raise additional financing on acceptable terms in a timely manner or at all. Our failure to renew existing funding or to obtain additional financing on acceptable terms and in a timely manner could adversely impact our planned capital expenditure, our business, prospects, results of operations and financial condition.

***33. Any failure to protect our intellectual property rights could adversely affect our competitive position, business, financial condition and profitability.***

We have not obtained registrations in connection with protection of our logo " ". There can be no assurance that we would be able to obtain registrations of our logo under each or all of the relevant classes. Such failure to protect our intellectual property rights may adversely affect our competitive business position. If any of our unregistered trademarks or proprietary rights are registered by a third party, we may not be able to make use of such trademark or proprietary rights in connection with our business and consequently, we may be unable to capitalize on the brand recognition associated with our Company.

Until such time that we receive the registration of our trademarks, we can only seek relief against passing off by other entities. Accordingly, we may be required to invest significant resources in developing a new brand. Further, the intellectual property protection obtained by us may be inadequate and/or we may be unable to detect any unauthorized use and/or that we may need to undertake expensive and time- consuming litigation to protect our intellectual property rights and this may have an adverse effect on our business, prospects, results of operations and financial condition.

In the event that the confidential technical information in respect of our products or business becomes available to third parties or to the general public, any competitive advantage we may have over other companies in the industry we operate in could be harmed. If a competitor is able to reproduce or otherwise capitalise on our technology, it may be difficult, expensive or impossible for us to obtain necessary legal protection. Consequently, any leakage of confidential technical information could have an adverse effect on our business, results of operations, financial condition and future prospects.

***34. Any downgrading of our Company's debt ratings could adversely affect our Company's business.***

Our Company's long-term debt has been revised by CARE as CARE BBB+ from CARE BBB-. Our Company's short-term debt has been revised by CARE as CARE A3+ from CARE A3.

However, there is no certainty that in the future, our Company's ratings would not be downgraded and any downgrading in its credit ratings may increase interest rates for refinancing its outstanding debt, which would increase our Company's financing costs, and adversely affect its future issuances of debt and ability to raise new capital on a competitive basis, which may adversely affect our Company's profitability and future growth. We had total borrowings of ₹ 9,056.96 Lacs, which includes short term borrowings of ₹ 2,855.36 Lacs, long term borrowings of ₹ 3,772.92 Lacs and current maturities of long term borrowings of ₹ 2,428.68 Lacs.

***35. Our ability to pay dividends in the future may be affected by any material adverse effect on our future earnings, financial condition or cash flows.***

Our ability to pay dividends in future will depend on our earnings, financial condition and capital requirements, our business is capital and we further propose to incur capital expenditure in setting up our manufacturing unit at Vishakhapatnam. We are required to obtain consents from our lenders prior to the declaration of dividend as per the terms of the agreements executed with them. In the past, we have written to our lenders requesting for their consent to declare dividend but have not received any response thereof. Our Company may be considered to be in breach of the relevant terms of agreements entered into with our lenders to such extent and therefore exposed to adverse action from our lenders. We may be unable to pay dividends in the near or medium term, and our future dividend policy will depend on our capital requirements and financing arrangements in respect of our operations, financial condition and results of operations. For further details, please refer to the chapter titled "***Dividend Policy***" beginning on page 73.

***36. Statistical and industry data in this Placement Document may be incomplete or unreliable***

Statistical and industry data used throughout this Placement Document has been obtained from various government and industry publications. We believe the information contained herein has been obtained from sources that are reliable, but we have not independently verified it and the accuracy and completeness of this information is not guaranteed and its reliability cannot be assured. The market and industry data used from these sources may have been reclassified by us for purposes of presentation. In addition, market and industry data relating to India, its economy or its industries may be produced on different bases from those used in other countries. As a result data from other market sources may not be comparable. The extent to which the market and industry data presented in this Placement Document is meaningful will depend upon the reader's familiarity with and understanding of the methodologies used in compiling such data.

Further, this market and industry data has not been prepared or independently verified by us or the GC-BRLM or any of their respective affiliates or advisors. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors. Accordingly, investment decisions should not be based on such information.

**External Risk Factors**

***37. The Companies Act, 2013 has effected significant changes to the existing Indian company law framework and the SEBI has introduced changes to the listing agreement, which are effective from October 1, 2014, which may subject us to greater compliance requirements and increase our compliance costs***

A majority of the provisions and rules under the Companies Act, 2013 have recently been notified and have come into effect from the date of their respective notification, resulting in the corresponding provisions of the Companies Act, 1956 ceasing to have effect. The Companies Act, 2013 has brought into effect significant changes to the Indian company law framework, such as in the provisions related to issue of capital (including provisions in relation to issue of securities on a private placement basis), disclosures in offer document, corporate governance norms, accounting policies and audit matters, related party transactions, introduction of a provision allowing the initiation of class action suits in India against companies by shareholders or depositors, a restriction on investment by an Indian company through more than two layers of subsidiary investment companies (subject to certain permitted exceptions), prohibitions on loans to directors, insider trading and restrictions on directors and key managerial personnel from engaging in forward dealing. We may also need to spend, in each financial year, at least 2.0% of our average net profits during the three immediately preceding financial years towards corporate social responsibility activities and disclose our corporate social responsibility policies and activities on our website. As a result of the changes brought about by the Companies Act, 2013 to the provisions relating to accounting policies, going forward, we may also be required to apply a different rate of depreciation. Further, the Companies Act, 2013 imposes greater monetary and other liability on our Company and Directors for any non-compliance. To ensure compliance with the requirements of the Companies Act, 2013, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

The Companies Act, 2013 has introduced certain additional requirements which do not have corresponding provisions under the Companies Act, 1956. Accordingly, we may face challenges in interpreting and complying with such requirements due to limited jurisprudence in respect of the relevant provisions. In the event our interpretation of such provisions of the Companies Act, 2013 differs from, or contradicts with, any judicial pronouncements or clarifications issued by the Government in the future, we may face regulatory actions or we may be required to undertake remedial steps. Additionally, some of the provisions of the Companies Act, 2013 overlap with other existing laws and regulations (such as the corporate governance norms and insider trading regulations issued by the SEBI). Recently, the SEBI issued revised corporate governance guidelines which are effective from October 1, 2014. Pursuant to the revised guidelines, we will be required to, inter alia, appoint at least one woman director on our Board, establish a vigilance mechanism for directors and employees and reconstitute certain committees in accordance with the revised guidelines. We may face difficulties in complying with any such overlapping requirements. Further, we cannot currently determine the impact of the provisions of the Companies

Act, 2013 or the revised SEBI corporate governance norms, which are yet to come in force. Any increase in our compliance requirements or in our compliance costs may have an adverse effect on our business and results of operations.

***38. Terrorist attacks, civil disturbances, wars, regional and communal conflicts, natural disasters, fuel shortages, epidemics and labour strikes in India and elsewhere in Asia may have a material adverse effect on our Company's business and on the market for securities in India.***

India has experienced civil and social unrest, terrorist attacks such as the attacks in November 2008 and July 2011 in the city of Mumbai, and other acts of violence. If such tensions occur in places where we operate or in other parts of the country, leading to overall political and economic instability, it could adversely affect our business, future financial performance, cash flows and the market price of our Equity Shares. Southern Asia has also, from time to time, experienced instances of civil unrest, political tensions and hostilities among neighbouring countries. Additionally, any of these events could lower confidence in India’s economy and create a perception that investments in companies with Indian operations involve a high degree of risk, which could have a material adverse effect on the price of the Equity Shares. Any discontinuation of business or loss of profits due to such extraneous factors may affect our operations. Further, our operations are dependent on our ability to protect our facilities and infrastructure from fire, explosions, floods, typhoons, earthquakes, power failures and other similar events. India has experienced natural disasters such as earthquakes, a tsunami, floods and droughts in the past few years.

In addition, we can give no assurance that the insurance coverage we maintains for such risks will adequately compensate it for all damage and economic losses from natural or man-made catastrophes. The occurrence of a natural disaster of a significant scale could cause interruptions in our operations. The extent and severity of these natural disasters determines our impact on the Indian economy and infrastructure.

***39. Compliance with fresh and changing corporate governance and public disclosure requirements adds uncertainty to our compliance abilities and increases compliance cost.***

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, SEBI regulations and Indian stock market listing regulations have increased the complexity of our compliance obligations. These new or changed laws, regulations and standards may be subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. Ongoing revisions to such governance standards could result in continuing uncertainty regarding compliance matters and higher costs of compliance. Our efforts to comply with evolving laws, regulations and standards in this regard may result in increased general and administrative expenses and cause a diversion of management resources and time. If we fail to comply with new or changed laws, regulations or standards, our reputation and business may be harmed.

***40. Our business and activities are regulated by the Competition Act, 2002.***

The Competition Act, 2002, as amended (the “Competition Act”) seeks to prevent practices that could have an appreciable adverse effect on competition. Under the Competition Act, any arrangement, understanding or action in concert between enterprises, whether formal or informal, which causes or is likely to cause an appreciable adverse effect on competition in India is void and may attract substantial penalties. Any agreement among competitors, or practice or decision in relation to, enterprises or persons engaged in identical or similar trade of goods or provision of services which directly or indirectly determines purchase or sale prices, limits or controls production, supply, markets, technical development, investment or provision of services, shares markets or source of production or provision of services by way of allocation of geographical area, types of goods or services or number of customers in the relevant market or directly or indirectly results in bod rigging or collusive bidding is presumed to have an appreciable adverse effect on competition. The Competition Act also prohibits the abuse of a dominant position by any enterprise. Provisions of the Competition Act relating to acquisitions, mergers or amalgamations of enterprises that meet certain asset or turnover thresholds and regulations issued by the Competition Commission of India with respect to notification requirements for such combinations became effective in June 2011. Further our acquisitions, mergers or amalgamations may require the prior approval of the Competition Commission of India, which may not be obtained in a timely manner or at all.

If we are affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, any enforcement proceedings initiated by the Competition Commission of India, any other relevant authority under the Competition Act, any claim by any party under the Competition Act or any adverse publicity that may be generated due to scrutiny or prosecution by the Competition Commission of India, our business and financial performance may be materially and adversely affected. Further the Competition Commission of India has extra-territorial powers and can investigate any agreements, abusive conduct or combination occurring outside India if such agreement, conduct or combination has an appreciable adverse effect on competition in India. However, we cannot predict the impact of the provisions of the Competition Act on the agreements entered into by us at this stage.

***41. Investors in the Equity Shares may not be able to enforce a judgment of a foreign court against our Company, its directors or executive officers.***

Most of our directors and key managerial personnel are residents of India and all or substantial portion of our assets are located in India. As a result, it may be difficult for investors outside India to effect service of process upon us, our directors, executive officers or such experts in countries outside India, including the United States, or enforce, in Indian courts, judgments obtained in foreign courts, against us or such persons or entities. See "***Enforcement of Civil Liabilities***" beginning on page 10.

***42. Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.***

Our Articles of Association, which include regulations applicable to our Board of Directors, and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a company incorporated in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as our shareholders than as shareholders of a corporation in another jurisdiction.

***43. Conditions in Indian stock exchanges may affect the price or liquidity of the Equity Shares.***

The Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of their listed securities. The Indian stock exchanges have experienced problems that, if they continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. Problems in the past included temporary exchange closures to manage extreme market volatility, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on the trading of certain securities and limitations on price movements and margin requirements. Furthermore, disputes have occurred from time to time between listed companies, stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

***44. There may be less company information available in Indian securities markets than in securities markets in certain other countries.***

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities markets and the activities of investors, brokers and other participants in markets in the United Kingdom, the United States and certain other economies. The SEBI is responsible for monitoring, ensuring and improving disclosure and other regulatory standards for the Indian securities markets and has issued regulations and guidelines on disclosure requirements, insider trading and other matters. Investors may, however, have access to less information about our business, results of operations and financial conditions, on an on-going basis, than investors would have in the case of companies subject to reporting requirements of certain other countries.

***45. The trading price of the Equity Shares may be subject to volatility and investors may not be able to sell the Equity Shares at or above the Issue Price.***

The trading prices of publicly traded securities may be highly volatile. Factors affecting the trading price of the Equity Shares include:

- variations in our operating results;

- announcements of new products, joint ventures, strategic alliances or agreements by us or by our competitors;
- increases and decreases in our customer base;
- recruitment or departure of key personnel;
- favourable or unfavourable reports by a section of the media concerning the pharmaceuticals industry in general, or in relation to our business and operations;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to research and report on the Equity Shares;
- the adoption or modification of regulations, policies, procedures or programs applicable to the business; and
- market conditions affecting the pharmaceuticals sector generally and the economy as a whole.

In addition, if the stock markets experience a loss of investor confidence, the trading price of the Equity Shares could decline for reasons unrelated to our business, results of operations or financial condition. The trading price of the Equity Shares might also decline in reaction to events that affect other companies in our industry, even if these events do not directly affect us. Any of these factors, among others, could materially and adversely affect the price of the Equity Shares.

***46. Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and IFRS, which may be material to the financial statements prepared and presented in accordance with Indian GAAP contained in this Placement Document.***

Our audited financial statements contained in this Placement Document have been prepared and presented in accordance with Indian GAAP and no attempt has been made to reconcile any of the information given in this Placement Document to any other principles or to base it on any other standards. Indian GAAP differs from accounting principles and auditing standards with which prospective investors may be familiar in other countries, such as U.S. GAAP and IFRS. Significant differences exist between Indian GAAP and U.S. GAAP and IFRS, which may be material to the financial information prepared and presented in accordance with Indian GAAP contained in this Placement Document. Accordingly, the degree to which the financial information included in this Placement Document will provide meaningful information is dependent on your familiarity with Indian GAAP and the Companies Act. Any reliance by persons not familiar with Indian GAAP on the financial disclosures presented in this Placement Document should accordingly be limited.

***47. There is no guarantee that the Equity Shares issued pursuant to this Issue will be listed on the Stock Exchanges in a timely manner, or at all.***

In accordance with Indian law and regulations and the requirements of the Stock Exchanges, in principle and final approvals for listing and trading of the Equity Shares issued pursuant to this Issue will not be applied for or granted until after the Equity Shares have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuing of Equity Shares to be submitted. Accordingly, there could be a failure or delay in listing the Equity Shares on the Stock Exchanges. If there is a failure or a delay in obtaining such approvals, we may not be able to credit the Equity Shares allotted to the investors to their depository participant accounts or assure ownership of such Equity Shares by the investors in any manner promptly after the Closing Date or at all. In any such event, the ownership of the investors over Equity Shares allotted to them and their ability to dispose of any such Equity Shares may be restricted. For further information on issue procedure, see "***Issue Procedure***" beginning on page 151.

***48. An investor will not be able to sell any of the Equity Shares subscribed in this Issue other than across a recognised Indian stock exchange for a period of 12 months from the date of issue of the Equity Shares.***

Pursuant to the SEBI Regulations, for a period of 12 months from the date of the issue of the Equity Shares under this Issue, QIBs subscribing to the Equity Shares may only sell their Equity Shares on the Stock Exchanges and may not enter into any off market trading in respect of these Equity Shares. Further, allotment to FVCIs, VCFs and AIFs are subject to applicable rules and regulations, including in relation to lock-in. We cannot be certain that these restrictions will not have an impact on the price and liquidity of the Equity Shares.

***49. Investors may be subject to Indian taxes arising out of capital gains on the sale of the Equity Shares.***

Under current Indian tax laws and regulations, capital gains arising from the sale of equity shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed Equity Shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("STT") has been paid on the transaction. STT will be levied and collected by the domestic stock exchange on which the Equity Shares are sold. Any gain realised on the sale of Equity Shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and on which no STT has been paid, will be subject to long term capital gains tax in India. Further, any gain realised on the sale of listed Equity Shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where such exemption is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax on a gain upon the sale of the Equity Shares in India as well as in their own jurisdiction. For further information see "***Taxation***" beginning on page 178.

***50. A third party could be prevented from acquiring control of us because of the anti-takeover provisions under Indian law.***

There are provisions in Indian law that may discourage a third party from attempting to take control of us, even if a change in control would result in the purchase of our Equity Shares at a premium to the market price or would otherwise be beneficial to our shareholders. Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of us. Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the specific regulations in relation to substantial acquisition of shares and takeover under the Takeover Code. Since we are an Indian listed company, the provisions of the Takeover Code apply to us.

***51. We and our investors resident outside India are subject to foreign investment restrictions under Indian law which may adversely affect our Company's operations and its ability to freely sell the Equity Shares.***

Securities Exchange Board of India has notified the SEBI (Foreign Portfolio Investors) Regulations, 2014 on January 7, 2014, repealing the SEBI (Foreign Institutional Investors) Regulations 1995. SEBI notified the SEBI FPI Regulations pursuant to which the existing classes of portfolio investors namely 'foreign institutional investors' and 'qualified foreign investors' will be subsumed under a new category namely 'foreign portfolio investors' or 'FPIs'. RBI on March 13, 2014 amended the FEMA Regulations and laid down conditions and requirements with respect to investment by FPIs in Indian companies.

An FII who holds a valid certificate of registration from the SEBI shall be deemed to be an FPI until the expiry of the block of three years for which fees have been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995. An FII or a sub-account may participate in the Issue, until expiry of its registration as an FII or sub-account or until it obtains a certificate of registration as an FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees as applicable under the SEBI FPI Regulations, participate in the Issue. An FII or sub-account shall not be eligible to invest as an FII after registering as an FPI under the SEBI FPI Regulations.

***52. SEBI operates an index-based market-wide circuit breaker. Any operation of a circuit breaker may adversely affect a shareholder's ability to sell, or the price at which it can sell, the Equity Shares at a particular point in time.***

We are subject to an index-based market-wide circuit breaker generally imposed by the SEBI on Indian stock exchanges. This may be triggered by an extremely high degree of volatility in the market activity (among other things). Due to the existence of this circuit breaker, there can be no assurance that shareholders will be able to sell the Equity Shares at their preferred price or at all at any particular point in time. This may have an adverse effect on our operations and business.

***53. Any future issuance of Equity Shares may dilute the shareholding of investors and any future sales of Equity Shares by our major shareholders may adversely affect the trading price of the Equity Shares.***

The future issuance of Equity Shares by us, or the disposal of Equity Shares by any of our major shareholders, including by the Promoters, lenders that have received a pledge of our Equity Shares as security and are seeking to enforce such security, or the perception that such issuance or sales may occur, may significantly affect the trading price of the Equity Shares. Except for the restrictions described in the sections "***Placement***" and "***Description of the Shares***", there is no restriction on our ability to issue Equity Shares or the ability of any of our shareholders to dispose of, pledge or otherwise encumber their Equity Shares, and there can be no assurance that we will not issue Equity Shares or that our shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. Future issuances of Equity Shares may dilute the shareholding of the investors and may adversely affect the trading price of the Equity Shares. Subject to applicable law, such securities may also be issued at prices below the then market price of the Equity Shares.

***54. The market value of an investor's investment may fluctuate due to the volatility of the Indian securities markets.***

Indian securities markets are more volatile than the securities markets in certain countries which are members of the OECD. Stock Exchanges in India have in the past experienced substantial fluctuations in the prices of listed securities. For example, in May 2006, Indian stock exchanges witnessed substantial volatility as the BSE and the NSE, India's main stock exchanges, halted trading for one hour on May 22, 2006 after their respective indices fell more than 10%. The market price of our Ordinary Shares could fluctuate significantly as a result of market volatility. The Indian Stock Exchanges have experienced problems which, if they were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the equity shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

## MARKET PRICE INFORMATION

Our Equity Shares are listed and traded on BSE and NSE. The stock market data presented below is given for the BSE and the NSE separately. As on the date of this Placement Document, our Company has 11,68,28,788 Equity Shares of face value ₹ 1 each issued, subscribed and paid up.

The Equity Shares were also listed on HSE. Further, HSE was disbanded by SEBI *vide* order dated January 25, 2013.

The following tables set forth the reported high, low, the number of Equity Shares traded and the total trading volume on the dates on which such high and low prices were recorded and the average closing prices of the Equity Shares, on the BSE and the NSE during the fiscal years ended March 31, 2014, March 31, 2013 and March 31, 2012.

The high, low and average market prices of our Equity Shares during the preceding three years

| Fiscal Year | BSE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Date | High (₹) | Volume on date of High (No. of shares) | Turnover on date of High (₹ in Lacs) | Date | Low | Volume on date of Low (No. of shares) | Turnover on date of High (₹ in Lacs) | Averag e (₹) |
| 2014 | November 12, 2013 | 78.80 | 21,86,707 | 1,763.09 | June 13, 2013 | 22.25 | 23,956 | 5.38 | 48.64 |
| 2013 | December 4, 2012 | 34.25 | 11,33,588 | 385.60 | April 2, 2012 | 13.65 | 10,663 | 1.45 | 21.97 |
| 2012 | April 6, 2011 | 24.35 | 8,58,887 | 211.77 | January 2, 2012 | 11.54 | 8,898 | 1.04 | 17.18 |

*Source: www.bseindia.com*

| Fiscal Year | NSE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Date | High (₹) | Volume on date of High (No. of shares) | Turnover on date of High (₹ in Lacs) | Date | Low | Volume on date of Low (No. of shares) | Turnover on date of High (₹ in Lacs) | Average (₹) |
| 2014 | November 12, 2013 | 78.95 | 71,06,064 | 5733.71 | June 13, 2013 | 22.35 | 55,048 | 12.45 | 48.67 |
| 2013 | December 4, 2012 | 34.20 | 18,68,582 | 636.02 | April 2, 2012 | 13.65 | 46,726 | 6.35 | 21.97 |
| 2012 | April 6, 2011 | 24.35 | 16,64,872 | 412.08 | January 2, 2012 | 11.60 | 37,536 | 4.35 | 17.17 |

*Source: www.nseindia.com*

**Notes:**

(i) High, low and average prices are based on the daily closing prices.

(ii) In case of (two) days with the same closing price, the date with the higher volume has been chosen.

Monthly high, low and average prices and trading volumes of our Equity Shares for the six months preceding the date of filing of this Placement Document.

| Month | BSE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Date | High (₹) | Volume on date of High (No. of shares) | Turnover on date of High (₹ in Lacs) | Date | Low | Volume on date of Low (No. of shares) | Turnover on date of Low (₹ in Lacs) | Average (₹) |

| Month | BSE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Date | High (₹) | Volume on date of High (No. of shares) | Turnover on date of High (₹ in Lacs) | Date | Low | Volume on date of Low (No. of shares) | Turnover on date of Low (₹ in Lacs) | Average (₹) |
| October, 2014 | October 31, 2014 | 212.65 | 150,584 | 319.29 | October 7, 2014 | 179.15 | 173,005 | 313.57 | 191.67 |
| September, 2014 | September 8, 2014 | 217.00 | 11,70,051 | 2,589.96 | September 1, 2014 | 160.40 | 3,27,194 | 525.52 | 189.24 |
| August, 2014 | August 28, 2014 | 163.85 | 5,07,941 | 832.71 | August 1, 2014 | 115.85 | 3,01,234 | 354.69 | 128.73 |
| July, 2014 | July 31, 2014 | 116.30 | 4,01,375 | 468.35 | July 1, 2014 | 98.30 | 2,13,337 | 210.20 | 108.44 |
| June, 2014 | June 25, 2014 | 99.00 | 3,35,946 | 335.10 | June 3, 2014 | 85.60 | 80,589 | 69.38 | 91.94 |
| May, 2014 | May 21, 2014 | 94.75 | 3,86,942 | 366.32 | May 16, 2014 | 83.35 | 1,37,054 | 114.86 | 88.21 |

*Source: www.bseindia.com*

| Month | NSE | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Date | High (₹) | Volume on date of High (No. of shares) | Turnover on date of High (₹ in lacs) | Date | Low (₹) | Volume on date of Low (No. of shares) | Turnover on date of Low (₹ in lacs) | Average (₹) |
| October, 2014 | October 31, 2014 | 212.85 | 5,76,720 | 1,222.92 | October 7, 2014 | 179.40 | 5,48,086 | 993.38 | 191.86 |
| September, 2014 | September 8, 2014 | 217.90 | 45,24,215 | 10,031.70 | September 1, 2014 | 160.70 | 10,22,048 | 1,643.91 | 189.35 |
| August, 2014 | August 28, 2014 | 164.10 | 18,17,769 | 2,979.59 | August 1, 2014 | 116.15 | 10,79,660 | 1,271.71 | 128.78 |
| July, 2014 | July 31, 2014 | 116.75 | 15,23,887 | 1,779.78 | July 1, 2014 | 98.30 | 6,46,281 | 637.02 | 108.48 |
| June, 2014 | June 25, 2014 | 99.05 | 10,14,427 | 1,012.03 | June 3, 2014 | 85.55 | 3,01,255 | 259.29 | 91.99 |
| May, 2014 | May 21, 2014 | 94.80 | 11,88,060 | 1,125.49 | May 16, 2014 | 83.40 | 3,93,596 | 330.56 | 88.22 |
| April, 2014 | April 29, 2014 | 91.65 | 19,35,716 | 1,777.50 | April 1, 2014 | 73.75 | 6,07,761 | 445.21 | 79.94 |

*Source: www.nseindia.com*

Market Price on the first working day following the Board Meeting approving the Qualified Institution Placement, in this case being September 22, 2014

| Date | BSE | | | | | | NSE | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Open (₹) | High (₹) | Low (₹) | Close (₹) | Traded Volume (No. of Shares) | Turnover (₹ in lacs) | Open (₹) | High (₹) | Low (₹) | Close (₹) | Traded Volume (No. of Shares) | Turnover (₹ in lacs) |
| September 23, 2014 | 205.00 | 207.95 | 191.00 | 194.10 | 2,94,420 | 583.67 | 206.65 | 207.80 | 190.10 | 193.80 | 9,58,497 | 1,898.51 |

*Sources: www.bseindia.com, www.nseindia.com*

Volume of business transacted during the preceding three Fiscal years and the last six months on the Stock Exchanges

| Period | BSE | | NSE | |
|---|---|---|---|---|
| | Total Volume of Securities Traded (No. of shares) | Total Value of Securities Transacted (₹ in lacs) | Total Volume of Securities Traded (No. of shares) | Total Value of Securities Transacted (₹ in lacs) |
| Fiscal Year 2014 | 5,81,27,301 | 34,903.59 | 17,10,09,210 | 1,04,964.91 |
| Fiscal Year 2013 | 4,03,79,248 | 10,272.15 | 7,34,16,302 | 18,309.63 |
| Fiscal Year 2012 | 99,89,385 | 1,908.46 | 2,01,02,168 | 3,757.26 |
| | | | | |
| October, 2014 | 3,444,268 | 6,707.77 | 13,751,699 | 26,831.60 |
| September, 2014 | 10,783,523 | 20,787.42 | 3,98,53,905 | 77,119.17 |
| August, 2014 | 57,09,602 | 7,653.62 | 2,01,11,648 | 26,949.10 |
| July, 2014 | 71,54,656 | 7,831.24 | 2,44,52,902 | 26,745.02 |
| June, 2014 | 72,05,171 | 6,748.93 | 2,31,50,332 | 21,721.29 |
| May, 2014 | 67,38,880 | 6,154.78 | 2,03,29,453 | 18,622.40 |

## USE OF PROCEEDS

The gross proceeds from the Issue will be ₹ 20,000 Lacs. The net proceeds from the Issue after deducting fees, commissions and expenses of approximately ₹ 620 Lacs, will be approximately ₹ 19,380 Lacs. ("**Net Proceeds**")

Subject to compliance with applicable laws and regulations, our Company intends to use the net proceeds of the Issue primarily for clinical development expenses, capital expenditure and general corporate purposes and any other purposes as may be permissible under applicable law.

In accordance with the decision of our Company's Board, our Company's management will have the flexibility in deploying the net proceeds received by our Company from the Issue. Pending authorization of the Net Proceeds for the purposes described above, our Company intends to temporarily invest the funds in bank deposits, high quality interest/dividend bearing liquid instruments, including money market mutual funds, as approved by the Board in accordance with the investment policy and applicable laws.

Our Promoters or Directors are not making any contribution either as part of the Issue or separately in furtherance of the Objects of the Issue.

## CAPITALIZATION STATEMENTS

Our authorized capital is ₹ 4,000 Lacs divided into 4,000 Lacs Equity Shares of ₹ 1 each. As of the date of this Placement Document 11,68,28,788 Equity Shares of ₹ 1 each were paid up.

The following table sets forth our Company's capitalisation and total debt as on March 31, 2014, and as adjusted to give effect to the Issue. This table should be read with the section *"**Management's discussion and analysis of financial condition and results of operations**"* and other financial information contained in the section "***Financial Statements***" beginning on page 74 and 206 respectively.

*(₹ In Lacs)*

| Particulars | As of March 31, 2014 | |
|---|---|---|
| | **Actual (audited)** | **As Adjusted for the Issue*** |
| **Indebtedness** | | |
| Long term Borrowings | 3,772.92 | 3772.92 |
| Short Term Borrowing | 2,855.36 | 2855.36 |
| Current Maturities of Long Term Borrowings | 2,428.68 | 2428.68 |
| **Total Indebtedness (A)** | **9,056.96** | **9056.96** |
| | | |
| **Shareholders' Funds** | | |
| Equity Share Capital | 1,168.29 | 1,272.82 |
| Reserves and Surplus [1] | 25,276.34 | 44,551.80 |
| **Total Shareholders' Funds (B)** | **26,444.63** | **45,824.63** |
| | | |
| **Total Capitalisation (A) + (B)** | **35,501.59** | **54,881.59** |

[1] *Reserves and surplus is net of adjustments for estimated issue expenses of approximately ₹ 620*

**: Will be inserted once the Issue Price is determined*

## CAPITAL STRUCTURE

The Equity Share capital of our Company, as on the date of this Placement Document is set forth below:

| No. | Particulars | Amount (In ₹ Lacs)<br>Aggregate nominal value |
|---|---|---|
| **A.** | **Authorised Share Capital** | |
| | 40,00,00,000 Equity Shares of ₹ 1 each | 4,000.00 |
| **B.** | **Issued, Subscribed and Paid-Up Share Capital before the Issue** | |
| | 11,68,28,788 Equity Shares of ₹ 1 each | 1,168.29 |
| **C.** | **Present Issue in terms of this Placement Document**[(a)] | |
| | Issue of 1,04,53,690 Equity Shares of ₹ 1 each | 104.54 |
| **D.** | **Issued, Subscribed and Paid-Up Share Capital after the Issue** | |
| | 12,72,82,478 Equity Shares of ₹ 1 each | 1,272.82 |
| **E.** | **Securities Premium Account** | |
| | Before the Issue | 4,022.08 |
| | After the Issue[(b)] | 23,917.54 |

***Notes:***

*(a) The Issue has been authorised by the Board of Directors vide a resolution passed at its meeting held on September 22, 2014 and by the shareholders of our Company vide a special resolution passed pursuant to sections 42 and 62(1)(c) of the Companies Act at the EGM held on October 21, 2014.*

*(b) The Securities Premium Account after the Issue is calculated net of adjustments for estimated issue expenses of approximately ₹ 620.*

### NOTES TO THE CAPITAL STRUCTURE

1. **Details of increase in authorised Share Capital:**

Since the incorporation of our Company, the authorised share capital of our Company has been altered in the manner set forth below:

| Particulars of Change | | Date of Shareholders' Meeting | AGM/EGM |
|---|---|---|---|
| **From** | **To** | | |
| ₹ 25,00,000 consisting of 25,000 Equity shares of ₹ 100 each. | | On incorporation | - |
| ₹ 25,00,000 consisting of 25,000 Equity shares of ₹ 100 each. | ₹ 50,00,000 consisting of 50,000 Equity shares of ₹ 100 each. | November 7, 1989 | EGM |
| ₹ 50,00,000 consisting of 50,000 Equity shares of ₹ 100 each. | ₹ 60,00,000 consisting of 60,000 Equity shares of ₹ 100 each. | August 22, 1990 | EGM |
| ₹ 60,00,000 consisting of 60,000 Equity shares of ₹ 100 each. | ₹ 2,10,00,000 consisting of 2,10,000 Equity shares of ₹ 100 each. | October 25, 1993 | EGM |
| *Sub-division of nominal value of Equity Shares of our Company from ₹ 100 per equity share to ₹ 10 per equity share with effect from June 15, 1994* | | | |

| Particulars of Change | | Date of Shareholders' Meeting | AGM/EGM |
|---|---|---|---|
| From | To | | |
| ₹ 2,10,00,000 consisting of 2,10,000 Equity shares of ₹ 100 each. | ₹ 3,00,00,000 consisting of 30,00,000 Equity shares of ₹ 10 each. | June 15, 1994 | EGM |
| ₹ 3,00,00,000 consisting of 30,00,000 Equity shares of ₹ 10 each. | ₹ 5,00,00,000 consisting of 50,00,000 Equity shares of ₹ 10 each. | November 25, 1994 | EGM |
| ₹ 5,00,00,000 consisting of 50,00,000 Equity shares of ₹ 10 each. | ₹ 10,00,00,000 consisting of 1,00,00,000 Equity shares of ₹ 10 each. | June 30, 1999 | EGM |
| *Sub-division of nominal value of Equity Shares of our Company from ₹ 10 per equity share to ₹ 2 per equity share with effect from January 5, 2004* | | | |
| ₹ 10,00,00,000 consisting of 1,00,00,000 Equity shares of ₹ 10 each. | ₹ 10,00,00,000 consisting of 5,00,00,000 Equity shares of ₹ 2 each. | January 5, 2004 | EGM |
| ₹ 10,00,00,000 consisting of 5,00,00,000 Equity shares of ₹ 2 each. | ₹ 20,00,00,000 consisting of 10,00,00,000 Equity shares of ₹ 2 each. | September 30, 2006 | AGM |
| *Sub-division of nominal value of Equity Shares of our Company from ₹ 2 per equity share to ₹ 1 per equity share with effect from March 10, 2007* | | | |
| ₹ 20,00,00,000 consisting of 10,00,00,000 Equity shares of ₹ 2 each. | ₹ 20,00,00,000 consisting of 20,00,00,000 Equity shares of ₹ 1 each. | March 10, 2007 | EGM |
| ₹ 20,00,00,000 consisting of 20,00,00,000 Equity shares of ₹ 1 each. | ₹ 40,00,00,000 consisting of 40,00,00,000 Equity shares of ₹ 1 each. | With effect from August 4, 2012 | Amalgamation of Suven Nishtaa Pharma Private Limited with our Company. Appointed date being January 1, 2012 |

2. **History of Equity Share Capital of our Company**

| Date of Allotment / Fully Paid-up | No. of Equity Shares allotted | Face value (₹) | Issue Price (₹) | Nature of consideration | Nature of Allotment |
|---|---|---|---|---|---|
| On incorporation | 20 | 100 | 100.00 | Cash | Subscription to Memorandum of Association |
| March 30, 1990 | 34,070 | 100 | 100.00 | Cash | Preferential Allotment |
| October 29, 1990 | 9,900 | 100 | 100.00 | Cash | Preferential Allotment |
| November 2, 1993 | 1,06,400 | 100 | 100.00 | Cash | Preferential Allotment |
| November 2, 1993 | 41,070 | 100 | 100.00 | Cash | Preferential Allotment |
| May 30, 1994 | 2,630 | 100 | 500.00 | Cash | Preferential Allotment |
| *Sub-division of nominal value of Equity Shares of our Company from ₹ 100 per equity share to ₹ 10 per equity share with effect from June 15, 1994* | | | | | |
| December 31, 1994 | 1,09,100 | 10 | 50.00 | Cash | Preferential Allotment |
| April 17, 1995 | 1,70,000 | 10 | 50.00 | Cash | Initial Public Offer |
| April 17, 1995 | 9,80,000 | 10 | 50.00 | Cash | Initial Public Offer |
| April 1, 1998 | 89,000 | 10 | 20.65 | Cash | Preferential Allotment |
| October 1, 1998 | 1,46,000 | 10 | 20.65 | Cash | Preferential Allotment |
| March 25, 1999 | 1,38,000 | 10 | 20.65 | Cash | Preferential Allotment |
| August 13, 1999 | 4,27,000 | 10 | 20.65 | Cash | Preferential Allotment |
| April 30, 2001 | 4,00,000 | 10 | 250.00 | Cash | Preferential Allotment |
| *Sub-division of nominal value of Equity Shares of our Company from ₹ 10 per equity share to ₹ 2 per equity share* | | | | | |

| Date of Allotment / Fully Paid-up | No. of Equity Shares allotted | Face value (₹) | Issue Price (₹) | Nature of consideration | Nature of Allotment |
|---|---|---|---|---|---|
| *with effect from January 5, 2004* | | | | | |
| January 19, 2004 | 30,00,000 | 2 | 91.40 | Cash | Preferential Allotment |
| December 6, 2006 | 37,25,000 | 2 | - | Other than cash | Allotment pursuant to scheme of amalgamation(1) |
| January 29, 2007 | 91,625 | 2 | 74.85 | Cash | Conversion of options under the 2004 ESOP Plan |
| *Sub-division of nominal value of Equity Shares of our Company from ₹ 2 per equity share to ₹ 1 per equity share with effect from March 10, 2007* | | | | | |
| April 6, 2007 | 5,76,33,250 | 1 | - | - | Bonus Issue in the ratio of 1:1 |
| November 12, 2007 | 3,65,160 | 1 | 18.71 | Cash | Conversion of options under the 2004 ESOP Plan |
| February 8, 2008 | 78,540 | 1 | 18.71 | Cash | Conversion of options under the 2004 ESOP Plan |
| November 4, 2008 | 1,64,200 | 1 | 21.73 | Cash | Conversion of options under the 2004 ESOP Plan |
| May 5, 2010 | 6,61,848 | 1 | 19.58(2) | Cash | Conversion of options under the 2004 ESOP Plan |
| November 12, 2010 | 1,95,740 | 1 | 20.07(3) | Cash | Conversion of options under the 2004 ESOP Plan |
| January 29, 2013 | 96,800 | 1 | 20.61 | Cash | Conversion of options under the 2004 ESOP Plan |

1) *Allotment of 37,25,000 Equity Shares of our Company pursuant to scheme of amalgamation of Asian Clinical Trials Limited with our Company approved by the High Court of Hyderabad vide its order dated October 18, 2006.*

2) *Calculated as average issue price for allotment of 4,31,048 Equity Shares at ₹ 18.71, 89,580 Equity Shares at ₹ 22.16 and 1,41,220 Equity Shares at ₹ 20.61*

3) *Calculated as average issue price for allotment of 79,800 Equity Shares at ₹ 18.71, 29,300 Equity Shares at ₹ 22.16 and 86,640 Equity Shares at ₹ 20.61*

3. **Equity Shares issued for consideration other than cash by our Company**

In the last one year preceding the date of the Preliminary Placement Documents, our Company has not issued any Equity Shares for consideration other than cash.

4. **Employees' Stock Option Plan**

Pursuant to a resolution passed by the Board of Directors of our Company in its meeting held on September 17, 2004 and shareholders of our Company in its Annual General Meeting held on September 17, 2004, our Company adopted the "*Suven Equity Option Plan, 2004*" ("**2004 ESOP Plan**"). The 2004 ESOP Plan have been designed by our Company to create participative environment contributing to the growth of employees as part of our Company's growth plans, rewarding the eligible employees for their contribution to the success of our Company and to attract and retain talented employees. The details of 2004 ESOP Plan are as under:

| Particulars | 2004 Plan |
|---|---|
| a) Total number of options granted under the Plan | 48,00,000 options convertible to 1 Equity Share of ₹ 1 each |
| b) Pricing Formula | At market price, as per SEBI pricing formula |

<table>
<tr><th colspan="2">Particulars</th><th>2004 Plan</th></tr>
<tr><td>c)</td><td>Options Vested (as on March 31, 2014)</td><td>48,00,000 options</td></tr>
<tr><td>d)</td><td>Options Exercised and total number of Equity Shares arising as a result of exercise of option (upto March 31, 2014)</td><td>17,45,538 options resulting to 17,45,538 Equity Shares</td></tr>
<tr><td>e)</td><td>Options lapsed (up to March 31, 2014)</td><td>23,54,462 options</td></tr>
<tr><td>f)</td><td>Variation in the terms of the options</td><td>Nil</td></tr>
<tr><td>g)</td><td>Money realized by exercise of options</td><td>₹ 3,74,50,470</td></tr>
<tr><td>h)</td><td>Total number of options in force as at March 31, 2014</td><td>7,00,000 options</td></tr>
<tr><td>i)</td><td>Employee-wise details of options granted to senior managerial personnel during the year</td><td>Nil</td></tr>
<tr><td>j)</td><td>Any other employee who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant</td><td>Nil</td></tr>
<tr><td>k)</td><td>Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee Compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed. The impact of this difference on Profits and on EPS of the Company shall also be disclosed.</td><td>The Company has used the intrinsic value method to compute the employee compensation cost on account of ESOP in the financial year 2013-14. Had the Company used the fair value method, the ESOP cost in the financial year would have been ₹1,58,44,760 and net profit would have reduced by this amount. The EPS (in ₹) would have been 12.20.</td></tr>
<tr><td>l)</td><td>Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.</td><td>Number of outstanding options as on March 31, 2014 were 7,00,000. The weighted average exercise price of the outstanding options as on March 31, 2014 was ₹25.28 and the weighted average fair value of the outstanding options as on March 31, 2014 was ₹16.01.</td></tr>
<tr><td>m)</td><td>A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:</td><td>The Company has opted to use the Intrinsic value method for accounting of compensation cost arising out of ESOP. However for disclosures in Para (k) above the following assumptions have been made:</td></tr>
<tr><td>I.</td><td>Risk-free interest rate;</td><td>6.5%</td></tr>
<tr><td>II.</td><td>Expected life;</td><td>48 months</td></tr>
<tr><td>III.</td><td>Expected volatility;</td><td>50%</td></tr>
<tr><td>IV.</td><td>Expected dividends; and</td><td>1.33%</td></tr>
<tr><td>V.</td><td>The price of the underlying Equity Shares in the market at the time of grant of options</td><td><table>
<tr><th>Date of Grant</th><th>Market Price (in ₹)</th></tr>
<tr><td>September 18, 2004</td><td>74.85</td></tr>
<tr><td>July 30, 2005</td><td>88.65</td></tr>
<tr><td>April 29, 2006</td><td>82.45</td></tr>
<tr><td>September 30, 2006</td><td>101.15</td></tr>
<tr><td>May 3, 2007</td><td>41.00</td></tr>
<tr><td>January 28, 2008</td><td>36.40</td></tr>
<tr><td>July 12, 2010</td><td>29.75</td></tr>
<tr><td>May 30, 2011</td><td>22.30</td></tr>
</table></td></tr>
</table>

Once the options vest as set out in the table above, they are exercisable by the option holder and the Equity Shares arising on exercise of such options shall not be subject to any lock-in period. Further, in the case of termination of employment, all non-vested options shall stand cancelled forthwith and shall automatically lapse. Options that have vested but have not been exercised can be exercised within the time prescribed as per the 2004 ESOP Plan, failing which they will be cancelled.

# DIVIDEND POLICY

Our Company generally declares and pays dividends in the fiscal year following the year as to which they relate. Under the Companies Act, an Indian company may pay dividends only upon a recommendation by its board of directors and approval by a majority of its shareholders at the annual general meeting. Shareholders may decrease, but not increase, the amount of dividend recommended by the board of directors. In addition, as is permitted by the Articles of Association of our Company, the Board may declare and pay interim dividends. Under the Companies Act, a company may pay dividends only out of its profits in the year in which the dividend is declared or out of the undistributed profits or reserves of prior fiscal years or out of both. Our lending arrangements as well as the agreements governing our indebtedness with our lenders contain certain restrictive covenant that restricts declaration of dividends without the prior written consent of the lenders.

Our Company has been a dividend paying company with a track record of paying 20 dividends in the last 20 consecutive financial years. The following table sets forth details regarding the dividend paid by our Company on the Equity shares for Fiscal Years 2014, 2013 and 2012:

| Particulars | Fiscal Year 2014 | Fiscal Year 2013 | Fiscal Year 2012 |
|---|---|---|---|
| Face Value of Equity Shares (₹ per share) | 1.00 | 1.00 | 1.00 |
| Final Dividend on Equity Shares (₹ per share) | 2.50 | 0.30 | 0.30 |
| Total Dividend on Equity Shares (₹ in Lacs) | 2,920.72 | 350.49 | 350.20 |
| Dividend Distribution Tax (₹ in Lacs) | 496.38 | 59.57 | 56.81 |
| Dividend Payout Ratio (%)* | 20.26 | 11.36 | 24.39 |

** Dividend per share divided by earning per share*

**Future Dividends**

Our Company has no formal policy relating to payment of dividends. Amounts paid as dividends in the past are not reflective of any future dividends, which are subject to the recommendation of the Board based on various factors and the approval of our Company's shareholders. Investors are cautioned not to rely on past dividends as an indication of our Company's future performance or for an investment in the Equity Shares. The form, frequency and amount of future dividends will depend on our revenues, cash flows, financial condition (including capital position) and other factors and shall be at the discretion of our Board and subject to the approval of our shareholders.

When dividends are declared, all the shareholders whose names appear in the share register as on the "record date" or "book closure date" are entitled to be paid dividend declared by our Company. Any shareholder who ceases to be a shareholder prior to the record date, or who becomes a shareholder after the record date, will not be entitled to the dividend declared by our Company.

For a summary of certain Indian tax consequences of dividend distributions to shareholders, see the section "***Taxation***" beginning on page 178.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*Our financial statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and auditing standards in other countries with which prospective investors may be familiar. The degrees to which the financial statements included in this Placement Document will provide meaningful information, is dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance on the financial disclosures presented in this Placement Document by persons not familiar with these Indian practices, law and rules should be limited. We have not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on the financial data herein.*

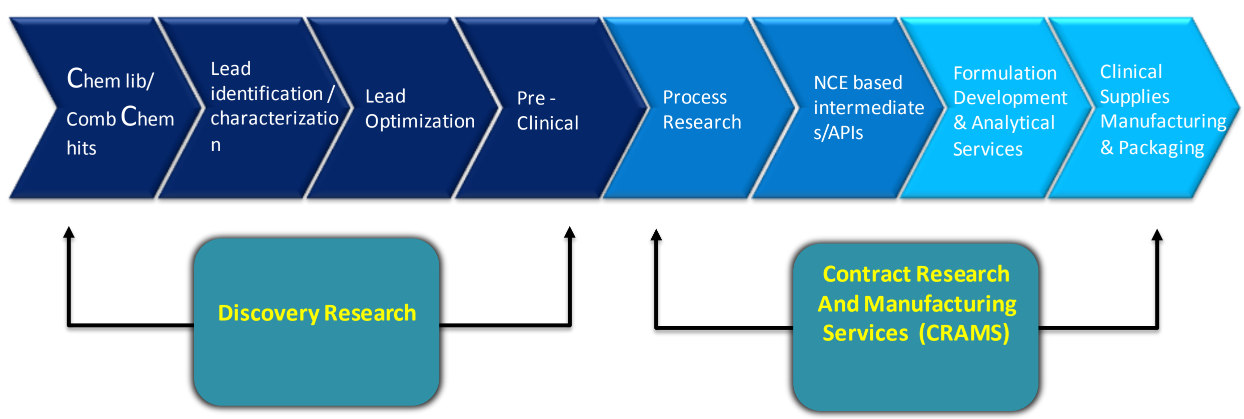
*Our actual results and the timing of selected events could differ materially from those anticipated in forward-looking statements contained in this discussion as a result of various factors, including those set forth under "**Risk Factors**" and elsewhere in this Placement Document. See the section titled "**Forward Looking Statements**". Please refer to this section in conjunction with the chapters "**Financial Statements**" and "**Risk Factors**"* beginning on pages 206 and 45, *respectively.*

*Our Fiscal ends on March 31st of each year, so all references to a particular "Fiscal" are to the 12-month period ended March 31st of that Fiscal.*

### Overview

Our Company was incorporated in the year 1989 as a bulk drug manufacturer in the pharmaceuticals industry. The Equity Shares of the Company were initially listed in the year 1995 on the BSE and HSE (not a stock exchange since order of SEBI dated January 25, 2013). Further, the Equity Shares of the Company are also listed on the NSE in the year 2003. Our Company has more than 25 years of experience in the pharmaceutical industry. Our Company was then engaged in manufacturing of bulk drugs and fine chemical intermediates. We then started operations with global pharmaceutical companies in their drug innovation activities of the development of New Chemical Entities ("**NCE**") by providing drug intermediates under our Contract Research and Manufacturing Services ("**CRAMS"**) business model. Coinciding with India becoming signatory to the TRIPS agreement and amending its intellectual property laws in consonance with the TRIPS agreement, our Company started its drug discovery research activities. Our Company has since then also ventured into to its own drug innovation activities in the CNS therapeutic segment.

### Suven's Business Model




### Contract Research and Custom Manufacturing

Under our CRAMs business model which we commenced in the year 1995, we undertake research, manufacturing and supply of intermediates of NCEs to global pharmaceutical manufacturers, bulk drugs, contract technical services including process R&D services, process development services and formulation development services. As on March 31, 2014, we have obtained 36 process patents under our CRAMS activities. Pharmaceutical companies can outsource part of their research activity to other companies which can in turn support them with services for new product development. This can range from pre-formulation studies, screening studies, formulation development and use of specific drug delivery technology, clinical research etc or even a basic idea. CRAMS business is a niche segment with few players dominating the space. Our Company has undertaken over 700 projects under the CRAMS business model for various life science companies.

***New Chemical Entities***

In the year 2005, our Company ventured into the business of drug innovation and drug discovery in the CNS therapeutic segment. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions under our drug discovery activities. Our endeavours in the drug innovation activities has resulted into a pipeline 13 NCEs. Typically, an NCE activity involves several stages of innovation starting from drug discovery, clinical trials, regulatory approvals and commercialization. Our proprietary drugs are in various stages of pre-clinical and clinical trials. As on date of this Placement Documents, we have our own pipeline of 13 NCEs across therapeutic areas such as Alzheimer's, Schizophrenia, ADHD, Major Depressive Disorder ("**MDD**"), Obesity and Pain.

'SUVEN-502' for Alzheimer's has completed Phase 1 clinical trial stage in USA and we await the final reports and completion of the remaining process in this regard. Once phase 1 clinical trials are completed in its entirety, that is, after receiving the report and successfully completing the remaining process, we may be entitled to enter into phase 2 clinical trials. Additionally, we have commenced Phase 1 clinical trials for our NCE, SUVN-G3031. Two of our NCEs, SUVN D-4010 and SUVN 911 addressing Alzheimer's, Schizophrenia and depression, respectively are currently undergoing toxicology studies in USA in preparation for US-IND submissions. Our other NCEs are in preliminary stages of development.

As of September 30, 2014, we have 870 employees and 9 consultants. Our research team consists of 386 scientists of which 22 are PhD holders. Out of our total research team strength is classified into 127 discovery research scientists and 259 process research scientists.

We have three manufacturing facilities located in the state of Telangana at (a) Pashamylaram, (b) Suryapet and (c) Jeedimetla. We are currently developing another manufacturing facility at Vishakhapatnam in Andhra Pradesh.

We have drug discovery and process research laboratory located at our facility at Jeedimetla, a bio-pharmaceutical laboratory and a formulation development centre located at our facility at Pashamylaram. In addition, each manufacturing facility has a process R&D laboratory attached to them.

All our manufacturing facilities are certified for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Our manufacturing units at Suryapet and Pashamylaram are cGMP and US-FDA compliant. Our Company's unit at Pashamylaram has also been approved for manufacture of Gabapentin by the Commissioner of Ministry of Food and Drug Safety, Korea and granted a cGMP certificate by the Freie Und Hansestadt for manufacturing active pharmaceutical ingredients including Tamsulosin hydrochloride, Gabapentin.

Our total income for the fiscals 2012-14 has grown at a CAGR of 57.95% from ₹ 20,465.77 lacs to ₹ 51,058.62 lacs. During the aforementioned fiscals, our EBITDA has grown at a CAGR of 197.76% from ₹ 2,504.91 lacs to ₹ 22,208.81 lacs and our net profit after tax has grown at a CAGR of 216.81% from ₹ 1,436.25 lacs to ₹ 14,415.75 lacs.

## Our Competitive Strengths

***Core competence in CRAMS business model***

Our Company is primarily engaged in CRAMS business where research and development is customized to the needs of our global pharmaceutical customers. We endeavour to follow a non-conflict business model with our customers which means that our products and services are provided for the innovation of the drug whereas our Company is not involved in developing competing drugs. In the CRAMS segment, we provide the innovator companies in drug development with contract research, manufacturing and supply of, (i) intermediates, (ii) APIs and (iii) formulations. Additionally, under our CRAMS model, we provide services such as contract technical services.

With over two decades of experience in the pharmaceutical industry, we have executed more than 700 CRAMS projects.

For our CRAMS projects, we may be required to undertake various specialized processes. Our facilities are equipped for undertaking specialized processes like cyanation, chiral core technology, Butyl Lithium reaction, reductions (catalytic and chemical), high temperature - high pressure reactions, Lithium diisopropylamide ("**LDA**") and asymmetric synthesis and bio-transformations.

Our Company has experience in performing the following reactions:

| Particulars | | |
|---|---|---|
| • Alkylations | • Halogenation using bromine, chlorine, $POCI_3$ etc | • Metalation - MeLi/n-BuLi/LDA/HMDS |
| • Acylation | • Heck Arylation | • Mitsunobu Reaction |
| • Amidation | • Chiral amines synthesis | • Oxidation-Jones, Swern, $KMnO_4$, $NaIO_4$, Nitric Acid |
| • Chiral Alkylation | • Asymmetric synthesis | • Reduction - catalytic, metal hydrides, high pressure, metal catalyzed, Birch reduction, diborane, LAH, DIBAL-H, $NaCNBH_3$ |
| • Condensation | • Carbohydrates | • Suzuki Coupling |
| • Cyanation | • Grignard reactions | • Asymmetric synthesis |
| • Cyclo-condensation | • Horner-Emmons Wadsworth reaction | • Enzymatic resolution |
| • Formylations | • Organoborane | • Hydrogenation using Pd/c, Pt/c, Rh/c and Rani-Ni |
| • Grignard Reactions | | |

In the past, we have performed these reactions and demonstrated our experience through execution for our various customers over a period of time.

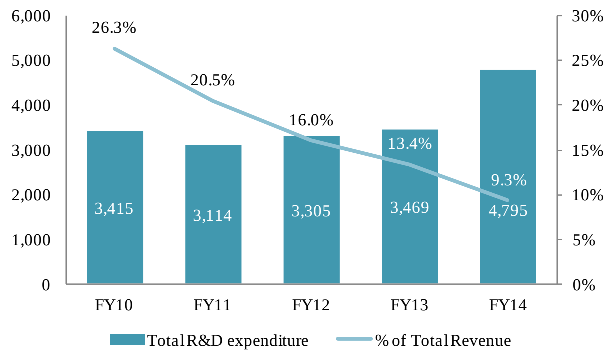
We generate a significant portion of our total revenues from sale of products in our CRAMS business which constitutes 96.69% of our revenues in FY14 while the remaining 3.31% came from services performed under our CRAMS business model. In FY2013-14 three of the drugs for which we manufacture intermediates under phase III clinical trials reached the pre-launch stage contributing to revenues of ₹ 16,706.93 lacs from manufacturing activity of supplying the pre-launch quantities of intermediates to those customers.

Exports to US are primarily driven by increased Abbreviated New Drug Applications (ANDA) approvals by United States Food & Drugs Administration (USFDA). We have granted an exclusive license in June 2013 to TARO Pharmaceuticals North America, Inc. ("**Taro**") to distribute one of our products Malathion Lotion in USA, Canada and Mexico on supply and royalty payments basis effective till April 2028.

***Research driven company***

Our Company is research driven with competencies both in terms of our manufacturing and R&D facilities. Our research team consists of 386 scientists being approximately 45% of our total employee strength. As of September 30, 2014, we have 870 employees and 9 consultants.

Our CRAMS projects involves significant amount of research and innovation as is representative of 36 process patents which our Company has been granted. Out of our total research team strength 259 scientists are involved in CRAMS projects. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions which have been granted to us in our NCE activities. Out of our total research team strength 127 scientists are involved in discovery research.




In FY2014, R&D expenses were 9.3% of the total revenues. We have invested an aggregate amount of ₹ 18,098.46 lacs on R&D in its drug innovation business for financial years 2010-14. Our Company has written off all its R&D expenses in the year in which it was incurred. We believe that our R&D has led, and will continue to lead, to new, innovative processes that can increase the efficiencies of production as well as address opportunities that we have identified in the global market for our businesses.

***Pipeline of proprietary NCEs in the CNS segment***

In the year 2005, our Company ventured into the business of drug innovation and drug discovery in the CNS therapeutic segment. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions under our drug discovery activities. Our endeavours in the drug innovation activities has resulted into a pipeline 13 NCEs. Typically, an NCE activity involves several stages of innovation starting from drug discovery, clinical trials, regulatory approvals and commercialization. Our proprietary drugs are in various stages of pre-clinical and clinical trials. As on date of this Placement Documents, we have our own pipeline of 13 NCEs across therapeutic areas such as Alzheimer's, Schizophrenia, ADHD, Major Depressive Disorder ("**MDD**"), Obesity and Pain. 'SUVEN-502' for Alzheimer's has completed Phase 1 clinical trial stage in USA and we await the final reports and completion of the remaining process in this regard. Once phase 1 clinical trials are completed in its entirety, that is, after receiving the report and successfully completing the remaining process, we may be entitled to enter into phase 2 clinical trials. Additionally, we have commenced Phase 1 clinical trials for our NCE, SUVN-G3031. Two of our NCEs, SUVN D-4010 and SUVN 911 addressing Alzheimer's, Schizophrenia and depression, respectively are currently undergoing toxicology studies in USA in preparation for US-IND submissions. Our other NCEs are in preliminary stages of development.

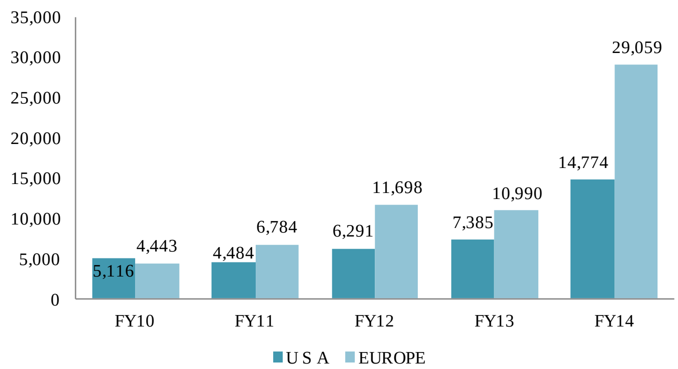
***Presence in regulated markets***

We provide research, manufacturing and supply of intermediates, APIs and formulations in the companies operating in the regulated markets.

In order to gain access to such regulated markets and gain customer confidence, we are required to comply with the stringent technical, quality and operating standards as required by such regulated markets. For instance, we have our manufacturing units at Suryapet and Pashamylaram which are certified as cGMP and US-FDA compliant.

We generate a significant portion of our revenue which is derived from export of our products and services. In FY2014, 93.71% of our revenues were derived from exports out of which revenues from regulated markets of

Europe and USA constituted 56.95% and 28.95% respectively of our revenues. We have witnessed an increase in our revenues from Europe and USA in the last five financial years.




*Increase in contribution from Europe and USA (₹ in Lacs)*

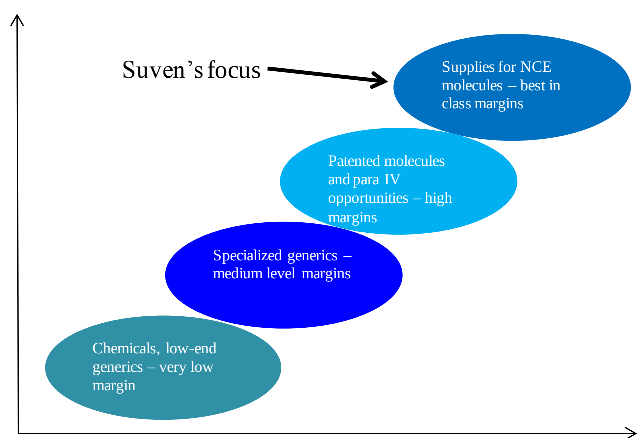
***Experienced Promoter and Key Managerial Team***

Our Promoters have played a key role in developing our business and we benefit from their significant experience in the pharmaceutical business. We also have a qualified key management team with experience in the domestic and international pharmaceutical industries, including in the areas of R&D, regulatory affairs, manufacturing, quality control, sales, marketing and finance. We believe that the healthcare domain knowledge and experience of our Promoters and our key management team provides us with a significant competitive advantage as we seek to grow in our existing markets and enter new segments and geographies.

Our Promoters and key managerial team have over 250 years of cumulative work experience in pharmaceutical industry and all our Key Managerial Personnel have been associated with the Company for nearly a decade or more.

For further details of our Key Managerial Personnel, please refer to chapter titled '***Board of Directors and Senior Management***' beginning on page 134.

**Our Strategy**




***Continue to focus on our CRAMS business***

The last decade has seen a considerable growth of contract research and manufacturing in India. We continue to focus on the entire value chain of drug discovery and development. We follow a non-conflict business model with our customers which mean that our products and services are provided for the innovation of the drug whereas our Company is not involved in developing competing drugs.

Our focus has been to work with innovator companies for development and supply of intermediates of the NCEs rather than manufacture and supply of generics. We continue our focus on continuing our relations on a long term basis with these innovator companies from the early phase of drug discovery to commercialization stage.

With our experience and timely delivery of projects coupled with our pipeline of 99 ongoing projects, we are well positioned for long term association with our customers as the NCEs move to next stage of drug development.

***Focus on NCE development in the CNS therapeutic segment***

Our proprietary drugs are in various stages of pre-clinical and clinical trials. We have our own pipeline of 13 NCEs across therapeutic areas such as Alzheimer's, Schizophrenia, ADHD, Major Depressive Disorder ("**MDD**"), Obesity and Pain.

'SUVEN-502' for Alzheimer's has completed Phase 1 clinical trial stage in USA and we await the final reports and completion of the remaining process in this regard. Once phase 1 clinical trials are completed in its entirety, that is, after receiving the report and successfully completing the remaining process, we may be entitled to enter into phase 2 clinical trials. Additionally, we have commenced Phase 1 clinical trials for our NCE, SUVN-G3031. Two of our NCEs, SUVN D-4010 and SUVN 911 addressing Alzheimer's, Schizophrenia and depression, respectively are currently undergoing toxicology studies in USA in preparation for US-IND submissions. Our other NCEs are in preliminary stages of development.

We intend to continue our R&D activities in the NCE development for monetization opportunities in the CNS therapeutic segment.

***Promoting a culture of innovation***

We have developed sophisticated R&D infrastructure and facilities, with a team of 386 R&D personnel. We continue to invest in R&D and recruit talented individuals commensurate to our growth and business outlook. We believe that our continuing R&D initiatives have strengthened our product offerings in the international markets. Building on our existing expertise we aim to continue our culture of innovation within our business focusing on NCE based CRAMs and development of our own NCEs. Apart from our manufacturing facilities we have a dedicated bio-pharmaceutical laboratory, a formulation centre and a research centre to cater to our R&D requirements.

We intend to continue to drive our R&D initiatives towards the development of innovative formulations for our drug innovation business. Additionally, we look to collaborate with global pharmaceutical companies to monetize our NCEs or finished products.

**KEY FACTORS AFFECTING OUR FINANCIAL CONDITION AND OUR RESULTS OF OPERATIONS**

Our future growth, operating results and financial condition will be affected by a number of factors including:

1. Our Company operates in the innovative pharmaceutical research and development industry which is still in the early stages of evolution. Capabilities essential for drug discovery and preclinical research are being developed and learnt as the industry evolves. Further, the drug discovery process is a long process spread over a period of 10 – 15 years involving heavy expenditure at each stage. Revenues in this business are highly unpredictable and there is no certainty of success.

2. The development and commercialization of drug candidates for our customers / licensors and our own internal drug discovery efforts are subject to regulation. Results attained in preclinical testing and early clinical trials for any of our drug candidates may not be indicative of results that are obtained in later studies and significant setbacks in advanced clinical trials may arise, even after promising results in earlier studies.

3. The cost of bringing a new molecule to the market is very high and there is not sufficient risk capital available. In case our Company is unable to obtain additional funding to support our operations as and when

required, we may be required to reduce our research and development activities or curtail our operations thereby affecting our business, operating results and financial condition adversely. Any lack of such funds required for innovative research and development may adversely affect our business.

4. The drug research and development industry is highly competitive and we compete globally with some companies that offer a broader range of capabilities and have better access to resources than we do. The pharmaceutical industry is characterized by rapid and continuous technological innovation. We compete with many companies worldwide that are engaged in the research and discovery, licensing, development and commercialization of drug candidates.

5. Our future results of operations will depend upon our ability to successfully develop and licence innovative pharmaceutical products/drug delivery systems. We must develop, test and manufacture new products, which must meet regulatory standards and receive requisite regulatory approvals. The development process is both time consuming and costly, as also uncertain. If we do not successfully licence our products under development, or if our licensing is delayed, it will harm our operating results.

6. Our drug candidates in NCEs platform are at early stages of development and we may not successfully develop a drug candidate that becomes a commercially viable drug. If our licensing /commercialisation is delayed this may harm our operating results. Our future results of operations will depend upon our ability to successfully develop and licence innovative pharmaceutical products/drug delivery systems.

7. Clinical trials might be subject to side effects that may harm the health and safety of the trial volunteers / patients for whom our Company is liable. While all care is taken while designing and administering clinical trials there still may be unpleasant, serious or even life-threatening adverse events in experimental treatments to clinical trials. This may significantly impact our business and its reputation.

***SIGNIFICANT ACCOUNTING POLICIES***

**a. Basis of Accounting:**

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the accounting standards notified under section 211(3C) of the Companies Act, 1956 of India (the Act) and the relevant provisions of the Act.

**b. Use of Estimates:**

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported value of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenditure for the year. The difference between the actual results and estimates are recognised in the period in which the results are known/ materialised.

**c. Revenue Recognition:**

i. Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to customers.
ii. Revenue from Contract Technical Services, Clinical Trials Services, Process Development Services and Formulation Development Charges are recognised on completion of the milestone work.

iii. Income from Investments:

(a) The Company recognises Interest on investments on accrual basis.
(b) Dividend income on investments is accounted for when the right to receive the payment is established.

**d. Fixed Assets:**

Fixed assets are stated at cost and as reduced by accumulated depreciation. All costs including financing costs, up to the date of commissioning and attributable to the fixed assets are capitalised. Exchange difference arising on Long Term Foreign currency monetary items relating to acquisition of fixed assets are adjusted to the carrying cost of such assets.

**e. Events Occurring After Balance Sheet Date:**

Events occurring after the date of balance sheet are considered up to the date of adoption of the accounts, where material and are taken into cognizance.

**f. Depreciation:**

Depreciation on fixed assets is provided on straight-line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. The company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

**g. Investments:**

Non-current investments are stated at cost and provision for diminution is made if the decline in value is other than temporary in nature.

Investments other than Non-current Investments are stated at cost or market value whichever is lower. Any increase or reduction in the carrying cost is credited charged to the Profit and Loss account.

**h. Inventories:**

i. Stock of raw materials, Stores, spares and fuel are stated at cost and are valued on FIFO basis.
ii. Work in process is stated at cost.
iii. Finished Goods are valued at the lower of the Cost or net realisable value.

**i. Research & Development expenses:**

i. Revenue expenditure on research and development activities is expensed as and when incurred.
ii. The expenditure on capital assets having alternative use either in R&D activity or otherwise are capitalised and amortised at the rate specified in Schedule XIV of the Companies Act 1956.
iii. Depreciation on R&D assets is included in R&D expenses.

**j. Foreign Currency Transactions:**

i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transaction.
ii. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account, except exchange difference arising on Long Term Foreign currency monetary items relating to acquisition of fixed assets which are adjusted to the carrying cost of such assets.

iii. In case of Monetary items which are covered by forward exchange contracts, premium or discount on forward exchange contracts are amortized and recognized in the profits and loss account over the period of the contract. Forward Exchange Contracts outstanding at the balance sheet date, are stated at fair value and any gains or losses are recognized in the profit and loss account.

iv. The realized gain/loss in respect of settled contracts are recognized in the Profit and loss account.

**k. Retirement benefits to employees:**

The company has Defined Contribution Plan for its employees' retirement benefits comprising of Provident Fund and Employees Pension Scheme, 1995. The Company contributes to State Plans namely Employees' State Insurance Scheme.

The Company has Defined Benefit Plan comprising of Gratuity Fund and Leave Encashment. The Company contributes to Gratuity Fund administered by LIC. The liability for the Gratuity Fund and Leave Encashment are determined on the basis of an independent actuarial valuation done at the year end. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense.

**l. Borrowing cost:**

Borrowing Costs that are directly attributable to the acquisition of a fixed asset are capitalised as part of the cost of the asset till the date the asset is ready for commercial use. All other borrowing costs are charged to revenue.

**m. Income taxes:**

The current charge for taxes is calculated in accordance with relevant tax regulations applicable to the company.

The deferred tax for the timing differences between the book and tax profits for the year end is accounted for, using the tax rates and laws that have been substantially enacted as of the balance sheet date.

Deferred tax assets arising from timing differences are recognised and carried forward only if there is reasonable certainty that they will be realised in future and reviewed for the appropriateness of their respective carrying value at each balance sheet date.

**n. Earnings per share:**

The basic earnings per share (EPS) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

**o. Impairment of Assets:**

If the carrying amount of fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

**p. Provisions:**

Provisions are recognised when the company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of obligation.

**q. Segmental information - Basis of preparation:**

**i. Segment Revenue and Expenses**

Revenues and expenses are allocated on a reasonable basis to segments being common manufacturing facilities and sales force.

**ii. Segment Assets and Liabilities**

Segment assets and liabilities which can be identified to a segment are allocated to the respective segment. The fixed assets and net current assets are not identifiable for particular segment except R & D segment, because these assets can be used interchangeable among the segments. Hence the management feels that the assets cannot be segregated to particular segment and to disclose these under unallocated assets.

**r. Employee Stock Option Schemes:**

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the Employee stock option schemes, over the exercise price is treated as employee compensation and amortised on a straight-line basis over the vesting period.

**s. Cash and Cash equivalents:**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**Recent Changes In Accounting Policies**

There have been no changes in the Company's accounting policies during the last three financial years.

**RESULTS OF OPERATIONS**

The following table sets forth the selected financial data from our audited statements of profit and loss, the components of which are also expressed as a percentage of total revenue for Fiscals 2014, 2013 and 2012.

***(₹ In Lacs, except percentages)***

| Particulars | FY 2014 | % of Total Revenue | FY 2013 | % of Total Revenue | FY 2012 | % of Total Revenue |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| Revenue from Operations (gross) | 51,058.62 | 99.46% | 25,828.02 | 99.75% | 20,465.77 | 99.30% |
| less: excise duty | 27.38 | 0.05% | 39.56 | 0.15% | 44.98 | 0.22% |
| Revenue from Operations (net) | 51,031.24 | 99.41% | 25,788.46 | 99.60% | 20,420.79 | 99.08% |
| Other Income | 302.95 | 0.59% | 104.34 | 0.40% | 190.25 | 0.92% |
| **Total Revenue** | **51,334.19** | **100.00%** | **25,892.80** | **100.00%** | **20,611.04** | **100.00%** |
| | | | | | | |
| **Expenses** | | | | | | |
| Cost of Materials Consumed | 15,049.65 | 29.32% | 8,827.40 | 34.09% | 8,145.56 | 39.52% |
| Changes in inventories of work in progress | (1,397.66) | -2.72% | (559.63) | -2.16% | (564.74) | -2.74% |
| Manufacturing Expenses | 5,388.94 | 10.50% | 3,904.81 | 15.08% | 2,667.83 | 12.94% |
| Employee benefit expenses | 3,144.21 | 6.12% | 2,537.70 | 9.80% | 2,283.03 | 11.08% |
| Research & Development Expenses | 4,794.79 | 9.34% | 3,469.33 | 13.40% | 3,304.91 | 16.03% |
| Financial Costs | 1,051.28 | 2.05% | 1,350.94 | 5.22% | 990.93 | 4.81% |
| Depreciation and amortisation expenses | 883.74 | 1.72% | 786.71 | 3.04% | 599.79 | 2.91% |
| Other expenses | 2,145.45 | 4.18% | 2,290.30 | 8.85% | 2,269.54 | 11.01% |
| **Total Expenses** | **31,060.40** | **60.51%** | **22,607.56** | **87.31%** | **19,696.85** | **95.56%** |
| | | | | | | |
| **Profit before exceptional and extraordinary items and tax** | **20,273.79** | **39.49%** | **3,285.24** | **12.69%** | **914.19** | **4.44%** |
| Exceptional Item | - | - | - | - | - | - |
| **Profit before Tax** | **20,273.79** | **39.49%** | **3,285.24** | **12.69%** | **914.19** | **4.44%** |
| Tax Expense | 5,858.04 | 11.41% | 201.29 | 0.78% | (522.06) | -2.53% |
| **Profit for the Year** | **14,415.75** | **28.08%** | **3,083.95** | **11.91%** | **1,436.25** | **6.97%** |

## MAJOR ITEMS OF INCOME AND EXPENDITURE

### 1. Income

Our total income comprises of (i) Revenue from Operation; and (ii) Other Income.

(i) **Revenue from Operation**

Income from operations comprises income from activities that are directly related to our main business

**A. Sale of Products**

i. Bulk Drugs
ii. Intermediates
iii. Recoveries
iv. Job works

**B. Sale of Services**

i. Contract Technical Services
ii. Clinical Trials Services
iii. Process Development Charges
iv. Formulation Development Charges

The following table sets forth our segment wise break up of our Sales for Fiscal 2014, 2013 and 2012

*(₹ In Lacs)*

| Particulars | FY2014 | FY2013 | FY2012 |
|---|---|---|---|
| **A) Sale of Products** | | | |
| a) Bulk Drugs | 1,298.11 | 1,588.15 | 798.44 |
| b) Intermediates | 45,770.39 | 21,158.33 | 18,355.36 |
| c) Recoveries | 7.87 | 14.06 | 15.08 |
| d) Job works | 2,267.63 | 1,695.68 | - |
| **TOTAL** | **49,344.00** | **24,456.22** | **19,168.88** |
| **B) Sale of Services** | | | |
| a) Contract Technical Services | 136.23 | 533.47 | 372.07 |
| b) Clinical Trials Services | 95.78 | 301.98 | 200.59 |
| c) Process Development Charges | 546.64 | 358.06 | 641.20 |
| d) Formulation Development Charges | 908.59 | 138.73 | 38.05 |
| **TOTAL** | 1,687.24 | 1,332.24 | 1,251.90 |
| **TOTAL (A+B)** | **51,031.24** | **25,788.46** | **20,420.78** |

(ii) **Other income**

Our other income primarily comprises of interest (others), dividend income from mutual funds, foreign exchange gain and profit on sale of assets.

### 2. Expenditure

Our total expenditure consists of:

i. Cost of Materials Consumed
ii. Changes in inventories of work in progress
iii. Manufacturing Expenses
iv. Employee benefit expenses

v. Research & Development Expenses
vi. Financial Costs
vii. Depreciation and amortisation expenses
viii. Other expenses

**(i) Cost of material consumed**

Cost of materials consumed comprises cost of raw materials for manufacturing our products and packing materials as adjusted for inventory levels.

**(ii) Changes in inventories of work in progress**

Changes in inventories of finished goods, work-in-progress and traded goods comprise net increases or decreases in inventory levels of (i) finished and traded goods, and (ii) work-in-progress.

**(iii) Manufacturing Expenses**

It includes all expenses in relation to power & fuel, consumable stores, factory upkeep expenses, environment management expenses, safety expenses, quality control expenses, repairs & maintenance of buildings and plant & machinery.

**(iv) Research and Development Expenses**

It includes research and development salaries, expenses on R&D material, patent related expenses, lab maintenance expenses, other expenses in relation to research and development and depreciation on R&D equipments.

**(v) Employee Benefits Expense**

Employee benefits expense comprise salaries, wages, bonus and allowances to our employees, chief executive officer, whole-time director, contributions to provident fund, employee's state insurance and other welfare funds and staff welfare expenses such as food and transport costs.

**(vi) Finance Costs**

Our finance costs primarily comprise interest paid on term loans and working capital loans from banks and financial institutions and other bank charges incurred in connection with our debt.

**(vii) Depreciation and Amortisation**

Depreciation costs are the depreciation charges on our fixed assets. Our fixed assets include plant and machinery, furniture and fixtures, vehicles, computer software etc.

**(viii) Other Expenses**

Other Expenses primarily comprise administrative expenses, rent, rates and taxes, insurance, travelling & conveyance, professional charges, security charges, selling expenses, clinical projects expenses etc.

**Comparaison of Fiscal 2014 vis-à-vis Fiscal 2013**

**Income**

Our total income for Fiscal 2014 was ₹ 51,334.19 lacs as compared to ₹ 25,892.80 lacs in Fiscal 2013 representing an increase of 98.26%.

**Revenue from Operation (Net)**

Revenue from operation for Fiscal 2014 was ₹ 51,031.24 lacs as compared to ₹ 25,788.46 lacs in Fiscal 2013 representing an increase of 97.88%. This was primarily due to the increase in the supply of intermediates from ₹ 21,158.33 lacs in FY 13 to ₹ 45,770.39 lacs in FY 14 representing an increase of 116.32%. The significant growth was volume-driven and value led as the Company received the maximum number of CRAMS project; majority of Phase 2 projects which led to higher realization and better margins. The revenue also comprised dispatches of three of the drugs for molecules, which reached the pre-launch phase that contributed ₹16,706.93 lacs to the revenues.

The table below details the break-up of revenue from operations:

***(₹ in Lacs)***

| Particulars | FY2014 | FY2013 | Growth% |
|---|---|---|---|
| **A) Sale of Products** | | | |
| a) Bulk Drugs | 1,298.11 | 1,588.15 | -18.26% |
| b) Intermediates | 45,770.39 | 21,158.33 | 116.32% |
| c) Recoveries | 7.87 | 14.06 | -44.03% |
| d) Job works | 2,267.63 | 1,695.68 | 33.73% |
| **TOTAL** | **49,344** | **24,456.22** | **101.76%** |
| **B) Sale of Services** | | | |
| a) Contract Technical Services | 136.23 | 533.47 | -74.46% |
| b) Clinical Trials Services | 95.78 | 301.98 | -68.28% |
| c) Process Development Charges | 546.64 | 358.06 | 52.67% |
| d) Formulation Development Charges | 908.59 | 138.73 | 554.93% |
| **TOTAL** | 1,687.24 | 1,332.24 | 26.65% |
| **TOTAL (A+B)** | **51,031.24** | **25,788.46** | **97.88%** |

**Other Income**

Our other income for Fiscal 2014 was ₹ 302.95 lacs as compared to ₹ 104.34 lacs in Fiscal 2013 representing an increase of 190.35%. This is mainly due to increase in interest income, dividend income earned from mutual funds and gains from foreign exchange.

***(₹ in Lacs)***

| Particulars | FY2014 | FY2013 |
|---|---|---|
| Interest Income | 147.21 | 23.53 |
| Dividend Income from Mutual Funds | 101.84 | 80.69 |
| Foreign Exchange Fluctuations Gain (Net) | 53.43 | - |
| Other | 0.47 | 0.12 |
| **Total Other Income** | 302.95 | 104.34 |

**Expenditure**

Our total expenditure in Fiscal 2014 was ₹ 31,060.40 lacs as compared to ₹ 22,607.56 lacs in Fiscal 2013 representing an increase of 37.39%. However, as a percentage of total income, our total expenditure decreased to 60.51% in Fiscal 2014 from 87.13% in Fiscal 2013.

***(₹ in Lacs)***

| Expenses | FY 2014 | FY 2013 |
|---|---|---|
| Cost of Materials Consumed | 15,049.65 | 8,827.40 |
| Changes in inventories of work in progress | (1,397.66) | (559.63) |
| Manufacturing Expenses | 5,388.94 | 3,904.81 |
| Employee benefit expenses | 3,144.21 | 2,537.70 |
| Research & Development Expenses | 4,794.79 | 3,469.33 |
| Financial Costs | 1,051.28 | 1,350.94 |
| Depreciation and amortisation expenses | 883.74 | 786.71 |
| Other expenses | 2,145.45 | 2,290.30 |

| Expenses | FY 2014 | FY 2013 |
|---|---|---|
| **Total Expenses** | **31,060.40** | **22,607.56** |

**Cost of material consumed**

Our expenditure on materials consumed increased by 70.49% from ₹ 8,827.40 lacs in FY13 to ₹ 15,049.65 lacs in FY14 primarily due to an increase in the number of projects being worked upon. An increase in the cost of raw materials also led to increased expenses under this head. As a percentage of our total income, expenditure on materials consumed decreased from 34.09% in FY13 to 29.32% in FY14.

**Manufacturing Expenses**

Consequent to an increase in CRAMS projects, the manufacturing expenses also increased by 38.01% from ₹ 3,904.81 lacs in FY13 to ₹ 5,388.94 lacs in FY14. Power and fuel increases from ₹ 2,584.70 lacs in FY14 from ₹ 2,193.45 lacs from FY13 representing an increase by 17.84%. Other expense drivers comprised factor upkeep expenses, quality control expenses and repairs & maintenance plant & machinery etc. As a percentage of our total income, expenditure on manufacturing expenses decreased from 15.08% in FY13 to 10.50% in FY14.

**Employee Benefits Expenses**

Employee benefits expense increased by 23.90% to ₹ 2,537.70 lacs in FY13 to ₹ 3,144.21 lacs in FY14, primarily as a result of an increased in team size to manage growing operation, annual salary increase and performance related emoluments increased, with a growth of over the previous year. As a percentage of our total income, expenditure on employee benefits expenses decreased from 9.80% in FY13 to 6.12% in FY14.

**Research & Development Expenses**

Research & Development Expenses increased by 38.21% to ₹ 3,469.33 lacs in FY13 to ₹ 4,794.79 lacs in FY14. This was primarily due to the Company's thrust on developing its 13 NCE pipeline for CNS segments.

As a percentage of our total income, expenditure on research and development expenses decrease from 13.40% in FY13 against 9.34% in FY14.

**Depreciation and amortization**

Our depreciation and amortisation costs for FY14 were ₹ 883.74 lacs as compared to ₹ 786.71 lacs in FY13 representing an increase of 12.33% due to increases in fixed assets.

**Other Expenses**

Our others expenses for FY14 was ₹ 2,145.45 lacs as compared to ₹ 2,290.30 lacs in FY13 representing decrease of 6.32% and in relation to total income other expenses decreased by 4.18% in FY14 from 8.85% in FY13.

**Finance charges**

Our finance charges for FY14 were ₹ 1,051.28 lacs as compared to ₹ 1,350.94 lacs in FY13 representing a decrease of 22.18%. This was primarily due to repayment of borrowings to the tune of ₹ 2,650.06 lacs.

**Profit Before Tax**

Due to factors discussed above our profit before tax increased by 517.12% to ₹ 20,273.79 lacs in FY14 from ₹ 3285.24 lacs in FY13. Our profit before tax as a percentage of total income increased by 39.49% in FY14 as against 12.69% in FY13.

**Provision for Taxation**

The provision for taxation for FY14 was ₹ 5858.04 lacs compared to ₹ 201.29 lacs in FY13.

**Profit after Taxes**

Due to factors discussed above our profit after taxes increased by 367.44% to ₹ 14,415.75 lacs in FY14 from ₹ 3,083.95 lacs in FY13. Our profit after tax as a percentage of total income increased by 28.08% for the FY14 as against 11.91% for the FY13.

**Comparaison of Fiscal 2013 vis-à-vis Fiscal 2012**

**Income**

Our total income for Fiscal 2013 was ₹ 25,892.80 lacs as compared to ₹ 20,611.04 lacs in Fiscal 2012 representing an increase of 25.63%.

**Revenue from Operation (Gross)**

Revenue from operations for Fiscal 2013 was ₹ 25,828.02 lacs as compared to ₹ 20,465.77 lacs in Fiscal 2012 representing an increase of 26.29%. This was primarily due to the increase in the supply of intermediates from ₹ 18,355.36 lacs in FY 12 to ₹ 21,158.33 lacs in FY 13 representing an increase of 15.27%. The growth was volume-driven and value led as the Company received the maximum number of CRAMS project.

The table below details the break-up of revenue from operations:

***(₹ In Lacs)***

| Particulars | FY2013 | FY2012 | Growth % |
|---|---|---|---|
| **A) Sale of Products** | | | |
| a) Bulk Drugs | 1,588.15 | 798.44 | 98.91% |
| b) Intermediates | 21,158.33 | 18,355.36 | 15.27% |
| c) Recoveries | 14.06 | 15.08 | -6.76% |
| d) Job works | 1,695.68 | 0 | 0.00% |
| **TOTAL** | **24,456.22** | **19,168.88** | **27.58%** |
| **B) Sale of Services** | | | |
| a) Contract Technical Services | 533.47 | 372.07 | 43.38% |
| b) Clinical Trials Services | 301.98 | 200.59 | 50.55% |
| c) Process Development Charges | 358.06 | 641.20 | -44.16% |
| d) Formulation Development Charges | 138.73 | 38.05 | 264.60% |
| **TOTAL** | **1,332.24** | **1,251.90** | **6.42%** |
| **TOTAL (A+B)** | **25,788.46** | **20,420.78** | **26.29%** |

**Other Income**

Our other income for Fiscal 2013 was ₹ 104.34 lacs as compared to ₹ 190.25 lacs in Fiscal 2012 representing decrease of 45.16%. This is mainly due change gain in foreign exchange in FY12.

***(₹ in Lacs)***

| Particulars | FY2013 | FY2012 |
|---|---|---|
| Interest Income | 23.53 | 14.57 |
| Dividend Income from Mutual Funds | 80.69 | 56.49 |
| Foreign Exchange Fluctuations Gain (Net) | - | 75.55 |
| Other | 0.12 | 43.64 |
| **Total Other Income** | 104.34 | 190.25 |

**Expenditure**

Our total expenditure in Fiscal 2013 was ₹ 22,607.56 lacs as compared to ₹ 19,696.85 lacs in Fiscal 2012 representing an increase of 14.78%. However, as a percentage of total income, our total expenditure decreased to 87.31% in Fiscal 2013 from 95.56% in Fiscal 2012.

***(₹ In Lacs)***

| Expenses | FY 2013 | FY 2012 |
|---|---|---|
| Cost of Materials Consumed | 8,827.40 | 8,145.56 |
| Changes in inventories of work in progress | -559.63 | -564.74 |
| Manufacturing Expenses | 3,904.81 | 2,667.83 |
| Employee benefit expenses | 2,537.70 | 2,283.03 |
| Research & Development Expenses | 3,469.33 | 3,304.91 |
| Financial Costs | 1,350.94 | 990.93 |
| Depreciation and amortisation expenses | 786.71 | 599.79 |
| Other expenses | 2,290.30 | 2,269.54 |
| **Total Expenses** | **22,607.56** | **19,696.85** |

**Cost of material consumed**

Our expenditure on materials consumed increased by 8.37% from ₹ 8,145.56 lacs in FY12 to ₹ 8,827.40 lacs in FY13 primarily due to an increase in the number of projects being worked upon. An increase in the cost of raw materials also led to increased expenses under this head. As a percentage of our total income, expenditure on materials consumed including decreased from 39.52% in FY12 to 34.09% in FY13.

**Manufacturing Expenses**

Consequent to an increase in CRAMS projects, the manufacturing expenses also climbed by 46.37% from ₹ 2,667.83 lacs in FY12 to ₹ 3,904.81 lacs in FY13. Power and fuel increases from ₹ 2,193.45 lacs in FY12 from ₹ 1404.40 lacs from FY13 representing an increase by 56.18%. Other expense drivers comprised factor upkeep expenses, quality control expenses and repairs & maintenance plant & machinery etc. As a percentage of our total income, expenditure on manufacturing expenses increases by 15.08% in FY13 from 12.94% in FY12.

**Employee Benefits Expenses**

Employee benefits expense increased by 11.15% from ₹ 2,283.03 lacs in FY12 to ₹ 2,537.70 lacs in FY13, primarily as a result of an increased in team size to manage growing operation, annual salary increase and performance related emoluments increased, with a growth of over the previous year. As a percentage of our total income, expenditure on employee benefits expenses decreased from 11.08% in FY12 against 9.80% in FY13.

**Research & Development Expenses**

Research & Development Expenses increased by 4.98% from ₹ 3,304.91 lacs in FY12 to ₹ 3,469.33 lacs in FY13, primarily as a Company's thrust on developing its NCE pipeline was the primary reason for increases in expenses. As a percentage of our total income, expenditure on research and development expenses decreased from 16.03% in FY12 to 13.40% in FY13.

**Depreciation and amortization**

Our depreciation and amortisation costs for Fiscal 2013 was ₹ 786.71 lacs as compared to ₹ 599.79 lacs in Fiscal 2012

**Other Expenses**

Other expenses increases by 0.91% from ₹ 2,269.54 lacs for FY12 to ₹ 2,290.30 lacs in FY13 As a percentage of total income, the other expenses have decreased from 11.01% in Fiscal 2012 to 8.85% in Fiscal 2013.

**Finance charges**

Our finance charges for Fiscal 2013 were ₹ 1,350.94 lacs as compared to ₹ 990.93 lacs in Fiscal 2012 representing an increase of 36.33%. The increase was primarily due to increase in short term borrowings from ₹ 2,285.40 lacs in Fiscal 2012 to ₹ 2,782.59 lacs in Fiscal 2013 for working capital purpose and increase in long term loan from ₹ 5,502.45 lacs in Fiscal 2012 to ₹ 6,418.33 lacs in Fiscal 2013.

**Profit before Tax**

Due to factors discussed above our profit before tax increased by 259.36% to ₹ 3,285.24 lacs in Fiscal 2013 from ₹ 914.19 lacs in Fiscal 2012. Our profit before tax as a percentage of total income increased to 12.69% in Fiscal 2012 from 4.44% in Fiscal 2012.

**Provision for Taxation**

The provision for taxation for Fiscal 2013 was ₹ 201.29 lacs compared to ₹ (522.06) lacs in Fiscal 2012.

**Profit after Taxes**

Due to factors discussed above, our profit after taxes increased by 114.72% to ₹ 3,083.95 lacs in Fiscal 2013 from ₹ 1,436.25 lacs in Fiscal 2012. Our net profit after tax as a percentage of total income increased to 11.91% for the Fiscal 2013 from 6.97% for the Fiscal 2012.

**LIQUIDITY AND CAPITAL RESOURCES**

Historically, our primary liquidity requirements have been to finance our working capital requirements for our operations and capital expenditures. We finance our working capital requirements primarily through funds generated from our operations and bank financing.

**CASH FLOWS**

The table below summarizes our cash flow for the periods indicated:

***(₹ in lacs)***

| Particulars | Fiscal 2014 | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|
| Opening cash and cash equivalents | 2,034.64 | 176.70 | 183.84 |
| Net cash from/ (used in) operating activities (A) | 12,130.81 | 3,068.6 | 3,375.27 |
| Net cash from/ (used in) investing activities (B) | -3,565.44 | -1,465.98 | -3,199.25 |
| Net cash from/ (used in) financing activities (C) | -3,822.97 | 255.32 | -183.16 |
| Net increase (decrease) in cash and cash equivalents (A+B+C) | 4,742.40 | 1,857.94 | -7.14 |
| Closing cash and cash equivalents | 6,777.04 | 2,034.64 | 176.70 |

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**Net cash from/ (used in) operating activities**

In Fiscal 2014, our net cash used in operating activities was ₹ 12,130.81 lacs. This was primarily due to increase in inventories by ₹ 2,481.44 lacs, increase in trade receivables by ₹ 4,882.93 lacs, which was partially offset by increase in trade payables of ₹ 1,637.96 lacs and the increase in operating profit before working capital changes.

In Fiscal 2013, our net cash used in operating activities was ₹ 3,068.60 lacs. This was primarily due to increase in inventories by ₹ 731.26 lacs, increase in trade receivables by ₹ 1,511.66 lacs, which was partially offset by increase in trade payables of ₹ 369.39 lacs and the increase in operating profit before working capital changes.

In Fiscal 2012, our net cash flow from operating activities was ₹ 3,375.27 lacs. This was primarily due to increase in inventories by ₹ 1167.03 lacs, which was partially offset by increase in trade payables of ₹ 1690.31 lacs decreases in trade receivables by ₹ 19.01 lacs and the increase in operating profit before working capital changes.

**Net cash from/ (used in) investing activities**

In Fiscal 2014, our net cash used in investing activities was ₹ 3,565.44 lacs. This mainly reflected expenditure towards purchase of fixed assets of ₹ 3,788.10 lacs.

In Fiscal 2013, our net cash used in investing activities was ₹ 1,465.98 lacs. This mainly reflected expenditure towards purchase of fixed assets of ₹ 2,006.91 lacs.

In Fiscal 2012, our net cash used in investing activities was ₹ 3,199.25 lacs. This mainly reflected expenditure towards purchase of fixed assets of ₹ 2,727.49 lacs and purchase of investment of ₹ 518.14 lacs.

**Net cash from/ (used in) financing activities**

In Fiscal 2014, our net cash used from financing activities was ₹ 3,822.967 lacs, which is mainly attributable to the repayment of borrowing by ₹ 2,650.06 lacs and interest paid on borrowing by ₹ 762.85 lacs.

In Fiscal 2013, our net cash generated from financing activities was ₹ 255.32 lacs which is mainly attributable to the increase in borrowing of ₹ 1,926.13 lacs, which was partially set in payment of interest on borrowing by ₹ 1,283.74 lacs.

In Fiscal 2012, our net cash used from financing activities was ₹ 183.16 lacs which is mainly attributable to interest and finance charges amounting to ₹ 983.43 lacs which was partially set in increases in borrowing by ₹ 1,139.48 lacs.

**Fixed Assets**

Our capital expenditure consists of purchase of fixed assets which includes land-free hold, building, plant and machinery, furniture fixtures, computers, vehicles, office equipment, laboratory equipments ETP works, misc. fixed assets etc. As on March 31, 2014 our total net block was ₹ 17,923.39 lacs.

**Capital Work in Progress (CWIP)**

Our CWIP consists of purchase of assets for Vizag plant. As on March 31, 2014 our CWIP was ₹ 1,282.01 lacs.

**Indebtedness**

As of March 31, 2014, we had total borrowings of ₹ 9,056.96 lacs consisting of short-term borrowings and long-term borrowings. The following table summarizes our long-term and short-term indebtedness, as of March 31, 2014.

***(₹ in lacs)***

| Particulars | Amount |
|---|---|
| **Short Term Borrowing** | |
| Secured | 2,855.36 |
| Unsecured | **-** |
| ***Total Short-term Borrowings*** | **2,855.36** |
| | |
| **Long-term Borrowings** | |
| Secured | 5,396.40 |
| Unsecured | **805.20** |
| ***Total Long-term Borrowings*** | **6,201.60** |
| ***Current Maturities of Long-Term Borrowings*** | 2,428.68 |
| **Total Borrowing** | **9,056.96** |

**Details of long-term borrowings:**

***(₹ in lacs)***

| Particulars | Amount |
|---|---|
| Corporate Loan From State Bank of India | 672.11 |
| Term Loan From State Bank of India (Vizag Plant | 180.04 |
| Corporate Loan From Bank of India | 1,400.55 |
| Corporate Loan From Bank of Bahrain & Kuwait | 3,143.70 |
| Loan from Department of Science and Technology, Govt. of India. | 805.20 |
| **Total** | **6,201.60** |

1. Corporate Loan from State Bank of India is repayable in 18 monthly instalments. First seven instalments of USD 0.080 Millions and next 11 instalments of USD 0.095 Millions commenced from Sept'2013.carries an interest of 4.33% secured by first and Pari-pasu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets.

2. Term Loan from State Bank of India is repayable in 22 quarterly instalment commencing from 3rd quarter of 2015-16 carries as of interest of 11.50%. Secured by first and pari-pasu charge on Land, Buildings, Plant& Machinery and Second charge on stocks, receivables and other current assets.

3. Corporate Loan of USD 0.106 Million from Bank of India carries interest rate 6.8675% p.a. on fully hedged. The loans are repayable in 9 quarterly instalments from the respective dates of disbursement of loans after considering moratorium period. The above loans are secured by first and pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets.

4. Corporate Loan From Bank of Bahrain & Kuwait is repayable in 16 quarterly instalments of US $ 0.375 Million. Commencing from December, 2013. Rate of Interest Libor + 3.50% secured by first and pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets

5. Loan from Department of Science and Technology – I The loan is repayable in 10 annual instalments of 50 Lacs each commencing from October, 2013 carries rate of interest 3%

6. Loan from Department of Science and Technology – II The loan is repayable in 10 Annual instalments of 44.40 Lacs each commencing from February, 2013. Rate of Interest 3.00%

**Contingent Liabilities**

The following table provides our contingent liabilities as on March 31, 2014:

***(₹ In lacs)***

| Particulars For the year ended | March 2014 |
|---|---|
| Income tax appeal for Assessment year 2010-11 | 16.98 |
| Income tax appeal for Assessment year 2011-12 | 7.64 |

**Off balance sheet arrangements**

Apart from contingent liabilities mentioned above we do not have any material off balance sheet arrangements.

**Related Party Transactions**

For details in relation to the related party transactions entered into by our Company during the last three Fiscals as per the requirements of AS-18 issued by the ICAI see the section titled "***Financial Statements***".

**Qualitative Disclosure about Risks and Risk Management**

**Raw material cost risk**

Our operations are exposed to fluctuations in the market price of various materials utilised in our projects. The market price or cost of some of these raw materials is closely linked to commodity prices, and any significant upward fluctuations result in an increase in the price at which we source these raw materials or components.

**Interest Rate Risk**

As of March 31, 2014, we had total indebtedness of ₹ 9,056.96 lacs consisting of short-term borrowings and long-term borrowings a part of the indebtedness and company also maintain cash and bank balance thus, we are exposed to market risk as a result of changes in interest rates. Upward fluctuations in interest rates increase the cost of both existing and new debts. It is likely that in the current Fiscal year and in future periods, our borrowings and interest expenses may rise substantially, given our growth plans.

**Foreign currency risk**

We may incur capital expenditure including cost of procuring equipment and machinery, in currencies other than in the Indian Rupee. Although we have historically hedged our foreign currency exposure, any significant decline in the value of the Indian Rupee against foreign currencies may nevertheless lead to an increase in our costs and expenditures.

**Inflation**

Inflation in India has been a persistent problem for several years and we have experienced significant fluctuations in our cost of operations and expenditure.

***Auditors Qualification***

There have been no qualifications or adverse remarks of auditors on the financial statements of our Company in the last five financial years immediately preceding the year of circulation of this Placement Document.

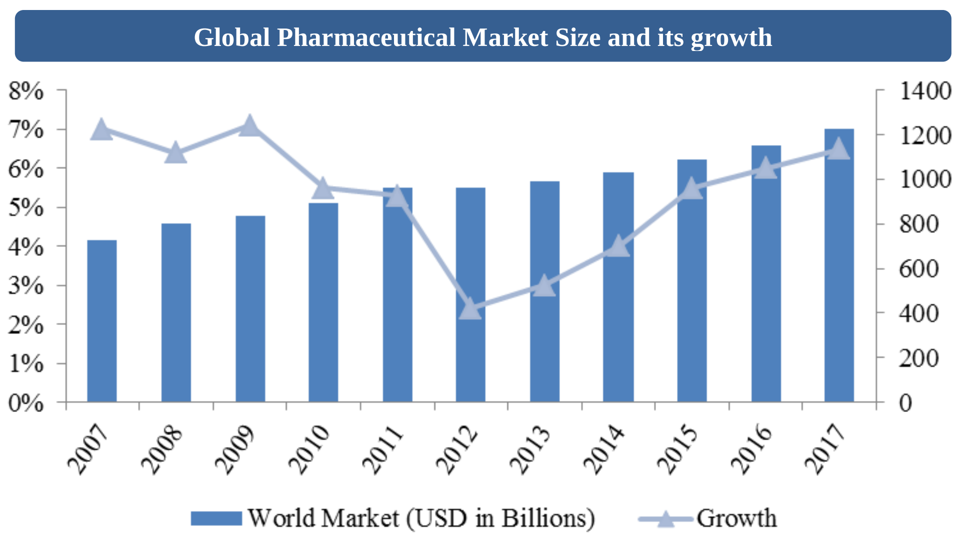
# INDUSTRY

*Unless noted otherwise, the information in this section is derived from the report titled "The Pharmaceutical Industry" by Care Ratings. None of the Company, the GC-BRLM or any of their respective affiliates and advisors or any other person connected with the Issue has independently verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Accordingly, we and the GC-BRLM do not take any responsibility for the data, projections, forecasts, conclusions or any other information contained in this section. Certain information contained herein pertaining to prior years is presented in the form of estimates as they appear in the respective reports/ source documents. The actual data for those years may vary significantly and materially from the estimates so contained. Accordingly, investors should not place undue reliance on this information.*

## The Global Pharmaceuticals Industry – Overview

The global pharmaceutical industry consists of businesses that are primarily engaged in manufacturing and processing medicinal substances into finished pharmaceutical products for human and veterinary use. Ethical brand name drugs, generic products, and non-prescription or over-the-counter (OTC) medication constitutes the pharmaceutical industry sub-sectors.

The global pharmaceutical market size was ~US$ 962 bn in 2012. According to *IMS Health*, a leading industry body, the global pharmaceutical market is expected to grow at a compound annual growth rate (CAGR) of 5.3% through 2012-17.This industry growth is driven by stronger short-term growth in the US market and is based on the global macroeconomic scenario, the changing combination of innovative and mature products apart from the rising influence of healthcare access and funding on market demand. Different regions of the world will influence the pharmaceutical industry trends in different ways.




*Source: IMS Health*

## Region Wise Market Size for 2012

The Asia, Africa and Australia region is expected to emerge as one of the fastest growing pharmaceutical market globally and also an Active Pharmaceutical Ingredient (API) production hub, going forward. In recent times, increased R&D activities towards generics segment in this region have propelled the growth in pharmaceutical industry which is expected to record a CAGR growth of approximately 11.4-14.4% during 2012-2017 (much higher than global average). Some of the factors that can be attributed for high growth in this region are lower manufacturing costs, favourable regulatory environment and huge demand from home-grown market given rise in disposable income and greater availability of health insurance products. Moreover, this region has reported important developments in the area of Contract Research and Manufacturing Services (CRAMS).


**Global Pharmaceutical Industry Structure**

**Patented vs. Generic Drugs**

**Patented Drugs:** Major pharmaceutical innovator companies which develop a new molecule usually hold patents for their products and therefore hold exclusive rights in the respective markets where such patents have been granted to produce and market their invented products for commercial gains. Pharmaceutical patent holders are given specific time frame to earn corresponding revenue on a product to recover the time and resources spent to invent such products. Typically, a large pharmaceutical company invests billions of dollars and more than a decade to develop and introduce a new molecule in the market after extensive R&D and clinical trials. In certain cases, pharma companies have also granted licenses to third parties for manufacturing and/or selling the patented product in an inaccessible market in return for a fixed royalty fee or some other profit-sharing arrangement.

**Generic Drugs:** Generic pharmaceutical drugs are products that are not protected by patents or whose patents have expired. These are drugs marketed by different companies but containing the same active pharmaceutical ingredients (API). Generic drugs are relatively cheaper as compared to patented drugs as competition forces down the price. Also, the costs for generic manufacturers to develop their products and obtain regulatory approval to market and sell such products are considerably lower than for innovation and R&D by innovator drug companies. However, generic drugs cannot co-exist with patented product protected under Intellectual Property Rights (IPR) in the same market.

**Intellectual Property Rights as applied to Pharmaceuticals**

The United States, Canada, Europe and Japan are some highly regulated markets that recognize patents protection. Among the several types of patents which pharmaceutical manufacturers can receive patent protection, two are enumerated below:

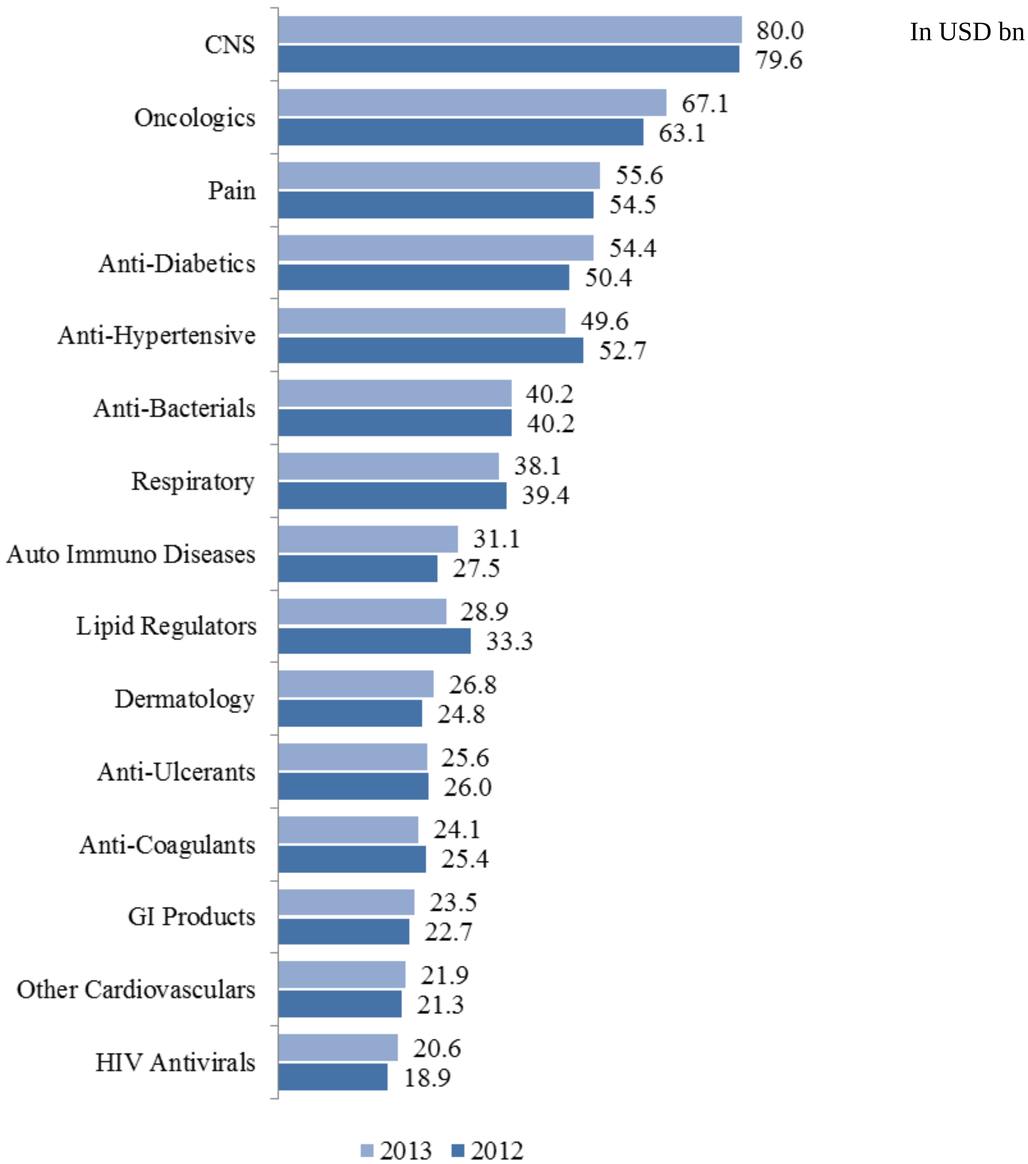
**Product Patents:** Pharmaceutical product patents in most countries and jurisdiction protect a specific molecular structure, compound, combination, composition, product, formulation, dosage form, kit or the like and prevent others from making, using, offering for sale or selling a pharmaceutical product that represents the patented molecular structure, compound, combination, composition, product, formulation, dosage form, kit or the like without permission.

**Process Patents:** The method of making the product is protected by process patents. However, if any business entity is able to create the same product through a different and non-infringing process, referred to as designing around the process, the patent holder cannot prevent the product‘s reproduction.

**Global Top Therapeutic Segments**

Over the last two decades Central Nervous System (CNS) has been grown rapidly and at global level it is the largest contributor in term of value. The growth is primarily on account of world witnessing rapid growth in aging population leading to various CNS disorders such as Alzheimer's disease, epilepsy, insomnia, major depressive disorder, Parkinson's disease, migraine, schizophrenia, attention-deficit hyperactivity disorder, bipolar disorder, Antipsychotics among others.

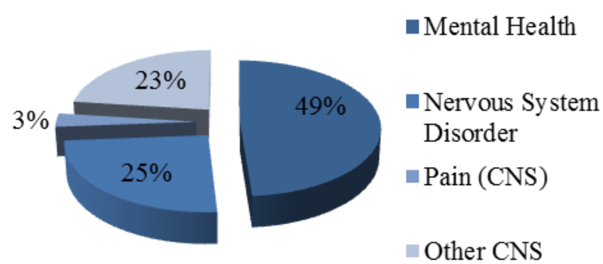
**Global market size of top 15 therapeutic segments**



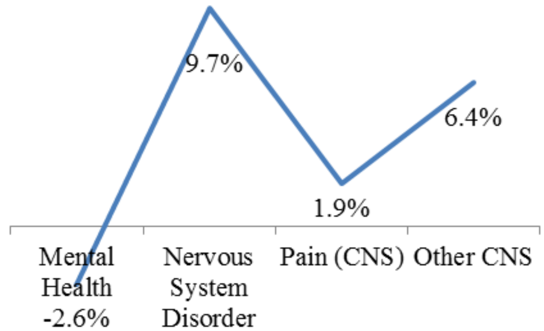

*Source: IMS health care*
*Note: a. Central nervous system include mental health, nervous system disorder, other CNS and 3% of the pain segment*
*b. CNS portion of Pain is included in the CNS therapeutic segment*

The following tables illustrate the CNS sales break-up during 2013 and growth in each sub-segment from 2012 to 2013:

**CNS sales break up**




**Growth in each sub-segment of CNS during 2012 to 2013**




*Source: IMS health care*

Mental health related disorders contribute to majority of CNS sales followed by Nervous disorder.

**Overview of the Central Nervous System (CNS) Segment**

The drugs pertaining to this segment primarily target the high risk diseases such as Alzheimer's, Parkinson's, depression, anxiety, schizophrenia etc. It is found that the number of subjects suffering from Alzheimer's, Schizophrenia and Parkinson's was about 36 million, 24 million and 10 million respectively during CY2013.

Alzheimer's disease is the most common form of dementia. Alzheimer's approximately constitutes around 60-70% cases of dementia. According to WHO, no of patients affected by Alzheimer's is expected to reach 66 million in 2030 and around 115 million in 2050.

The estimated spending to cure these diseases together is as high as about 1% of global gross domestic product in CY2013. As per the World Bank report the global GDP for CY2013 stood at USD 74,910 Bn. Hence the total cost to cure these disease is approximately USD 750 bn as against the global CNS sales of USD 80Bn (in CY2013) indicating huge growth potential for the pharma player in CNS segment.

**Top 25 Global Pharma Companies by Sales**

The global pharma industry during CY2013 has grown by about 3%, however, the growth in top twenty five companies was less than 1%. The reason for the lower growth registered by these top players was primarily on account of patent expirations. Out of the top twenty five companies about 15 of them are engaged in drugs related to CNS disorders.

| Sl. No | Company | CY2012 (USDbn) | CY2013 (USDbn) |
|---|---|---|---|
| 1 | Pfizer | 51.2 | 47.9 |
| 2 | Novartis | 46.7 | 47.5 |
| 3 | Roche | 38.0 | 39.2 |
| 4 | Merk & Co | 40.6 | 37.4 |
| 5 | Sanofi | 39.5 | 37.1 |
| 6 | GloxoSmithKline | 33.3 | 33.3 |
| 7 | Johnson & Johnson | 25.4 | 28.1 |
| 8 | Astrazeneca | 27.9 | 25.7 |
| 9 | Lilly | 20.6 | 21.0 |
| 10 | AbbVie | 18.4 | 18.8 |

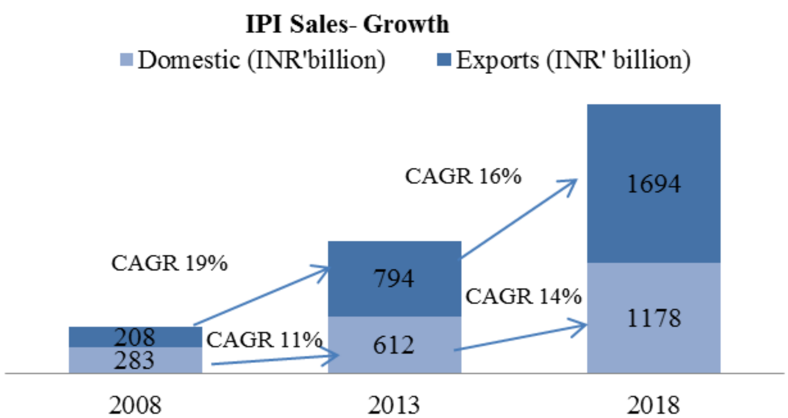
| Sl. No | Company | CY2012 (USDbn) | CY2013 (USDbn) |
|---|---|---|---|
| 11 | Teva | 18.5 | 18.3 |
| 12 | Amgen | 16.6 | 18.2 |
| 13 | Takeda | 17.6 | 17.4 |
| 14 | Bristol-Myers Squibb | 17.6 | 16.4 |
| 15 | BoehringerLngelheim | 14.7 | 15.8 |
| 16 | Novo Nordisk | 13.9 | 14.9 |
| 17 | Bayer | 14.3 | 14.9 |
| 18 | Astellas | 12.6 | 13.1 |
| 19 | Daiichi Sankyo | 11.9 | 12.1 |
| 20 | Otsuka | 10.7 | 11.2 |
| 21 | Gilead Sciences | 9.4 | 10.8 |
| 22 | Baxter | 10.0 | 10.5 |
| 23 | MerkKGaA | 8.5 | 8.4 |
| 24 | Eisai | 6.9 | 6.8 |
| 25 | Biogen Idec | 5.3 | 6.7 |

**Indian Pharmaceuticals Industry**

**Overview of Indian Pharmaceutical Industry (IPI)**

The Indian Pharmaceutical Industry (IPI) is ranked third globally in terms of volume and thirteenth in terms of value. The lower market share in terms of value can be attributed to the predominance of generic medicines which command lower prices. As per estimates, the industry size is expected to grow at a CAGR of 14%from INR 1,406 billion in 2013 (US$24.87 bn) to INR 2,872 billion (approx. US$ 48 bn) by 2018 given the huge export potential coupled with steady growth in the domestic formulation market.

Growth in the domestic pharma market is expected to be driven by increase in the penetration of health insurance, improving access to healthcare facilities, rising prevalence of chronic diseases and rising per capita income. The export growth is expected to be led by increasing generic penetration in the regulated markets on the back of enhanced focus on the niche and complex product segments, patent expiries and growing demand from semi-regulated pharma markets.



*Source: CARE*

**Trends in the domestic and export markets**

**Domestic Market:**

Domestic consumption accounted for about 47% of the total sales of IPI in FY13 (refers to the period April 1 to March 31). The domestic market has grown at a CAGR of about 11% in the past five years ended FY13 on the back of increase in lifestyle-related diseases, rising penetration of medical insurance, healthcare infrastructure development, increase in per capita income, etc.

For the medium term period (i.e. FY13-FY18), CARE estimates domestic pharmaceutical consumption to grow in a range of 13-14% on a CAGR basis. Rising penetration of health insurance and government initiatives to increase access to healthcare facilities to low income class would be the key drivers.

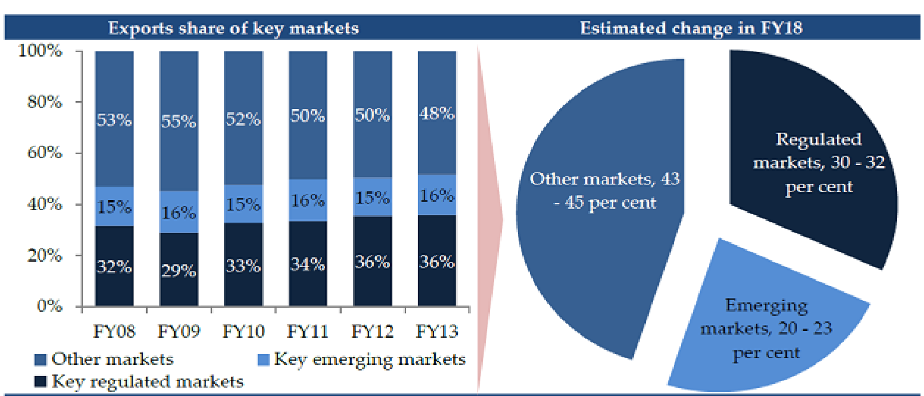
**Export Market:**

Being primarily an export oriented industry, India's drugs and pharmaceutical exports have more than doubled in the last 5 years and accounted for ~53% of the total industry sales during FY13 compared to around 39% during FY08. Export market has grown at a CAGR of about 19% in the past five years ended FY13 this can be attributed to growing trend in outsourcing of pharmaceutical production by global pharmaceutical companies to low cost destinations like India and increasing penetration of generic drugs in the regulated markets on the back of patent expiries such as Lipitor (from Pfizer), Boniva (from Roche), Combivir (from GlaxoSmithKline), etc. in the regulated markets.

India exports pharmaceutical products to about 180 nations and the United States of America (US) is the largest export market for India among all countries, being the world's largest generic drug market. Exports to US are primarily driven by increased Abbreviated New Drug Applications (ANDAs) approvals by United States Food & Drugs Administration (USFDA) and Indian Pharma companies' ability to produce high-quality medicines at competitive prices.

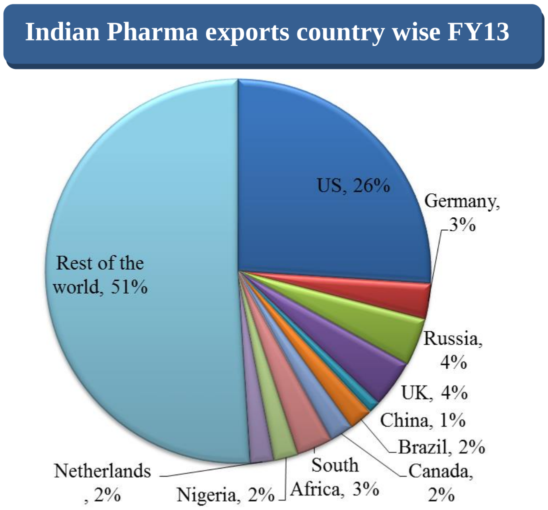
IPI's exports aggregated US$ 14.7 billion during FY13 as against US$ 8.48 billion during FY12 (source: Ministry of Commerce). Further, India's pharmaceutical exports stood at US$ 14.84 billion in FY14 with US being the country's biggest market for pharma exports accounting for about 25 per cent, followed by the United Kingdom (UK) (source: Ministry of Commerce).

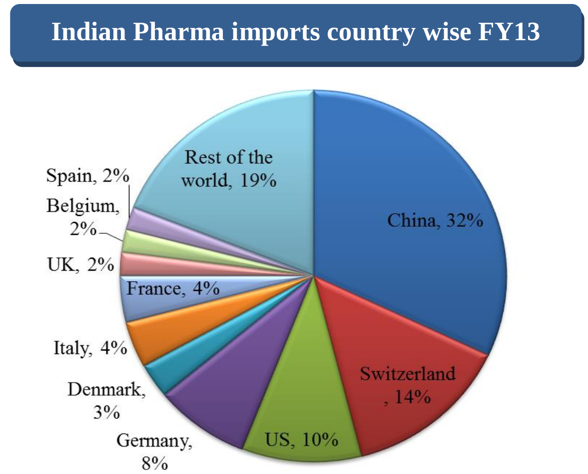
Increasing growth prospects for the domestic pharmaceutical manufacturers in emerging markets like Russia, Brazil, South Africa etc. that has similar growth drivers like India has been an encouraging factor for the industry. During the last five years (FY08-13), exports to these regions have increased at a CAGR of around 23%. The key regulated markets still command more than 35% of the industry exports and has witnessed a rise of around 24% during FY08-13 period.




Source: CMIE and CARE
Note:
Key regulated markets include USA, Germany, UK and Canada
Key emerging markets include Brazil, Kenya, Nigeria, South Africa, Russia, Turkey and Vietnam
Other developed markets include Singapore and Australia

Indian exports are destined to more than 180 countries around the globe including highly regulated markets like the US, Europe, Japan and Australia. Following pie charts depicts the breakup of Indian pharma imports and exports from and to various countries:




**IPI Industry Structure**

Over the years the structure of IPI has evolved, on account of changes in government regulations as well as innovation in product technology. On the basis of products, IPI can be classified into formulations, API (Active Pharmaceutical Ingredient)/bulk drugs and CRAMS (Contract Research & Manufacturing Services) with total market size of about U.S. $24.87 Bn in FY2013. The market size of CRAMS in 2013 was estimated at U.S. $7.8Bn which overlaps both formulations and APIs. The formulations can be further segregated on the basis of therapeutic segments like acute and chronic, while CRAMS can be categorized into contract research and contract manufacturing.

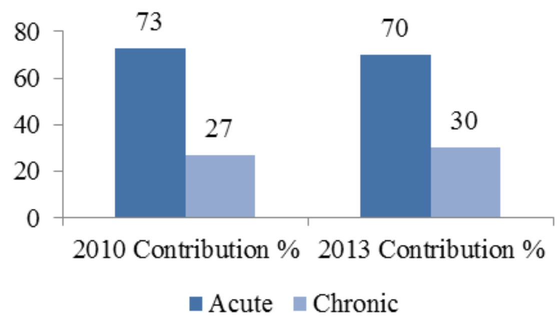
**Pharmaceutical Industry**

| Formulations | API/Bulk Drugs | CRAMS |
|---|---|---|
| India's manufacturing prowess in formulations is validated by the fact that it manufactures ~60,000 products across all therapies. | India is one of the leading bulk drugs suppliers globally with over 2,000 API manufacturing units producing nearly 1,500 APIs | India is a leading centre for Contract Manufacturing Outsourcing and Contract Research Outsourcing. |

**Indian Pharmaceutical Market by Therapeutic Segments**

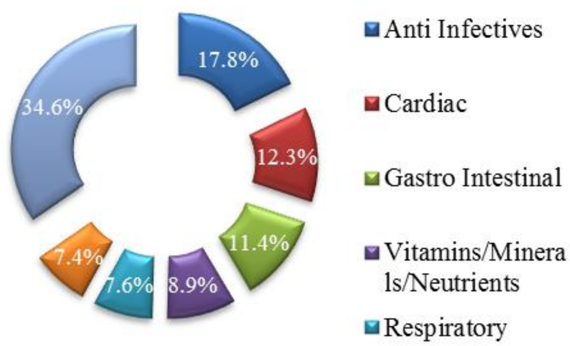
Broadly, the therapeutic segments are classified into acute and chronic therapies. While acute therapy include anti-infective, respiratory, pain, gynaec etc., chronic therapy includes cardio, gastro, CNS, anti-diabetic etc. The contribution from chronic therapies to IPI has gone up from 27% in 2010 to 30% in 2013. (Source: PwC)

**% contribution of acute and chronic therapies**




With respect to therapeutic segments, anti-infective drugs had the largest market share in 2013 of ~17.8% followed by cardiovascular segment with ~12.3% and gastrointestinal segment with ~11.4% market share. The top 2 segments constituted around 42% of the total consumption. The side table shows the bifurcation of various therapeutic segments:

**% contribution of various therapeutic segments**



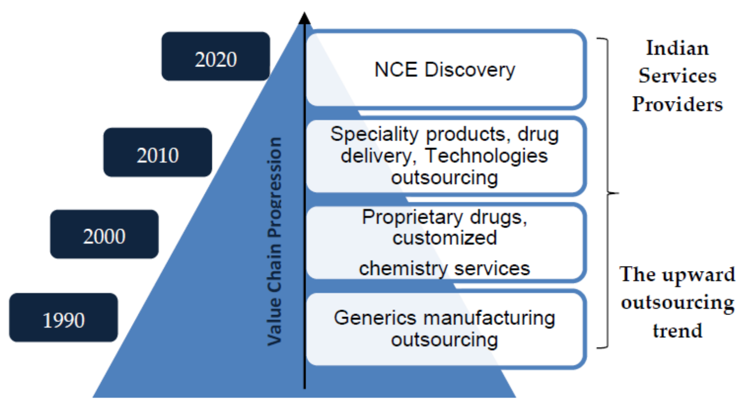

**Growth drivers for Indian pharmaceutical industry (IPI)**

### Outsourcing opportunity offered by big pharmaceutical MNCs

Indian pharmaceutical companies already have a strong partnership with global Multi-National Companies (MNCs). Research and Development (R&D) in India is getting more advanced and innovative and Indian companies are deeply involved across all stages of research. Domestic companies have strengthened their position globally for supplying various solutions across the pharmaceutical value chain. Outsourcing activities can be in multiple segments right from the drug discovery till manufacturing of the final products. Global pharmaceutical firms have long outsourced functions such as R&D, manufacturing-packaging, clinical trials and marketing-sales force mobilization to Indian companies. With fiscal pressure to cut healthcare related cost coupled with increased cost of R&D pipeline, the US and European pharmaceutical companies are increasingly opting for outsourcing to contain costs. Indian pharmaceutical companies are well positioned to capture a large share of outsourcing opportunities with the availability of world's largest pool of trained pharmacists, low manufacturing costs and the ability to maintain global quality parameters.

India has the second highest number (523 plants as on March 31, 2014) of USFDA approved plants outside the US that are capable of providing contract manufacturing services. Global pharma companies have partnered with Indian pharma companies for drug discovery and development of new chemical entities with focus on chemistry skills to take advantage of skilled manpower and scientific talent pool. Outsourcing of such service requires building up long-term relationships with innovator companies over a period of time — initially with smaller projects and gradually moving on to high value-added projects such as NCE Discovery

**Pharmaceutical outsourcing trend (1990 to 2020)**




Source: Industry and CARE

A NCE is a molecule developed by the innovator company in the early drug discovery stage, which after undergoing clinical trials could translate into a drug that could be a cure for some disease. Synthesis of an NCE is the first step in the process of drug development. Drug discovery and development has a long gestation period of around 10-12 years to have one successful molecule. Further, the risk and uncertainty associated is high as there is no guarantee on whether the molecule will get approved for the next stage. Off late, drug discovery is majorly outsourced as it's a high cost industry. India is a major player in NCE CRAMS as costs are lower in India compared to global market. NCE CRAMS is a niche segment with few players dominating the space.

### Opportunities for Collaborations

Various companies have different capabilities and specialization like clinical research, informatics, services for analytical pre-formulation studies etc. This provides tremendous opportunities for collaborations along various segments of the drug discovery value chain.

External Research - Pharmaceutical companies can outsource part of their research activity to other companies which can in turn support them with services for new product development. This can range from pre-formulation studies, screening studies, formulation development and use of specific drug delivery technology, clinical research etc or even a basic idea.

Contract manufacturing – Indian pharmaceutical companies now have state-of-the-art facilities which are approved by the global authorities. They not only have infrastructure but also have the capabilities of making low-cost finished products. This serves as a benefit to the marketing companies and they can save on their expenses.
Other Areas - Outsourcing is also done in areas like clinical research, data management, packaging consultancy in research etc.

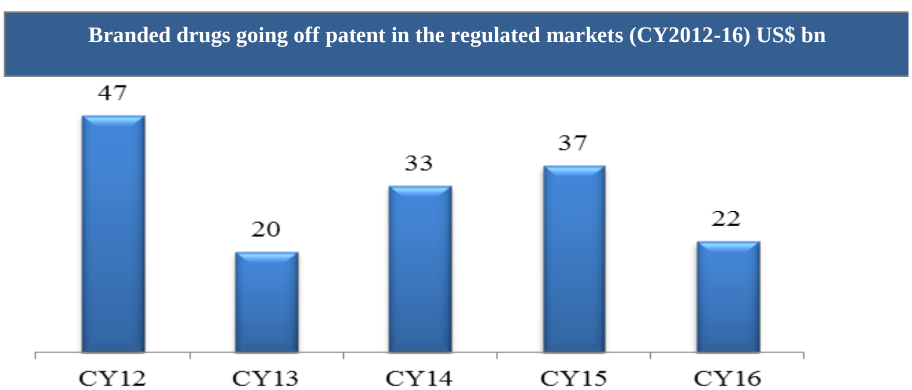
The last decade has seen a considerable growth of contract research and manufacturing in India. There have been number of collaborations between global players and Indian CRAMS companies.
India expects to boost its share in the US$64 bn global CRAMS market as substantial number of drugs are set for patent expiry and fall into the generic domain. Contract manufacturing outsourcing (CMO) currently dominates the CRAMS space with nearly 60% market share. The CMO business is poised to grow further to reach US$7-8 bn by 2015 by expanding into biology and more value-added services like drug delivery systems, combination drugs, etc. but chemical synthesis currently maintains the stronghold for Indian CMOs segment.

**Impact of patent expiration on IPI**

Indian pharmaceutical companies have the opportunity to capitalize on the patent cliff and gain a greater share of the growing global generics market. Currently, India accounts for nearly 40% of generic drugs and over-the-counter products and 10% of finished dosages used in the US.

During 2014-2016, about US$ 92 billion worth of patented drugs are expected to go off-patent in the US as compared with US$ 65 billion during 2010-12. Indian companies' share in the US generics market has grown rapidly on the back of aggressive ANDA fillings and successful pursuit of Para-IV, capitalizing on the patent expiries of blockbuster drugs.

Under the US laws, a successful approval received by the 'first-to-file' generic company for an ANDA filed under the Para-IV category would result in the company obtaining 'exclusive rights' to sell the generic version of a patented drug for 180 days, with only the patent holder as the other player in the market.

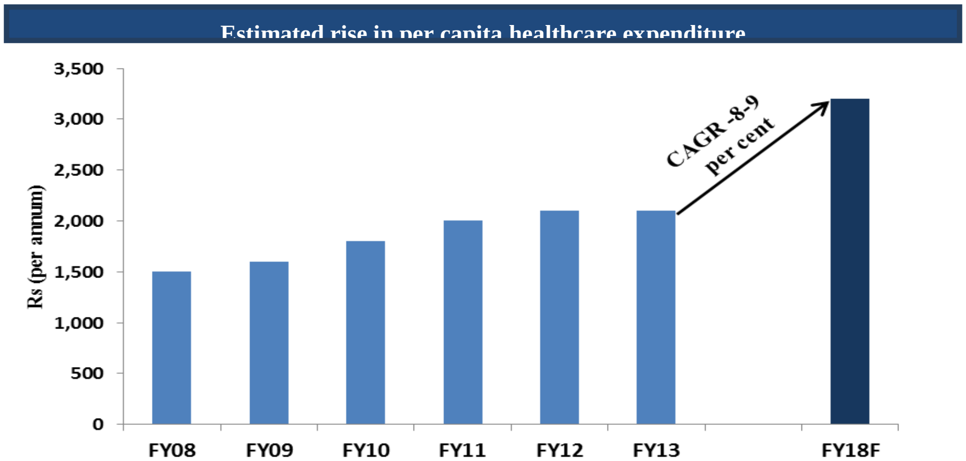



*Source: CARE*

**Growth in middle class population with changing demographics and increase in per capita income leading to higher penetration**

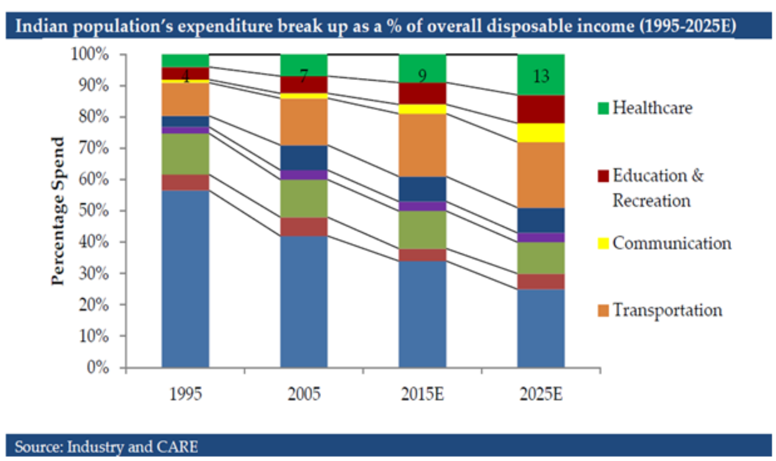
India's current population at just over 1.2 billion is expected to rise to 1.6 billion by 2050, (around 33 per cent increase) which will overtake China as the world's most populous country. Moreover, India has a huge middle class population (households with annual income between Rs 3.4 lacs to Rs 17 lacs at 2009-10 prices), which has grown rapidly, from 25 million people in 1996 to 160 million people in 2010.

This growing middle class population is rapidly acquiring the purchasing power necessary to afford quality medicines due to an increase in disposable income, which is consecutively providing boost to domestic healthcare expenditure. During last five years (FY08-FY13) the per capita healthcare expenditure has risen by around 7 per cent on CAGR basis. CARE estimates, expanding middle class population and urbanisation would continue to keep the growth levels for per capita healthcare expenditure healthy (i.e. 8-9 per cent on CAGR basis).




*Source: CARE, F: Forecast*

Currently ~60 per cent of the population is in the young-age bracket which is expected to increase the aging population from current ~96 million to approximately ~168 million by 2026. Increasing ageing population is expected to boost the need for better healthcare facilities. This represents a significant increase in patient base and presents a market for preventive, curative and geriatric care opportunities. Importantly, growing literacy rates, increased general medical awareness will augur well for the pharmaceutical industry going forward.

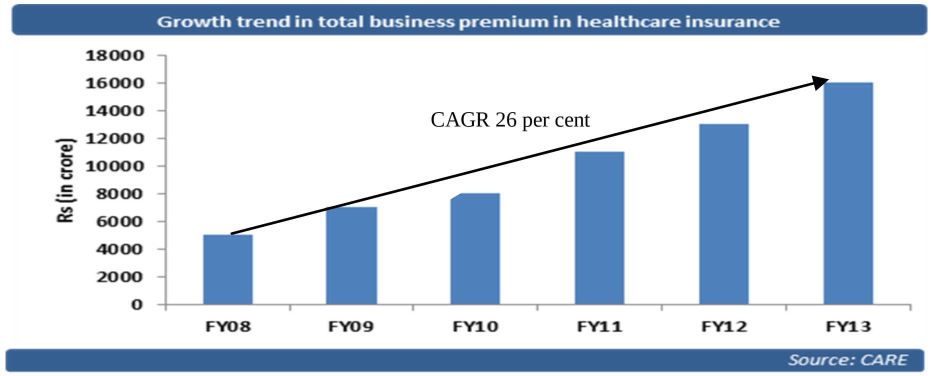



There is a positive and significant correlation between per capita income and healthcare spending, including pharmaceuticals. Currently, India has one of the world's lowest per capita spend on pharmaceuticals. The Indian population spent 7 per cent of its disposable income on healthcare in 2005 and this number is expected to nearly double, to 13 per cent, by 2025.

**Rising penetration of health insurance**

The health insurance market is rising rapidly and it has been the highest growth in the insurance industry during last 4-5 years. The total business premium for healthcare insurance has grown at CAGR of around 26 per cent during FY08-FY13 basis. Although the healthcare insurance market has witnessed a strong growth scenario during last one decade, India lags behind significantly to some of the developed countries such as US (85%), Japan (100%) and

Switzerland (~99.5%). The key hindrance in the growth of healthcare infrastructure has been the lack of affordability among the low income group. Hence government has launched Rashtriya Swasthya Bima Yojana (RSBY) to provide health insurance to Below Poverty Line (BPL) families. Since April 2008, around 34 mn families have been enrolled till the end of February 2013 under this scheme. CARE believes that government initiatives like providing tax incentive to encourage the participation of people under the insurance umbrella, making healthcare insurance available even to low income group would provide fillip to healthcare expenditure.




Increasing penetration of health insurance over the next few years will spur demand for pharmaceuticals as it becomes possible for patients to afford more sophisticated and expensive therapies.

**Overview on CRAMS (Contract Research and Manufacturing Services) market**

Contract Research & Manufacturing Services is considered as an important growth segment of Indian pharmaceutical exports. The global CRAMS business has two major segments – contract manufacturing services (CMS) and contract research services (CRS). Over the last two decades, global pharmaceutical companies have become increasingly reliant on using third parties to improve efficiencies through in-licensing, out-licensing, collaborations and outsourcing by moving towards a networked pharmaceuticals operating model. The global CRAMS market (excluding clinical trials) has reached ~US$94 bn in CY2013. India is emerging as one of the most attractive destinations for outsourcing of global pharmaceutical activities

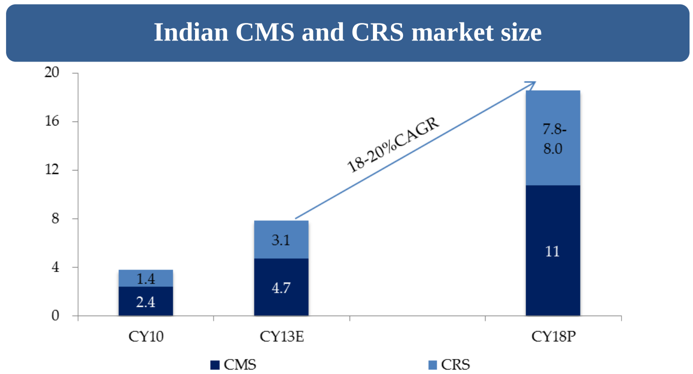
**Global CRAMS Industry**

The cost of developing new drugs is estimated between ~US$ 1bnto US$ 5bn (*source: Forbes*) depending on the complexity of the drug discovery and with increased time period for bringing a new drug to the market. With a depleting drug pipeline, the pharmaceutical industry is under pressure to enhance the productivity of its research and development functions. These factors may enhance outsourcing of manufacturing and research activities by global pharmaceutical companies, benefitting the global CRAMS industry. Several models of arrangements of pharma companies with CRAMS industry have emerged in recent years:

1. CRAMS company could be a supplier of Active Pharmaceutical Ingredients, which are used in the manufacture of Formulations
2. The manufacture of formulation drugs could be carried out by CRAMS companies at lower costs due to economies of scale and lower input costs
3. CRAMS companies specialising in research could take up assignments in formulation development, new drug development or conducting clinical trials.

**Indian CRAMS industry**

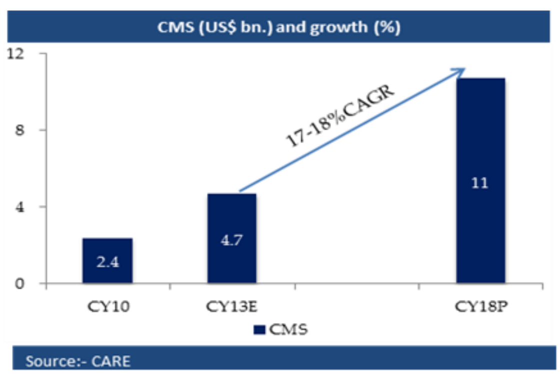
The Indian CRAMS industry, valued at ~US$7.6-7.8bn in CY13E, is expected to maintain its growth trajectory at current levels of 18-20% CAGR to reach a value of ~US$18bn in CY18P. The Contract Manufacturing Segment (CMS) is likely to cross ~US$10bn, growing at ~18% CAGR by CY18P and would account for ~58-60% of the industry. The Contract Research Services (CRS) is estimated to expand to US$7.8-8.0bn by CY18P, outgrowing CMS at a CAGR of 20% during the same period.




Indian CRAMS industry is expected to cement its position in the global CRAMS industry. CARE expects Indian CRAMS industry to increase to ~7-8% of global CRAMS market by CY18P from current ~5%. As outsourcing picks up among the pharmerging markets (semi-regulated, non-developed markets), Indian CRAMS industry is expected to capitalise on its expertise in the CRAMS space and establish its presence in such new markets.
Contract Manufacturing Segment (CMS) to maintain ~18% CAGR

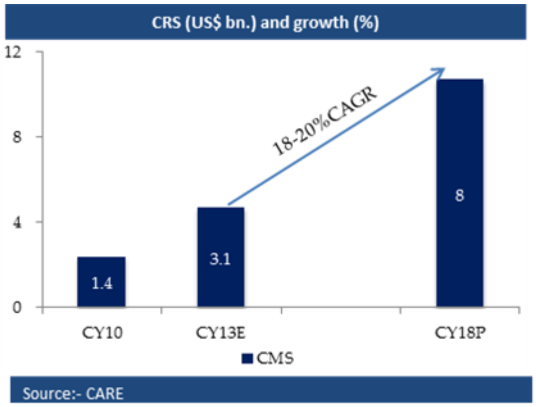
India is one of the world's best known low-cost manufacturing centres, with second highest number of USFDA approved plants outside the US. In addition, patented drugs worth US$ 92 Bn in annual sales in US going off patent along with the supportive policies of the government have aided in creating brand-recognition for the Indian pharma industry across the world. This is likely to boost the prospects of Indian CMS companies.

With the Indian CRAMS industry gradually moving up the value chain and players investing in better technology and higher capacity, manufacture of value-added products may be outsourced to Indian players in the near future. CARE expects the Indian CMS segment to maintain 17-18% CAGR till CY18P.

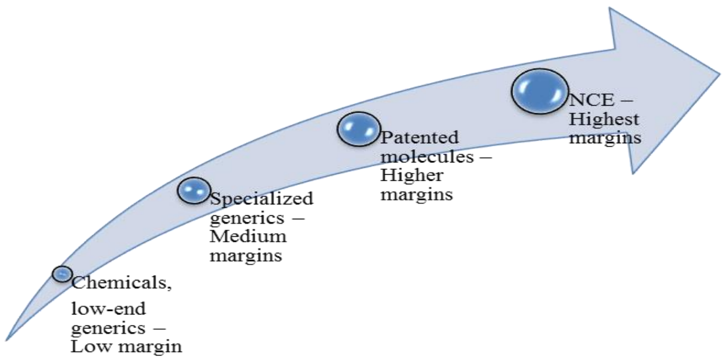



**Contract Research Services (CRS) to maintain ~20% CAGR, outgrowing CMS**

The Indian CRS industry benefits from structural factors such as the presence of English speaking population, highly skilled labour force and low cost of employees. As most of the outsourcing to Indian CRAMS industry is from the Western countries where English is widely prevalent, this natural advantage to the Indian CRS industry as compared to other countries (China, Vietnam, etc.). With costs increasing due to various reasons and research productivity declining in regulated markets, global pharma companies are looking for measures, including outsourcing, to enhance their drug pipeline. CARE expects Indian CRS to maintain 18-20% CAGR till CY18P.




**Value chain of CRAMS**




Few companies in India are involved in NCE based CRAMs were they are involved in contract manufacturing in API and Intermediates for NCE of innovators pharma companies. This is a specialised form of CRAMs that requires significant R&D expertise and hence commands a high margin for NCE based CRAMS player.

**Drivers of Indian CRAMS industry**

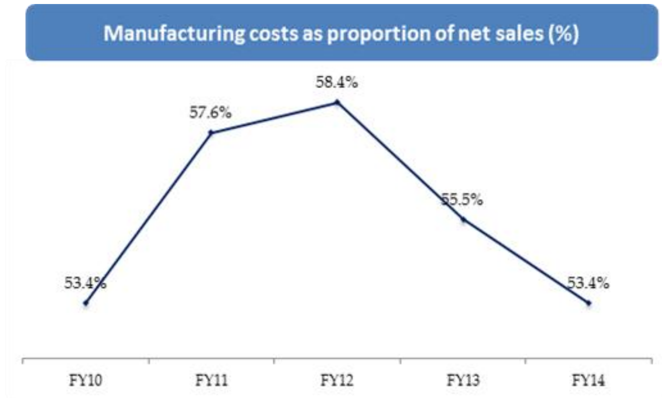
**Declining R&D budgets amidst falling productivity would lead to additional outsourcing to CRAMS companies**

The pharma industry in the developed markets is under the twin pressures of 1) increasing 'generalisation', and 2) regulatory changes leading to additional costs. In US, several provisions of the Affordable Care Act, such as the new excise duty and under-pricing of generic drugs used for Medicaid, have led to increased costs for pharma companies. European countries and Japan have reduced costs of acquisition of drugs for social health schemes/insurance reimbursements. The cost escalations/price reductions are likely to limit future allocations to R&D.

Additionally, in recent years, R&D productivity has slipped in regulated markets. The average cost per approved New Molecule Entity (NME) has nearly doubled in the past decade, despite a 40% fall in the number of NMEs approved by the USFDA. US Congressional Budget Office (CBO) estimates only 21.5% of NMEs completed phase III trials in the US. Further, the cost of developing new drugs is estimated to have reached ~US$ 5bn (Source: Forbes). Due to the persistence of such adverse conditions in in-house research, global pharma companies may consider additional outsourcing to Indian CRAMS companies.

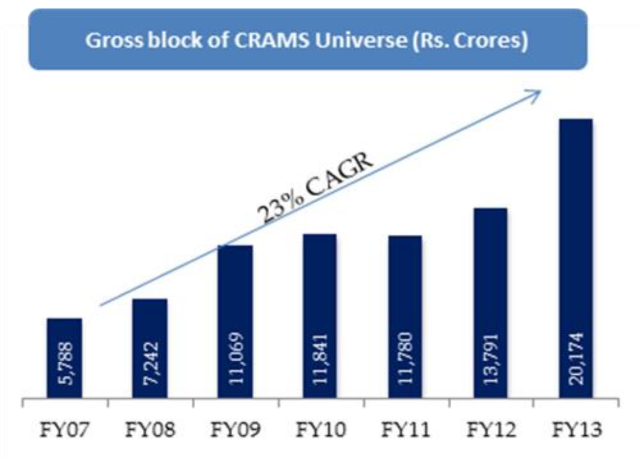
**Lower manufacturing costs**

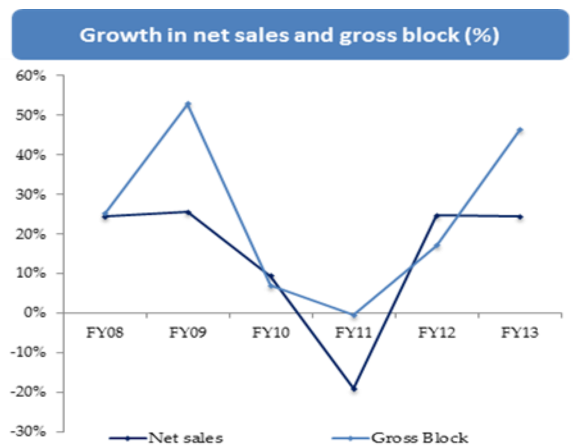
During the period FY07-14, growth in manufacturing costs has lagged the increase in net sales. While net sales of Indian CRAMS companies grew at 14% CAGR, manufacturing costs have grown at 13% CAGR in the same period. As a proportion of net sales, manufacturing costs have declined from 57% in FY07 to 53% in FY14. CARE expects increasing competition and greater application of cutting-edge technology to aid further decline (~100bps) in manufacturing costs as a proportion of sales in the medium term. This would result in higher cost competitiveness of Indian CRAMS companies.




***Capacity addition by players in India***

Investments by CRAMS companies in Fixed Assets have grown at 23% CAGR during the period FY07-13, higher than 14% CAGR growth of net sales. For instance, gross block additions in 'Computer Software' have witnessed 38% CAGR. CARE expects the productivity enhancements of these investments to accrue to the companies in the next few years.




***Product/customer diversification***

Indian CRAMS companies have specialised in various segments such as contract/custom manufacturing and research, chemistry services and technology outsourcing. Product-wise, players have also moved into APIs, finished dosages and biopharmaceuticals. At present, several CRAMS players are expanding into CNS, diabetes, oncology, orphan drugs, nanotechnology, biosimilars and intermediate stages of clinical research/trials. Customer-wise, Indian CRAMS industry has expanded into newer territories, riding on the back of increasing pharmaceutical exports to various countries across the world. The broad framework and on-going diversification of customers and creating various products/services offered would serve as a hedge for the industry against specific risks.

***'Patent cliff'***

Patented drugs are likely to account for decreasing proportion of sales of global pharmaceutical companies due to the 'patent-cliff' (large proportion of drugs going off-patent). Manufacture of such generic drugs in the most cost-effective manner would lead to increased opportunities for contract manufacturing segment.

***Biopharmaceuticals***

The US biopharmaceutical industry accounts for ~3,400 of the ~5,000 new bio-compounds under study across the world. Additionally, the biopharma industry is highly research intensive (*Source: SelectUSA*), leading to high market price of biopharma drugs. CARE expects 'Biosimilars' to emerge as a cheaper alternative to the expensive biopharmaceutical drugs. In order to benefit from outsourcing opportunities in bio-drug space in future, some Indian CRAMS companies have already initiated investments in building support structures and bio-drug facilities.

***Future growth in phase I & II trials / biopharma***

Until now, processes outsourced to Indian CRAMS companies pertained to generic drug manufacturing, custom research and chemistry processes. However, with the Indian pharmaceutical and CRAMS industry making significant advances, high-end processes carried out exclusively by global pharmaceutical companies may be outsourced to the Indian CRAMS entities in the near future. The new processes may pertain to the Phase I & II activities of the drug trial process, specialty product manufacturing, technology-based outsourcing, pre-clinical trials and the emerging segment of biopharmaceuticals. The next stage of growth of the global CRAMS industry would arise from the outsourcing of these set of advanced activities.

**Key Players in the Indian CRAMS Segment**

Domestic players in CRAMS comprise of Divis Laboratories Ltd, Suven Life Sciences Ltd (with major focus on CNS), Dishman Pharmaceuticals and Chemicals Ltd, Syngene International Ltd, Jubilant Life Sciences Ltd, Actimus Biosciences Pvt. Ltd, Alembic Ltd, Apollo Life Sciences Pvt. Ltd etc.

Companies like Divis Laboratories Ltd, Suven Life Sciences Ltd, Syngene International Ltd etc. are primarily engaged in NCE based CRAMS. Since NCE based CRAMS are high end complex drug discovery area, very few players in India are successful despite of lucrative high margin segment. The CRAMS manufacturer's PBILDT margin from NCE based business generally is high in the range of 35% to 45%. Since NCE based CRAMS are high end in the value chain of drug discovery, the players in this segments are expected to attract more premium for their services.

(₹ Crore)

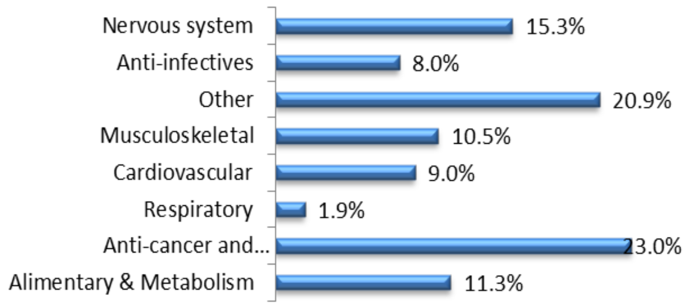
| Particulars FY14 | Total Operating Income | PBILDT | PBILDT Margin (%) |
|---|---|---|---|
| Suven Life Sciences | 510 | 222 | 43.5 |
| Divis Laboratories Ltd | 2,514 | 1,103 | 43.9 |
| Syngene International Ltd | 707 | 247 | 35.0 |
| Dishman Pharmaceuticals and Chemicals Ltd | 1,385 | 357 | 25.8 |
| Jubilant Life Sciences Ltd | 3,673 | 612 | 16.7 |

*Source: Annual Reports of respective companies*

**Overview of Global Research and Development**

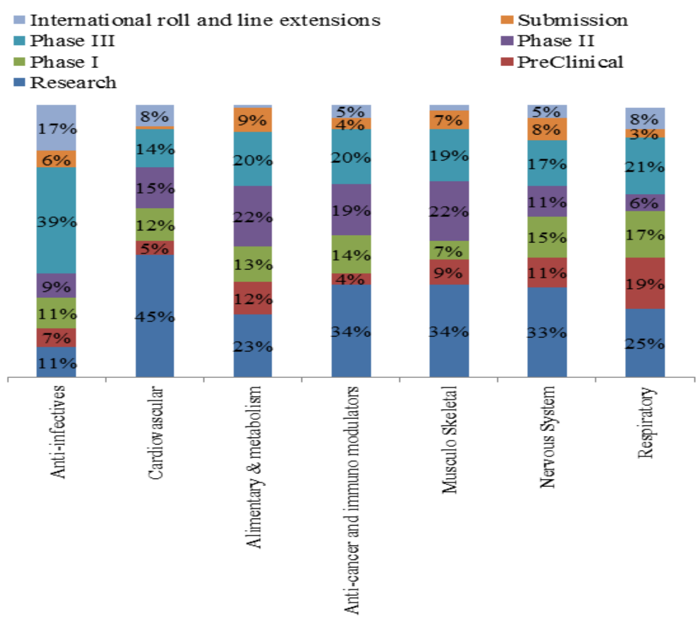
The global pharmaceutical companies based on research are evolving and entering into next phase by offering personalized medicines. The whole industry now is in the phase of innovative drugs which can be widely available, accessible and affordable. However, the overall expenditure on research and development (R&D) and developing new medicines was estimated at about USD 73 billion in 2013 and the increase in expenditure is muted at about 1.5% - 3.0% year on year during 2010 to 2013. This modest growth in R&D spending can be attributed to fall in research productivity over the last few years in terms of both the quantity and quality of new products.

**Total R&D Expenditure by Therapeutic Area, 2011**




Going forward, CARE expects the global pharmaceutical R&D spending to grow at a CAGR of 2.0-3.0% for the next 5 years. Nervous system (CNS) attracts second highest investment of all therapeutic areas after Anti-cancer. The total R&D expenditure and the phase wise distribution of R&D expenditure by therapeutic area are presented in the charts. In CNS category, majority of investments happen in initial and pre-clinical stage of investments as there is very low probability of molecules actually making it to Phase 1 trials.

**Phase-wise distribution of R&D expenditure by therapeutic area**

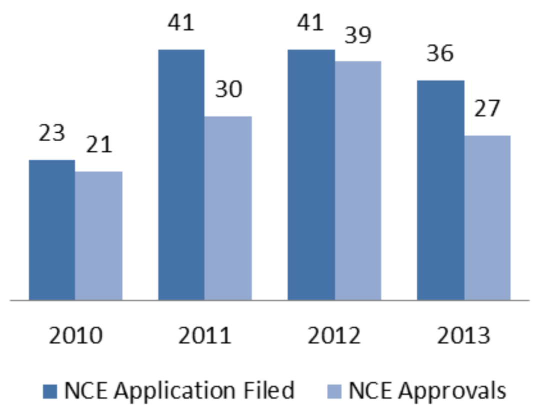



*Source for tables: 2012 CMR International Pharmaceutical R&D Fact Book*

**Overview of global NCE Research**

The USFDA has approved 27 New Chemical Entities ("NCE") in 2013 (39 in 2012) out of 36 NCE applications filed with the Center for Drug Evaluation and Research (CDER). Understanding the potential of the drug to serve the affected patients, CDER has processed the files on the priority basis. Further during January 2014 to October 15, 2014, CDER has approved about 34 NMEs. During 2013, CDER has approved 89% (i.e. 24) of the drugs without requests for additional information which would delay approval and ten of the 24 first cycle approvals are also designated as Priority Review drugs which have potential to serve as significant medical advances in health care. The USFDA has expedited its process in terms of approvals as 74% of the drugs were first approved by them than those of regulatory agencies in other countries.

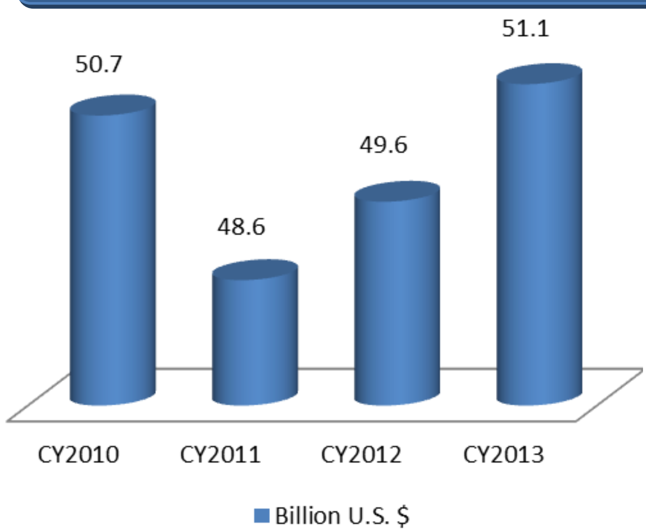
**Number of NCE application filed and approved by CDER**



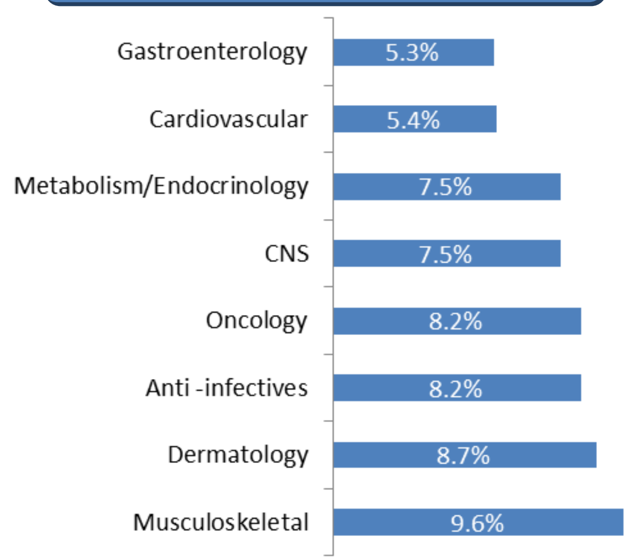

**Global top therapeutic segments R&D spent**

CNS is one of the largest therapeutic segments globally. The segment has grown at CAGR of 5-6% during 2008-2013. The R&D in CNS segment is expected to grow in regulated market such as U.S on account of increased governmental support (U.S. government has proposed to spend USD 140.8 billion in the fiscal 2013 to support R & D program across the country) and increase in the count of population affected by CNS disorders such as Alzheimer's, Parkinson's, Depression, anxiety, Schizophrenia etc,.

**Research and development expenditure of the entire U.S. Pharmaceutical industry from 2010 to 2013**




**Annual growth in number of active commercial INDs (2008-2013), CAGR**

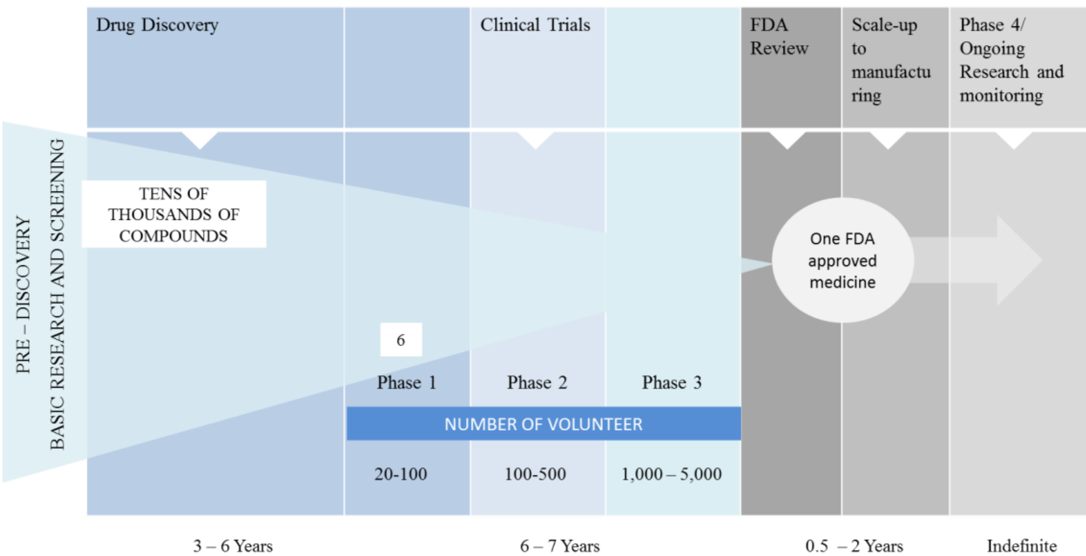


## Indian Pharmaceutical R&D Industry

The Indian innovative pharmaceutical R&D industry is still in the early stages of evolution. Modest, yet serious investments have been made and the initial projects are moving through different phases of research, some have even reached Phase III; and the initial delivery system based-projects based on indigenous technology have reached the market.

In recent times several large pharmaceutical companies in India have increased their R&D spending. It is estimated that the cost of developing a new molecule in India is likely to be 1/5th of the US cost and this may work to the advantage of Indian companies.

## Background and trends of NCE and NDDS

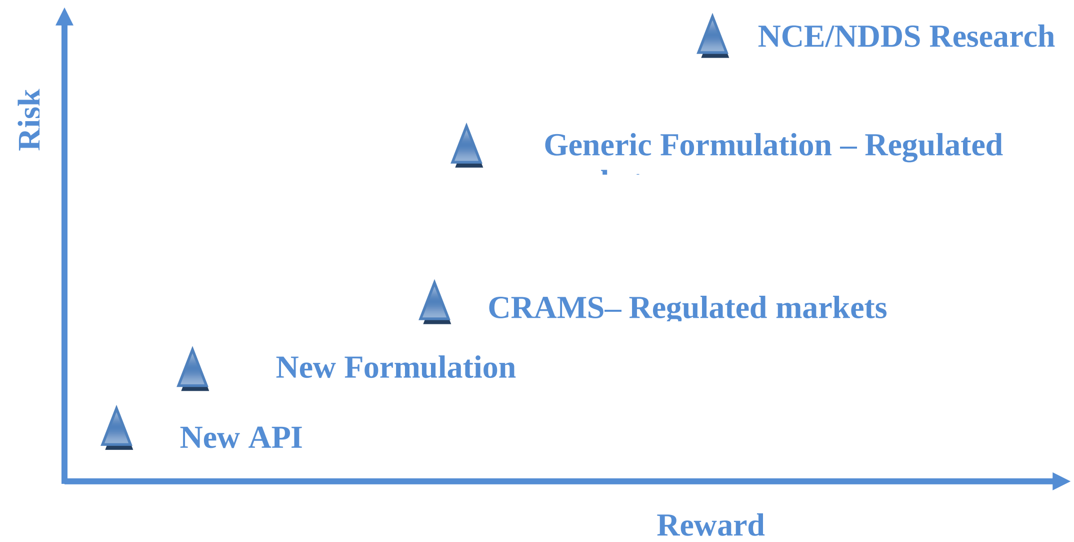



*Source: America's biopharmaceutical research companies report 2014*

New Drug Discovery is a very time consuming process and it takes anywhere between 10 to 15 years for a NCE from initial research phase, drug discovery, clinical trials, regulatory approvals, manufacturing to commercialisation. Generally one drug out of tens of thousands only pass through as NCE.

The overall cost of bringing a new molecule to the market, after adjusting for the cost of all product failures in the research phase, is approximately between USD 1 bn to USD 5 bn in regulated markets depending on the complexity of the drug. Traditionally, the Indian pharmaceutical companies on an average spend very little on new drug discovery. In the early 1990s, its R&D expenditure was approximately 1.5% of sales while larger companies spent only 2-3% of their sales on R&D in that period. Market scenario has changed drastically since then and from year 2000 there has been a substantial increase in research spending in the industry.

**Pharmaceutical R&D Business Risk**




*Source: CARE*

The dynamics of NCE research business are different and investment in it for sharper research focus, longer time horizon, higher risk appetite and acceptance of intellectual property. Hence, development of NCEs is not yet a significant part of the research and development activities of Indian companies constituting less than a quarter of the total research and development expenditure by the major companies.

In India, many large pharmaceutical companies with strong financial strength as well as NCE based CRAMS focused pharmaceutical companies with expertise in drug discovery and research have invested substantial amount in research and development activities especially in NCEs while some companies have hived off their specialized Research and Development units into separate companies. Indian companies have also collaborated with multinationals companies through licensing deals for NCEs and for clinical trials development to overcome the high risks of drug development.

Indian companies that want to expand beyond generic medicine are investing in R&D capabilities abroad. Carrying out research abroad is expensive, yet Indian companies are choosing to do that because of the better ecosystem there. *(Source: Business standard Sep 09, 2014)*

## BUSINESS

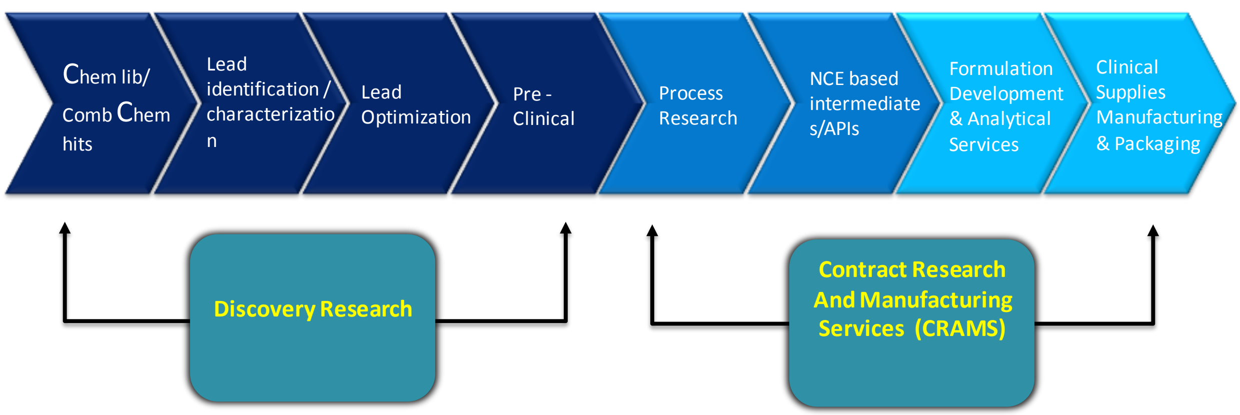
*Some of the information contained in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should read the section "Forward-Looking Statements" for a discussion of the risks and uncertainties related to those statements and also the section "Risk Factors" for a discussion of certain factors that may affect our business, financial condition or results of operations. Our actual results may differ materially from those expressed in or implied by these forward-looking statements. Our fiscal year ends on March 31 of each year, so all references to a particular Fiscal are to the twelve-month period ended March 31 of that year.*

*The financial figures used in this chapter, unless otherwise stated, have been derived from our Company's audit reports for the relevant years.*

### Overview

Our Company was incorporated in the year 1989 as a bulk drug manufacturer in the pharmaceuticals industry. The Equity Shares of the Company were initially listed in the year 1995 on the BSE and HSE (not a stock exchange since order of SEBI dated January 25, 2013). Further, the Equity Shares of the Company are also listed on the NSE in the year 2003. Our Company has more than 25 years of experience in the pharmaceutical industry. Our Company was then engaged in manufacturing of bulk drugs and fine chemical intermediates. We then started operations with global pharmaceutical companies in their drug innovation activities of the development of New Chemical Entities ("**NCE**") by providing drug intermediates under our Contract Research and Manufacturing Services ("**CRAMS**") business model. Coinciding with India becoming signatory to the TRIPS agreement and amending its intellectual property laws in consonance with the TRIPS agreement, our Company started its drug discovery research activities. Our Company has since then also ventured into to its own drug innovation activities in the CNS therapeutic segment.

### Suven's Business Model




### Contract Research and Custom Manufacturing

Under our CRAMs business model which we commenced in the year 1995, we undertake research, manufacturing and supply of intermediates of NCEs to global pharmaceutical manufacturers, bulk drugs, contract technical services including process R&D services, process development services and formulation development services. As on March 31, 2014, we have obtained 36 process patents under our CRAMS activities. Pharmaceutical companies can outsource part of their research activity to other companies which can in turn support them with services for new product development. This can range from pre-formulation studies, screening studies, formulation development and use of specific drug delivery technology, clinical research etc or even a basic idea. CRAMS business is a niche segment with few players dominating the space. Our Company has undertaken over 700 projects under the CRAMS business model for various life science companies.

### *New Chemical Entities*

In the year 2005, our Company ventured into the business of drug innovation and drug discovery in the CNS therapeutic segment. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions under our drug discovery activities. Our endeavours in the drug innovation activities has resulted into a pipeline 13 NCEs. Typically, an NCE activity involves several stages of innovation starting from drug discovery, clinical trials, regulatory approvals and commercialization. Our proprietary drugs are in various stages of pre-clinical and clinical trials. As on date of this Placement Documents, we have our own pipeline of 13 NCEs across therapeutic areas such as Alzheimer's, Schizophrenia, ADHD, Major Depressive Disorder ("**MDD**"), Obesity and Pain.

'SUVEN-502' for Alzheimer's has completed Phase 1 clinical trial stage in USA and we await the final reports and completion of the remaining process in this regard. Once phase 1 clinical trials are completed in its entirety, that is, after receiving the report and successfully completing the remaining process, we may be entitled to enter into phase 2 clinical trials. Additionally, we have commenced Phase 1 clinical trials for our NCE, SUVN-G3031. Two of our NCEs, SUVN D-4010 and SUVN 911 addressing Alzheimer's, Schizophrenia and depression, respectively are currently undergoing toxicology studies in USA in preparation for US-IND submissions. Our other NCEs are in preliminary stages of development.

As of September 30, 2014, we have 870 employees and 9 consultants. Our research team consists of 386 scientists of which 22 are PhD holders. Our total research team strength is classified into 127 discovery research scientists and 259 process research scientists.

We have three manufacturing facilities located in the state of Telangana at (a) Pashamylaram, (b) Suryapet and (c) Jeedimetla. We are currently developing another manufacturing facility at Vishakhapatnam in Andhra Pradesh.

We have drug discovery and process research laboratory located at our facility at Jeedimetla, a bio-pharmaceutical laboratory and a formulation development centre located at our facility at Pashamylaram. In addition, each manufacturing facility has a process R&D laboratory attached to them.

All our manufacturing facilities are certified for ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Our manufacturing units at Suryapet and Pashamylaram are cGMP and US-FDA compliant. Our Company's unit at Pashamylaram has also been approved for manufacture of Gabapentin by the Commissioner of Ministry of Food and Drug Safety, Korea and granted a cGMP certificate by the Freie Und Hansestadt for manufacturing active pharmaceutical ingredients including Tamsulosin hydrochloride, Gabapentin.

Our total income for the fiscals 2012-14 has grown at a CAGR of 57.95% from ₹ 20,465.77 lacs to ₹ 51,058.62 lacs. During the aforementioned fiscals, our EBITDA has grown at a CAGR of 197.76 % from ₹ 2,504.91 lacs to ₹ 22,208.81 lacs and our net profit after tax has grown at a CAGR of 216.81% from ₹ 1,436.25 lacs to ₹ 14,415.75 lacs.

## Our Competitive Strengths

### *Core competence in CRAMS business model*

Our Company is primarily engaged in CRAMS business where research and development is customized to the needs of our global pharmaceutical customers. We endeavour to follow a non-conflict business model with our customers which mean that our products and services are provided for the innovation of the drug whereas our Company is not involved in developing competing drugs. In the CRAMS segment, we provide the innovator companies in drug development with contract research, manufacturing and supply of, (i) intermediates, (ii) APIs and (iii) formulations. Additionally, under our CRAMS model, we provide services such as contract technical services.

With over two decades of experience in the pharmaceutical industry, we have executed more than 700 CRAMS projects.

For our CRAMS projects, we may be required to undertake various specialized processes. Our facilities are equipped for undertaking specialized processes like cyanation, chiral core technology, Butyl Lithium reaction, reductions (catalytic and chemical), high temperature - high pressure reactions, Lithium diisopropylamide ("**LDA**") and asymmetric synthesis and bio-transformations.

Our Company has experience in performing the following reactions:

| Particulars | | |
|---|---|---|
| • Alkylations | • Halogenation using bromine, chlorine, $POCl_3$ etc | • Metalation - MeLi/n-BuLi/LDA/HMDS |
| • Acylation | • Heck Arylation | • Mitsunobu Reaction |
| • Amidation | • Chiral amines synthesis | • Oxidation-Jones, Swern, $KMnO_4$, $NaIO_4$, Nitric Acid |
| • Chiral Alkylation | • Asymmetric synthesis | • Reduction - catalytic, metal hydrides, high pressure, metal catalyzed, Birch reduction, diborane, LAH, DIBAL-H, $NaCNBH_3$ |
| • Condensation | • Carbohydrates | • Suzuki Coupling |
| • Cyanation | • Grignard reactions | • Asymmetric synthesis |
| • Cyclo-condensation | • Horner-Emmons Wadsworth reaction | • Enzymatic resolution |
| • Formylations | • Organoborane | • Hydrogenation using Pd/c, Pt/c, Rh/c and Rani-Ni |
| • Grignard Reactions | | |

In the past, we have performed these reactions and demonstrated our experience through execution for our various customers over a period of time.

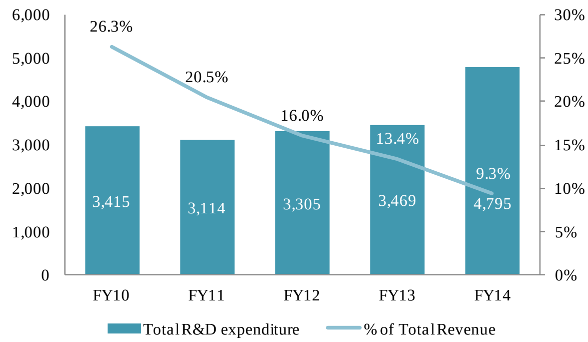
We generate a significant portion of our total revenues from sale of products in our CRAMS business which constitutes 96.69% of our revenues in FY14 while the remaining 3.31% came from services performed under our CRAMS business model. In FY2013-14 three of the drugs for which we manufacture intermediates under phase III clinical trials reached the pre-launch stage contributing to revenues of ₹ 16,706.93 lacs from manufacturing activity of supplying the pre-launch quantities of intermediates to those customers.

Exports to US are primarily driven by increased Abbreviated New Drug Applications (ANDA) approvals by United States Food & Drugs Administration (USFDA). We have granted an exclusive license in June 2013 to TARO Pharmaceuticals North America, Inc. ("**Taro**") to distribute one of our products Malathion Lotion in USA, Canada and Mexico on supply and royalty payments basis effective till April 2028.

***Research driven company***

Our Company is research driven with competencies both in terms of our manufacturing and R&D facilities. Our research team consists of 386 scientists being approximately 45% of our total employee strength. As of September 30, 2014, we have 870 employees and 9 consultants.

Our CRAMS projects involves significant amount of research and innovation as is representative of 36 process patents which our Company has been granted. Out of our total research team strength 259 scientists are involved in CRAMS projects. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions which have been granted to us in our NCE activities. Out of our total research team strength 127 scientists are involved in discovery research.




In FY2014, R&D expenses were 9.3% of the total revenues. We have invested an aggregate amount of ₹ 18,098.46 lacs on R&D in its drug innovation business for financial years 2010-14. Our Company has written off all its R&D expenses in the year in which it was incurred. We believe that our R&D has led, and will continue to lead, to new, innovative processes that can increase the efficiencies of production as well as address opportunities that we have identified in the global market for our businesses.

***Pipeline of proprietary NCEs in the CNS segment***

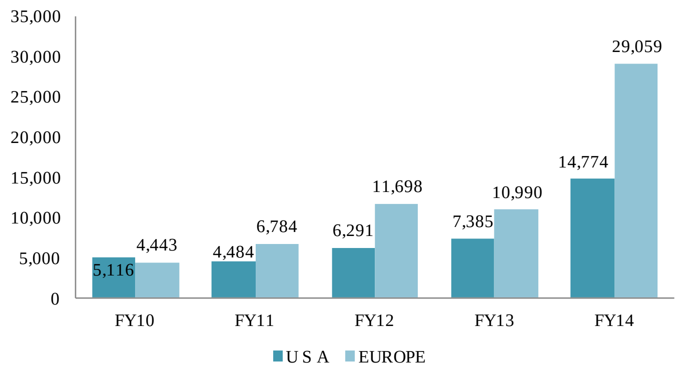
In the year 2005, our Company ventured into the business of drug innovation and drug discovery in the CNS therapeutic segment. As on March 31, 2014, we have been granted 670 product patents, various jurisdictions for 26 inventions under our drug discovery activities. Our endeavours in the drug innovation activities has resulted into a pipeline 13 NCEs. Typically, an NCE activity involves several stages of innovation starting from drug discovery, clinical trials, regulatory approvals and commercialization. Our proprietary drugs are in various stages of pre-clinical and clinical trials. As on date of this Placement Documents, we have our own pipeline of 13 NCEs across therapeutic areas such as Alzheimer's, Schizophrenia, ADHD, Major Depressive Disorder ("**MDD**"), Obesity and Pain. 'SUVEN-502' for Alzheimer's has completed Phase 1 clinical trial stage in USA and we await the final reports and completion of the remaining process in this regard. Once phase 1 clinical trials are completed in its entirety, that is, after receiving the report and successfully completing the remaining process, we may be entitled to enter into phase 2 clinical trials. Additionally, we have commenced Phase 1 clinical trials for our NCE, SUVN-G3031. Two of our NCEs, SUVN D-4010 and SUVN 911 addressing Alzheimer's, Schizophrenia and depression, respectively are currently undergoing toxicology studies in USA in preparation for US-IND submissions. Our other NCEs are in preliminary stages of development.

***Presence in regulated markets***

We provide research, manufacturing and supply of intermediates, APIs and formulations in the companies operating in the regulated markets.

In order to gain access to such regulated markets and gain customer confidence, we are required to comply with the stringent technical, quality and operating standards as required by such regulated markets. For instance, we have our manufacturing units at Suryapet and Pashamylaram which are certified as cGMP and US-FDA compliant.

We generate a significant portion of our revenue which is derived from export of our products and services. In FY2014, 93.71% of our revenues were derived from exports out of which revenues from regulated markets of Europe and USA constituted 56.95% and 28.95% respectively of our revenues. We have witnessed an increase in our revenues from Europe and USA in the last five financial years.




*Increase in contribution from Europe and USA (₹ in Lacs)*

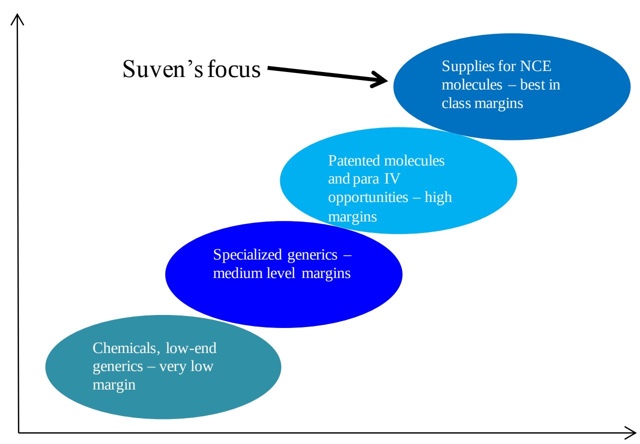
***Experienced Promoter and Key Managerial Team***

Our Promoters have played a key role in developing our business and we benefit from their significant experience in the pharmaceutical business. We also have a qualified key management team with experience in the domestic and international pharmaceutical industries, including in the areas of R&D, regulatory affairs, manufacturing, quality control, sales, marketing and finance. We believe that the healthcare domain knowledge and experience of our Promoters and our key management team provides us with a significant competitive advantage as we seek to grow in our existing markets and enter new segments and geographies.

Our Promoters and key managerial team have over 250 years of cumulative work experience in pharmaceutical industry and all our Key Managerial Personnel have been associated with the Company for nearly a decade or more.

For further details of our Key Managerial Personnel, please refer to chapter titled '***Board of Directors and Senior Management***' beginning on page 134.

**Our Strategy**




***Continue to focus on our CRAMS business***

The last decade has seen a considerable growth of contract research and manufacturing in India. We continue to focus on the entire value chain of drug discovery and development. We follow a non-conflict business model with our customers which mean that our products and services are provided for the innovation of the drug whereas our Company is not involved in developing competing drugs.

Our focus has been to work with innovator companies for development and supply of intermediates of the NCEs rather than manufacture and supply of generics. We continue our focus on continuing our relations on a long term basis with these innovator companies from the early phase of drug discovery to commercialization stage.

With our experience and timely delivery of projects coupled with our pipeline of 99 ongoing projects, we are well positioned for long term association with our customers as the NCEs move to next stage of drug development.

***Focus on NCE development in the CNS therapeutic segment***

Our proprietary drugs are in various stages of pre-clinical and clinical trials. We have our own pipeline of 13 NCEs across therapeutic areas such as Alzheimer's, Schizophrenia, ADHD, Major Depressive Disorder ("**MDD**"), Obesity and Pain.

'SUVEN-502' for Alzheimer's has completed Phase 1 clinical trial stage in USA and we await the final reports and completion of the remaining process in this regard. Once phase 1 clinical trials are completed in its entirety, that is, after receiving the report and successfully completing the remaining process, we may be entitled to enter into phase 2 clinical trials. Additionally, we have commenced Phase 1 clinical trials for our NCE, SUVN-G3031. Two of our NCEs, SUVN D-4010 and SUVN 911 addressing Alzheimer's, Schizophrenia and depression, respectively are currently undergoing toxicology studies in USA in preparation for US-IND submissions. Our other NCEs are in preliminary stages of development.

We intend to continue our R&D activities in the NCE development for monetization opportunities in the CNS therapeutic segment.

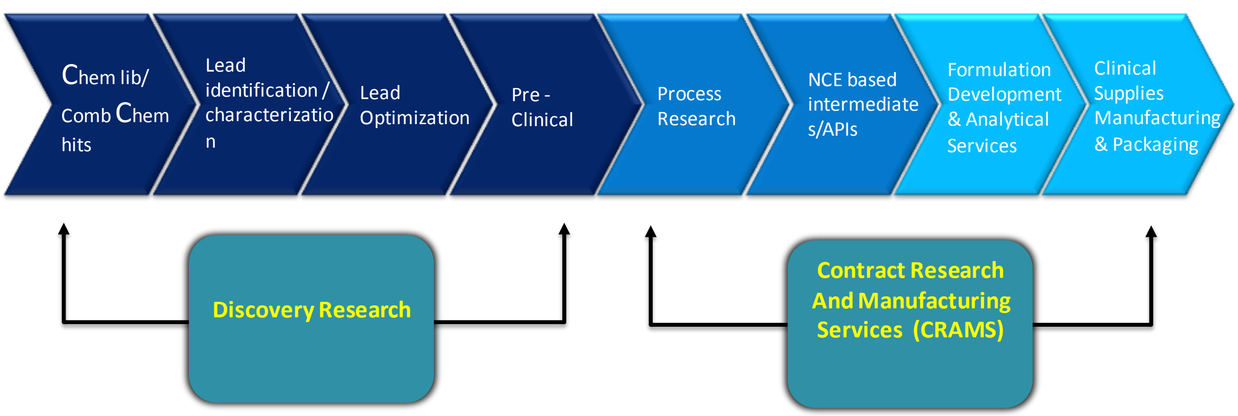
***Promoting a culture of innovation***

We have developed sophisticated R&D infrastructure and facilities, with a team of 386 R&D personnel. We continue to invest in R&D and recruit talented individuals commensurate to our growth and business outlook. We believe that our continuing R&D initiatives have strengthened our product offerings in the international markets. Building on our existing expertise we aim to continue our culture of innovation within our business focusing on NCE based CRAMs and development of our own NCEs. Apart from our manufacturing facilities we have a dedicated bio-pharmaceutical laboratory, a formulation centre and a research centre to cater to our R&D requirements.

We intend to continue to drive our R&D initiatives towards the development of innovative formulations for our drug innovation business. Additionally, we look to collaborate with global pharmaceutical companies to monetize our NCEs or finished products.

**Our business verticals**

Our business verticals comprises of CRAMS and NCE development.



### Our CRAMS Business Vertical

Our Company is primarily engaged in CRAMS business where research and development is customized to the needs of our global pharmaceutical customers. We endeavour to follow a non-conflict business model with our customers which mean that our products and services are provided for the innovation of the drug whereas our Company is not involved in developing competing drugs. In the CRAMS segment, we provide the innovator companies in drug development with contract research, manufacturing and supply of, (i) intermediates, (ii) APIs and (iii) formulations. Additionally, under our CRAMS model, we provide contract technical services and formulation development services.

With over two decades of experience in the pharmaceutical industry, we have executed more than 700 CRAMS projects.

For our CRAMS projects, we may be required to undertake various specialized processes. Our facilities are equipped for undertaking specialized processes like cyanation, Chiral core technology, Butyl lithium reaction, Reductions (Catalytic and Chemical), high temperature - high pressure reactions, Lithium diisopropylamide ("**LDA**") and Asymmetric synthesis and bio-transformations.

We generate a significant portion of our revenues from sale of products in the CRAMs business which represents 96.69% of our revenues in FY14 while the remaining 3.31% came from services performed under our CRAMS business model. In FY2013-14 three of the drugs for which we manufacture intermediates under phase III clinical trials reached the pre-launch stage contributing to revenues of ₹ 16,706.93 lacs from manufacturing activity of supplying the pre-launch quantities those customers.

Our revenues arising out of the CRAMS business model, arise out of two broad segments **(a)** sale of products and **(b)** sale of services.

(₹ In Lacs)

| Particulars | FY2014 | FY2013 | FY2012 |
|---|---|---|---|
| **A) Sale of Products** | | | |
| a) Bulk Drugs | 1,298.11 | 1,588.15 | 798.44 |
| b) Intermediates | 45,770.39 | 21,158.33 | 18,355.36 |
| c) Recoveries | 7.87 | 14.06 | 15.08 |
| d) Job works | 2,267.63 | 1,695.68 | - |
| **TOTAL** | **49,344.00** | **24,456.22** | **19,168.88** |
| **B) Sale of Services** | | | |
| a) Contract Technical Services | 136.23 | 533.47 | 372.07 |
| b) Clinical Trials Services | 95.78 | 301.98 | 200.59 |
| c) Process Development Charges | 546.64 | 358.06 | 641.20 |
| d) Formulation Development Charges | 908.59 | 138.73 | 38.05 |
| **TOTAL** | 1,687.24 | 1,332.24 | 1,251.90 |
| **TOTAL (A+B)** | **51,031.24** | **25,788.46** | **20,420.78** |

### Sale of products

Our revenues from sale of products include research, manufacture and supply of intermediates, bulk drugs and formulation.

*Intermediates*

We manufacture intermediates on our CRAMS business model which is the largest component of our operations constituting about 89.69% of our revenues from operations as on March 31, 2014. In particular, we have witnessed increase by more than 100% in the revenues arising out of manufacturing of intermediates between in FY14 as compared to FY13.

In FY14 three of the drugs for which we manufacture intermediates under phase III clinical trials reached the pre-launch stage contributing to revenues of ₹ 16,706.93 lacs from manufacturing activity of supplying the pre-launch quantities of intermediates to those customers.

Intermediates manufactured and supplied by us in the past have been used in drugs commercialized so far by the innovators are used in the therapeutic segments of rheumatic arthritis, diabetes, for treating depression and infectious diseases.

These intermediates are manufactured across all our manufacturing facilities of our Company.

*Bulk drugs*

We also manufacture bulk drugs on CRAMS business model. Our bulk drug manufacturing business constitutes about 2.54% of our revenue from operations as on March 31, 2014. The bulk drugs manufacturing business so far carried out by us includes generic drugs, APIs and finished dosage forms. A list of the bulk drugs manufactured by us are Aripriprazole, Calcium Acetate, Doxofylline, Entacapone, Fenoprofen Calcium, Gabapentin, Glycopyrrolate, Iron Sucrose Complex for injection, Nitazoxanide, Pamabrom, Sodium Ferric Gluconate for injection, Nitazoxanide, Pamabrom, Sodium Ferric Gluconate for injection and Tamsulosin HCI used in various therapeutic segments. The bulk drugs are manufactured from our manufacturing facilities located at Pashamylaram.

*Job work*

We also undertake certain custom manufacturing projects on a job work basis which essentially means that we manufacture bulk drugs and intermediates where our customers provides us with the process for such bulk drugs and intermediates along with the raw materials required for the manufacturing. Our job work business vertical constitutes 4.44% of our revenue from operations as on March 31, 2014.

We undertake job work activities at our manufacturing facilities located at Pashamylaram and Suryapet.

***Sale of services***

Our revenues from sale of services comprises of contract technical services, clinical trial services, process development services and formulation development services. We provide various technical services to our customers which include drug designing, in-silico screening, in vitro screening, CNS and obesity pharmacology, in vitro and in vivo toxicology, ADME, renal pharmacology among others.

*Contract Technical Services*

We undertake pre-clinical studies on animals on contractual basis for testing of drugs manufactured by our customers. Our contract technical services business vertical constitutes 0.27% of our revenue from operations as on March 31, 2014. Our team of 2 scientists have been trained at CMA Microdialysis AB, Stockholm to perform microdialysis which includes stereotaxic surgery in rats, monitoring modulation of neurotransmitters in specific regions like hippocampus, frontal cortex and nucleus accumbens, estimation of acetylcholine, neuroamines and glutamate using LC-MS/MS, HPLC-ECD and HPLC-FI.

Our contract technical services are carried out from laboratories located at Pashamylaram and Jeedimetla.

*Clinical Trial Services*

In the past we have provided clinical trial services to our customers for testing of drugs on humans for various pharmaceutical companies. Our revenues from such clinical trial services constitute 0.19% of our revenue from operations as on March 31, 2014.

*Process Development Services*

We undertake research activities for our customers which includes R&D on the process of manufacturing intermediates and APIs where we provide research reports for the manufacturing process and assist our customers in preparing regulatory documentation in relation to the manufacturing process of bulk drugs and formulations. Our revenues from process development services constitute 1.07% of our revenue from operations as on March 31, 2014.

This includes, for instance, process optimization methods including means of time and cost reduction. Our process development services are carried out from research centre located across all our facilities.

*Formulation Development Services*

As an extension of our business model, we also undertake services for our customers to develop and collaborate formulation processes for the manufacture of finished drug products from the bulk drugs. In addition, we may be required to manufacture validation batches of the finished drugs which are meant only for sampling purposes and not for sale by our Company. Our revenues from formulation development services constitute 1.78% of our revenue from operations as on March 31, 2014.

We undertake such formulation development activities at our research and manufacturing facility located at Pashamylaram.

***New Chemical Entities***

In the year 2005, our Company ventured into the business of drug innovation and drug discovery in the CNS therapeutic segment. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions under our drug discovery activities. Our endeavours in the drug innovation activities has resulted into a pipeline 13 NCEs.

Typically, an NCE activity involves several stages of innovation starting from drug discovery, clinical trials, regulatory approvals and commercialization.

Our proprietary drugs are in various stages of pre-clinical and clinical trials. We have our own pipeline of 13 NCEs across therapeutic areas such as Alzheimer's, Schizophrenia, ADHD, Major Depressive Disorder ("**MDD**"), Obesity and Pain.

Our research on our NCE, SUVN-502, targeted against Alzheimer's has proven that it is highly selective pure 5HT6 affinity, improves both acquisition and consolidation episodic memory in impaired adult rats and in aged rats, restores cognitive function in aged rats in a model of special reference memory and working memory, reverses deficits induced by cholinergic antagonist scolopamine in episodic and spatial memory and enhances acetylcholine and glutamate levels in rat ventral hippocampus and frontal cortex in microdialysis studies.

'SUVEN-502' for Alzheimer's has completed Phase 1 clinical trial stage in USA and we await the final reports and completion of the remaining process in this regard. Once phase 1 clinical trials are completed in its entirety, that is, after receiving the report and successfully completing the remaining process, we may be entitled to enter into phase 2 clinical trials. Additionally, we have commenced Phase 1 clinical trials for our NCE, SUVN-G3031. Two of our NCEs, SUVN D-4010 and SUVN 911 addressing Alzheimer's, Schizophrenia and depression, respectively are currently undergoing toxicology studies in USA in preparation for US-IND submissions. Our other NCEs are in preliminary stages of development.

Considering all our NCEs are at various stages of discovery and trials, we have not generated any revenues from the drug innovation activities from our proprietary NCEs.

We undertake our NCE development activities at our research and manufacturing facility located at Pashamylaram and Jeedimetla.

**Raw Materials**

Our manufacturing processes require a wide variety of raw materials. These raw materials include 3-isochromanon, methanol, methyl formate from good manufacturing practices service providers. We purchase these raw materials from a list of sources or agents or distributors that we maintain, which has been approved by our internal quality control department after a quality assurance approval process.

Depending on the raw material that we require, we either enter into a contract to purchase it or obtain it through backward integration with our own manufacturing facilities. We also import raw materials from Europe and intermediates and chemicals from China. There are multiple sources that can supply the majority of the raw materials that we require. We also have arrangements with suppliers for raw materials for products meant for the regulated markets, which include terms with respect to quality, timely supplies and availability.

**Quality Control**

We believe that quality control is critical to our continued success. Across various manufacturing and research facilities, we have put in place quality systems that ensure consistent quality, efficacy and safety of products. Regular audit programs measure and validate our attempts to deliver consistent quality. Our manufacturing units at Suryapet and Pashamylaram are cGMP and US-FDA compliant. Our Company's unit at Pashamylaram has also been approved for manufacture of Gabapentin by the Commissioner of Ministry of Food and Drug Safety, Korea and granted a cGMP certificate by the Freie Und Hansestadt for manufacturing active pharmaceutical ingredients including Tamsulosin hydrochloride, Gabapentin.

Our quality controls are mandated and supported by our executive management and coordinated by an independent corporate quality assurance department. We have adopted a quality policy, which describes the philosophy, structure and key elements of our quality systems. This is translated into various quality guidelines and procedures that are implemented at all operational levels to assure product quality.

**Environmental matters**

We are subject to significant Indian national and state environmental laws and regulations, including regulations relating to the prevention and control of water pollution and air pollution, environment protection, hazardous waste management and noise pollution. These regulations govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. The costs associated with compliance with these environmental laws, regulations and guidelines may be substantial and, although we believe that we are in compliance with all applicable environmental standards, we may discover currently unknown environmental problems or conditions. We also handle dangerous materials including explosive, toxic and combustible materials.

For a description of risks associated with environmental matters, see the section titled "***Risk Factors***" beginning on page 45.

**Our customers**

Our customers include global pharmaceutical companies. Some of our customers include Pfizer, Sanofi, Dupont, Glaxosmithkline, Bristol-Myers Squibb, and Boehringer Ingelheim.

***Intellectual Property***

We seek to protect our products in major markets. Depending on the jurisdiction, patent protection may be available for our specific compounds, formulations and combinations containing active ingredients, manufacturing processes and intermediates useful in the manufacture of products.

The protection that a patent provides varies from country to country, depending on the type of claim granted, the scope of the claim's coverage and the legal remedies available for enforcement. As on March 31, 2014, we have been granted 670 product patents, in various jurisdictions for 26 inventions and 36 process patents.

| Patents Granted | Europe | USA | Australia | Japan | Singapore | New Zealand | India |
|---|---|---|---|---|---|---|---|
| Discovery (Product Patents) | 362 | 18 | 18 | 10 | 19 | 20 | 17 |
| Process Patents | 5 | 5 | 2 | 2 | - | 1 | 4 |
| **Patents Granted** | **South Africa** | **Sri Lanka** | **South Korea** | **Macau** | **Mexico** | **Canada** | **China** |
| Discovery (Product Patents) | 19 | 10 | 13 | 2 | 15 | 15 | 13 |
| Process Patents | - | - | 3 | - | - | 2 | 2 |
| **Patents Granted** | **Eurasia** | **Norway** | **Hong Kong** | **Russia** | **Israel** | | |
| Discovery (Product Patents) | 99 | 3 | 14 | 3 | - | | |
| Process Patents | 9 | - | - | - | 1 | | |

***Manufacturing facilities and Capacity***

| Manufacturing facilities | | R&D facilities | Global presence |
|---|---|---|---|
| Pashamylaram, Andhra Pradesh | Suryapet, Andhra Pradesh | Jeedimetla, Andhra Pradesh | New Jersey, USA |
| API and formulation facility | Intermediate facility | R&D pilot plant | Business office |
| 120 kL reactor volume | 300 CM reactors (93) | Process research | Business development |
| 50L – 6,000 L GL/SS (45) | | Discovery R&D | Project management |
| API Manufacturing | 500L to 10KL GL/SS | Analytical R&D | Intellectual property management |
| Biopharmaceutical research (GLP) | GMP Intermediates | Kilo lab | |
| | | 30L CM reactors (32) | |
| Formulation R&D | | 50L -4000L GL/SS | |

*(a) Pashamylaram unit*

Our facility located at Pashamylaram consists of (a) a manufacturing facility, (b) a bio-pharmaceutical laboratory and (c) a formulation development centre.

*(b) Suryapet unit*

Our facility located at Suryapet includes a manufacturing facility with an associated research laboratory.

*(c) Jeedimetla unit*

Our facility located at Jeedimetla consists of (a) a manufacturing facility and (b) an associated research centre.

Our manufacturing facilities are capable of conducting sophisticated manufacturing processes, particularly high-temperature and high-pressure chemical reactions. Our research centres, which includes a kilo lab and pilot plant for development of processes for production of bulk drugs or intermediates in larger commercial quantities. We are currently expanding our manufacturing facilities by constructing a manufacturing unit at Vishakhapatnam to produce intermediates and APIs.

***Project management and marketing***

In addition to our registered office, research and manufacturing facilities, we have a liaison office in New Jersey, USA which is primarily utilized for our marketing activities internationally and primarily in the USA.

We rely primarily on our existing relationships with leading pharmaceutical companies in regulated markets for direct sales from our CRAMS projects. Generally, such agreements are not standard and are negotiated on a case-by-case basis. These contacts may be initiated by us or the innovator, or the distributor/agent if it is aware of mutual interest in outsourcing arrangements in relation to our business activities. The distributors/agents typically receive a commission for their services.

***Employees***

As of September 30, 2014, we have 870 employees and 9 consultants. Most of our employees are qualified scientists and researchers and we enjoy cordial relations with our employees and there have been no instances of strikes, lockouts or other disruptive labor disputes. We provide various benefits to our employees including 2004 ESOP Plan and gratuity. We fund a provident fund for employees' retirement.

In Fiscal Year 2014, our employee benefit expenses were ₹ 3,144.21 lacs which represents 6.12% of our total revenues.

We have several initiatives to train and develop employees in building skills and capabilities. The training activities are broadly grouped under five areas with a focus on functional requirements or generic skills enhancements: marketing skills, behavioural skills, information technology, environmental awareness training, health and safety, and manufacturing or technical skills enhancement training.

In order to promote performance culture and individual performance, we have also introduced various initiatives, including introducing a variable pay component to senior management levels. In addition, we also award major milestones and recognize the small achievements at the individual level and at the team levels.

To further integrate our operations and to streamline our human resource automated processes, we have also implemented a human resource information system.

**Insurance**

All our assets including buildings, plant and machinery and stocks are insured for perils such as fire, riots, strikes, malicious damage, earthquakes, floods, cyclones, hurricanes, tornadoes and landslides depending on our risk assessment. We also have a transit insurance policy that covers our products during transit. Our policies are subject to customary exclusions and customary deductibles.

We believe that our insurance coverage is consistent with industry standards for companies in India. Our underwriter for general insurance coverage is National Insurance Company Limited. We also have a group mediclaim policy with National Insurance Company Limited.

**Corporate Social Responsibility**

Our Company's Corporate Social Responsibility ("**CSR**") agenda reflects its social conscience and commitments to the community and society at large. Its CSR activities include organizing annual blood donation camps at our manufacturing facilities, providing financial assistance and funding educational institutions and non-governmental organisations.

Our CSR activities include providing support to various charities like old age homes, children's education by constructing schools, drinking water supply, and health centres. 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.

We have constituted a Corporate Social Responsibility committee comprising Gopalakrishna Muddusetty as chairperson, Venkateswarlu Jasti and Sudha Rani Jasti as members. The committee is responsible for formulating and monitoring the CSR policy of our Company. In 2014, we set up the Suven Trust, as a not-for-profit trust to carry out our CSR activities.

**Key milestones**

The following table sets forth the key events and milestones in the history of our Company, since incorporation:

| Financial Year | Event |
|---|---|
| *1989* | Our Company was incorporated on March 9, 1989 |
| | Commenced manufacturing bulk drugs |
| *1995* | Our Company went public through an Initial Public Offer (IPO) |
| *1998* | Our Company received the ISO 9002 certification |
| *2004* | Our Company confirmed to the standards of ISO 14001:1996, indicating the awarding of 'Environmental Management System Certificate' for both the units at Suryapet and Jeedimetla. In addition, the Company upgraded its ISO 9002:1994 to ISO 9001:2000. |
| | Suven Life Sciences USA LLC, a wholly owned subsidiary of the Company acquired the assets of Synthon Chiragenics Corporation New Jersey USA. |
| *2005* | Our Company received an Appreciation Certificate for its meritorious performance in environment protection, pollution control and plantation work from Andhra Pradesh Pollution Control Board, Government of Andhra Pradesh |
| *2006* | Our Company was awarded the "Partner of Choice in Drug Discovery for CNS" by Frost & Sullivan. |
| | Suven Research Centre was recognised as in-house R & D unit by Department of Scientific & Industrial Research (DSIR), India with effect from December 4, 2001 to March 31, 2002 |
| | Asian Clinical Trials Limited was amalgamated with our Company pursuant to a scheme of amalgamation approved by the High Court of Hyderabad vide its order dated October 18, 2006. |
| *2007* | Suven received the National Accreditation Board for Testing and Calibration Laboratories (NABL) certification for its Biopharmaceutical Research Lab Facility at Hyderabad with the standard ISO / IEC /17025:2005 from the Department of Science & Technology, India which is valid up to August 17, 2016 |
| | Units of the Company at Suryapet, Jeedimetla and Pashamylaram secured the OHSAS 18001:2007, ISO 14001:2004 and ISO 9001:2008 certification. |
| *2008* | Our Company received the 'May Day Award' for Best Management by Labour Department, Government of Andhra Pradesh |
| | Our Company entered into a collaboration with University of Minnesota, USA to develop drugs to treat HIV infection |
| | Our Company received an award for excellence in environmental protection and pollution control in Andhra Pradesh |
| *2009* | US-FDA classified Suven facility at Suryapet as acceptable for manufacture and supply of active pharmaceutical ingredients and intermediates |
| *2009* | Our Company received the Pharmexcil's 'Gold Patent Award' for commendable contribution in New Chemical Entities (NCEs) patents category |
| *2010* | Our Company received the Pharmexcil's 'Gold Patent Award' for securing the most number of product patents during 2009-2010 for their NCEs under gold category second year in a row. |
| *2011* | Our Company received the Bio-Excellence Award for outstanding contribution in the Bioservices Category |
| | Our Company received the Pharmexcil's 'Gold Patent Award' for commendable contribution to Research & Development in Drug Discovery Sector during 2010-2011 under gold category third year in a row. |
| *2012* | Our Company received the Pharmexcil's 'Platinum Patent Award' for securing the most number of product and process patents under overall category fourth year in a row. |
| | US-FDA classified Suven facility at Pashamylaram as acceptable for manufacture and supply of active pharmaceutical ingredients and intermediates |
| *2013* | Suven Nishtaa Private Limited was amalgamated with our Company pursuant to a scheme of amalgamation with effect from August 4, 2012. |

| Financial Year | Event |
| --- | --- |
| *2014* | Our Company received the Pharmexcil's 'Gold Patent Award' for securing the most number of product patents under NCE category. |
| | Our Company received the Pharmexcil's 'Outstanding Export Performance Award' for Contract Research and Manufacturing |
| | Our Company received the Business Leader 2012 Award for outstanding performance in the Pharmaceutical Sector |
| | Our Company was accorded the status of Trading House in accordance with the Foreign Trade Policy, 2009-2014 effective from April 1, 2014 |
| | US-FDA classified Suven facility at Pashamylaram as acceptable for manufacture and supply of active pharmaceutical ingredients, intermediates and formulations |
| | Our Company has been enrolled as a member of the Federation of Andhra Pradesh Chambers of Commerce & Industry with registration no, 2497 up to March 31, 2015 |
| | Our Company was granted a Certificate of Suitability (CEP) for Tamsulosin Hydrochloride |
| | Our Company's unit at Pashamylaram was granted a cGMP certificate by the Freie Und Hansestadt for manufacturing active pharmaceutical ingredients including Tamsulosin hydrochloride, Gabapentin |
| | Our Company's unit at Pashamylaram has been approved for manufacture of Gabapentin by the Commissioner of Ministry of Food and Drug Safety, Korea |
| *2015** | Our Company has been selected as one of the "Best Under A Billion" companies by Forbes Asia 2014 for internally discovering twelve (12) therapeutic drug candidates currently in pre-clinical stage of development in addition to developmental candidate SUVN-502 for Alzheimer's disease and Schizophrenia. |
| | Our Company received the AbbVie Supplier Recognition Award for a continuous supply of 2,3-diaminobenzamide. |

**period beginning April 1, 2014 upto the date of this Placement Document*

## REGULATIONS AND POLICIES

*The following description is a summary of relevant regulations and policies applicable to our Company. This description is based on the current provisions of Indian law, which are subject to change or modification or interpretation by subsequent legislative, regulatory, administrative or judicial decisions. The laws set out herein below and their description are not exhaustive, and are only intended to provide general information to Investors and is neither designed nor intended to be a substitute for professional legal advice.*

### Drugs and Cosmetics Act, 1940

Matters pertaining to drug formulations, biologicals and APIs are governed in India by the Drugs and Cosmetics Act, 1940 (the "**DCA**"), which regulates the import, manufacture, distribution and sale of drugs in India as well as aspects relating to their labeling, packing, testing and licensing. Under the DCA, while regulation of manufacture, sale and distribution of drugs is primarily the responsibility of the state authorities, the central authorities are responsible for approval of new drugs, clinical trials, laying down standards, control over imported drugs and coordination of activities of state drug control organizations. These procedures involve obtaining a series of approvals for different stages at which drugs are tested, before the Drug Controller General of India (the "**DCGI**"‖), an authority constituted under the DCA, which is empowered to grant the final license to allow drugs to be manufactured and marketed. The Central Drugs Standard Control Organisation (the "**CDSCO**") is responsible for testing and approving APIs and formulations in consultation with the DCGI.

Under the DCA, the Government of India (the "**GoI**"‖) may, by notification in the official gazette, regulate or restrict the manufacture, sale or distribution of a drug, if it is satisfied that such drug is essential to meet the requirements of an emergency arising due to an epidemic or natural calamities and that in the public interest, it is necessary or expedient to do so or that the use of such drug is likely to involve any risk to human beings or animals or that it does not have the therapeutic value claimed or purported to be claimed for it or contains ingredients and in such quantity for which there is no therapeutic justification.

The DCA also regulates the import of drugs into India, and prohibits the import of certain categories of drugs into India, for instance (i) any drug which is not of standard quality, (ii) any misbranded drug, (iii) any adulterated or spurious drug, (iv) any drug for the import of which a licence is prescribed, otherwise than under, and in accordance with, such licence, (v) any patent or proprietary medicine, unless there is displayed in the prescribed manner on the label or container thereof the true formula or list of APIs contained in it together with the quantities thereof, (vi) any drug which by means of any statement, design or device accompanying it or by any other means, purports or claims to cure or mitigate any such disease or ailment, or to have any such other effect, as may be prescribed, and (vii) any drug the import of which is prohibited under the DCA. This restriction shall not apply, subject to prescribed conditions, to the import of small quantities of any drug for examination, testing, analysis or personal use. The GoI may, after consultation with the Drugs Technical Advisory Board, by notification in the official gazette, permit, subject to any conditions specified in the notification, the import of any drug or class of drugs not being of standard quality. Further, if the GoI is satisfied that the use of any drug involves any risk to human beings or animals or that any drug does not have the therapeutic value claimed for it or contains ingredients and in such quantity for which there is no therapeutic justification and that in the public interest it is necessary or expedient so to do, it may, by notification in the official gazette, prohibit the import of such drug or cosmetic.

### The Drugs and Cosmetics Rules, 1945

The Drugs and Cosmetics Rules, 1945 (the "**DCA Rules**") have been enacted to give effect to the provisions of the DCA to regulate the manufacture, distribution and sale of drugs and cosmetics in India. The DCA Rules prescribe the procedure for submission of report to the Central Drugs Laboratory, of samples of drugs for analysis or test, the forms of Central Drugs Laboratory's report thereon and the fees payable in respect of such reports. The DCA Rules also prescribe the drugs or classes of drugs or cosmetics or classes of cosmetics for the import of which a licence is required, and prescribe the form and conditions of such licences, the authority empowered to issue the same, the fees payable thereof. The DCA Rules provide for the cancellation or suspension of such licence in any case where any provisions or rule applicable to the import of drugs and cosmetic is contravened or any of the conditions subject to which the licence is issued is not complied with. The DCA Rules further prescribe the manner of labeling and packaging of drugs.

**The Patents Act, 1970**

The Patents Act, 1970 (the "**Patents Act**") governs the patent regime in India. India is a signatory to the Trade Related Agreement on Intellectual Property Rights (the "**TRIPS**"). India recognizes both products as well as process patents. The new regime provides for:

- Recognition of product patents in respect of food, medicine and drugs;
- Patent protection period of 20 years;
- Patent protections allowed on imported products; and
- Under certain circumstances, the burden of proof in case of infringement of process patents may be transferred by a court to the alleged infringer.

The Patents (Amendment) Act, 2005 has made certain changes to the Patents Act. What are not inventions under the Patent Act was expanded to include the mere discovery of a new form of a known substance which does not result in the enhancement of the known efficacy of that substance or the mere discovery of any new property or new use for a known substance or of the mere use of a known process, unless such known process results in a new product or employs at least one new reactant.

The proviso to section 11A (7) has been introduced in the Patents Act to provide protection to those Indian enterprises which have made significant investment and have been producing and marketing a product prior to January 1, 2005, for which a patent has been granted through an application made under section 5(2) of the Patents Act and have continued to manufacture the product covered by the patent on the date of grant of the patent. In such a case, the patent-holder shall only be entitled to receive reasonable royalty from such enterprises and cannot institute infringement proceedings against such enterprises. Explanation to section 3(d) of the Act also clarifies that salts, esters, ethers, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations, and other derivatives of known substance shall be considered the same substance, unless they differ significantly in properties with regard to efficacy. Hence, this explanation will ensure that derivatives, isomers, metabolites of known substances are not easily patentable without the establishment of significant improvements in properties.

**Environmental Laws**

Manufacturing projects must also ensure compliance with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974 (the "**WPA**"), the Air (Prevention and Control of Pollution) Act, 1981 (the "**APA**") and the Environment Protection Act, 1986 (the "**EPA**").

The WPA aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board. The Central and State Pollution Control Boards constituted under the WPA are also to perform functions as per the APA for the prevention and control of air pollution. The APA aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area.

EPA has been enacted for the protection and improvement of the environment. EPA provides for the constitution of Boards to regulate pollution levels and protect the environment, the formulation of rules with regard to environmental standards and imposes certain obligations. It stipulates that no person carrying on any industry, operation or process shall discharge or emit or permit to be discharged or emitted any environmental pollutant in excess of such standards as may be prescribed. Further, no person shall handle or cause to be handled any hazardous substance except in accordance with such procedure and after complying with such safeguards as may be prescribed. EPA empowers the Central Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The Central Government may make rules for regulating environmental pollution.

The issue of management, storage, and disposal of hazardous waste is regulated by the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008 (the "**HWM Rules**") made under the EPA Act. The HWM Rules become applicable in case of an industrial activity in which a hazardous chemical which satisfies certain criteria as listed in the schedule thereto, and to an industrial activity in which there is involved a threshold quantity of hazardous chemicals as specified in the schedule thereto. The occupier of a facility where such industrial activity is undertaken has to provide evidence to the prescribed authorities that he has identified the major accident hazards and that he has taken steps to prevent the occurrence of such accident and to provide to the persons working on the site with the information, training and equipment including antidotes necessary to ensure their safety. Under the HWM Rules, the Pollution Control Boards are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

In addition, the Ministry of Environment and Forests, Government of India (the "**MoEF**") looks into environment impact assessment (the "**EIA**"). The MoEF receives proposals for expansion, modernization and setting up of projects, and the impact such projects would have on the environment is assessed by the MoEF before granting clearances for the proposed projects. Furthermore, the Manufacture, Storage and Import of Hazardous Chemicals Rules, 1989 (the "**Hazardous Chemicals Rules**") stipulate that an occupier in control of an industrial activity has to provide evidence for having identified the major accidental hazards and taking adequate steps to prevent major accidents and to limit their consequences to persons and the environment. The persons working on site have to be provided with information, training and equipments including antidotes necessary to ensure their safety.

**Public Liability Insurance Act, 1991**

Public Liability Insurance Act, 1991 (the "**Public Liability Act**") imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of hazardous substances covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under the Public Liability Act mandate that the employer has to contribute towards the environment relief fund, a sum equal to the premium paid on the insurance policies. The amount is payable to the insurer.

**The Petroleum Act, 1934**

The Petroleum Act, 1934 (the "**Petroleum Act**") regulates the import, transport, storage, production, refining and blending of petroleum in India. The Petroleum Rules, 2002 (the "**Petroleum Rules**") made under the Petroleum Act prohibits deliver or dispatch of specified classes and quantities petroleum to anyone in India other than the holder of a storage licence issued under this Rules. Further, the Petroleum Rules also prohibits import of specified classes of petroleum into India except under a licence granted under this Rules. Under the Petroleum Rules, licence for specified classes of petroleum has to be obtained for storage of such classes of petroleum.

**The Explosives Act, 1884**

The Explosives Act, 1884 (the "**Explosives Act**") regulates the manufacture, possession, use, sale, transport, import and export of explosives in India. The Gas Cylinders Rules, 2004 (the "**Gas Cylinder Rules**") was enacted by the Central Government in exercise of the powers conferred by section 5 and 7 of the Explosives Act. The Gas Cylinders Rules prohibits possession of cylinder filled with compressed gas of specified type and quantity except under and in accordance with the conditions of licence granted under this Rules.

**Indian Boilers Act, 1923**

The Indian Boilers Act, 1923 (the "**Boiler Act**") and the Indian Boilers Regulation, 1950 (the "**Boiler Regulations**") provide for standards in respect of materials, design and construction, inspection and testing of boilers and boiler components for compliance by the manufacturer's and users of boilers in India. The Boilers Act prohibits the use of boilers except under and in accordance with the conditions of registration and certificate granted under the provisions of this Act.

**Andhra Pradesh Petroleum Products (Licensing & Regulation of Supplies) Order, 1980**

The Andhra Pradesh Petroleum Products (Licensing & Regulation of Supplies) Order, 1980 mandates that any person dealing in specified petroleum products will be required to posses license under this control order, if the stocks held by him at any time are either equal or exceeding the quantities as given under the provisions of this control order.

**Solvent, Raffinate and Slop (Acquisition, Sale, Storage and Prevention of Use in Automobile) Amendment Order, 2000**

The Solvent, Raffinate and Slop( Acquisition, Sale, Storage and Prevention of Use in Automobile) Amendment Order, 2000 (the "Solvent Act") mandates that every person is required to obtain a licence issued by the State Government or the District Magistrate or any other Officer authorized by the Central or the State Government to acquire, store or sell or trade, either use or help in any manner the use of solvents, raffinates, slops or their equivalent and other product as given under the provisions of this control order.

**Foreign Ownership Restrictions**

The Department of Industrial Policy and Promotion (the "**DIPP**") has issued the Consolidated FDI Policy with effect from April 17, 2014 (the "**Consolidated FDI Policy**"). The Consolidated FDI Policy consolidates and subsumes all the press notes, press releases, and clarifications on FDI issued by DIPP which were in force on April 17, 2014.

The Consolidated FDI Policy allows for FDI up to 100%, under the automatic route for greenfield investments in the pharmaceuticals sector and FDI up to 100%, for brownfield investments (investments in existing companies) under the government approval route. Further, the GoI may incorporate appropriate conditions for FDI in brownfield cases at the time of granting approval.

**Foreign Trade (Development and Regulation) Act, 1992**

The Foreign Trade (Development and Regulation) Act, 1992 (the "**Foreign Trade Act**") was enacted to provide for the development and regulation of foreign trade by facilitating imports into and augmenting exports from India. The Foreign Trade Act prohibits anybody from undertaking any import or export except under an importer-exporter code number granted by the Director General of Foreign Trade.

**The Factories Act, 1948**

The Factories Act, 1948 (the "**Factories Act**") seeks to regulate labour employed in factories and makes provisions for the safety, health and welfare of the workers. The Factories Act defines a 'factory' to mean any premises, which employs 10 or more workers and in which manufacturing processes are carried on with the aid of power, or any premises, which employs 20 or more workers and in which manufacturing processes are carried no without the aid of power. Each State Government has set out rules in respect of the submission of plans and its prior approval for the establishment of factories and registration and licensing of factories. The Factories Act also provides for the mechanisms for safety of certain equipment used in factories, procedures for periodic examination of equipment such as plant and machinery at pressure plants and lifting tackles, regulation of working conditions within the factories and includes specific provisions applicable to employment of women and young children employed in factories.

**The Contract Labour (Regulation and Abolition) Act, 1970**

The Contract Labour (Regulation and Abolition) Act, 1970 (the "**CLRA Act**") regulates the employment, and protects the interests, of workers hired on the basis of individual contracts in certain establishments. In the event any activity is outsourced, and is carried out by laborers' hired on contractual basis, compliance with the CLRA Act including registration will be necessary and the principal employer will be held liable in the event of default by the contractor to make requisite payments towards provident fund.

**Employees (Provident Fund and Miscellaneous Provisions) Act, 1952**

Employees (Provident Fund and Miscellaneous Provisions) Act, 1952 (the "**EPF Act**") applies to factories employing more than 20 employees and such other establishments and industrial undertakings as notified by the government from time to time. It requires all such establishments to be registered with the relevant state provident fund commissioner. Also, such employers are required to contribute to the employees" provident fund the prescribed percentage of the basic wages, dearness allowances and remaining allowance payable to employees. Employees are also required to make equal contribution to the fund. A monthly return is required to be submitted to the relevant state provident fund commissioner in addition to the maintenance of registers by employers.

**The Employees State Insurance Act, 1948**

The Employees State Insurance Act, 1948 (the "**ESI Act**") applies to all establishments where 20 or more persons are employed and all such establishments are required to be registered with the Employees State Insurance Corporation. The ESI Act requires all employees of the factories and establishments to which it applies to be insured in the manner provided. Further, both employers and employees are required to make contribution to the ESI fund, of which returns are required to be filed with the ESI department.

**The Employees' Compensation Act, 1923**

The Employees' Compensation Act, 1923 (the "**EC Act**") aims at providing financial protection to employees (for their dependents in the event of fatal accidents) by means of payment of compensation by the employers, if personal injury is caused to them by accidents arising out of and in the course of their employment. The EC Act makes it obligatory for the employers brought within the ambit of the Act to furnish, to the State Governments/Union Territory Administrations, annual returns containing the number of compensated accidents and the amount of compensation paid.

**The Payment of Wages Act, 1936**

The Payment of Wages Act, 1936 (the "**Payment of Wages Act**") is enacted to regulate the period and payment of wages, overtime wages and deductions from wages and also to regulate the working hours, overtime, weekly holidays of certain classes of employed persons. The Payment of Wages Act contains provisions fixing the payment of wages to workers and ensuring that such payments are disbursed by the employers within the stipulated time frame and without any unauthorized deductions.

**The Payment of Bonus Act, 1965**

Under The Payment of Bonus Act, 1965 (the "**Payment of Bonus Act**") an employee in a factory who has worked for at least 30 working days in a year is eligible to be paid bonus. 'Allocable surplus' is defined as 67% of the available surplus in the financial year, before making arrangements for the payment of dividend out of the profit of a company. A minimum bonus must be paid irrespective of the existence of any allocable surplus. If the allocable surplus exceeds the minimum bonus payable, then the employer must pay bonus proportionate to the salary or wage earned during that period, subject to a maximum of 20% of such salary or wage. Contravention of the Payment of Bonus Act by a company is punishable by proceedings for imprisonment up to six months or a fine up to ₹ 1,000 or both against those individuals in charge at the time of contravention of the Payment of Bonus Act.

**The Minimum Wages Act, 1948**

State Governments may stipulate the minimum wages applicable to a particular industry. The minimum wages generally consist of a basic rate of wages, cash value of supplies of essential commodities at concession rates and a special allowance, the aggregate of which reflects the cost of living index as notified in the Official Gazette. Workers are to be paid for overtime at overtime rates stipulated by the appropriate State Government. Any contravention may result in imprisonment of up to six months or a fine of up to ₹ 500.

**State specific Shops and Commercial Establishments Acts as applicable**

Under various state laws dealing with shops and establishments, any shop or commercial establishment has to obtain a certificate of registration from the supervising inspector and has to comply with certain rules laid down therein. These statutes and rules and regulations framed thereunder regulate the opening and closing hours of shops and commercial establishments, daily and weekly work hours, closing dates and holidays, health and safety of persons working in shops and commercial establishments, payment of wages, maintenance of records and registers by the employers, among others.

**Income Tax Act, 1961**

The Income Tax Act, 1961 (the "**IT Act**") is applicable to every company, whether domestic or foreign, whose income is taxable under the provisions of this Act or Rules made there under depending upon its "Residential Status" and "Type of Income" involved. Every company assessable to income tax under the IT Act is required to comply with the provisions thereof, including those relating to Tax Deduction at Source, Advance Tax, Minimum Alternative Tax and like.

**Sales Tax Act**

The tax on sale of movable goods within India is governed by the provisions of the Central Sales Tax Act, 1956 or relevant state law depending upon the movement of goods pursuant to the relevant sale. If the goods move inter-state pursuant to a sale arrangement, then the taxability of such sale is determined by the Central Sales Tax Act, 1956. On the other hand, when the taxability of an arrangement of sale of movable goods which does not contemplate movement of goods outside the state where the sale is taking place is determined as per the local sales tax/value added tax legislations in place within such state.

**Value Added Tax**

Value Added Tax (the "**VAT**") is a system of multi-point levy on each of the entities in the supply chain with the facility of set-off input tax whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. Only the value addition in the hands of each of the entities is subject to tax. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period. VAT is essentially a consumption tax applicable to all commercial activities involving the production and distribution of goods, and each State that has introduced VAT has its own VAT Act, under which, persons liable to pay VAT must register themselves and obtain a registration number.

**Central Excise**

Excise duty imposes a liability on a manufacturer to pay excise duty on production or manufacture of goods in India. The Central Excise Act, 1944 is the principal legislation in this respect, which provides for the levy and collection of excise and also prescribes procedures for clearances from factory once the goods have been manufactured etc. Accordingly, the Central Excise Rules, 2002 has been framed by the Central Government under the Central Excise Act, 1944.

**Service Tax**

Service tax is tax levied on specified services and the responsibility of payment of the tax is generally cast on the service provider but for few exceptions. Under Section 94 of the Finance Act, 1994, Service Tax Rules, 1994 has been framed by the Central Government.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

### Overview

Our Board currently consists of seven (7) Directors. Our senior management team is under the overall supervision and control of our Board, and is responsible for our day-to-day operations. Our Articles of Association provide that the number of directors shall not be less than three (3) or more than 15 (fifteen). Further, our Articles of Association provides that two-third of the strength of the Board of Directors shall be liable to retire by rotation at every AGM of which one-third of such Directors for the time being are liable to retire by rotation. A retiring Director shall be eligible for re-appointment. The quorum for meetings of the Board is one third of the total number of Directors or two (2) Directors, whichever is higher as provided under Section 174 of the Companies Act, 2013. Where the number of interested Directors exceeds or is equal to two-third of the total number of Directors, the number of remaining Directors i.e., the number of directors who are not interested and are present at the meeting, not being less than two (2), shall be the quorum during such time. The Directors are not required to hold any Equity Shares to qualify to be a Director.

The Companies Act, 2013, provides that not less than two-thirds of the total number of directors, excluding the independent directors, shall be liable to retire by rotation. One-third of the directors shall automatically retire every year at the annual general meeting and shall be eligible for re-appointment. The directors to retire by rotation shall be decided based on those who have been longest in office, and as between persons appointed on the same day, the same shall be decided by mutual agreement or by draw of lots. The independent directors may be appointed for a maximum of two terms of up to five consecutive years; however, such directors are eligible for re-appointment after the expiry of three years of ceasing to be an independent director (whether or not each term is for a period of five years) provided that such directors are not, during the three year period, appointed in or associated with the company in any other capacity, either directly or indirectly. Any reappointment of independent directors, *inter alia*, shall be on the basis of performance evaluation report and requires the approval of the shareholders by way of a special resolution. None of the Directors on the Board of Directors of our Company are members of more than ten committees or chairman of more than five committees across all the public companies in which they are directors.

### Directors

The following table sets forth details regarding the Board as on the date of this Placement Document:

| Sr. No. | Name, Address, Occupation, DIN, Term and Nationality | Age | Other Directorships |
|---|---|---|---|
| 1. | **Venkateswarlu Jasti**<br><br>**Address:** Plot No**.** 396, Road No. 22B, Jubilee Hills, Hyderabad - 500 033, India<br><br>**Designation:** Executive Chairman and Chief Executive Officer<br><br>**Occupation:** Business<br><br>**DIN:** 00278028<br><br>**Term:** November 1, 2014 to October 31, 2019 (Liable to retire by rotation)<br><br>**Nationality**: American (Overseas citizen of India) | 65 | 1. Pharmaceuticals Export Promotion Council of India |
| 2. | **Sudha Rani Jasti**<br><br>**Address:** Plot No**.** 396, Road No. 22B, Jubilee Hills, Hyderabad - 500 033, India | 60 | Nil |

| Sr. No. | Name, Address, Occupation, DIN, Term and Nationality | Age | Other Directorships |
|---|---|---|---|
| | **Designation:** Whole-Time Director<br><br>**Occupation:** Business<br><br>**DIN:** 00277998<br><br>**Term:** November 1, 2014 to October 31, 2019 (Liable to retire by rotation)<br><br>**Nationality:** American (Overseas citizen of India) | | |
| 3. | **Maripuri Rangaswamy Naidu**<br><br>**Address:** 8-2-467/5, Road No. 5, Banjara Hills, Hyderabad - 500034, India<br><br>**Designation:** Independent and Non-Executive Director<br><br>**Occupation:** Retired<br><br>**DIN:** 00143836<br><br>**Term:** August 12, 2014 to August 11, 2019<br><br>**Nationality:** Indian | 81 | Nil |
| 4. | **K V Raghavan**<br><br>**Address:** Flat No 401, 4th Floor, Sreeman Krishna Sree Residency, Street No B, D. D. Colony, Hyderabad – 500 044, India<br><br>**Designation:** Independent and Non-Executive Director<br><br>**Occupation:** Research scientist<br><br>**DIN:** 00144054<br><br>**Term:** August 12, 2014 to August 11, 2019<br><br>**Nationality:** Indian | 71 | 1. Godavari Biorefineries Limited |
| 5. | **Govinda Prasad Dasu**<br><br>**Address:** 8-3-322/C/1/19, A-8, Madhura Nagar, Ameerpet, Hyderabad - 500038, India<br><br>**Designation:** Independent and Non-Executive Director<br><br>**Occupation:** Chartered Accountant<br><br>**DIN:** 00160408 | 66 | 1. Gokak Textiles Limited;<br>2. AMW Auto Component Limited;<br>3. Natco Pharma Limited; and<br>4. New Savera Projects Private Limited. |

| Sr. No. | Name, Address, Occupation, DIN, Term and Nationality | Age | Other Directorships |
|---|---|---|---|
| | **Term:** August 12, 2014 to August 11, 2019<br><br>**Nationality:** Indian | | |
| 6. | **Seyed Ehtesham Hasnain**<br><br>**Address:** 13, IIA IIT, Hauz Khas, New Delhi - 110016, India<br><br>**Designation:** Non Independent and Non-Executive Director<br><br>**Occupation:** Professor<br><br>**DIN:** 02205199<br><br>**Term:** Liable to retire by rotation<br><br>**Nationality:** Indian | 60 | 1. Indian Immunicologicals Limited<br><br>2. University of Hyderabad Knowledge and Innovation Park Private Limited**<br>3. Dr. Reddy's Institute of Life Sciences |
| 7. | **Gopalakrishna Muddusetty**<br><br>**Address:** 12-2-823A/23, Santosh Nagar, Medhipatnam, Hyderabad – 500082, India<br><br>**Designation:** Independent and Non-Executive Director<br><br>**Occupation: IAS (**Retired)<br><br>**DIN:** 00088454<br><br>**Term:** August 12, 2014 to August 11, 2019<br><br>**Nationality:** Indian | 75 | 1. JOCIL Limited;<br>2. Pitti Laminations Limited;<br>3. BGR Energy Systems Limited*;<br>4. Goldstone Infratech Limited;<br>5. Arani Power Systems Limited;<br>6. Kernex Microsystems (India) Limited;<br>7. Vijayasri Organics Limited;<br>8. Nuziveedu Seeds Limited; and<br>9. NSL Textiles Limited<br>10. Sentini Bioproducts Private Limited; and<br>11. NSL Renewable Power Private Limited |

***** *SEBI vide its order dated June 4, 2013, restrained the directors of BGR Energy Systems Limited from holding any new position as a director in any listed company, till such time BGR Energy Systems Limited comply with the minimum public shareholdings as per rule 19(2)(b) of the Securities Contracts (Regulation) Rule, 1957. Further, SEBI vide its order dated September 4, 2013 revoked its directions issued vide its interim order dated June 4, 2013.*

*** University of Hyderabad Knowledge and Innovation Park Private Limited ("UHKIPPL") has been assigned 'defaulting status' by the MCA for not filing the annual return and balance sheet for the financial year 2009-10. Further the last balance sheet filed by UHKIPPL is for the financial year ended March 31, 2009 and the date of last AGM is December 2, 2009.*

***Brief Profile of the Directors of our Company***

**Venkateswarlu Jasti – Chairman and Chief Executive Officer**

Venkateswarlu Jasti, aged 65 years, is the Promoter, Chairman and Chief Executive Officer of our Company. He was appointed as the Director of our Company on March 9, 1989 and re- appointed as our Chairman and Chief Executive Officer with effect from November 1, 2014. He holds a master's degree in Pharmacy from Andhra University, Visakhapatnam and a master's degree in Science from St. John University, New York, specializing in Industrial Pharmacy. He has, in the past, been associated Clinton Bergen Drug Company, Park Way Central Pharma and Kayes Drug Company, New Jersey, USA. He was elected as the president of Essex County Pharmaceutical Society of New Jersey for the year 1988. He was the president of Indian Pharmaceutical Association for the period 2000-2002 and chairman of Local Organizing Committee for the 52nd Indian Pharmaceutical Congress held at Hyderabad in the year 2000. He was also elected as the president of Bulk Drug Manufacturers Association of India for the period 2002 – 2004 and the chairman for Pharmaceutical Export Promotion Council for the period 2006-2009. He was the chief architect for the formation of Andhra Pradesh Chief Minister's task force for Pharmaceuticals during the year 2001 and responsible for the creation of Pharma City at Vizag by the Government of Andhra Pradesh.

**Sudha Rani Jasti – Whole-Time Director**

Sudha Rani Jasti, aged 60 years, is the Promoter and Whole Time Director of our Company. She was appointed as the Director of our Company on March 9, 1989 and re-appointed as Whole-Time Director with effect from November 1, 2014. She holds a bachelor's degree in Sciences from Andhra University. She actively participates in the administrative matters and operations of our Company.

**Maripuri Rangaswamy Naidu - Independent and Non-Executive Director**

Dr. Maripuri Rangaswamy Naidu, aged 81 years, is a Non-Executive, Independent Director of our Company. He was appointed as a Director of our Company with effect from September 7, 1998. He holds a bachelor's degree in Mechanical Engineering from Andhra University and a Doctorate in Science from Nagarjuna University. He also holds a diploma of fellowship from the Institution of Engineers, India. He has been a member of American Society of Mechanical Engineers and Planning Executives Institute. Dr. Maripuri Rangaswamy Naidu was a former Chairman and Managing Director of Bharat Heavy Plates and Vessels Limited. He was Chairman and Managing Director of Hindustan Machine Tools Limited and has experience in technical and administrative fields.

**K V Raghavan - Independent and Non-Executive Director**

K V Raghavan, aged 71 years, is a Non-Executive, Independent Director of our Company. He was appointed as a Director of our Company with effect from October 21, 2003. He is a Doctorate in complex exothermic reactions in packed beds from the Indian Institute of Technology, Chennai. He is a Fellow of the National Academy of Engineering, Indian Institute of Chemical Engineers, Andhra Pradesh Academy of Sciences and University of Grants Commission. He was appointed as the Director of Central Leather Research Institute, Chennai in the year 1994 and director of Indian Institute of Chemical Technology, Hyderabad ("**IICT**") in the year 1996. He was subsequently appointed as scientist in Director's Grade at IICT in the year 2003. He was also appointed as the Chairman of Recruitment and Assessment Centre of Defence Research and Development Organisation in the year 2004. He has been awarded the Prof. Y Naguudanma Memorial Gold Medal by the Andhra Pradesh Akademi of Sciences in the year 2010.

**Govinda Prasad Dasu – Independent and Non- Executive Director**

Govinda Prasad Dasu**,** aged 66 years, is a Non-Executive, Independent Director of our Company. He was appointed as a Director of our Company with effect from December 4, 2006. He holds a bachelor's degree in Commerce from the Andhra University and is a member of the Institute of Chartered Accountants of India. He was, in the past, associated with Canara Bank and Exim Bank. He has experience in trade finance, international finance, corporate strategies, loan syndications and co-financing with multilateral agencies. He was trained in 'Treasury Management' at Credit Suisse, Switzerland; 'International Banking and Development' at the International Development Ireland at Dublin and London and 'Advanced Agribusiness Management' at Cornell University, USA.

**Seyed Ehtesham Hasnain – Non Independent and Non-Executive Director**

Seyed Ehtesham Hasnain**,** aged 60 years, is a Non-Executive, Non Independent Director of our Company. He was appointed as a Director of our Company with effect from April 30, 2010. He holds a Doctorate from the Jawaharlal Nehru University and has received Post-Doctoral Fellowship from the University of Alberta, Canada and Texas A&M University. He is a recipient of the Padmashri Award. He was a member of the Scientific Advisory Council to the Prime Minister during the year 2004-2014. He is a former Vice Chancellor of the University of Hyderabad, and founder Director of the Centre for DNA Fingerprinting and Diagnostics, Hyderabad. He is a Fellow of the Robert Koch Institute, Berlin, Germany; American Academy of Microbiology, USA and a member of the German National Science Academy. He is currently an invited professor at the Indian Institute of Technology, Delhi. He was honoured by the President of Germany with 'Bundesverdienstkreuz, Class 1'(Federal Cross of the Order of Merit).

**Gopalakrishna Muddusetty - Independent and Non-Executive Director**

Gopalakrishna Muddusetty, aged 75 years, is a Non-Executive, Independent Director of our Company. He was appointed as a Director of our Company with effect from November 14, 2012. He holds a bachelor's degree in Science and Law from Osmania University. He has done a course on Advanced Management from the Banff School of Management, Canada. He was an Indian Administrative Services officer. He has, in the past, worked for the Government of India, Governments of Assam and Andhra Pradesh. He retired as Chairman of Rural Electrification Corporation Limited in the year 1997. He has five decades of experience in the fields of corporate governance, general administration in the government and the public sector undertakings.

**Relationship with other Directors**

Venkateswarlu Jasti and Sudha Jasti are spouses. Except as disclosed herein, none of our Directors are related to each other.

**Borrowing powers of the Board**

The Board of Directors is authorised to borrow money upon such terms and conditions as the Board may think fit and may exceed the aggregate of the paid up share capital and free reserves, provided that the aggregate amount of its borrowings shall not exceed ₹ 60,000 Lacs.

**Interest of Directors**

All of the Directors, other than the Chairman and Chief Executive Officer and the Whole-time Director of our Company may be deemed to be interested to the extent of fees payable to them for attending Board or Board committee meetings as well as to the extent of reimbursement of expenses payable to them. The Chairman and Chief Executive Officer and the Whole-time Director of our Company may be deemed to be interested to the extent of remuneration paid to them for services rendered as the officers of our Company.

All of the Directors may also be regarded as interested in any Equity Shares held by them (as detailed below) and also to the extent of any dividend payable to them and other distributions in respect of such Equity Shares held by them:

| Name of the Director | Number of Equity Shares held as on September 30, 2014 | Per cent of Total Number of Outstanding Equity Shares |
|---|---:|---:|
| Venkateswarlu Jasti | 2,30,00,000 | 19.69 |
| Sudha Rani Jasti | 2,10,00,000 | 17.98 |
| Maripuri Rangaswamy Naidu | 9,800 | 0.01 |
| K V Raghavan | 2,000 | Negligible |
| Dasu Govinda Prasad | Nil | Nil |
| Seyed Ehtesham Hasnain | Nil | Nil |
| Gopalakrishna Muddusetty | Nil | Nil |

Except as otherwise stated in this Placement Document, our Company has not entered into any contract, agreement or arrangement during the preceding two years from the date of this Placement Document in which any of the Directors are interested, directly or indirectly, and no payments have been made to them in respect of any such contracts, agreements, arrangements which are proposed to be made with them. Further, no Director has taken any loans from our Company as on March 31, 2014.

**Remuneration of Chairman and Chief Executive Officer**

Pursuant to a resolution passed by the Board of Directors at the meeting held on September 22, 2014 and by the members of our Company at its extra-ordinary general meeting held on October 21, 2014, Venkateswarlu Jasti was re-appointed as Chairman & Chief Executive Officer of our Company for a period of five years with effect from November 1, 2014 until October 31, 2019.

As per the resolution of members of our Company at its extra-ordinary general meeting held on October 21, 2014, the terms of appointment of Venkateswarlu Jasti are as under:

| Particulars | Remuneration |
|---|---|
| Basic salary | ₹ 15,00,000 per month with an annual increment not exceeding 15% of salary effective from the month of November every year as may be decided by the Board of Directors of our Company |
| Commission | Not more than 1% on net profits of the Company calculates as per Section 198 of the Companies Act, 2013 |
| **Other perquisites** | |
| Reimbursement of medical expenses for self and family members including dependent parents | At actual |
| Leave travel concession for self and family including dependent parents to and from ay place in India once in a year | At actual |
| Club fees | Subject to a maximum of 2 clubs provided that no admission or life membership fees shall be paid |
| Personal accident insurance | Premium amount not exceeding ₹ 10,000 per annum |
| Provident Fund | As per the rules of the Company |
| Pension/superannuation fund | As per the rules of the Company |
| 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 |
| Car | Use of Company's car with driver for business purposes |
| Telephone and other communication services | At residence for business purposes |
| Other perquisites | As may be allowed as per the guidelines issued by the Central Government from time to time |
| Leave encashment | As per the rules of the Company |

**Remuneration of Whole-Time Director**

Pursuant to a resolution passed by the Board of Directors at the meeting held on September 22, 2014 and by the members of our Company at its extra-ordinary general meeting held on October 21, 2014, Sudha Rani Jasti was re-appointed as a Whole-Time Director of our Company for a period of five years with effect from November 1, 2014 until October 31, 2019.

As per the resolution of members of our Company at its extra-ordinary general meeting held on October 21, 2014, the terms of appointment of Sudha Rani Jasti are as under:

| Particulars | Remuneration |
|---|---|
| Basic salary | ₹ 7,50,000 per month with an annual increment not exceeding 15% of salary effective from the month of November every year as may be decided by the Board of Directors of our Company |
| Commission | Not more than 0.5% on net profits of the Company calculates as per Section 198 of the Companies Act, 2013 |
| **Other perquisites** | |
| Reimbursement of medical expenses for self and family members including dependent parents | At actual |
| Leave travel concession for self and family including dependant parents to and from ay place in India once in a year | At actual |
| Club fees | Subject to a maximum of 2 clubs provided that no admission or life membership fees shall be paid |
| Personal accident insurance | Premium amount not exceeding ₹ 10,000 per annum |
| Provident Fund | As per the rules of the company |
| Pension/superannuation fund | As per the rules of the company |
| 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 |
| Car | Use of Company's car with driver for business purposes |
| Telephone and other communication services | At residence for business purposes |
| Other perquisites | As may be allowed as per the guidelines issued by the Central Government from time to time |
| Leave encashment | As per the rules of the Company |

**The remuneration paid by our Company to its Executive Directors during the 6 months' period ended September 30, 2014 and in the Fiscal year ended March 31, 2014, 2013 and 2012 is stated below:**

*In ₹ Lacs*

| Particulars | 6 months' period ended September 30, 2014 | | Fiscal 2014 | | Fiscal 2013 | | Fiscal 2012 | |
|---|---|---|---|---|---|---|---|---|
| | **Venkateswarlu Jasti** | **Sudha Rani Jasti** | **Venkateswarlu Jasti** | **Sudha Rani Jasti** | **Venkateswarlu Jasti** | **Sudha Rani Jasti** | **Venkateswarlu Jasti** | **Sudha Rani Jasti** |
| *Fixed Component* | | | | | | | | |
| Salary and allowances | 60.00 | 27.00 | 120.00 | 54.00 | 91.80 | 40.81 | 48.00 | 36.60 |
| *Variable Component* | | | | | | | | |
| Commission (1) | Nil | Nil | 207.80 | 103.90 | 34.86 | 17.43 | Nil | Nil |
| Contribution to Provident Fund | 7.20 | 3.24 | 14.40 | 6.48 | 11.02 | 4.90 | 5.76 | 4.39 |
| **Total** | **67.20** | **30.24** | **342.20** | **164.38** | **137.68** | **63.14** | **53.76** | **40.99** |

*(1) Commission will be paid after annual financial statements are approved by the Board*

**Non-Executive Directors' Sitting Fees**

The Non-Executive Directors are paid sitting fees which is determined by the Board of Directors. Our Company pays sitting fees of ₹ 20,000 per meeting of the Board and ₹ 5,000 for the meetings of the committees of the Board to Non-Executive Directors for attending the meetings of the Board and all the committees thereof.

The following table sets forth all sitting fees paid by our Company to the Non-Executive Directors for the 6 months' period ended September 30, 2014, the Fiscal 2014, Fiscal 2013 and Fiscal 2012:

*(₹ in Lacs)*

| Name of Director | For the 6 months' period ended September 30, 2014 | Fiscal 2014 | Fiscal 2013 | Fiscal 2012 |
|---|---|---|---|---|
| Maripuri Rangaswamy Naidu | 0.51 | 0.71 | 0.32 | 0.49 |
| K V Raghavan | 0.51 | 0.71 | 0.64 | 0.65 |
| Dasu Govinda Prasad | 0.67 | 0.67 | 0.60 | 0.45 |
| Seyed Ehtesham Hasnain | 0.11 | 0.11 | 0.10 | 0.20 |
| Gopalakrishna Muddusetty(1) | 0.22 | 0.67 | 0.30 | Not Applicable |
| Martin Tolar(2) | Not Applicable | Not Applicable | Nil | Nil |

*(1) Gopalkrishna Muddusetty was appointed as a Director with effect from November 14, 2012.*
*(2) Martin Tolar ceased to be a Director with effect from January 16, 2013.*

*Note – The sitting fees for attending the meetings of the Board of Directors and each of the committees of the Board has been increased from ₹ 10,000 to ₹ 20,000 per meeting of the Board and ₹ 5,000 for the meeting of the committees of the Board vide resolution of the Board of Directors passed in their meeting held on September 22, 2014.*

**Corporate Governance**

Our Company is required to comply with applicable corporate governance requirements, including the Listing Agreements with the Stock Exchanges and the ICDR Regulations in respect of the constitution of the Board and committees thereof. The corporate governance framework of our Company is based on an effective, independent Board of Directors, separation of the supervisory role of the Board of Directors from the executive management team and proper constitution of the committees of the Board of Directors.

The Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas. The executive management of our Company provides the Board of Directors with detailed reports on the performance of our Company periodically. Although our Company has been complying with the requirements of the applicable regulations, including the Listing Agreement with the Stock Exchanges and the SEBI guidelines, we are currently in the process of complying with other corporate governance requirements under the Companies Act, 2013. Also, our Company is required to comply with new corporate governance requirements under clause 49 of the Listing Agreement with effect from October 1, 2014.

The Companies Act, 2013 requires us to comply with certain corporate governance requirements. Such requirements did not exist in the Companies Act, 1956. Further, in lieu of the Companies Act, 2013, the corporate governance requirements under the Listing Agreement have been amended to a certain extent. Our Company is therefore required to comply with the corporate governance requirements under the Companies Act, 2013 and Clause 49 of the Listing Agreement (as amended). The following table's sets forth the details of the committees of the Board of Directors constituted in compliance with the terms of Companies Act, 2013 and Clause 49 of the Listing Agreement.

**Committee of the Board of Directors**

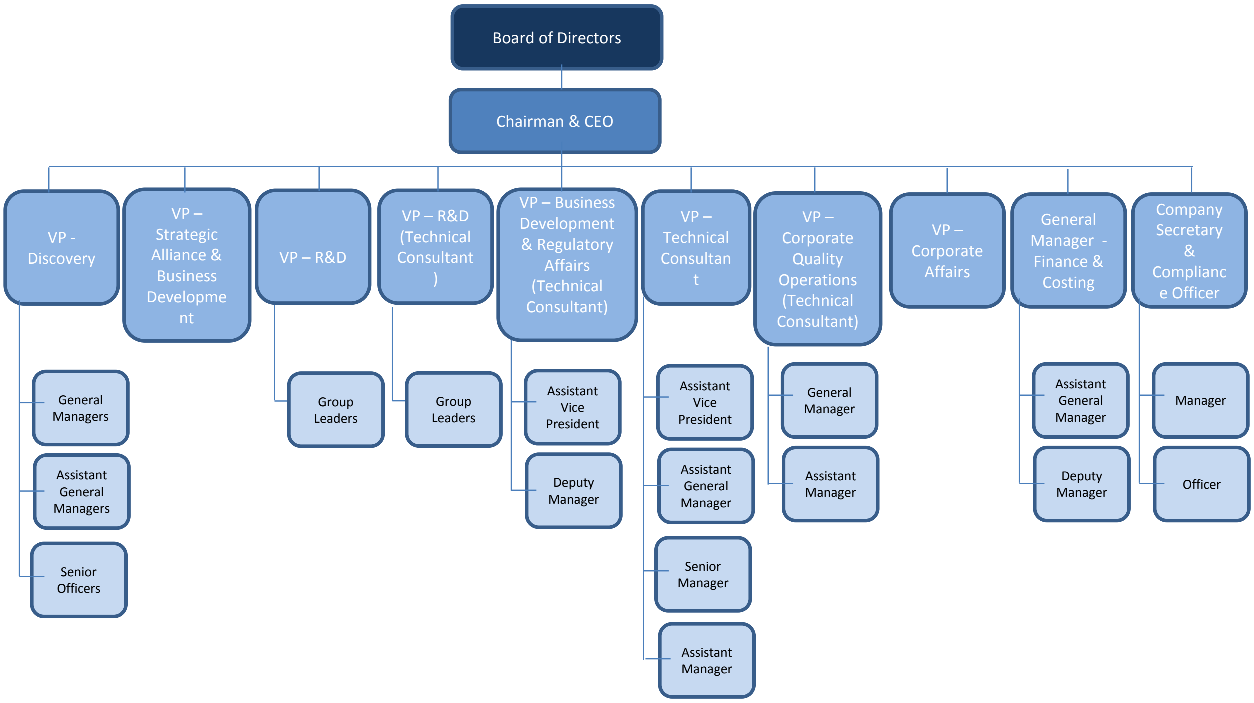
The Board of Directors has seven committees, which have been, *inter alia*, constituted and function in accordance with the relevant provisions of the Listing Agreement: (i) Audit Committee, (ii) Nomination and Remuneration

Committee, (iii) Stakeholders Relationship Committee, (iv) Share Transfer Committee, (v) ESOP Compensation Committee; (vi) Selection Committee; (vii) Corporate Social Responsibility Committee; and (viii) QIP Committee.

The following table sets forth the details of the members of the aforesaid committees:

| Committee | Members |
|---|---|
| Audit Committee | Dasu Govinda Prasad (Chairman),<br>Maripuri Rangaswamy Naidu,<br>K V Raghavan and<br>Gopalakrishna Muddusetty |
| Nomination and Remuneration Committee | K V Raghavan (Chairman),<br>Dasu Govinda Prasad,<br>Maripuri Rangaswamy Naidu and<br>Seyed Ehtesham Hasnain |
| Stakeholders Relationship Committee | K V Raghavan (Chairman),<br>Maripuri Rangaswamy Naidu and<br>Sudha Rani Jasti |
| Share Transfers Committee | Venkateswarlu Jasti (Chairman) and<br>Sudha Rani Jasti |
| ESOP Compensation Committee | Maripuri Rangaswamy Naidu (Chairman)<br>K V Raghavan and<br>Venkateswarlu Jasti |
| Selection Committee | K V Raghavan (Chairman),<br>Dasu Govinda Prasad and<br>Maripuri Rangaswamy Naidu |
| Corporate Social Responsibility Committee | Gopalakrishna Muddusetty (Chairman),<br>Venkateswarlu Jasti and<br>Sudha Rani Jasti |
| QIP Committee | Venkateswarlu Jasti (Chairman),<br>Dasu Govinda Prasad and<br>Maripuri Rangaswamy Naidu |

**ORGANIZATION STRUCTURE**




**Key Managerial Personnel**

The table below sets out the names of our Key Managerial Personnel and their current responsibilities as on the date of this Placement Document:

| Name | Designation | Year of joining |
|---|---|---|
| N V S Ramakrishna | Vice-President – Discovery | 2002 |
| R Padma Kumar | Vice-President – Strategic Alliance and Business Development | 2003 |
| Dr. C Rajendiran | Vice-President – Research and Development | 2002 |
| A Veera Reddy | Vice-President – Research and Development (Technical Consultant) | 2001 |
| M Mohan Rao | Vice-President – Business Development and Regulatory Affairs (Technical Consultant) | 2004 |
| V S N Murthy | Vice-President (Technical Consultant) | 1996 |
| C H V S L Kameswara Rao | Vice-President – Corporate Quality Operations (Technical Consultant) | 2003 |
| Venkatraman Sunder | Vice President – Corporate Affairs | 2005 |
| P Subba Rao | General Manager – Finance & Costing | 1995 |
| K Hanumantha Rao | Company Secretary & Compliance Officer | 2000 |

Except those identified as '*Technical Consultant*' above, all the Key Managerial Personnel are permanent employees of our Company.

Below are brief details of the Key Managerial Personnel of our Company:

**Dr. N V S Ramakrishna**, aged 52 years, is the Vice-President – Discovery of our Company and oversees our drug discovery activities. He joined our Company in 2002. He holds a bachelors' degree and a masters' degree in science from the Andhra University and a Doctor of Philosophy in Skeletal Rearrangements and Ortho Interactions in Phenylacetylenes and Azathiobenzanilides on Electron Impact from the Indian Institute of Technology, Madras. He also holds a post graduate diploma in patent law and practice from Shri Vile Parle Kelavani Mandal's Institute of Intellectual Property Studies. He has authored over 141 published technical research papers.

**R Padmakumar**, aged 52 years, is the Vice-President – Strategic Alliance and Business Development of our Company and operating from our office at Princeton, New Jersey. He joined our Company in 2003. He holds a bachelors' degree in science from the University of Madras and masters' degree in science from Indian Institute of Technology, Mumbai. He has a Doctorate of Philosophy from Indian Institute of Technology, Mumbai. He has authored over 34 published technical research papers.

**Dr. C Rajendiran**, aged 53 years, is the Vice-President – Research and Development of our Company. He has been associated with our Company since 2002. He holds a bachelors' degree and a masters' degree in Science (chemistry) from the University of Madras and a degree of Doctor of Philosophy in natural product chemistry of natural products from the University of Madras. He participated in the International Conference on Organic Synthesis held at Indian Institute of Science, Bangalore. He has an experience of over two decades in the field of chemical and organic product and process development. He has authored several technical research paper publications.

**A Veera Reddy**, aged 60 years, is the Vice-President – Research and Development of our Company and is responsible for overseeing and developing research processes. He has been associated with our Company since 2001.He is currently associated with our Company as a technical consultant. He holds a bachelor's degree in science and a masters' degree in science (Organic Chemistry) from Sri Venkateswara University. He also holds a Doctorate of Philosophy from the University of Hyderabad. He has attended conferences including Understanding Polymorphism and Crystallisation Issues in the Pharmaceutical Industry, Drafting Non-Infringement, Freedom to Operate and Validity Opinions, International Conference on Impact of TRIPS–Indo–US Exchange and International Seminar on Intellectual Property Education and Research. He has over three decades of experience in pharmaceutical sector.

**M Mohan Rao**, aged 67 years, is the Vice-President – Business Development and Regulatory Affairs of our Company. He has been associated with our Company since 2004. He is currently associated with our Company as a technical consultant. His appointment was last renewed with effect from July 1, 2014 and is valid for a period of one year therefrom. He is responsible for developing and monitoring marketing strategy of our Company.

**V S N Murthy**, aged 66 years, is the Vice President of our Company. He has been associated with our Company since 1996. He is currently associated with our Company as a technical consultant. His appointment was last renewed with effect from July 1, 2014 and is valid for a period of one year therefrom. He holds a masters' degree in pharmacy from the Andhra University. He is a life member of the Indian Pharmaceutical Association.

**C H V S L Kameswara Rao**, aged 61 years, is the Vice-President – Corporate Quality Operations of our Company. He has been associated with our Company since 2003. He is currently associated with our Company as a technical consultant. His appointment was last renewed with effect from July 1, 2014 and is valid for a period of one year therefrom. He holds a masters' degree in science from the Institute of Chemists (India), Kolkata. He has experience of over three decades in quality control and compliance with several regulatory regimes. He monitors the compliance with cGMP, USFDA and other standard operating procedures and conducting product review and compliance investigations.

**Venkatraman Sunder**, aged 53 years, is the Vice President – Corporate Affairs, of our Company. He joined our Company in 2005. He is a certified management accountant from Institute Management Accountants, USA. He is a member of the Drug Information Association through December 8, 2003 and an associate member of Institute of Cost & Management Accountants of India.

**P Subba Rao**, aged 57 years, is the General Manager – Finance & Costing of our Company and is responsible for overseeing accounting and finance matters in relation to our Company. He is an associate member of the Institute of Cost and Works Accountants of India. He joined our Company in 1995. He has over three decades of experience in the field of accounting and finance.

**K Hanumantha Rao**, aged 51 years, is the Company Secretary and Compliance Officer of our Company and is responsible for overseeing secretarial matters in relation to our Company. He joined our Company in 2000. He is an associate member of the Institute of Company Secretaries of India. He has over 24 years of experience in secretarial matters.

**Interests of Senior Managerial Personnel**

The senior managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and the Equity Shares held by them in our Company. Following are the details of Equity Shares held by our senior managerial personnel as on September 30, 2014:

| Name of the Senior Managerial Personnel | Number of Equity Shares held as on September 30, 2014 | Per cent of total number of outstanding Equity Shares | Total ESOPs as of September 30, 2014 | ESOPs vested and exercisable as of September 30, 2014 |
|---|---|---|---|---|
| P Subba Rao | 55,675 | 0.04 | Nil | Nil |
| V S N Murthy | 40,000 | 0.03 | Nil | Nil |
| Dr. A Veera Reddy | 13,000 | 0.01 | Nil | Nil |
| Dr. C Rajendiran | 3,500 | Negligible | Nil | Nil |
| C H V S L Kameswara Rao | Nil | Nil | Nil | Nil |
| Dr. N V S Ramakrishna | 3,00,000 | 0.26 | Nil | Nil |
| R Padmakumar | 1,62,300 | 0.14 | Nil | Nil |
| M Mohan Rao | Nil | Nil | Nil | Nil |
| Venkatraman Sunder | Nil | Nil | Nil | Nil |
| K Hanumantha Rao | Nil | Nil | Nil | Nil |

**Employees' Stock Option Plan**

Pursuant to a resolution passed by the Board of Directors of our Company in its meeting held on July 30, 2004 and shareholders of our Company in its Annual General Meeting held on September 17, 2004, our Company adopted the "*Suven Equity Option Plan, 2004*" ("**2004 ESOP Plan**"). For details of the 2004 ESOP Plan of our Company, please refer to chapter titled '***Capital Structure***' beginning on page 68.

**Gratuity**

Our Company has a Suven Pharmaceuticals Employee Group Gratuity Scheme for a Group Gratuity Policy bearing master policy number GGCA 509310 with Life Insurance Corporation of India with effect from March 31, 1998 ("**EGGS**").

A trust deed dated March 31, 1998 was executed between the Company and P Subba Rao and P Lakshmana Rao as trustees appointed for the purpose of administration of the EGGS. The Company has entered into a Deed of Variation dated February 28, 2011 to increase the maximum gratuity limit from ₹ 2,50,000 to ₹ 10,00,000 with effect from March 1, 2010.

**Loans to Directors and Key Managerial Personnel**

As on the date of this Placement Document, there are no amounts which are due to our Company, from any of its Directors or Key Managerial Personnel in the nature of loans and advances. Our Company has not given any guarantees in favour of any Director or any member of our Key Managerial Personnel.

**Related Party Transactions**

Related party transactions entered by our Company during the last three Financial Years are determined in accordance with Accounting Standard 18 issued by the ICAI. For further details, see the section "***Financial Statements – Related Party Transactions***".

**Policy on disclosure and internal procedure for prevention of insider trading**

Regulation 12(1) of the SEBI Prohibition of Insider Trading Regulation applies to our Company and its employees and requires our Company to implement a code of internal procedures and conduct for the prevention of insider trading. Our Company has implemented a code of conduct for prevention of insider trading in accordance with the SEBI Prohibition of Insider Trading Regulations.

**Other Confirmations**

None of our Directors or any Senior Management of our Company has any financial or other material interest in this Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

## PRINCIPAL SHAREHOLDERS

The table below represents the shareholding pattern of our Company in accordance with clause 35 of the Listing Agreement, as on September 30, 2014:

| Category of Shareholder | No. of Shareholders | Total No. of Shares | Total No. of Shares held in Dematerialized Form | Total Shareholding as a % of Total No. of Shares | | Shares pledged or otherwise encumbered | |
|---|---|---|---|---|---|---|---|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of shares | As a % of Total No. of Shares |
| **(A) Shareholding of Promoter and Promoter Group** | | | | | | | |
| **Indian** | | | | | | | |
| a. Individual/Hindu Undivided Family | 6 | 7,56,57,576 | 7,56,57,576 | 64.76 | 64.76 | 0 | 0.00 |
| b. Central Government/ State Governments | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| c. Bodies Corporate | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| d. Financial Institutions / Banks | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| e. Any other (Specify) | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| **Sub Total A(1)** | 6 | 7,56,57,576 | 7,56,57,576 | 64.76 | 64.76 | 0 | 0.00 |
| **Foreign** | | | | | | | |
| a. Individual (Non resident Individuals / Foreign individuals) | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| b. Body Corporate | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| c. Institutions | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| d. Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| e. Any other (Specify) | 0 | 0 | 0 | 0.00 | 0.00 | 0 | 0.00 |
| **Sub Total A(2)** | **0** | **0** | **0** | **0.00** | **0.00** | **0** | **0.00** |
| **Total shareholding of Promoter and Promoter Group (A)= (A)(1) +(A)(2)** | 6 | 7,56,57,576 | 7,56,57,576 | 64.76 | 64.76 | 0 | 0.00 |
| **(B) Public Shareholding** | | | | | | | |
| **(I) Institutions** | | | | | | | |
| a. Mutual Funds/ UTI | 3 | 6,28,000 | 6,10,000 | 0.54 | 0.54 | | |
| b. Financial Institutions / Banks | 2 | 50,829 | 50,829 | 0.04 | 0.04 | | |
| c. Central | 0 | 0 | 0 | 0.00 | 0.00 | | |

| Category of Shareholder | No. of Shareholders | Total No. of Shares | Total No. of Shares held in Dematerialized Form | Total Shareholding as a % of Total No. of Shares | | Shares pledged or otherwise encumbered | |
|---|---|---|---|---|---|---|---|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of shares | As a % of Total No. of Shares |
| Government/ State Governments | | | | | | | |
| d. Venture capital Funds | 0 | 0 | 0 | 0.00 | 0.00 | | |
| e. Insurance Companies | 0 | 0 | 0 | 0.00 | 0.00 | | |
| f. Foreign Institutional Investors | 10 | 16,21,811 | 16,21,811 | 1.39 | 1.39 | | |
| g. Foreign Venture Capital Investors | 0 | 0 | 0 | 0.00 | 0.00 | | |
| h. Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0.00 | | |
| i. Any other (Specify) - Foreign Banks | 0 | 0 | 0 | 0.00 | 0.00 | | |
| **Sub Total B(1)** | 15 | 23,00,640 | 22,82,640 | 1.97 | 1.97 | | |
| **B (2) Non-Institutions** | | | | | | | |
| a. Bodies Corporate | 868 | 45,49,648 | 45,31,648 | 3.89 | 3.89 | | |
| b. Individuals | | | | | | | |
| (i) Individual Shareholders holding Nominal Share Capital upto ₹1 Lac | 40141 | 2,55,59,915 | 2,45,03,370 | 21.88 | 21.88 | | |
| (ii) Individual Shareholders holding Nominal Share Capital in excess of ₹1 Lac | 14 | 29,96,581 | 28,76,581 | 2.56 | 2.56 | | |
| c. Qualified Foreign Investor | 0 | 0 | 0 | 0.00 | 0.00 | | |
| d. Any other - Clearing Members | | | | | | | |
| - Non Resident Indians | 682 | 52,26,875 | 51,14,675 | 4.47 | 4.47 | | |
| - Clearing Members | 244 | 5,37,553 | 5,37,553 | 0.46 | 0.46 | | |
| **Sub Total B(2)** | **41,949** | **3,88,70,572** | **3,75,63,827** | **33.27** | **33.27** | | |
| Total Public Shareholding (B)= (B)(1)+(B)(2) | **41,964** | **4,11,71,212** | **3,98,46,467** | **35.24** | **35.24** | ***NA*** | ***NA*** |
| **TOTAL (A) + (B)** | | | | | | | |
| **Shares held by Custodians and** | 0 | 0 | 0 | 0.00 | 0.00 | | |

| Category of Shareholder | No. of Shareholders | Total No. of Shares | Total No. of Shares held in Dematerialized Form | Total Shareholding as a % of Total No. of Shares | | Shares pledged or otherwise encumbered | |
|---|---|---|---|---|---|---|---|
| | | | | As a % of (A+B) | As a % of (A+B+C) | Number of shares | As a % of Total No. of Shares |
| **against which Depository Receipts have been issued** | | | | | | *NA* | *NA* |
| (1) Promoter and Promoter Group | 0 | 0 | 0 | 0.00 | 0.00 | | |
| (2) Public | 0 | 0 | 0 | 0.00 | 0.00 | | |
| **Sub Total C** | 0 | 0 | 0 | 0.00 | 0.00 | | |
| **Grand Total (A) + (B) + ( C)** | **41,970** | **11,68,28,788** | **11,55,04,043** | **100.00** | **100.00** | | |

The following table contains information as on September 30, 2014 concerning persons belonging to the Promoter and Promoter Group category:

| Sl. No. (I) | Name of the Shareholder (II) | Details of Shares held | | Encumbered shares (*) | | Total Shares (including underlying shares assuming full conversion of warrants and Convertible securities) as a % of diluted share capital |
|---|---|---|---|---|---|---|
| | | No. of Shares held (III) | As a % of (A+B+C) (IV) | As a % (V) = (VI)/(III) *100 | As a % of Grand Total (A+B+C) | |
| 1. | Venkateswarlu Jasti | 2,30,00,000 | 19.69 | 0.00 | 0.00 | 19.69 |
| 2. | Sudha Rani Jasti | 2,10,00,000 | 17.98 | 0.00 | 0.00 | 17.98 |
| 3. | Sirisha Jasti | 1,05,50,000 | 9.03 | 0.00 | 0.00 | 9.03 |
| 4. | Madhavi Jasti | 1,05,50,000 | 9.03 | 0.00 | 0.00 | 9.03 |
| 5. | Kalyani Jasti | 1,05,50,000 | 9.03 | 0.00 | 0.00 | 9.03 |
| 6. | Subba Rao Jasti | 7,576 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total** | **7,56,57,576** | **64.76** | **0.00** | **0.00** | **64.76** |

(*) The term "encumbrance" has the same meaning as assigned to it in regulation 28(3) of the SAST Regulations, 2011.

The following table contains information as on September 30, 2014 concerning each person in the "Public" category, who holds more than 1% or more of the Total number of Shares:

| Sl. No. | Name of the Shareholder | No. of Shares held | Shares as % of Total No. of Shares | Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital |
|---|---|---|---|---|
| 1. | Rambabu Chirumamilla | 26,10,000 | 2.23 | 2.23 |
| | **Total** | **26,10,000** | **2.23** | **2.23** |

The following table contains information as on September 30, 2014 concerning persons (together with PAC) belonging to the category "Public" and holding more than 5% of the total number of Equity Shares:

| Sl. No. | Name(s) of the shareholder(s) and the Persons Acting in Concert (PAC) with them | No. of Shares held | Shares as % of Total No. of Shares | Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital |
|---|---|---|---|---|
| | **NA** | **NA** | **NA** | **NA** |
| | **Total** | | | |

Details of Depository Receipts (DRs) as on September 30, 2014

| Sl. No. | Type of Outstanding DR (ADRs, GDRs, SDRs, etc.) | No. of outstanding DRs | No. of Shares Underlying Outstanding DRs | Shares Underlying Outstanding DRs as % of Total No. of Shares |
|---|---|---|---|---|
| | **NA** | **NA** | **NA** | **NA** |
| | **Total** | | | |

Details of holding of Depository Receipts (DRs), where underlying shares held by 'promoter / promoter group' are in excess of 1% of the total number of shares as on September 30, 2014.

| Sl. No. | Name of the DR Holder | Type of Outstanding DR (ADRs, GDRs, SDRs, etc.) | No. of Shares Underlying Outstanding DRs | Shares Underlying Outstanding DRs as % of Total No. of Shares |
|---|---|---|---|---|
| | **NA** | **NA** | **NA** | **NA** |
| | **Total** | | | |

## ISSUE PROCEDURE

*The following is a summary intended to present a general outline of the procedure relating to the application, bidding, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and investors are presumed to have apprised themselves of the same from our Company or the GC-BRLM. Investors that apply in this Issue will be required to confirm and will be deemed to have represented to our Company, the GC-BRLM and their respective directors, officers, agents, advisors, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares. Our Company and the GC-BRLM and their respective directors, officers, agents, advisors, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares. Investor is advised to inform themselves of any restrictions or limitations that may be applicable to them. See the sections **"Distribution and Solicitation Restrictions"** and **"Transfer Restrictions"** beginning on pages 163 and 168, respectively.*

### Qualified Institutions Placement

The Issue is being made to QIBs in reliance upon Chapter VIII of the ICDR Regulations and Private Placement Provisions, through the mechanism of a QIP. Under Chapter VIII of the ICDR Regulations and Private Placement Provisions, a company may issue equity shares to QIBs provided that certain conditions are met by our Company. Certain of these conditions are set out below:

- the shareholders of the issuer have passed a special resolution approving such QIP. Such special resolution must specify (a) that the allotment of securities is proposed to be made pursuant to the QIP; and (b) the Relevant Date;
- equity shares of the same class of such issuer, which are proposed to be allotted through the QIP, are listed on a recognised stock exchange in India having nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;
- the aggregate of the proposed issue and all previous QIPs made by the issuer in the same financial year does not exceed five times the net worth (as defined in the ICDR Regulations) of the issuer as per the audited balance sheet of the previous financial year;
- the issuer shall be in compliance with the minimum public shareholding requirements set out in the SCRR;
- the issuer shall have completed allotments with respect to any prior offer or invitation made by the issuer or shall have withdrawn or abandoned any prior invitation or offer made by the issuer;
- the issuer shall offer to each Allottee at least such number of the securities in the issue which would aggregate to at least ₹ 20,000 calculated at the face value of the securities;
- the offer must be made through a private placement offer letter and an application form serially numbered and addressed specifically to the QIB to whom the offer is made and is sent within 30 days of recording the names of such QIBs;
- the offering of securities by issue of public advertisements or utilisation of any media, marketing or distribution channels or agents to inform the public about the issue is prohibited

At least 10% of the equity shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to mutual funds remains unsubscribed, it may be allotted to other QIBs.

Bidders are not allowed to withdraw their Bids after the Issue Closing Date.

Additionally, there is a minimum pricing requirement under the ICDR Regulations. The Floor Price shall not be less than the average of the weekly high and low of the closing prices of the Equity Shares of the same class of the Equity Shares of the Issuer quoted on the stock exchange during the two weeks preceding the Relevant Date. However, a discount of up to 5% of the Floor Price is permitted in accordance with the provisions of the ICDR Regulations.

The "Relevant Date" referred to above, for Floor Price, will be the date of the meeting in which the Board of Directors or any committee duly authorised by the Board of Directors decides to open the Issue and "stock exchange" means any of the recognised stock exchanges in India on which the equity shares of the issuer of the same class are listed and on which the highest trading volume in such equity shares has been recorded during the two weeks immediately preceding the Relevant Date.

Our Company has applied for and received the in-principle approval of the Stock Exchanges under Clause 24 (a) of its Listing Agreements for the listing of the Equity Shares on the Stock Exchanges. Our Company has also delivered a copy of the Preliminary Placement Document to the Stock Exchanges.

Our Company shall also make the requisite filings with the RoC and SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

The Issue has been authorized by (i) the Board pursuant to a resolution passed on September 22, 2014, and (ii) the shareholders, pursuant to a resolution passed at the EGM held on October 21, 2014.

The Equity Shares will be Allotted within 12 months from the date of the shareholders' resolution approving the QIP and within 60 days from the date of receipt of subscription money from the successful Bidders. For details of refund of application money, please see the section ***"Issue Procedure – Pricing and Allocation – Designated Date and Allotment of Equity Shares"*** beginning on page 151.

The Equity Shares issued pursuant to the QIP must be issued on the basis of the Preliminary Placement Document and this Placement Document that shall contain all material information including the information specified in Schedule XVIII of the ICDR Regulations and the requirements prescribed under Form PAS-4 of the Companies (Prospectus and Allotment of Securities) Rules, 2014. This Preliminary Placement Document and this Placement Document are private documents provided to only select investors through serially numbered copies and are required to be placed on the website of the concerned Stock Exchanges and of our Company with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

The minimum number of allottees for each QIP shall not be less than:

two, where the issue size is less than or equal to ₹ 25,000 Lacs; and

five, where the issue size is greater than ₹ 25,000 Lacs.

No single allottee shall be allotted more than 50 % of the issue size.

QIBs that belong to the same group or that are under common control shall be deemed to be a single allottee. For details of what constitutes "same group" or "common control", please see the section ***"Issue Procedure—Application Process—Application Form"*** beginning on page 151**.**

Securities allotted to a QIB pursuant to a QIP shall not be sold for a period of one year from the date of allotment except on the floor of a recognised stock exchange in India. Allotments made to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares offered hereby have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold outside the United States in reliance on Regulation S. For a description of certain restrictions on transfer of the Equity Shares, please see "***Transfer Restrictions***".

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**Issue Procedure**

1. Our Company and GC- BRLM shall circulate serially numbered copies of the Preliminary Placement Document and the serially numbered Application Form, either in electronic or physical form, to the QIBs and the Application Form will be specifically addressed to such QIBs. In terms of Section 42(7) of the Companies Act, 2013, our Company shall maintain complete records of the QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Company will make the requisite filings with the RoC and SEBI within the stipulated time period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

2. The list of QIBs to whom the Bid-cum-Application Form is delivered shall be determined by our Company in consultation with the GC-BRLM. Unless a serially numbered Preliminary Placement Document along with the serially numbered Application Form is addressed to a particular QIB, no invitation to subscribe shall be deemed to have been made to such QIB. Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid. Our Company shall intimate the Bid/Issue Opening Date to the Stock Exchanges.

3. QIBs may submit an Application Form, including any revisions thereof, during the Bidding Period to the GC-BRLM.

4. Bidders will be required to indicate the following in the Application Form:

   - name of the QIB to whom Equity Shares are to be Allotted;

   - number of Equity Shares Bid for;

   - price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit a Bid at "Cut-off Price"; which shall be any price as may be determined by our Company in consultation with the GC-BRLM at or above the Floor Price or the Floor Price net of such discount as approved in accordance with ICDR Regulations;

   - details of the depository account to which the Equity Shares should be credited; and

   - a representation that it is outside the United States, and it has agreed to certain other representations set forth in the Application Form.

   ***Note:*** **Each sub-account of an FII other than a sub-account which is a foreign corporate or a foreign individual will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting Bids.**

5. Once a duly completed Application Form (including the revision of bids) is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Issue Closing Date. The Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

6. The Bids made by asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be

made in respect of each scheme of the Mutual Fund registered with SEBI. Upon receipt of the Application Form, after the Issue Closing Date, our Company shall determine the final terms, including the Issue Price of the Equity Shares to be issued pursuant to the Issue in consultation with the GC-BRLM. Upon determination of the final terms of the Equity Shares, the GC-BRLM will send the serially numbered CAN along with the Placement Document to the QIBs who have been Allocated the Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB. Please note that the Allocation will be at the absolute discretion of our Company and will be based on the recommendation of the GC-BRLM.

7. Pursuant to receiving a CAN, each successful Bidder shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Company's designated bank account by the Pay-In Date as specified in the CAN sent to the respective successful Bidder. No payment shall be made by successful Bidder in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Company in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

8. Upon receipt of the application monies from the QIBs, our Company shall Allot Equity Shares as per the details in the CANs sent to the successful Bidder.

9. After passing the resolution for Allotment and prior to crediting the Equity Shares into the depository participant accounts of the successful Bidders, our Company shall apply to the Stock Exchanges for listing approvals. Our Company will intimate to the Stock Exchanges the details of the Allotment and apply for approvals for final listing of the Equity Shares on the Stock Exchanges prior to crediting the Equity Shares into the beneficiary account maintained with the Depository Participant by the successful Bidder.

10. After receipt of the listing approvals of the Stock Exchanges, our Company shall credit the Equity Shares Allotted pursuant to this Issue into the Depository Participant accounts of the respective Allottees.

11. Our Company will then apply for the final trading approvals from the Stock Exchanges.

12. The Equity Shares that would have been credited to the beneficiary account with the Depository Participant of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

13. Upon receipt of intimation of final trading and listing approval from the Stock Exchanges, our Company shall inform the Allottees of the receipt of such approval. Our Company and the GC-BRLM shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Company.

**Qualified Institutional Buyers**

Only QIBs as defined in Regulation 2(1)(zd) of the ICDR Regulations and not otherwise excluded pursuant to Regulation 86(1)(b) of the ICDR Regulations are eligible to invest. Currently, under Regulation 2(1)(zd) of the ICDR Regulations, a QIB means:

- alternate investment funds registered with SEBI
- Eligible FPIs;
- foreign venture capital investors registered with SEBI;

- insurance companies registered with Insurance Regulatory and Development Authority;
- insurance funds set up and managed by army, navy or air force of the Union of India;
- insurance funds set up and managed by the Department of Posts, India;
- multilateral and bilateral development financial institutions;
- Mutual Fund;
- pension funds with minimum corpus of ₹ 2,500 Lacs;
- provident funds with minimum corpus of ₹ 2,500 Lacs;
- public financial institutions as defined in Section 4A of the Companies Act, 1956 (Section 2(72) of the Companies Act, 2013);
- scheduled commercial banks;
- state industrial development corporations;
- the National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government published in the Gazette of India; and
- venture capital funds registered with SEBI;

**FIIs (other than a sub-account which is a foreign corporate or a foreign individual) and Eligible FPIs are permitted to participate through the portfolio investment scheme under Schedule 2 and Schedule 2A of FEMA 20 respectively, in this Issue. FIIs and Eligible FPIs are permitted to participate in the Issue subject to compliance with all applicable laws and such that the shareholding of the FPIs do not exceed specified limits as prescribed under applicable laws in this regard.**

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) is not permitted to exceed 10% of our post-Issue Equity Share capital. Further, in terms of the FEMA 20, the total holding by each FPI shall be below 10% of the total paid-up Equity Share capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of the paid-up Equity Share capital of our Company. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board of Directors followed by a special resolution passed by the shareholders of our Company. The Board of Directors of the Company has vide its resolution dated December 4, 2003 and a special resolution passed by the members of the Company on January 5, 2004, the FII ceiling has been raised to 40% of the total issued and paid-up capital of the Company. The RBI has, vide its letter dated April 1, 2004 approved the overall ceiling limit of the FIIs under the Portfolio Investment Scheme to 40% of the total paid-up share capital of the Company.

Eligible FPIs are permitted to participate in the Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

An FII who holds a valid certificate of registration from SEBI shall be deemed to be an FPI until the expiry of the block of three years for which fees have been paid as per the SEBI FII Regulations. An FII or sub-account (other than a sub-account which is a foreign corporate or a foreign individual) may participate in the Issue, until the expiry of its registration as a FII or sub-account, or until it obtains a certificate of registration as FPI, whichever is earlier. If the registration of an FII or sub-account has expired or is about to expire, such FII or sub-account may, subject to payment of conversion fees under the SEBI FPI Regulations, participate in the Issue. An FII or sub-account shall not be eligible to invest as an FII after registering as an FPI under the SEBI FPI Regulations.

In terms of the FEMA 20, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs as well as holding of FIIs (being deemed FPIs) shall be included. FPI's investing in this Issue should ensure that they are eligible under the applicable law or regulation to apply in this Issue.

Allotments to FVCIs, VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

Under Regulation 86(1)(b) of the ICDR Regulations, no Allotment shall be made pursuant to the Issue, either directly or indirectly, to any QIB being, or any person related to, the Promoter. QIBs which have all or any of the following rights shall be deemed to be persons related to the Promoter:

- rights under a shareholders' agreement or voting agreement entered into with the Promoter or persons related to the Promoter;
- veto rights; or
- a right to appoint any nominee director on the Board.

Provided, however, that a QIB which does not hold any shares in our Company and which has acquired the aforesaid rights in the capacity of a lender shall not be deemed to be related to the Promoter.

**Our Company and the GC-BRLM are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Code, and the QIB shall be solely responsible for compliance with the provisions of the Takeover Code, SEBI (Prohibition of Insider Trading) Regulations, 1992 and other applicable laws, rules, regulations, guidelines and circulars.**

**A minimum of 10% of the Equity Shares in the Issue shall be allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion (or part thereof not so taken up) may be allotted to other QIBs.**

*Note: Affiliates or associates of the GC-BRLM who are QIBs may participate in the Issue in compliance with applicable laws.*

**Application Process**

***Application Form***

QIBs shall only use the serially numbered Application Forms (which are addressed to them) supplied by our Company and the GC-BRLM in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of the Preliminary Placement Document.

By making a Bid (including the revision thereof) for Equity Shares through Application Forms and pursuant to the terms of the Preliminary Placement Document, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections "***Notice to Investors***", "***Representations by Investors***", "***Distribution and Solicitation Restrictions***" and "***Transfer Restrictions***" beginning on pages 2, 3, 163, and 168, respectively:

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the ICDR Regulations and is not excluded under Regulation 86 of the ICDR Regulations, has a valid and existing registration under the applicable laws in India (as applicable) and is eligible to participate in this Issue;

2. The QIB confirms that it is not a Promoter and is not a person related to the Promoter, either directly or indirectly and its Application Form does not directly or indirectly represent the Promoter or Promoter Group or persons related to the Promoter;

3. The QIB confirms that it has no rights under a shareholders' agreement or voting agreement with the Promoter or persons related to the Promoter, no veto rights or right to appoint any nominee director on the Board other than those acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoter;

4. The QIB acknowledges that it has no right to withdraw its Application after the Issue Closing Date;

5. The QIB confirms that if Equity Shares are Allotted through this Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the Stock Exchanges;

6. The QIB confirms that the QIB is eligible to Bid and hold Equity Shares so Allotted. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

7. The QIB confirms that its Bids would not eventually result in triggering a tender offer under the Takeover Code;

8. The QIB confirms that to the best of its knowledge and belief, the number of Equity Shares Allotted to it pursuant to the Issue, together with other Allottees that belong to the same group or are under common control, shall not exceed 50 per cent of the Issue Size. For the purposes of this representation:

   - The expression 'belong to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

   - 'Control' shall have the same meaning as is assigned to it by Regulation 2(1)(e) of the Takeover Code;

9. The QIBs shall not undertake any trade in the Equity Shares credited to its beneficiary account maintained with the Depository Participant until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

**QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, PERMANENT ACCOUNT NUMBER, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.**

**IF SO REQUIRED BY THE GC-BRLM, THE QIB SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE GC-BRLM TO EVIDENCE THEIR STATUS AS A "QIB" AS DEFINED HEREINABOVE.**

**IF SO REQUIRED BY THE GC-BRLM, COLLECTION BANK(S) OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSURE, THE QIB SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CUSTOMER (KYC) NORMS.**

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for the Equity Shares (as indicated by the CAN) and becomes a binding contract on the QIB upon issuance of the CAN by our Company in favour of the QIB.

**Bids by Mutual Funds**

The bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. Each scheme/fund of a mutual fund registered with SEBI, will have to submit separate Application Form.

Each mutual fund will have to submit separate Application Forms for each of its participating schemes. Such applications will not be treated as multiple bids provided that the bids clearly indicate the scheme for which the bid has been made. However, for the purpose of calculating the number of allotters/applicants, various schemes of the same mutual fund will be considered as a single allottee/applicant.

The above information is given for the benefit of the Bidders. We and the GC-BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Placement Document. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under the applicable laws and regulations.

***Submission of Application Form***

All Application Forms must be duly completed with information including the number of Equity Shares applied for. All Application Forms duly completed along with payment and a copy of the PAN card or PAN allotment letter shall be submitted to the GC-BRLM either through electronic form or through physical delivery at the following address:

| ***Name*** | ***Address*** | ***Contact Person*** | ***Email*** | ***Phone (Telephone and Fax)*** |
|---|---|---|---|---|
| Anand Rathi Advisors Limited | 10th Floor, Trade D, Kamla City Senapati Bapat Marg Lower Parel Mumbai – 400 013 India | V. Prashant Rao/ Lokesh Bhandari | suven.qip@rathi.com | **Tel: +91-22-6626 6666** **Fax: +91-22-6626 6544** |

The GC-BRLM shall not be required to provide any written acknowledgement of receipt of the Application Form.

***Permanent Account Number or PAN***

Each QIB should mention its PAN allotted under the IT Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

**Pricing and Allocation**

***Build-up of the Book***

The QIBs shall submit their Bids (including the revision of bids) within the Bidding Period to the GC-BRLM. Such Bids cannot be withdrawn after the Issue Closing Date. The book shall be maintained by the GC-BRLM.

***Price Discovery and Allocation***

Our Company, in consultation with the GC-BRLM, shall determine the Issue Price, which shall be at or above the Floor Price. However, our Company may offer a discount of not more than five % on the Floor Price in terms of Regulation 85 of the ICDR Regulations.

After finalization of the Issue Price, our Company shall update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as this Placement Document.

***Method of Allocation***

Our Company shall determine the Allocation in consultation with the GC-BRLM on a discretionary basis and in compliance with Chapter VIII of the ICDR Regulations. Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand.

The Allocation to all such QIBs will be made at the Issue Price. Allocation shall be decided by us in consultation with the GC-BRLM on a discretionary basis. Allocation to Mutual Funds for up to a minimum of 10 % of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

**THE DECISION OF OUR COMPANY IN CONSULTATION WITH THE GC-BRLM IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR COMPANY IN CONSULTATION WITH THE GC-BRLM AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR COMPANY NOR THE GC-BRLM ARE OBLIGED TO ASSIGN ANY REASON FOR ANY NON-ALLOCATION.**

**CAN**

Based on the Application Forms received, our Company, in consultation with the GC-BRLM, in their sole and absolute discretion, shall decide the successful Bidder to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares in their respective names shall be notified to such successful Bidder. Additionally, a CAN will include details of the relevant Escrow Cash Account into which such payments would need to be made, address where the application money needs to be sent, Pay-In Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective successful Bidder's account.

The successful Bidders would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN. The dispatch of the serially numbered Placement Document and the serially numbered CAN to the QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by Company and the GC-BRLM and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

**QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.**

**Bank Account for Payment of Application Money**

Our Company has opened an escrow bank account; the "Suven Life Sciences Limited – QIP Escrow Account" with IndusInd Bank Limited in terms of the arrangement among our Company, the GC-BRLM and IndusInd Bank Limited as escrow bank. The QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-In Date as mentioned in, and in accordance with, the respective CAN.

Payments are to be made only through electronic fund transfer.

**Note: Payments through cheques are liable to be rejected.**

If the payment is not made favoring "Suven Life Sciences Limited – QIP Escrow Account" within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled. Pending Allotment, our Company undertakes to utilise the amount deposited in "Suven Life Sciences Limited – QIP Escrow Account" only for the purposes of (i) adjustment against Allotment of Equity Shares in the Issue; or (ii) repayment of application money if our Company is not able to Allot Equity Shares in the Issue.

In case of cancellations or default by the QIBs, our Company, the GC-BRLM has the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion.

***Designated Date and Allotment of Equity Shares***

The Equity Shares will not be Allotted unless the QIBs pay the amount payable as mentioned in the CAN issued to them to the "Suven Life Sciences Limited – QIP Escrow Account" as stated above. The Equity Shares in the Issue will be issued and Allotment shall be made only in dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Our Company, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever. Post the Allotment and credit of Equity Shares into the QIBs' Depository Participant accounts, our Company will apply for final trading and listing approvals from the Stock Exchanges.

In the case of QIBs who have been Allotted more than five (5) per cent of the Equity Shares in the Issue, our Company shall disclose the name and the number of the Equity Shares Allotted to such QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website.

The Escrow Bank shall release the monies lying to the credit of the Escrow Cash Account to our Company after Allotment of Equity Shares to QIBs.

In accordance with the Companies Act, 2013, in the event that our Company is unable to issue and Allot the Equity Shares offered in the Issue or there is a cancellation of the Issue within 60 days from the date of receipt of application money from a successful Bidder, our Company shall repay the application money within 15 days from expiry of 60 day period, failing which our Company shall repay that money to such successful Bidders with interest at the rate of 12 per cent per annum from expiry of the $60^{th}$ day.

**Other Instructions**

***Right to Reject Applications***

Our Company, in consultation with the GC-BRLM, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Company and the GC-BRLM in relation to the rejection of Bids shall be final and binding.

***Equity Shares in Dematerialized form with NSDL or CDSL***

The Allotment of the Equity Shares in the Issue shall be only in dematerialized form (i.e., not in physical certificates but be fungible and be represented by the statement issued through the electronic mode). A QIB applying for Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either NSDL or CDSL prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. The Stock Exchanges have electronic connectivity with NSDL and CDSL. The trading of the Equity Shares to be issued pursuant to the Issue would be in dematerialised form only for all QIBs in the demat segment of the respective Stock Exchanges.

Our Company and the GC-BRLM will not be responsible or liable for the delay in the credit of Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

**Release of funds to our Company**

The Escrow Bank shall not release the monies lying to the credit of the " Suven Life Sciences Limited – QIP Escrow Account" till such time, that it receives an instruction in pursuance to the Escrow Agreement, along with the Listing approval of the Stock Exchanges for the Equity Shares offered in the Issue.

## PLACEMENT

### Placement Agreement

The GC-BRLM has entered into a placement agreement with us (the "**Placement Agreement**"), pursuant to which the GC-BRLM has agreed to procure, on a reasonable efforts basis, QIBs to subscribe for Equity Shares to be issued pursuant to the Issue, pursuant to Chapter VIII of the SEBI ICDR Regulations.

The Placement Agreement contains customary representations and warranties as well as indemnities from us and is subject to certain conditions and termination provisions contained therein.

Applications will be made to list the Equity Shares and admit them to trading on the Stock Exchanges. No assurance can be given as to the liquidity or sustainability of the trading market for the Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

This Placement Document has not been, and will not be, registered as a prospectus with the Registrar of Companies in India and no Equity Shares will be offered in India or overseas to the public or any members of the public in India or to any class of investors other than QIBs.

In connection with the Issue, the GC-BRLM (or their affiliates) may, for their own accounts, enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the GC-BRLM may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions. Affiliates of the GC-BRLM may purchase Equity Shares and be allocated Equity Shares.

### Lock-up

Our Company has agreed that it will not, without the prior written consent of the GC-BRLM (which such consent shall not be unreasonably withheld), for the period commencing from the date of the Placement Agreement and ending 90 days from the Closing Date, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) publicly announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise.

Our Promoters have agreed that without the prior written consent of the GC-BRLM (which such consent shall not be unreasonably withheld), it will not, during the period commencing from the date of the Placement Agreement and ending 90 days after the date of allotment of the Issue Shares, directly or indirectly: (a) sell, lend, pledge, contract to sell, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Equity Shares, or any securities convertible into or exercisable or exchangeable for Equity Shares or publicly announce an intention with respect to any of the foregoing; (b) enter into any swap or other agreement that transfers, directly or indirectly, in whole or in part, any of the economic consequences of ownership of Equity Shares or any securities convertible into or exercisable or exchangeable for Equity Shares; or (c) publicly announce any intention to enter into any transaction whether any such transaction described in (a) or (b) above is to be settled by delivery of Equity Shares, or such other securities, in cash or otherwise; provided however that the foregoing restrictions will (i) not be applicable to any transfer by the Promoters to their Immediate Relatives, either directly or indirectly, including through a trust mechanism for the benefit of the Promoters and/or any Immediate Relatives, (ii) not be applicable to any pledge or mortgage of the Equity Shares already existing on the date of the Placement Agreement or transfer of such existing pledge or mortgage; and (iii) not restrict the existing shareholders of our Company from acquiring or purchasing any Equity Shares in our Company, directly or indirectly, in accordance with and subject to applicable laws.

## DISTRIBUTION AND SOLICITATION RESTRICTIONS

*The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.*

### General

No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction, or the possession, circulation or distribution of this Placement Document or any other material relating to the Company or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. The Issue will be made in compliance with the applicable SEBI Regulations. Each purchaser of the Equity Shares in the Issue will be required to make, or be deemed to have made, as applicable, the acknowledgments and agreements as described "***Transfer Restrictions***" on page 168.

### India

This Placement Document may not be distributed, directly or indirectly, in India or to residents of India and any Equity Shares may not be offered or sold, directly or indirectly, in India to, or for the account or benefit of, any resident of India except as permitted by applicable Indian laws and regulations, under which an offer is strictly on a private and confidential basis and is limited to eligible QIBs. This Placement Document is neither a public issue nor a prospectus under the Companies Act or an advertisement and should not be circulated to any person other than to whom the offer is made.

### Bahrain

The Issue is a private placement in Bahrain. Therefore, it is not subject to the regulations of the Central Bank of Bahrain that apply to public offerings of securities, and the extensive disclosure requirements and other protections that these regulations contain. This Placement Document is therefore intended only for accredited investors. The financial instruments offered by way of private placement may only be offered in minimum subscriptions of $100,000 (or equivalent in other currencies). The Central Bank of Bahrain assumes no responsibility for the accuracy and completeness of the statements and information contained in this Placement Document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the contents of this Placement Document. To the best of our Company's board of directors' and management's knowledge and belief, who have taken all reasonable care to ensure that such is the case, the information contained in this Placement Document is in accordance with the facts and does not omit anything likely to affect the reliability of such information.

### European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is or was implemented in that Relevant Member State (the "**Relevant Implementation Date**"), the Equity Shares may not be offered or sold to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Equity Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive (defined below) and the 2010 Amending Directive (defined below), except that the Equity Shares, with effect from and including the Relevant Implementation Date, may be offered to the public in that Relevant Member State at any time:

(a) to persons or entities that are "qualified investors" as defined in the Prospectus Directive or, if that Relevant Member State has implemented the 2010 Amending Directive, as defined in the 2010 Amending Directive;

(b) to (i) fewer than 100 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive); or (ii) if that Relevant Member State has implemented the 2010 Amending Directive, fewer than 150 natural or legal persons (other than "qualified investors" as defined in the 2010 Amending Directive), in each case subject to obtaining the prior consent of the GC-BRLM; and

(c) in any circumstances falling within Article 3(2) of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive, provided that no such offering of Equity Shares shall result in a requirement for the publication by our Company or the GC-BRLM of a prospectus pursuant to Article 3 of the Prospectus Directive as amended (to the extent implemented in that Relevant Member State) by Article 1(3) of the 2010 Amending Directive.

For the purposes of this provision, the expression an "offer of Equity Shares to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State and the expression "2010 Amending Directive" means Directive 2010/73/EU and includes any relevant implementing measure in each Member State.

Neither our Company nor the GC-BRLM has authorised, nor do they authorise, the making of any offer of Equity Shares through any financial intermediary on their behalf, other than offers made by our Company or the GC-BRLM.

**Hong Kong**

The Placement Document has not been reviewed or approved by any regulatory authority in Hong Kong. In particular, this Placement Document has not been, and will not be, registered as a "prospectus" in Hong Kong under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) ("**CO**") nor has it been authorized by the Securities and Futures Commission ("**SFC**") in Hong Kong pursuant to the Securities and Futures Ordinance (Cap 571) ("**SFO**"). Recipients are advised to exercise caution in relation to the Offer. If recipients are in any doubt about any of the contents of this Placement Document, they should obtain independent professional advice.

The Placement Document does not constitute an offer or invitation to the public in Hong Kong to acquire any Equity Shares nor an advertisement of the Equity Shares in Hong Kong. The Placement Document must not be issued, circulated or distributed in Hong Kong other than:

- to "professional investors" within the meaning of the SFO and any rules made under that ordinance ("**Professional Investors**"); or

- in other circumstances which do not result in this Placement Document being a prospectus as defined in the CO nor constitute an offer to the public which requires authorization by the SFC under the SFO.

Unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Equity Shares, which is directed at, or the content of which is likely to be accessed or read by, the public of Hong Kong other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to Professional Investors.

Any offer of the Equity Shares will be personal to the person to whom relevant offer documents are delivered, and a subscription for the Equity Shares will only be accepted from such person. No person who has received a copy of this Placement Document may issue, circulate or distribute this Placement Document in Hong Kong or make or give a copy of this Placement Document to any other person. No person allotted Equity Shares may sell, or offer to sell, such Shares to the public in Hong Kong within six months following the date of issue of such Equity Shares.

**Kuwait**

The Issue has not been approved by the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry, nor has our Company received authorisation or licensing from the Kuwait Central Bank or the Kuwait Ministry of Commerce and Industry to market or sell the Equity Interests within Kuwait. Therefore, no services relating to the offering, including the receipt of applications and/or the allotment of Equity Shares may be rendered within Kuwait by our Company or persons representing our Company.

**Oman**

This Placement Document and the Equity Shares offered under it are issued and governed by the laws of India.

No offer or marketing of the Equity Shares has been or will be made by our Company from within the Sultanate of Oman and no subscription for Equity Shares may or will be effected or undertaken within the Sultanate of Oman. Our Company does not have a presence or representation in the Sultanate of Oman and any purchase of the Equity Shares will be deemed to be made in and under the laws of India.

By receiving this Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this Placement Document has not been registered or approved by the Central Bank of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other authority in the Sultanate of Oman, and neither our Company nor the GC-BRLM is authorized or licensed by the Central Bank of Oman, the Oman Ministry of Commerce and Industry, the Oman Capital Market Authority or any other authority in the Sultanate of Oman, to market or sell the Equity Shares within the Sultanate of Oman.

The Equity Shares offered under this Placement Document have not and will not be listed on any stock exchange in the Sultanate of Oman.

**Qatar**

This Placement Document does not, and is not intended to, constitute an invitation or an offer of securities in the State of Qatar (including the Qatar Financial Centre) and accordingly should not be construed as such. The Equity Shares have not been, and shall not be, offered, sold or delivered at any time, directly or indirectly, in the State of Qatar. Any offering of the Equity Shares shall not constitute a public offer of securities in the State of Qatar.

By receiving this Placement Document, the person or entity to whom it has been provided to understands, acknowledges and agrees that: (a) neither this Placement Document nor the Equity Shares have been registered, considered, authorised or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other authority or agency in the State of Qatar; (b) neither our Company nor the GC-BRLM is authorised or licensed by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, or any other authority or agency in the State of Qatar, to market or sell the Equity Shares within the State of Qatar; (c) this Placement Document may not be provided to any person other than the original recipient and is not for general circulation in the State of Qatar; and (d) no agreement relating to the sale of the Equity Shares shall be consummated within the State of Qatar.

No marketing of the Equity Shares has been or will be made from within the State of Qatar and no subscription to the Equity Shares may or will be consummated within the State of Qatar. Any applications to invest in the Equity Shares shall be received from outside of Qatar. This Placement Document shall not form the basis of, or be relied on in connection with, any contract in Qatar. Neither our Company nor the GC-BRLM is, by distributing this Placement Document, advising individuals resident in the State of Qatar as to the appropriateness of investing in or purchasing or selling securities or other financial products. Nothing contained in this Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice in, or in respect of, the State of Qatar.

**Saudi Arabia**

This Placement Document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority in the Kingdom of Saudi Arabia.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Placement Document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Placement Document. Prospective purchasers of the Equity Shares offered hereby should conduct their own due diligence on the accuracy of the information relating to the Equity Shares. If you do not understand the contents of this Placement Document you should consult an authorised financial adviser.

**Singapore**

The Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore ("**MAS**") under the Securities and Futures Act (Chapter 289) of Singapore ("**SFA**"). Accordingly, the Equity Shares may not be offered or sold, or made the subject of an invitation for subscription or purchase nor may this Placement Document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Equity Shares be circulated or distributed, whether directly or indirectly, in Singapore other than (i) to an "institutional investor" within the meaning of Section 274 of the SFA and in accordance with the conditions of an exemption invoked under Section 274, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) other pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for a corporation, in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

**United Arab Emirates (excluding the Dubai International Financial Centre)**

The Equity Shares have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates ("**U.A.E.**") other than in compliance with the laws of the U.A.E. Prospective investors in the Dubai International Financial Centre should have regard to the specific notice to prospective investors in the Dubai International Financial Centre set out below. The information contained in this Placement Document does not constitute a public offer of securities in the U.A.E. in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the U.A.E., as amended) or otherwise and is not intended to be a public offer. Our Company and the Equity Shares have not been approved or licensed by or registered with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other relevant licensing authorities or governmental agencies in the U.A.E. This Placement Document has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority. This Placement Document is being issued to a limited number of selected institutional and sophisticated investors, is not for general circulation in the U.A.E. and may not be provided to any person other than the original recipient or reproduced or used for any other purpose. If you do not understand the contents of this Placement Document, you should consult an authorised financial adviser. This Placement Document is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person.

**Dubai International Financial Centre**

This Placement Document relates to an exempt offer (an "**Exempt Offer**") in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the "**DFSA**"). This Placement Document is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Placement Document nor taken steps to verify the information set out in it, and has no responsibility for it. The Equity Shares to which this Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Equity Shares offered in the Issue should conduct their own due diligence on the Equity Shares. If you do not understand the contents of this Placement Document, you should consult an authorised financial adviser. For the avoidance of doubt, the Equity Shares are not interests in a ''fund'' or a ''collective investment scheme'' within the meaning of either the Collective Investment Law (DIFC Law No. 2 of 2010) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

**United Kingdom (in addition to the European Economic Area selling restrictions above)**

The Equity Shares offered in the Issue cannot be promoted in the United Kingdom to the general public. The contents of this Placement Document have not been approved by an authorised person within the meaning of Financial Services and Markets Act 2000, as amended (the "**FSMA**"). The GC-BRLM (a) may only communicate or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA), to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), or (ii) fall within any of the categories of persons described in article 49(2)(a) to (d) of the Financial Promotion Order or otherwise in circumstances in which section 21(1) of the FSMA does not apply to our Company; and (b) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares in, from or otherwise involving the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) in connection with, or relating to, the sale or purchase of any Equity Shares, may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply. It is the responsibility of all persons under whose control or into whose possession this document comes to inform themselves about and to ensure observance of all applicable provisions of FSMA in respect of anything done in relation to an investment in Equity Shares in, from or otherwise involving, the United Kingdom.

**United States of America**

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws. The Equity Shares are not being offered or sold in the United States in the Issue. The Equity Shares are being offered and sold in the Issue only outside the United States in accordance with Regulation S. To help ensure that the offer and sale of the Equity Shares in the Issue was made in compliance with Regulation S, each purchaser of Equity Shares in the Issue will be deemed to have made the representations, warranties, acknowledgements and undertakings set forth in "***Transfer Restrictions***" on page 168.

## TRANSFER RESTRICTIONS

The Equity Shares Allotted in the Issue are not permitted to be sold for a period of one year from the date of Allotment, except on the Stock Exchanges. Due to the following restrictions, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Equity Shares, except if the resale of the Equity Shares is by way of a regular sale on the Stock Exchanges.

**United States of America**

The Equity Shares offered in the Issue have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws.

Each purchaser of the Equity Shares, by accepting delivery of this Placement Document, will be deemed to:

- Represent and warrant to our Company, the GC-BRLM and its affiliates that the offer and sale of the Equity Shares to it is in compliance with all applicable laws and regulations.

- Represent and warrant to our Company, the GC-BRLM and its affiliates that it was outside the United States (within the meaning of Regulation S) at the time the offer of the Equity Shares was made to it and it was outside the United States (within the meaning of Regulation S) when its buy order for the Equity Shares was originated.

- Represent and warrant to our Company, the GC-BRLM and its affiliates that it did not purchase the Equity Shares as a result of any directed selling efforts (as defined in Regulation S).

- Acknowledge that the Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and warrant to our Company, the GC-BRLM and its respective affiliates that it will not offer, sell, pledge or otherwise transfer the Equity Shares except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or pursuant to any other available exemption from registration under the U.S. Securities Act and in accordance with all applicable securities laws of the States of the United States and any other jurisdiction, including India.

- Represent and warrant to our Company, the GC-BRLM and its affiliates that if it acquired any of the Equity Shares as fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

- Acknowledge that our Company, the GC-BRLM and its affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and warranties and warrant to our Company and the GC-BRLM that if any such acknowledgements, representations or warranties deemed to have been made by virtue of its purchase of the Equity Shares are no longer accurate, it will promptly notify our Company and the GC-BRLM.

Any resale or other transfer, or attempted resale or other transfer, of the Equity Shares made other than in compliance with the above-stated restrictions will not be recognized by our Company.

# INDIAN SECURITIES MARKET

*The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Company or the GC-BRLM or any of their respective affiliates or advisors.*

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

## Indian Stock Exchanges

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the Securities and Exchange Board of India Act, 1992, as amended (the "**SEBI Act**"), the Securities Contracts (Regulation) Act, 1956, as amended (the "**SCRA**") and the Securities Contracts (Regulation) Rules, 1957, as amended (the "**SCRR**"). On June 20, 2012, SEBI, in exercise of its powers under the SCRA and the SEBI Act notified the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012 (the "**SCR (SECC) Rules**"), which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Rules along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the securities markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations and guidelines concerning minimum disclosure requirements by public companies, investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, foreign portfolio investors, credit rating agencies and other securities market participants have been notified by the SEBI.

Most of the stock exchanges have their own governing board for self regulation. The BSE and the NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalization and trading activity.

With effect from April 1, 2003, the stock exchanges in India operate on a trading day plus two, or T+2, rolling settlement system. At the end of the T+2 period, obligations are settled with buyers of securities paying for and receiving securities, while sellers transfer and receive payment for securities. For example, trades executed on a Monday would typically be settled on a Wednesday. In order to contain the risk arising out of the transactions entered into by the members of various stock exchanges either on their own account or on behalf of their clients, the stock exchanges have designed risk management procedures, which include compulsory prescribed margins on the individual broker members, based on their outstanding exposure in the market, as well as stock-specific margins from the members.

## Listing of Securities

The listing of securities on a recognised Indian stock exchange is regulated by the applicable Indian laws including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI and the Listing Agreements of the respective stock exchanges. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in the securities of a listed company for a breach of or non compliance with, any of the conditions or breach of company's obligations under such Listing Agreement or for any reason. SEBI also has the power to amend such Listing Agreements and bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognized stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Pursuant to an amendment dated June 4, 2010 to the SCRR, all listed companies (except public sector companies) are required to maintain a minimum public shareholding of at least 25 %. Any listed company which had public shareholding of less than 25% at the time of commencement of the amendment dated June 4, 2010 to the SCRR was required to increase its public shareholding to at least 25 % within a period of three years from the date of such commencement. The SCRR also provides that if the public shareholding in a listed company falls below 25 % at any time, such company is required to bring the public shareholding to 25% within a maximum period of 12 months from the date of such fall in the manner prescribed by the SEBI. Consequently, a listed company may be delisted from the stock exchanges for not complying with the minimum public shareholding requirement. Our Company is in compliance with this minimum public shareholding requirement.

**Disclosures under the Companies Act, 2013 and Listing Agreements**

Public limited companies are required under the Companies Act and the Listing Agreements to prepare, file with the registrar of companies and circulate to their shareholders audited annual accounts which comply with the disclosure requirements and regulations governing their manner of presentation and which include sections relating to corporate governance under the Companies Act, related party transactions and management's discussion and analysis as required under the Listing Agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its Listing Agreement with the relevant stock exchange.

**Index-Based Market-Wide Circuit Breaker System**

In order to restrict abnormal price volatility in any particular stock, the SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered bymovement of either the SENSEX of the BSE or the S&P CNX NIFTY of the NSE, whichever is breached earlier. With effect from October 1, 2013, the Stock Exchanges, shall on a daily basis translate the 10 %, 15 % and 20 % circuit breaker limits of market wide index variation based on the previous days' closing level of the index.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20 % movements either up or down for all scrips in the compulsory rolling settlement. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be maintained by the stockbrokers.

**BSE**

BSE was established in 1875 and is the oldest stock exchange in India. In 1956, it became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchanges of India. Pursuant to the BSE (Corporatisation and Demutualisation) Scheme 2005 of the SEBI, with effect from August 19, 2005, the BSE was incorporated and is now a company under the Companies Act.

**NSE**

NSE was established by financial institutions and banks to serve as a national exchange and to provide nationwide online satellite-linked screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. The NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994.

**HSE**

HSE was established in 1941. It is one of the oldest stock exchanges in India and the first stock exchange in southern India. The HSE was first recognized by the Government of India on 29 September, 1958 as SCRA was made applicable to twin cities of Hyderabad and Secunderabad from that date. The exchange was disbanded by SEBI *vide* order dated January 25, 2013.

**Stock Market Indices**

There are several indices of stock prices on NSE, which include the S&P CNX Nifty, CNX Nifty Junior, S&P CNX Defty, S&P CNX 500, CNX Midcap and CNX100. S&P CNX Nifty is a diversified 50 stock index accounting for various sectors of the economy. It is used for a variety of purposes such as benchmarking fund portfolios, index based derivatives and index funds. S&P CNX Nifty is owned and managed by India Index Services and Products Limited (IISL), which is a joint venture between the NSE and CRISIL.

The two indices which are generally used in tracking the aggregate price movements on BSE are the Sensex and the BSE 100 Index. The BSE Sensitive Index, or the Sensex, consists of listed shares of 30 large market capitalization companies. The companies are selected on the basis of market capitalization, liquidity and industry representation. The Sensex was first compiled in 1986 with the fiscal year ended March 31, 1979. The BSE 100 Index (formerly the BSE National Index) contains listed shares of 100 companies, including the 30 in the Sensex, with 1983-1984 as the base year.

**Trading Hours**

Trading on both the NSE and the BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m. that has been introduced recently). The BSE and the NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9.00 a.m. and 5.00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours

**Trading Procedure**

In order to facilitate smooth transactions, the BSE replaced its open outcry system with the BSE Online Trading (BOLT) facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading (NEAT), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

**Internet-based Securities Trading and Services**

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. The NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the “equities” as well as the “derivatives” segments of the NSE.

**Takeover Code**

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Code**"), which provides specific regulations in relation to substantial acquisition of shares and takeover. Once the equity shares of a company are listed on a stock exchange in India, the provisions of the Takeover Code will apply to any acquisition of the company's shares/voting rights/control. The Takeover Code prescribes certain thresholds or trigger points in the shareholding a person or entity has in the listed Indian company, which give rise to certain obligations on part of the acquirer. Acquisitions up to a certain threshold prescribed under the Takeover Code mandate specific disclosure requirements, while acquisitions crossing particular thresholds may result in the acquirer having to make an open offer of the shares of the target company. The Takeover Code also provides for the possibility of indirect acquisitions, imposing specific obligations on the acquirer in case of such indirect acquisition.

**Prohibition of Insider Trading Regulations**

The SEBI (Prohibition of Insider Trading) Regulations, 1992 **("SEBI Prohibition of Insider Trading Regulations")** have been notified by SEBI to prohibit and penalize insider trading in India. An insider is, among other things, prohibited from dealing in the securities of a listed company when in possession of unpublished price sensitive information.

The SEBI Prohibition of Insider Trading Regulations also provide disclosure obligations for shareholders holding more than a pre-defined percentage, and directors and officers, with respect to their shareholding in the company, and the changes therein. The definition of "insider" includes any person who has received or has had access to unpublished price sensitive information in relation to securities of a company or any person reasonably expected to have access to unpublished price sensitive information in relation to securities of a company and who is or was connected with the company or is deemed to have been connected with the company.

**Depositories**

In August 1996, the Indian Parliament enacted the Depositories Act 1996 (the "**Depositories Act**") which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. The SEBI framed regulations in relation to the formation and registration of such depositories, the registration of participants and the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

**Derivatives (Futures and Options)**

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

## DESCRIPTION OF THE EQUITY SHARES

*Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of the Memorandum and Articles of Association, the Companies Act and certain related laws of India.*

### General

Our authorized capital is ₹ 4,000 Lacs divided into 4,000 Lacs Equity Shares of ₹ 1 each. As of the date of this Placement Document, 11,68,28,788 Equity Shares of ₹ 1 each were paid up and outstanding.

### Dividend

Under the Companies Act, 2013, unless the board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions specified in the Companies Act, 2013, no dividend can be declared or paid by a company for any financial year except out of the profits of the company for that year determined in accordance with the provisions of the Companies Act, 2013 or out of the undistributed profits of previous Fiscal Years or out of both, arrived at in accordance with the provisions of the Companies Act, 2013, or out of money provided by the Central Government or a state Government for payment of dividend by our Company in pursuance of a guarantee given by that government. Pursuant to the Listing Agreements, listed companies are required to declare and disclose their dividends on per share basis only. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their equity shares as at the record date for which such dividend is payable. In addition, the board may declare and pay interim dividends. Under the Companies Act, 2013, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the "record date" or "book closure date". No shareholder is entitled to a dividend while unpaid calls on any of his equity shares are outstanding. Dividends must be paid within 30 days from the date of the declaration and any dividend that remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money that remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by our Company to the Investor Education and Protection Fund established by the Government and thereafter any claim with respect thereto will lapse.

Our Company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of our Company. The Companies Act, 2013 and the Companies (Declaration of Dividend) Rules, 2014, provide that if the profit for a year is insufficient, the dividend for that year may be declared out of free reserves, subject to certain conditions prescribed under those legislations.

### Capitalization of Reserves

As provided in the Articles of Association of our Company, our Company in a general meeting (on recommendation of the Board) may resolve that it is desirable to capitalize any part of the amount for the time being standing to the credit of our Company's reserve accounts or to the credit of the profit and loss accounts or otherwise available for distribution; and that such sum be accordingly set free for distribution in the specified manner amongst the shareholders who would have been entitled thereto and distributed by way as such dividend and in the same proportion.

Any issue of bonus shares by a listed company would be subject to the guidelines issued by the SEBI. The relevant SEBI guidelines prescribe that no company shall, pending conversion of compulsorily convertible securities, issue any shares by way of bonus unless a similar benefit is extended to the holders of such compulsorily convertible securities, through a proportionate reservation of shares. Further, in order to issue bonus shares, a company should not have defaulted in the payment of interest or principal in respect of fixed deposits and interest on existing debentures or principal on redemption thereof and should have sufficient reason to believe that it has not defaulted in respect of any statutory dues of the employees. The declaration of bonus shares in lieu of a dividend cannot be made. A bonus issue may be made out of free reserves built out of genuine profits or share premium collected in cash and not from reserves created by revaluation of fixed assets.

The issue of bonus shares must take place within fifteen days from the date of approval by the board, if the articles of association of a company do not require such company to seek shareholders' approval for capitalization of profits or reserves for making bonus issues. If a company is required to seek shareholders' approval for capitalization of profits or reserves for making bonus issues, then the bonus issue should be implemented within two months from the date of the board meeting wherein the decision to issue bonus shares was taken subject to shareholders' approval.

**Pre-emptive Rights and Alteration of Share Capital**

Subject to the provisions of the Companies Act, 2013, our Company can increase its share capital by issuing new equity shares. Such new equity shares must be offered to existing shareholders registered on the record date in proportion to the amount paid-up on those equity shares at that date. The offer shall be made by notice specifying the number of equity shares offered and the date (being not less than fifteen days and not exceeding thirty days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the equity shares offered in respect of which no acceptance has been received, in such manner as they think is not disadvantageous to the shareholders and our Company. The offer is deemed to include a right exercisable by the person concerned to renounce the shares in favor of any other person provided that the person in whose favor such shares have been renounced is approved by the Board in their absolute discretion.

However, under the provisions of the Companies Act, 2013 and the Companies (Share Capital and Debentures) Rules, 2014, new shares may be offered to any persons, whether or not those persons include existing shareholders or employees to whom shares are allotted under a scheme of employees stock options, either for cash or for consideration other than cash, if a special resolution to that effect is passed by the shareholders of our Company in a general meeting. The issue of the Equity Shares pursuant to the Issue has been approved by a special resolution of our Company's shareholders and such shareholders have waived their pre-emptive rights with respect to such Equity Shares.

Our Company's issued share capital may, among other things, be increased by the exercise of warrants attached to any of our Company's securities entitling the holder to subscribe for shares. The Articles of Association provide that our Company may consolidate or sub-divide our Company's share capital or cancel equity shares which have not been taken up by any person. Our Company can also alter its share capital by way of a reduction of capital, in accordance with the Companies Act, 2013.

**General Meetings of Shareholders**

Our Company must hold its annual general meeting each year within 15 months of the previous annual general meeting and within six months after the end of each accounting year. The RoC may extend this period in special circumstances at our Company's request. The Board may convene an extraordinary general meeting of shareholders when necessary and shall convene such a meeting at the request of a shareholder or shareholders holding in the aggregate not less than 10% of our Company's issued paid-up capital.

Written notices convening a meeting setting out the date and place of the meeting and its agenda must be given to members at least 21 days prior to the date of the proposed meeting and where any special business is to be transacted at the meeting an explanatory statement shall be annexed to the notice as required under the Companies Act, 2013. A general meeting may be called after giving shorter notice if consent is received, in writing or by electronic mode, from shareholders holding not less than 95% of our Company's paid-up capital. Our Company's general meetings are held in Hyderabad.

A listed company intending to pass a resolution relating to matters such as, but not limited to, an amendment in the objects clause of the memorandum of association, a buy-back of shares under the Companies Act, 2013, the giving of loans or extending a guarantee in excess of limits prescribed under the Companies Act, 2013 is required to pass the resolution by means of a postal ballot instead of transacting the business in the general meeting of our Company. A notice to all the shareholders must be sent along with a draft resolution explaining the reasons thereof and requesting them to send their assent or dissent in writing on a postal ballot within a period of thirty days from the date of such notice. Shareholders may exercise their right to vote at general meetings or through postal ballot by voting through e-voting facilities in accordance with the circular dated April 17, 2014 issued by the SEBI and the

Companies Act, 2013. Under the Companies Act, 2013, unless, the Articles of Association provide for a larger number: (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Company. The quorum requirements applicable to shareholder meetings under the Companies Act, 2013 have to be physically complied with.

**Voting Rights**

At a general meeting upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each Shareholder entitled to vote and present in person or by proxy is in the same proportion to such Shareholder’s share of the paid-up equity capital of our Company.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favor of the resolution must be at least three times the votes cast against the resolution. The Companies Act, 2013 provides that to amend the articles of association of a company, a special resolution is required to be passed in a general meeting.

A shareholder may exercise his voting rights by proxy to be given in the form required by the Articles of Association. The instrument appointing a proxy is required to be lodged with us at least 48 hours before the time of the meeting, or in case of a poll, not less than 24 hours before the time appointed for taking the poll. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any shareholder may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings. A proxy may not vote except on a poll and does not have a right to speak at meetings. A shareholder which is a legal entity may appoint an authorized representative who can vote in all respects as if a member both on a show of hands and a poll.

The Companies Act, 2013 allows our Company to issue shares with differential rights as to dividend, voting or otherwise, subject to certain conditions. In this regard, the law requires that for a company to issue shares with differential voting rights, our Company must have, *inter alia*, had distributable profits in terms of the Companies Act, 2013 for the last three financial years and our Company must not have defaulted in filing annual accounts and annual returns for the immediately preceding three financial years.

**Register of Shareholders and Record Dates**

The Company is obliged to maintain a register of shareholders at its Registered Office, unless a special resolution is passed in a general meeting authorizing the keeping of the register at any other place within the city, town or village in which the Registered Office is situated or any other place in India in which more than one-tenth of the total shareholders entered in the register of members reside. Our Company recognizes as shareholders only those persons whose names appear on the register of shareholders and cannot recognize any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. In the case of shares held in physical form, transfers of shares are registered on the register of shareholders upon lodgment of the share transfer form duly complete in all respects accompanied by a share certificate or, if there is no certificate, the letter of allotment in respect of shares transferred together with duly stamped transfer forms. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depository is entered into our Company’s records as the registered owner of the shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the shares held by a depository.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board may deem expedient in accordance with the provisions of the Companies Act, 2013. Under the Listing Agreements of the Stock Exchanges on which our Company’s outstanding shares are listed, our Company may, upon at least seven working days’ advance notice to such stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Under the Companies Act, 2013, our Company is also required to maintain a register of debenture holders and a register of any other security holders.

**Annual Report and Financial Results**

The annual report must be presented at the annual general meeting. The report includes financial information, a corporate governance section and management's discussion and analysis and is sent to our Company's shareholders.

Under the Companies Act, 2013, our Company must file its balance sheet and profit and loss account with the Registrar of Companies within thirty days from the date of the annual general meeting. The Companies Act, 2013 also requires listed companies to place their financial statements, including consolidated financial statements, if any, and all other documents required to be attached thereto, on their website. As required under the Listing Agreements, copies are required to be simultaneously sent to the Stock Exchanges on which the shares are listed. Our Company must also publish its financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a daily newspaper published in the language of the region of the Registered Office (*i.e.,* Telgu).

**Transfer of Equity Shares**

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with applicable SEBI regulations. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty.

The SEBI requires that for trading and settlement purposes shares should be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange.

The securities of our Company are freely transferable, subject to the provisions of the Companies Act, 2013. If a public company without sufficient cause refuses to register a transfer of shares within thirty days from the date on which the instrument of transfer or intimation of transmission, as the case may be, is delivered to our Company, the transferee may appeal to our Company Law Board seeking to register the transfer. Our Company Law Board is proposed to be replaced with the National Company Law Tribunal with effect from a date that is yet to be notified.

Pursuant to the Listing Agreements, in the event that a transfer of shares is not effected within 15 days or where our Company has failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of 15 days, our Company is required to compensate the aggrieved party for the opportunity loss caused by the delay.

A transfer may also be by transmission. Subject to the provisions of the Articles, any person becoming entitled to shares in consequence of the death or insolvency of any member may, upon producing such evidence as may from time to time properly be required by the Board, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles, transfer such shares. The Articles of Association provide that our Company shall charge no fee for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or other similar document.

**Acquisition by us of our own Equity Shares**

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders, voting on it in accordance with the Companies Act, 2013 and sanctioned by the High Court of competent jurisdiction (or the National Company Law Tribunal once it is notified). Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in our Company or its holding company. However, pursuant to the Companies Act, 2013, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account or the proceeds of any fresh issue of shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorized by the Articles of Association of our Company;
- a special resolution has been passed in a general meeting authorizing the buy-back (in the case of listed companies, by means of a postal ballot);
- the buy-back is limited to 25% of the total paid-up capital and free reserves;
- the debt owed by our Company is not more than twice the capital and free reserves after such buy-back; and
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations 1998, as amended.

A board resolution will constitute sufficient corporate authorization for a buy-back that is for less than 10% of the total paid-up equity capital and free reserves of our Company. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue the same kind of shares or specified securities for six months subject to certain limited exceptions.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company. Further, a company is prohibited from purchasing its own shares or specified securities, if our Company is in default in the repayment of deposit or interest, in the redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank or in the event of non-compliance with certain other provisions of the Companies Act, 2013.

**Liquidation Rights**

Subject to the rights of creditors, of employees and of the holders of any other shares entitled by their terms of issue to preferential repayment over the shares, in the event of winding up of our Company, the holders of the Equity Shares are entitled to be repaid the amounts of capital paid-up or credited as paid-up on such shares. All surplus assets after payments due to employees, the holders of any preference shares and other creditors belong to the holders of the Equity Shares in proportion to the amount paid-up or credited as paid-up on such shares respectively at the commencement of the winding-up.

## TAXATION

*The information provided below sets out the possible tax benefits available to the shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares under the current tax laws presently in force in India. Several of these benefits are dependent on us or our shareholders fulfilling conditions prescribed under relevant tax laws. We may not choose to fulfill such conditions. This information is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares. Investors should note that a draft of the Direct Tax Code Bill has been placed before the Indian Parliament. If that law comes into effect, there could be an impact on the tax provisions mentioned below.*

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

The following is based on the provisions of the Income-tax Act, 1961 ("the Act") as of the date hereof. The Act is amended every fiscal year.

**1. Levy of Income Tax**

Tax implications under the Act are dependent on the residential status of the tax payer. We summarize herein below the provisions relevant for determination of residential status of a tax payer.

**1.1 Residential status of an Individual –**

As per the provisions of the Act, an individual is considered to be a resident in India during any Financial Year ("FY") if he or she is present in India for:

a) a period or periods aggregating to 182 days or more in that FY; or

b) a period or periods aggregating to 60 days or more in that FY and for a period or periods aggregating to 365 days or more within the four preceding years; or

In the case of a citizen of India or a person of Indian origin living outside India who comes on a visit to India in any previous year, the limit of 60 days under point (b) above, shall be read as 182 days.

In the case of a citizen of India who leaves India as member of the crew of an Indian ship or for the purposes of employment outside India in any previous year, the limit of 60 days under point (b) above, shall be read as 182 days.

Subject to complying with certain prescribed conditions, individuals may be regarded as "Resident but not ordinarily resident".

**1.2 Residential status of a company –**

A company is resident in India if it is formed and incorporated under the Companies Act, 2013 or the control and management of its affairs is situated wholly in India.

**1.3 Residential status of a Hindu Undivided Family ("HUF"),firm or Association of Persons("AOP") –**

A HUF, firm or other AOP or every other person is resident in India except when the control and management of its affairs is situated wholly outside India.

A person who is not a resident in India would be regarded as "Non-Resident".

**1.4 Residential status of every other person –**

Every other person is resident in India in a FY in every case except when the control and management of his affairs is situated wholly outside India.

**1.5 Scope of taxation**

In general, a person who is "resident" in India in a FY is subject to tax in India on its global income. In the case of a person who is "non-resident" in India, only the income that is received or deemed to be received or that accrues or is deemed to accrue or arise to such person in India is subject to tax in India. In the instant case, the income from the equity shares of the Company would be considered to accrue or arise in India, and would be taxable in the hands of all categories of tax payers irrespective of their residential status unless specifically exempt (e.g. Dividend). However, a relief may be available under applicable Double Taxation Avoidance Agreement ("DTAA") to certain non-residents/ investors.

**Tax Considerations**

As per the taxation laws in force, the tax benefits / consequences as applicable, to the Company and the perspective shareholders are stated as under. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant Tax Laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon the fulfilling such conditions:

**2. Benefits available to the Company - Under the Act**

**2.1 Special Tax Benefits**

As per the section 35(2AB) of the Act, a company engaged in the business of manufacture or production of any article or thing, not being an article or thing specified in the list of the Eleventh Schedule, incurring any expenditure on scientific research (not being expenditure in the nature of cost of any land or building) on in-house research and development facility as approved by the Department of Scientific and Industrial Research ("DSIR"), is entitled to a deduction of two times of the expenditure so incurred. As per the said section, it is mentioned that, weighted deduction is allowed in respect of eligible expenditure incurred up to 31 March 2017 (i.e. only up to Assessment Year ("AY") 2017-18).

The in-house R & D unit of Suven Life Sciences Limited is registered and approved by DSIR authorities and the said approval is valid till 31 March 2015. In view of above, the said unit is entitled to claim weighted deduction on the expenditure on scientific research, subject to fulfilment of other conditions laid down u/s. 35(2AB) of the Act and guidelines issued by DSIR authorities.

**2.2 General Tax Benefits**

2.2.1 As per Section 10(34) of the Act, any income received by the Company by way of dividends on which

Dividend Distribution Tax ("DDT") has been paid shall not form part of the total income of the

Company and accordingly would be exempt from tax in its hands.

Under Section 14A of the Act, no deduction is permitted in respect of expenditure incurred in relation to earning of income which is not chargeable to tax including dividends exempt under Section 10(34) of the Act. The expenditure relatable to "exempt income" needs to be determined in accordance with the provisions specified in Section 14A of the Act read with Rule 8D of the Income-tax Rules, 1962 ("the Rules").

However, the Company would be liable to pay DDT at 15% (plus applicable surcharge and education cess and secondary & higher education cess) on the total amount declared, distributed or paid as dividends. In calculating the amount of dividend on which DDT is payable, dividends (if any, received by the Company during the tax year and subject to fulfilment of the conditions), shall be reduced by:

- dividends received by the domestic company from a subsidiary of the Company (A company shall be a subsidiary of another company, if such other company, holds more than half in nominal value of the equity share capital of the company); and

- where such subsidiary is a domestic company, it has paid tax payable under section 115-O (DDT) or where such subsidiary is a specified foreign company, the tax is payable under section 115BBD by the domestic company.

As per the proviso to this section, the same amount of dividend would not be taken into account for reduction more than once.

Further, with effect from 1 October 2014, the Company would be liable to pay DDT at 15% (plus applicable surcharge and education cess and secondary & higher education cess) on grossed up distributable amount i.e. the amount distributed and the DDT amount.

As per the provisions of section 94(7) of the Act, losses arising from transfer/sale of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

"Record date" means such date as may be fixed by the company for the purposes of entitlement of the holder of securities to receive dividend.

2.2.2 As per Section 10(35) of the Act, the following income shall be exempt in the hands of the Company:

i) Income received in respect of the units of a Mutual Fund specified under clause (23D) of Section 10; or

ii) Income received in respect of the units from the Administrator of the Specified undertaking; or

iii) Income received in respect of units from the specified company.

However, as per the proviso to section 10(35), the above provisions are not applicable to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund.

**2.3 Computation of capital gains**

2.3.1 Capital assets may be categorized into short-term capital assets and long-term capital assets based on the period for which they are held by a tax payer.

Shares in a company or listed securities or units or zero coupon bonds are considered as long-term capital assets if they are held for a period more than 12 months immediately preceding date of transfer. Consequently, capital gains arising on sale of these assets are considered as "long-term capital gains".

Capital gains arising on sale of these assets held for a period of 12 months or less are considered as "short-term capital gains".

However, with effect from AY 2015-16, an unlisted security and a unit of a mutual fund (other than an equity oriented mutual fund) shall be a short-term capital asset if it is held for not more than thirty-six months. It is further provided that, if the unlisted shares and units of a non-equity-

oriented mutual fund are transferred during the period from April 1, 2014 to July 10, 2014, then such shares/units would continue to be characterised as long-term capital assets, if they have been held for a period of more than12 months (instead of more than 36 months).

2.3.2 As per Section 10(38) of the Act, capital gains arising from transfer of a long-term capital asset being an equity share in the Company or a unit of an equity oriented fund, where the transaction of sale is chargeable to Securities Transaction Tax ("STT"), shall be exempt from tax in the hands of the Company.

For this purpose "Equity oriented fund" means a fund –

i) Where the investible funds are invested by way of equity shares in the domestic companies to the extent of more than 65% of the total proceeds of such funds; and

ii) Which has been set up under a scheme of a Mutual fund specified under Section 10(23D).

However, the long-term capital gains arising on sale of share or units referred above shall not be reduced while calculating the book profit under the provisions of Section 115JB of the Act. In other words, such book profit shall include the long-term capital gain as referred to in Section 10(38) of the Act and the Company will be required to pay MAT @ 18.5% (plus applicable surcharge, education cess and secondary & higher education cess) on such book profit.

2.3.3 Section 48 of the Act, (which prescribes the mode of computation of capital gains) provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset from the sale consideration to arrive at the amount of capital gains.

However, in respect of long-term capital gains (as defined in para 2.3.1 above), a deduction of indexed cost of acquisition/improvement is available.

Indexed cost of acquisition means an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index (CII) for the year in which the asset is transferred bears to the CII for the first year in which the asset was held by the taxpayer or for the year beginning on April 1, 1981, whichever is later. In other words indexed cost of acquisition is computed as under:
Cost of acquisition X CII of the FY in which the asset is transferred/ CII of the FY in which the asset was first held by the tax payer or for the year beginning on April 1, 1981 whichever is later.

2.3.4 As per the provisions of Section 112 of the Act, long-term capital gains (as defined in para 2.3.1 above) [to the extent not exempt under Section 10(38) of the Act] would be subject to tax in the hands of the Company at the rate of 20% (plus applicable surcharge, education cess and secondary & higher education cess).

However, as per the proviso to Section 112(1) of the Act, if the tax on long-term capital gains resulting from transfer of listed securities or units [to the extent not exempt under Section 10(38) of the Act], calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at the concessional rate of 10% (without indexation benefit) (plus applicable surcharge, education cess and secondary & higher education cess ).

However, with effect from AY 2015-16 section 112(1) of the Act provides that tax on long-term capital gains resulting from transfer of listed securities (other than unit) [to the extent not exempt under Section 10(38) of the Act], calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at the concessional rate of 10% (without indexation benefit) (plus applicable surcharge, education cess and secondary & higher education cess ). It is further provided that, the benefit of the proviso shall continue to be available for the long-term capital assets, being units of Mutual Funds, transferred between April 1, 2014 and July 10, 2014.

2.3.5 As per the provisions of Section 111A of the Act, short-term capital gains (as defined in para 2.3.1 above) on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to

STT shall be subject to tax at a rate of 15% (plus applicable surcharge, education cess and secondary & higher education cess). Short-term capital gains arising from transfer of shares, other than those covered by Section 111A of the Act, would be subject to tax at the rate as applicable to the Company i.e. 30% (plus applicable surcharge, education cess and secondary & higher education cess).

2.3.6 Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising to the Company would be exempt from tax if such capital gains are invested within 6 months after the date of such transfer in long term specified assets, being bonds issued by:

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988; or

b) Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any FY cannot exceed ₹ 5,000,000.

However, with effect from AY 2015-16, it is provided that the investment made by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the financial year in which the original asset is transferred and in the subsequent financial year does not exceed ₹ 5,000,000.

If only a part of the capital gains is invested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified assets are transferred or converted into money within 3 years from the date of its acquisition, the amount of capital gains so exempt shall be chargeable to tax during the year of such transfer or conversion.

As long term capital gains covered under Section 10(38) of the Act are exempt from tax, there is no requirement to invest under Section 54EC of the Act in such cases.

2.3.7 As per section 94(8) of the Act, if an investor purchases units within three months prior to the record date for entitlement of bonus, and is allotted bonus units without any payment on the basis of holding original units on the record date and such person sells/redeems the original units within nine months of the record date and continues to hold or any of the bonus units , then the loss arising from sale/ redemption of the original units will be ignored for the purpose of computing income chargeable to tax and the amount of loss ignored shall be regarded as the cost of acquisition of the bonus units.

<u>Set off and carry forward of capital loss</u>

2.3.8 Under section 70(2) of the Act, the Company can set off short term capital loss against other short term capital gain or long term capital gain. Under section 70(3) of the Act, the Company can set off long term capital loss against other long term capital gain.

2.3.9 Under section 74 of the Act, the unabsorbed short term capital loss can be carried forward and set off against capital gains (whether short term or long term) of subsequent years (up to 8 years). Unabsorbed long term capital loss can be carried forward and set off against long term capital gains only in of subsequent years (up to 8 years). However, as per Section 80 of the Act, the unabsorbed capital loss can be carried forward only when the return of income has been filed within the time prescribed under section 139(1) of the Act.

2.3.10 Under section 79 of the Act, the carry forward and set off of business losses of a listed company would not be impacted on a change in shareholding pattern of the company.

**Computation of business income**

**2.4 Depreciation allowance**

2.4.1 Under Section 32(1) of the Act, the Company can claim depreciation allowance at the prescribed rates in respect of the following assets:

-  Tangible assets being building, machinery, plant or furniture;
-  Intangible assets being know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature acquired on or after April 1, 1998.

2.4.2 As per provision of Section 32(1)(iia) of the Act, the Company is entitled to claim additional depreciation at the rate of 20% of the actual cost of any new machinery or plant acquired and installed after 31 March 2005. However, no deduction is allowed in respect of:

a) Ships and Aircraft;

b) Any machinery or plant which, before its installation by the company, was used either within or outside India by any other person;

c) Any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest-house;

d) Any office appliances or road transport vehicles; or

e) Any machinery or plant, the whole of the actual cost of which is allowed as a deduction(whether as depreciation or otherwise) in computing the income under the head "Profits and gains from business and profession" of any one FY.

**2.5 Carry forward of unabsorbed depreciation, unabsorbed business losses**

2.5.1 Under Section 32(2) of the Act, the Company can carry forward and set off unabsorbed depreciation of one FY and adjusted against income of subsequent years.

2.5.2 Under Section 72 of the Act, unabsorbed business loss, if any can be carried forward and set off against business profits of subsequent years (up to 8 years) subject to prescribed conditions. However, as per Section 80 of the Act, the unabsorbed business loss can be carried forward only when the return of income has been filed within the time prescribed under section 139(1) of the Act.

**2.6 Investment in new plant and machinery**

Under Section 32AC of the Act, the Company is entitled to a deduction of 15% of actual cost of "new assets" acquired and installed after March 31, 2013 but before April 1, 2015subject to fulfilment of prescribed conditions. The aggregate amount of actual cost of new assets should exceed ₹ 100 crores. The term "new asset" means any new plant and machinery but does not include:

-  Ships and Aircraft;
-  Any machinery or plant which, before its installation by the company, was used either within or outside India by any other person;
-  Any machinery or plant installed in any office premises or any residential accommodation, including accommodation in the nature of a guest-house;
-  Any office appliances including computers or computer software
-  Any vehicle; or

- Any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether as depreciation or otherwise) in computing the income under the head “Profits and gains from business and profession” of any one FY.

With effect from AY 2015-16, the Company is entitled to a deduction of 15% of actual cost of “new assets” acquired and installed after March 31, 2014 but before April 1, 2017 subject to fulfilment of prescribed conditions. The aggregate amount of actual cost of new assets should exceed ₹ 25crores.

If any new asset acquired and installed by the Company is sold/transferred, except in connection with the amalgamation or demerger, within a period of five years from the date of its installation, the amount of deduction allowed in respect of such new asset shall be deemed to be the income of the Company chargeable under the head "Profits and gains of business or profession" of the financial year in which such new asset is sold, in addition to taxability of gains, arising on account of transfer of such new asset.

**Potential tax benefits**

**2.7 Deduction of expenditure on scientific research**

2.7.1 Under Section 35(1)(i) and Section 35(1)(iv) of the Act, the Company is eligible for deduction in respect of any revenue or capital expenditure (other than expenditure on the acquisition of any land) incurred on scientific research related to its business.

2.7.2 Under Section 35(1)(ii) of the Act, the Company can claim weighted deduction of one and three fourth times (175%) of any sum paid to an approved research association (which has as its object, the undertaking of scientific research) or to a university, college or other institution to be used for scientific research.

2.7.3 Under Section 35(1)(iia) of the Act any sum paid to a company registered in India (which has as its main object the conduct of scientific research and development) and is approved by the prescribed authority can be claimed as deduction to the extent of one and one fourth times(125%) of the amount so paid.

2.7.4 Under section 35(1)(iii) the Company is eligible for a deduction of one and one fourth times (125%) of the sum paid to a research association, university, college or other institution to be used for research in social science or statistical research. This weighted deduction is available to amounts paid to approved research association, university, college or institution.

2.7.5 The company is eligible for weighted deduction of 200% under Section 35(2AA) in respect of payments to a National Laboratory, university or Indian Institute of Technology in respect of approved programs of scientific research. The weighted deduction is available provided the sum is paid with specific direction that it is used for approved programs of scientific research.

**2.8 Deduction of expenditure on eligible projects or scheme**

As per the provisions of section 35AC of the Act, the Company is eligible for deduction of any expenditure incurred towards payment of any sum to a public sector company or local authority or an association or institution approved by the National Committee for carrying out any eligible project or scheme, subject to prescribed conditions.

**2.9 Amortisation of certain expenditure**

2.9.1 Under Section 35D of the Act, a company is eligible for deduction in respect of specified preliminary expenditure incurred by it in connection with extension of its undertaking or in connection with setting up new unit for an amount equal to 1/5th of such expenditure over 5 successive AYs subject to conditions and limits specified in that Section.

2.9.2 Specified expenditure includes expenditure in connection with the issue, for public subscription, of shares in or debentures of the company, being underwriting commission, brokerage and charges for drafting, typing, printing and advertisement of the prospectus.

2.9.3 Under Section 35DDA of the Act, the company is eligible for deduction in respect of payments made to its employees in connection with his voluntary retirement for an amount equal to 1/5th of such expenses over 5 successive AYs subject to conditions specified in that Section.

**2.10 Expenditure on skill development project**

As per section 35CCD, the Company would be entitled to a deduction of one and a half times of an amount of expenditure (not being expenditure in the nature of cost of any land or building) incurred on any skill development project notified by the Central Board of Direct Taxes ("CBDT") in accordance with the guidelines as may be prescribed.

**2.11 MAT credit**

Under Section 115JAA of the Act, tax credit is allowed in respect of MAT paid under Section 115JB of the Act for any AY commencing on April 1, 2006 and any subsequent AY.

The credit eligible for carry forward is the difference between MAT paid and the amount of tax payable computed as per the normal provisions of the Act.

The credit is available for set off only when tax becomes payable under the normal provisions of the Act. The brought forward tax credit can be utilized to the extent of difference between the tax payable under the normal provisions of the Act and tax payable under MAT for that year. Credit in respect of MAT paid is available for set-off up to 10 AYs immediately succeeding the AY for which the MAT credit initially arose.

**2.12 Deduction for donations**

The Company is entitled to a deduction under Section 80G of the Act in respect of amounts contributed as donations to various charitable institutions and funds covered under that Section, subject to the fulfilment of conditions prescribed therein. Please note that no deduction shall be allowed under Section 80G of the Act for any sum exceeding ₹ 10,000 unless such sum is paid by any mode other than cash.

**2.13 Benefit of double taxation avoidance agreement (DTAA)**

Under the provisions of section 90 of the Act, the Company shall be eligible for claiming credit of taxes paid by it on incomes in the foreign countries with which the Government of India has entered into DTAA. The tax credit shall be available as per the provisions of relevant DTAA.

Section 91 of the Act provides for unilateral relief in respect of taxes paid on incomes in the foreign countries with which no DTAA exists. Under the provisions of said section, the Company shall be entitled to deduction from the income tax of sum calculated on such doubly taxed income at the Indian rate of tax or rate of tax in the foreign country whichever is lower.

**2.14 Dividends received from a specified foreign company**

As per section 115BBD of the Act, dividends received from a specified foreign company in which equity shareholding is 26 per cent or more shall be taxed at the rate of 15 per cent ((plus applicable surcharge, education cess and education cess). However, while computing income, any expenditure incurred for earning such dividends shall not be allowed as deduction from such dividends

With effect from 1st October, 2014, for the purpose of determination of tax payable as per the provisions of section 115-O, any amount by the way of dividend as referred to in sub section (1) of section 115-O as reduced by the amount referred to sub section (1a) of section 115-O shall be increased by such amount as would, after reduction of the tax on such increased amount at the rate specified in sub-section (1) be equal to the net distributed profits.

**2.15** As per Section 36(1)(xv) of the Act, the STT paid by the tax payer in respect of the taxable securities transactions entered into in the course of business during the FY will be allowable as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

**3. Benefits available to resident shareholders under the Act**

**3.1 Dividend income**

Under Section 10(34) of the Act, any income earned by way of dividends from the Company would be exempt from tax in the hands of the shareholders, if such dividends are subject to DDT under Section 115-O of the Act.

However, as per the provisions of section 94(7) of the Act, losses arising from transfer/sale of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt. "Record date" means such date as may be fixed by the company for the purposes of entitlement of the holder of securities to receive dividend.

As per the provisions of section 14A of the Act, no deduction would be allowed in respect of expenditure incurred in relation to earning of dividend income which is exempt from tax.

**3.2 Computation of capital gains**

3.2.1 As per the provisions of section 2(42A) of the Act, the shares held in a company or any other security listed on a recognized stock exchange will be considered as short term capital asset if they are held for a period of 12 months or less immediately preceding date of their transfer. If the period of holding of shares is more than 12 months immediately preceding date of transfer, they will be treated as long term capital asset.

The capital gain/loss on sale of short term capital assets is regarded as short term capital loss. The capital gain/loss on sale of long term capital assets is regarded as long term capital loss.

However, with effect from AY 2015-16, an unlisted security and a unit of a mutual fund (other than an equity oriented mutual fund) shall be a short-term capital asset if it is held for not more than thirty-six months. It is further provided that, if the unlisted shares and units of a non-equity-

oriented mutual fund are transferred during the period from April 1, 2014 to July 10, 2014, then such shares/units would continue to be characterised as long-term capital assets, if they have been held for a period of more than12 months (instead of more than 36 months).

3.2.2 According to Section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.

However, in case of a shareholder being a company, gains arising from transfer of above referred long-term capital asset shall be taken into account for computing the book profit for the purposes of computation of MAT under Section 115JB of the Act.

3.2.3 Section 48 of the Act, (which prescribes the mode of computation of capital gains) provides for deduction of cost of acquisition / improvement and expenses incurred in connection with the transfer of a capital asset from the sale consideration to arrive at the amount of capital gains.

However, in respect of long-term capital gains, a deduction of indexed cost of acquisition/improvement is available.

Indexed cost of acquisition means the means an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index (CII) for the year in which the asset is transferred bears to the CII for the first year in which the asset was held by the taxpayer. In other words indexed cost of acquisition is computed as under:

Cost of acquisition X CII of the FY in which the asset is transferred/ CII of the FY in which the asset was first held by the tax payer.

3.2.4 As per the provisions of Section 112 of the Act, long-term capital gains (to the extent not exempt under Section 10(38) of the Act) would be subject to tax in the hands of the shareholders at the rate of 20% (plus applicable surcharge, education cess and secondary & higher education cess).

As per the proviso to Section 112(1) of the Act, if the tax on long-term capital gains resulting from transfer of listed securities [to the extent not exempt under Section 10(38) of the Act], calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at the concessional rate of 10% (without indexation benefit) (plus applicable surcharge, education cess and secondary & higher education cess ).

However, with effect from AY 2015-16, section 112(1) of the Act provides that tax on long-term capital gains resulting from transfer of listed securities (other than unit) [to the extent not exempt under Section 10(38) of the Act], calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at the concessional rate of 10% (without indexation benefit) (plus applicable surcharge, education cess and secondary & higher education cess ). It is further provided that, the benefit of the proviso shall continue to be available for the long-term capital assets, being units of Mutual Funds, transferred between April 1, 2014 and July 10, 2014.

3.2.5 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15% (plus applicable surcharge, education cess and secondary & higher education cess).

Short-term capital gains arising from transfer of shares of the Company, other than those covered by Section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.

3.2.6 Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of equity shares of the Company (other than those covered by section 10(38) of the Act) would be exempt from tax if such capital gains are invested within 6 months after the date of such transfer in specified assets, being bonds issued by:

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;

b) Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any FY cannot exceed ₹5,000,000.

However, with effect from AY 2015-16, it is provided that the investment made by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the financial year in which the original asset is transferred and in the subsequent financial year does not exceed ₹ 5,000,000.

If only a part of the capital gains is invested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified assets are transferred or converted into money within 3 years from the date of its acquisition, the amount of capital gains so exempt shall be chargeable to tax during the year of such transfer or conversion.

3.2.7 As per the provisions of Section 54F of the Act, long term capital gains [which are not covered under

Section 10(38)] arising from the transfer of any capital asset (not being residential house property) held by an Individual or Hindu Undivided Family ("HUF") will be exempt from tax, if net consideration is utilised, within a period of one year before or two year after the date of transfer, for purchase of a residential house, or for construction of a residential house within three years. The exemption is available subject to fulfilment of prescribed conditions.

With effect from AY 2015-16, section 54F provides that the exemption is available if the investment is made in purchase or construction of one residential house situated in India.

3.2.8 Under section 70(2) of the Act, the short term capital loss can be set off against other short term capital gain or long term capital gain. Under section 70(3) of the Act, the long term capital loss can be set off against other long term capital gain.

3.2.9 Under section 74 of the Act, the unabsorbed short term capital loss can be carried forward and set off against capital gains (whether short term or long term) of subsequent years (upto 8 years). Unabsorbed long term capital loss can be carried forward and set off against long term capital gains only in of subsequent years (upto 8 years). However, the unabsorbed capital loss can be carried forward only when the return of income has been filed within the time prescribed under section 139(1) of the Act.

**3.3 Deduction of STT while computing business income**

As per Section 36(1)(xv) of the Act, the STT paid by the tax payer in respect of the taxable securities transactions entered into in the course of business during the FY will be allowable as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

**3.4 Income from other sources**

As per the provisions of section 56(2)(vii) of the Act, where any property, other than immovable property (including shares) is received by an individual/ HUF: -

i) without consideration and the aggregate fair market value of such property exceeds ₹ 50,000, or

ii) for a consideration which is less than the aggregate fair market value of such property by at least ₹50,000, then the difference between fair market value and consideration paid will be taxable as income from other sources.

This provision is applicable only if shares are held by the shareholders as a capital asset.

This provision is not applicable where shares are received in any of the following modes, namely –

1) From any relative;

2) On the occasion of marriage of the individual;

3) Under a will or by way of inheritance;

4) In contemplation of death of the payer or donor;

5) From any local authority as defined in Explanation to Section 10(20);

6) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in Section 10(23C); or

7) From any trust or institution registered under Section 12AA.

**3.5** Any Income received by any person for or on behalf of the New Pension System Trust is exempt from tax and is also not subject to DDT.

**3.6** Under Section 10(32) of the IT Act, any income of minor children who is a shareholder of the Company clubbed in the total income of the parent under Section 64(1A) of the IT Act, will be exempt from tax to the extent of ₹1,500 per minor child whose income is so included in the income of the parent.

**4. Benefits available to Non-resident shareholders (Other than Foreign Institutional Investors) under the Act**

**4.1 Dividends exempt under Section 10(34) of the Act**

Under Section 10(34) of the Act, any income earned by way of dividends from the Company would be exempt from tax in the hands of the shareholders, if such dividends are subject to DDT under Section 115-O of the Act.

However, as per the provisions of section 94(7) of the Act, losses arising from transfer/sale of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt. "Record date" means such date as may be fixed by the company for the purposes of entitlement of the holder of securities to receive dividend.

As per the provisions of section 14A of the Act, no deduction would be allowed in respect of expenditure incurred in relation to earning of dividend income which is exempt from tax.

**4.2 Computation of capital gains**

4.2.1 As per the provisions of section 2(42A) of the Act, the shares held in a company or any other security listed on a recognized stock exchange will be considered as short term capital asset if they are held for a period of 12 months of less immediately preceding date of their transfer. If the period of holding of shares is more than 12 months immediately preceding date of transfer, they will be treated as long term capital asset.

The capital gain/loss on sale of short term capital assets is regarded as short term capital loss. The capital gain/loss on sale of long term capital assets is regarded as long term capital loss.

However, with effect from AY 2015-16, an unlisted security and a unit of a mutual fund (other than an equity oriented mutual fund) shall be a short-term capital asset if it is held for not more than thirty-six months. It is further provided that, if the unlisted shares and units of a non-equity-oriented mutual fund are transferred during the period from April 1, 2014 to July 10, 2014, then such shares/units would continue to be characterised as long-term capital assets, if they have been held for a period of more than12 months (instead of more than 36 months).

4.2.2 According to Section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.

However, in case of shareholder being a company and liable to MAT in India, gains arising on transfer of above referred long term capital asset shall not be reduced in computing the "book profit" for the purposes of computation of MAT under Section 115 JB of the Act.

4.2.3 First proviso to section 48 of the Act contains special provisions relating to computation of capital gains, in the hands of non-residents arising from transfer of shares of an Indian company which were purchased in foreign currency.

In such a case, the capital gains are computed by converting the cost of acquisition, expenditure incurred wholly and exclusively in connection with transfer and the full value of consideration into the same foreign currency that was initially used to purchase of such shares. The capital gain so computed in the original foreign currency is reconverted into Indian Rupees at the prescribed exchange rate. The said manner of computing capital gains is used in respect of capital gains accruing or arising from every reinvestment thereafter in and sale of shares of an Indian company.

The non-resident shareholders are not entitled to indexation benefit (for a detailed discussion on indexation, refer para 2.4.3 above).

4.2.4 As per the provisions of Section 112 of the Act, long-term capital gains (to the extent not exempt under Section 10(38) of the Act) would be subject to tax in the hands of the shareholders at the rate of 20% (plus applicable surcharge, education cess and secondary & higher education cess).

As per the proviso to Section 112(1) of the Act, if the tax on long-term capital gains resulting from transfer of listed securities [to the extent not exempt under Section 10(38) of the Act], calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at the concessional rate of 10% (without indexation benefit) (plus applicable surcharge, education cess and secondary & higher education cess).

However, with effect from AY 2015-16, section 112(1) of the Act provides that tax on long-term capital gains resulting from transfer of listed securities (other than unit) [to the extent not exempt under Section 10(38) of the Act], calculated at the rate of 20% (with indexation benefit) exceeds the tax on long-term gains computed at the rate of 10% (without indexation benefit), then such gains are chargeable to tax at the concessional rate of 10% (without indexation benefit) (plus applicable surcharge, education cess and secondary & higher education cess ). It is further provided that, the benefit of the proviso shall continue to be available for the long-term capital assets, being units of Mutual Funds, transferred between April 1, 2014 and July 10, 2014.

4.2.5 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15% (plus applicable surcharge, education cess and secondary & higher education cess).

Short-term capital gains arising from transfer of shares of the Company, other than those covered by Section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.

4.2.6 Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of equity shares of the Company (other than those covered by section 10(38) of the Act) would be exempt from tax if such capital gains are invested within 6 months after the date of such transfer in specified assets, being bonds issued by:

c) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;

d) Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any FY cannot exceed ₹5,000,000.

However, with effect from AY 2015-16, it is provided that the investment made by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the financial year in which the original asset is transferred and in the subsequent financial year does not exceed ₹ 5,000,000.

If only a part of the capital gains is invested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified assets are transferred or converted into money within 3 years from the date of its acquisition, the amount of capital gains so exempt shall be chargeable to tax during the year of such transfer or conversion.

4.2.7 As per the provisions of Section 54F of the Act, long term capital gains [which are not covered under

Section 10(38)] arising from the transfer of any capital asset (not being residential house property) held by an Individual or Hindu Undivided Family ("HUF") will be exempt from tax, if net consideration is utilised, within a period of one year before or two year after the date of transfer, for purchase of a residential house, or for construction of a residential house within three years. The exemption is available subject to fulfilment of prescribed conditions.

With effect from AY 2015-16, section 54F provides that the exemption is available if the investment is made in purchase or construction of one residential house situated in India.

4.2.8 Under section 70(2) of the Act, the short term capital loss can be set off against other short term capital gain or long term capital gain. Under section 70(3) of the Act, the long term capital loss can be set off against other long term capital gain.

4.2.9 Under section 74 of the Act, the unabsorbed short term capital loss can be carried forward and set off against capital gains (whether short term or long term) of subsequent years (up to 8 years). Unabsorbed long term capital loss can be carried forward and set off against long term capital gains only in of subsequent years (up to 8 years). However, the unabsorbed capital loss can be carried forward only when the return of income has been filed within the time prescribed under section 139(1) of the Act.

**4.3 Deduction of STT while computing business income**

As per Section 36(1)(xv) of the Act, the STT paid by the tax payer in respect of the taxable securities transactions entered into in the course of business during the FY will be allowable as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

**4.4** As per the provisions of section 56(2)(vii) of the Act, where any property, other than immovable property (including shares) is received by an individual/ HUF: -

i) without consideration and the aggregate fair market value of such property exceeds ₹ 50,000, or

ii) for a consideration which is less than the aggregate fair market value of such property by at least ₹50,000, then the difference between fair market value and consideration paid will be taxable as income from other sources.

This provision is applicable only if shares are held by the shareholders as a capital asset.

This provision is not applicable where shares are received in any of the following modes, namely –

8) From any relative;

9) On the occasion of marriage of the individual;

10) Under a will or by way of inheritance;

11) In contemplation of death of the payer or donor;

12) From any local authority as defined in Explanation to Section 10(20);

13) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in Section 10(23C); or

14) From any trust or institution registered under Section 12AA.

**4.5** Under Section 10(32) of the IT Act, any income of minor children who is a shareholder of the Company clubbed in the total income of the parent under Section 64(1A) of the IT Act, will be exempt from tax to the extent of ₹1,500 per minor child whose income is so included in the income of the parent.

**4.6 Special benefit available to Non-resident Indian shareholders**

4.6.1 In addition to some of the general benefits available to non-resident shareholders, where "specified assets" (as defined in Section 115C (f) of the Act, which includes equity shares in the Company) have been subscribed or acquired or purchased by Non-Resident Indians, they have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the benefits mentioned below.

As per section 115C (e) of the Act, a "non-resident Indian"(NRI) has been defined to mean an individual being citizen of India or person of Indian origin who is not a resident.

4.6.2 As per the provisions of section 115E of the Act, investment income (income derived from specified assets other than dividends referred to in section 115O) or income from long- term capital gains on transfer of assets other than specified asset shall be taxable at the rate of 20% in the hands of a NRI. Income by way of long term capital gains in respect of a specified asset, shall be chargeable to income tax at the rate of 10%. The rates would be increased by the applicable rate of surcharge education cess and secondary & higher education cess.

4.6.3 Under provisions of Section 115F of the Act, any long term capital gains arising from the transfer of shares of the Company acquired in convertible foreign exchange shall be exempt from tax if the whole or any part of the net consideration (consideration less expenditure incurred wholly and exclusively on transfer) is reinvested within six months of the date of the transfer in any "specified assets" or savings certificates referred to in clause (4B) of section 10.

If only a part of the net consideration is reinvested, the exemption shall be proportionately reduced.

The amount so exempted shall be chargeable to tax as "capital gains" subsequently, if the specified assets or savings certificate are transferred or converted into money within three years from the date of their acquisition. The taxability shall arise in the year in which the transfer or conversion, as the case may be, takes place.

4.6.4 As per the provisions of section 115D, no deduction is allowed for any expenditure or allowance under any provision of the Act in computing the investment income of the NRI. Further no deduction is allowed to NRI under chapter VIA against investment income or income by way of long term capital gains. The benefit of indexation is also not available.

4.6.5 As per the provisions of Section 115G of the Act, NRIs are not required to furnish a return of income under Section 139(1) of the Act, if:

i) Their income chargeable under the Act consists of only investment income or long term capital gains arising from the transfer of specified asset or both and;

ii) Tax deductible at source has been deducted as per the provisions of Chapter XVII-B of the Act from the income.

4.6.6 As per the provision of Section 115H of the Act, where a person who is NRI in any FY, becomes assessable as resident in India in respect of total income of any subsequent year, the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income derived from any foreign exchange asset being an assets specified in sub clause (ii), (iii), (iv) or (v) of Section 115(C)(f) for that AY and for every subsequent AY until there is transfer or conversion into money of such asset. For this provision to apply, NRI is required to file a declaration along with his return of income for the AY in which he becomes assessable as resident in India.

4.6.7 As per section 115A of the Act, where the total income of a Non-resident (not being a company) or of a foreign company includes dividends (other than dividends referred to in section 115O of the Act), tax payable on such income shall be aggregate of amount of income-tax calculated on the amount of income by way of dividends included in the total income, at the rate of 20 per cent (plus applicable surcharge and education cess).

4.6.8 In accordance with Section 115I of the Act, where a NRI opts not to be governed by the provisions of Chapter XII-A for any AY, his total income for that AY (including income arising from investment in the company) will be computed and tax will be charged according to the other provisions of the Act.

**4.5 Taxability as per DTAA**

4.5.1 The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the DTAA, if any, between India and the country or any specified territory in which the non-resident has fiscal domicile.

As per the provisions of Section 90(2) of the Act, the provision of the DTAA would prevail over the provisions of the Act to the extent they are more beneficial to the non-resident.

4.5.2 As per provisions of section 90(4) of the Act, a non-resident, shall not be entitled to claim any relief under DTAA, unless a certificate of his being a resident in any country outside India or specified territory outside India, as the case may be has been obtained by him from the government of that country or specified territory. In other words, the non-resident tax payers shall be entitled to be governed by the provisions of the DTAA only when they obtain a tax residency certificate from the government of their country of residence.

In addition, as per the provisions of section 90(5) of the Act, a non-resident shall also provide prescribed documents.

**5. Benefits available to Foreign Institutional Investors ("FIIs") under the Act**

**5.1 Dividends exempt under Section 10(34) of the Act**

Under Section 10(34) of the Act, any income earned by way of dividends from the Company would be exempt from tax in the hands of the shareholders, if such dividends are subject to DDT under Section 115-O of the Act.

However, as per the provisions of section 94(7) of the Act, losses arising from transfer/sale of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt. "Record date" means such date as may be fixed by the company for the purposes of entitlement of the holder of securities to receive dividend.

As per the provisions of section 14A of the Act, no deduction would be allowed in respect of expenditure incurred in relation to earning of dividend income which is exempt from tax.

**5.2 Taxability of capital gains**

5.2.1 As per the provisions of Section 115AD of the Act, FIIs will be taxed on the capital gains that are not exempt under Section 10(38) of the Act at the rates as follows:

| ***Nature of income*** | ***Rate of tax (%)*** |
|---|---|
| Long term capital gain [other than the long term capital gain covered | 10 |
| by the provisions of section 10(38)] | |
| Short term capital gain (other than the short term capital gain | 30 |
| covered by the provisions of section 111A) | |

The above tax rates would be increased by the applicable rate of surcharge education cess and secondary & higher education cess.

The benefits of indexation and foreign currency fluctuation protection are not available to an FII.

The above mentioned capital gains are not subject to tax deduction at source as per the provisions of section 196D(2) of the Act.

5.2.2 According to Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15% (plus applicable surcharge, education cess and secondary & higher education cess) in addition to the other requirements, as specified in the Section.

**5.3 Capital gains- not subject to Income- tax**

5.3.1 According to Section 10(38) of the Act, long-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be exempt from tax.

However, in case of shareholder being a company and liable to MAT in India, gains arising on transfer of above referred long term capital asset shall not be reduced in computing the "book profit" for the purposes of computation of MAT under Section 115 JB of the Act.

5.3.2 Under Section 54EC of the Act and subject to the conditions specified therein, long-term capital gains arising on the transfer of equity shares of the Company (other than the long term capital gain covered by the provisions of section 10(38)) would be exempt from tax if such capital gains is invested within 6 months after the date of such transfer in specified assets, being bonds issued by:

a) National Highway Authority of India constituted under Section 3 of The National Highway Authority of India Act, 1988;

b) Rural Electrification Corporation Limited, the Company formed and registered under the Companies Act, 1956.

The investment made in such bonds during any FY cannot exceed ₹5,000,000.However, with effect from AY 2015-16, it is provided that the investment made by an assessee in the long-term specified asset, out of capital gains arising from transfer of one or more original asset, during the financial year in which the original asset is transferred and in the subsequent financial year does not exceed ₹ 5,000,000.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the specified asset is transferred or converted into money within 3 years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year of such transfer or conversion.

5.3.3 Under section 70(2) of the Act, the short term capital loss can be set off against other short term capital gain or long term capital gain. Under section 70(3) of the Act, the long term capital loss can be set off against other long term capital gain.

5.3.4 Under section 74 of the Act, the unabsorbed short term capital loss can be carried forward and set off against capital gains (whether short term or long term) of subsequent years (upto 8 years). Unabsorbed long term capital loss can be carried forward and set off against long term capital gains only in of subsequent years (upto 8 years). However, the unabsorbed capital loss can be carried forward only when the return of income has been filed within the time prescribed under section 139(1) of the Act.

**5.4 Income from Business Profits**

As per Section 36(1)(xv) of the Act, the STT paid by the tax payer in respect of the taxable securities transactions entered into in the course of business during the FY will be allowable as deduction, if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

**5.5 Taxability as per DTAA**

5.5.1 The tax rates and consequent taxation mentioned above will be further subject to any benefits available under the DTAA, if any, between India and the country or any specified territory in which the non-resident has fiscal domicile.

As per the provisions of Section 90(2) of the Act, the provision of the DTAA would prevail over the provisions of the Act to the extent they are more beneficial to the non-resident.

5.5.2 As per provisions of section 90(4) of the Act, a non-resident, shall not be entitled to claim any relief under DTAA, unless a certificate of his being a resident in any country outside India or specified territory outside India, as the case may be has been obtained by him from the government of that country or specified territory. In other words, the non-resident tax payers shall be entitled to be governed by the provisions of the DTAA only when they obtain a tax residency certificate from the government of their country of residence.

In addition, as per the provisions of section 90(5) of the Act, a non-resident shall also provide prescribed documents.

**6. Benefits available to Mutual Funds under the Act**

6.1 As per the provisions of Section 10(23D) of the Act, any income of:

- A mutual fund registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under;

- Mutual Funds set up by public sector banks or public financial institutions or authorised by the Reserve Bank of India

would be exempt from income-tax, subject to the conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

However, the Mutual Funds would be required to pay tax on distributed income to unit holders as per the provisions of Section 115R of the Act.

6.2 As per Section 10(35) of the Act, the following income shall be exempt in the hands of the Company:

i) Income received in respect of the units of a Mutual Fund specified under clause (23D) of Section 10; or

ii) Income received in respect of the units from the Administrator of the Specified undertaking; or

iii) Income received in respect of units from the specified company.

However, as per the proviso to section 10(35), the above provisions are not applicable to any income arising from transfer of units of the Administrator of the specified undertaking or of the specified company or of a mutual fund.

6.3 Under Section 14A of the Act, no deduction is permitted in respect of expenditure incurred in relation to earning of income which is not chargeable to tax including dividends exempt under Section 10(34) of the Act. The expenditure relatable to "exempt income" needs to be determined in accordance with the provisions specified in Section 14A of the Act read with Rule 8D of the Income-tax Rules, 1962. ("the

Rules")

6.4 As per the provisions of section 94(7) of the Act, losses arising from transfer/sale of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

"Record date" means such date as may be fixed by the company for the purposes of entitlement of the holder of securities to receive dividend.

**7. Benefits available to Venture Capital Companies/Funds**

7.1 Under Section 10(23FB) of the Act, any income of Venture Capital Companies or Venture Capital Funds registered with the Securities and Exchange Board of India, from investment in a venture capital undertaking would be exempt from income tax, subject to conditions specified therein. "Venture capital undertaking" means:

-  A venture capital undertaking as defined in clause (n) of the regulation 2of Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 or

-  A venture capital undertaking as defined in clause (aa) of sub regulation (1) of regulation 2of Alternate Investment Fund Regulations.

7.2 Under Section 14A of the Act, no deduction is permitted in respect of expenditure incurred in relation to earning of income which is not chargeable to tax including dividends exempt under Section 10(34) of the Act. The expenditure relatable to "exempt income" needs to be determined in accordance with the provisions specified in Section 14A of the Act read with Rule 8D of the Income-tax Rules, 1962. ("the Rules")

7.3 As per the provisions of section 94(7) of the Act, losses arising from transfer/sale of shares, where such shares are purchased within three months prior to the record date and sold within three months from the record date will be disallowed to the extent such loss does not exceed the amount of dividend claimed exempt.

"Record date" means such date as may be fixed by the company for the purposes of entitlement of the holder of securities to receive dividend.

7.4 According to Section 115U of the Act, any income accruing or arising to or received by a person from his investment in venture capital companies/ funds would be taxable in his hands in the same manner as if it were the income accruing/ arising/ received by such person had the investments been made directly in the venture capital undertaking.

7.5 Further, as per Section 115U(5) of the Act, the income accruing or arising to or received by the Venture Capital Company/ Funds from investments made in a Venture Capital Undertaking if not paid or credited to a person (who has made investments in a Venture Capital Company/ Fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

**8. Benefits available under the Wealth-tax Act, 1957**

Asset as defined under Section 2(ea) of the Wealth tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

**9. Benefits available under the Gift-tax Act, 1958**

Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. However as per the provisions of Section 56(2)(vii) of the Act, value of any property including shares and securities received without consideration or for inadequate consideration will be included in the total income of the recipient and be subject to tax, unless exempt(for detailed discussion, refer para 3.4 above).

**10. Loss under the head "Capital Gains"**

In general terms, loss arising from transfer of a capital asset in India can only be set off against capital gains. Long term capital loss arising on sale of equity shares not subjected to STT during a year is allowed to be set-off only against long term capital gains. A short term capital loss can be set off against capital gains whether short term or long term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for a period of 8 years immediately succeeding the year for which the loss was first determined and may be set off against the capital gains assessable for such subsequent years. In order to set off a capital loss as above, the investor (resident/ non- resident) is required to file appropriate and timely income-tax returns in India.

**11. TAX DEDUCTION AT SOURCE**

No income tax is deductible at source from income by way of capital gains arising to a resident shareholder under the present provisions of the IT Act. However, as per the provisions of Section 195 of the IT Act, any income by way of capital gains payable to non-residents (other than LTCG exempt u/s 10(38)) may be subject to withholding of tax at the rate under the domestic tax laws or under the tax laws or under the DTAA, whichever is beneficial to the assessee, unless a lower withholding tax certificate is obtained from the tax authorities. However, the non-resident investor will have to furnish a certificate of his being a resident in a country outside India and a suitable declaration for not having a fixed base in India, to get the benefit of the applicable DTAA and such other document as may be prescribed as per the provision of section 90(4) of IT Act. The withholding tax rates are subject to the recipients of income obtaining and furnishing a permanent account number (PAN) to the payer, in the absence of which the applicable withholding tax rate would be the higher of the applicable rates or 20%, under section 206AA of the Act.

**Notes:**

1) The above Statement of Possible Direct Tax Benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares;

2) The above Statement of Possible Direct Tax Benefits sets out the possible tax benefits available to the Company and its shareholders under the current Tax Laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant Tax Laws;

3) This Statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing Tax Laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue;

4) In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country/specified territory (outside India) in which the non-resident has fiscal domicile;

5) The stated benefits will be available only to the sole/first named holder in case the shares are held by joint shareholders;

6) The tax rates (including rates for tax deduction at source) mentioned in this Statement are applicable for FY2014-15(AY 2015-16) and are exclusive of surcharge, education cess and higher education cess.

   Surcharge @ 10% of income tax is applicable in case of individuals where total income under the Act exceeds Rs 1 crore.

Surcharge @ 5% is applicable in case of resident companies where total income under the Act exceeds Rs 1 crore and is up to ₹ 10 crore. If the total income of the resident companies exceeds ₹ 10 crore, surcharge would be leviable @ 10%.

In case of foreign companies, surcharge @ 2% is applicable in case of where total income under the Act exceeds Rs 1 crore and is up to ₹ 10 crore. If the total income exceeds ₹ 10 crore, surcharge would be leviable @ 5%.

7) We have not considered the provisions of Direct Tax Code Bill 2010 for the purpose of this Statement.

For **Karvy & Co.,**
Chartered Accountants
Firm Registration No. 001757S

**V. KUTUMBA RAO**
Partner
Membership No. 018796

Place: Hyderabad
Date: 6/11/2014

## LEGAL PROCEEDINGS

*Our Company is involved in various legal proceedings, which involve matters pertaining to, amongst others, tax, civil and other disputes. The section below describes the legal proceedings, which singly or in aggregate, could have a material adverse effect on our Company.*

Following is a brief summary of the legal proceedings involving our Company and our Promoters as on date of this Placement Document.

***Litigations/Proceedings pending against our Company***

***Civil Cases***

1) B Srinivas and B Chandrasekhar ("**Appellants**") have filed a complaint bearing H.R. Case no. 744 of 2014 before Commissioner, Human Rights Commission, Andhra Pradesh ("APHRC") dated February 10, 2014 requesting action against our Company. The Appellants have alleged that our Company has not taken any pollution controlling methods, dumped hazardous effluents in Company's unit situated at Suryapet, Nalgonda and discharged liquid effluents into its surrounding atmosphere. The Appellants have also alleged that our Company is releasing hazardous effluents in agriculture land at Kudesala vagu.

   The Appellants have requested the APHRC to take action against our Company and give directions to our Company to pay compensation to the affected people around our Company's unit at Suryapet, Nalgonda.

2) Banoth Srinu and Others **("Appellants")** have filed an appeal bearing I.A. No. 100 of 2014 dated May 26, 2014 under the Air (Prevention & Control of Pollution) Act, 1981 and the Water (Prevention & Control of Pollution) Act, 1974 before the Appellate Authority, Hyderabad against our Company and others (collectively the **"Respondents")** against a consent order bearing no. APPCB/RCP/NLG/10180/CFO & HMW/HO/2013 dated October 8, 2013 issued by Andhra Pradesh Pollution Control Board under section 25/26 of the Water (Prevention & Control of Pollution) Act, 1974 and under section 21/22 of Air (Prevention & Control of Pollution) Act, 1981 authorizing to operate the industrial plant to discharge effluents from the outlets and the quantity of emissions per hour from the chimneys (**"Consent Order"**).

   The Appellants have prayed for, *inter alia*, (a) setting aside the Consent Order; and (b) restraining the Company from taking up any activity in its Suryapet unit. Presently, the appeal is pending before the Appellate Authority, Hyderabad.

3) Dr. M. Shekar Reddy ("**Plaintiff**") has filed a suit bearing O.S. no. 4 of 2011 against our Company and Others (collectively the **"Defendants"**) under Section 26, Order VII, Rule 1 & 2, Civil Procedure Code, 1973 before the Court of the II Additional District Judge, Nalgonda District at Suryapet **("Suit")** for seeking relief and declaration of title and recovery of possession of land admeasuring 4 acres 34 gunthas situated in Survey No. 103/A, Desaigudem, Kesaram Village, Suryapet, Nalgonda District **("Disputed Land")**. The Plaintiff has alleged that the sale deeds entered into by and between our Company and other Defendants in respect of the Disputed Land are illegal, void and do not confer any right, title and interest on the Defendants in respect of the Disputed Land.

   The Suit has been filed praying for, *inter alia*, the following:

   1) Declaring that the Plaintiff is the absolute owner of the Disputed Land;

   2) Direct the Defendants to deliver the vacant and physical possession of the Disputed Land to the Plaintiff;

   3) Pay future mesne profits at the rate of ₹ 1,00,000 per acre per annum to the Plaintiff from the date of the suit till the date of delivery of possession for being in illegal occupation of Disputed Land.

The Defendants have filed a written statement under Order VII Rule 1 of Civil Procedure Code, 1973 denying all the claims of the Plaintiff over the Disputed Land. Presently, the appeal is pending before the Court of the II Additional District Judge, Nalgonda District at Suryapet.

4) The Andhra Pradesh Pollution Control Board has filed an application/Appeal bearing number 90 of 2013 ("**Appeal**") before the National Green Tribunal (South Zone) at Chennai against our Company and Others pursuant to the order of High Court of Andhra Pradesh vide its order dated February 12, 2013 transferring writ petition bearing no. 1056/1990 to the National Green Tribunal (South Zone) at Chennai. The writ petition bearing No. 1056/1990 was filed by the Indian Council for Enviro Legal Action & Others against Union of India, our Company and others, before the Supreme Court under Article 32 of the Constitution of India with respect to pollution problems in and around Patancheru, Bollarum and Jeedimetla of Medak district. The Supreme Court vide its first interim order dated September 19, 1991 directed the government of Andhra Pradesh and Central Government to take measures to mitigate the pollution problems of the area and transferred the case to the High Court of Andhra Pradesh which was brought before the High Court of Andhra Pradesh as Writ Petition No. 19661 of 2002 for further action and implementation of direction. Further, High Court of Andhra Pradesh vide its order dated February 12, 2013 transferred the writ petition to National Green Tribunal (South Zone) at Chennai which has been brought before the National Green Tribunal (South Zone) at Chennai as Appeal bearing number 90 of 2013 for appropriate order. Presently, the Appeal is pending before the National Green Tribunal (South Zone) at Chennai.

***Proceedings initiated by our Company***

***Civil Cases***

1. Our Company ("**Plaintiff**") has filed a petition bearing O.S. No. 45 of 2013 before the Court of Land Reforms Appellate Tribunal – Cum – II Additional District Judge, Nalgonda at Suryapet against Dharavath Champla **("Defendant 1")**, Dharavath Laxmi **("Defendant 2")**, Dharavath Suresh Naik **("Defendant 3")**, Dharavath Naresh **("Defendant 4")**, Dharavath Rajesh **("Defendant 5")** and Dharavath Chakru Naik **("Defendant 6")** under Order VI, Rule 1 read with section 26 of Civil Procedure Code, 1973 for specific performance and cancellation of registered sale deed bearing document no. 9246/2013 in respect of land admeasuring 15 gunthas in Survey no. 101, Daisagudam, Kesaram Revenue Village ("**Disputed Land**").

   The Defendant 1 requested the Plaintiff to purchase the Disputed Land *vide* letter dated May 7, 2013. The Plaintiff and Defendant 1 to Defendant 5 entered into various agreements of sale in respect of the Land.

   Subsequently, Defendant 1 made efforts to transfer the Disputed Land into the names of Defendant 3 to 5. The Plaintiff lodged an objection with the tahsildar, Suryapet with acknowledgement dated October 31, 2013. Thereafter, it came to Plaintiff's knowledge that the Defendant 1 executed a sale deed in favour of Defendant 6 and got it registered in the office of Sub-Registrar, Suryapet bearing no. 9246/2013.

   The petition has been filed praying for, inter alia, the following:

   a) A decree be passed in favour of the Plaintiff and against the Defendant 1 to Defendant 5 for specific performance of agreement of sale dated June 28, 2013 directing the Defendant 1 to Defendant 5 to execute a registered sale deed in respect of the Land favour of the Plaintiff; and

   b) cancellation of registered sale deed bearing no. 9246/2013.

   The Defendant 1 to Defendant 5 have filed a written statement claiming that the suit of the Plaintiff is false, baseless and vexatious. Presently, the appeal is pending before the Court of Land Reforms Appellate Tribunal – Cum – II Additional District Judge, Nalgonda at Suryapet.

2. Our Company and others (collectively "the **Claimants**") have filed a petition bearing L.A.O.P No.369 of 2010 before the Court of LRAT – CUM – II Additional District Judge, Nalgonda at Suryapet against Land Acquisition Officer-cum-RDO, Suryapet, Nalgonda District ("**Respondent**") for possession of land bearing Survey No. 103, Kesaram Revenue Village, Suryapet, Nalgonda **("Disputed Land").**

The Claimant submits it is the owner and possessor of the Disputed Land. The name of the Claimant is also mutated in all the revenue records for the Disputed Land. The Respondent acquired some portion of the Disputed Land for the purpose of widening the National Highway No. 9 road and also published the name of the Claimant as the owner and possessor to an extent of 2091.67 sq. mts. However, the Respondent passed an award by wrongly showing that the Claimant is in possession and enjoyment of 1512.05 sq. mts only.

The Company has prayed for, *inter-alia*, the Respondent should at least pay the Company compensation amount to an extent of 1269 sq. mts in respect of Disputed Land and direct the Respondent to pay an amount equivalent to the market value of the Disputed Land along with all statutory benefits as per the provisions of National Highways Act, 1956. Presently, the appeal is pending before the Court of LRAT – CUM – II Additional District Judge, Nalgonda at Suryapet.

***Tax related proceedings***

1. An appeal dated April 4, 2013 ("**Appeal**") is pending before Commissioner of Income Tax (Appeals) - IV, Hyderabad under section 246 A (1) (a) of the Income Tax Act, 1961 ("**Act**") filed by the Company against the order dated March 7, 2013 ("**Impugned Order**") passed by the Deputy Commissioner of Income Tax Circle - 3(2), Hyderabad ("**Assessing Officer**") for the Assessment Year 2010 – 11. Notice of demand was issued by the Assessing Officer under section 156 of Act on March 7, 2013 for a sum of ₹ 86,97,654.

   The Appeal has been filed on the following grounds:

   a) The Assessing Officer disallowed an amount of ₹ 26,65,090 by applying rule 8D read with section 14A of the Act, stating that the same was incurred for earning dividend income which is claimed as exempt under section 10(33) of the Act;

   b) The Assessing Officer disallowed derivative loss of ₹ 50,49,000 debited to the profit & loss account on mark to mark basis stating that a mark to mark loss is only notional loss until the contract is settled or matured;

   c) The Assessing Officer, while arriving at the book profit under section 115JB added back the disallowance under section 14A amounting to ₹ 26,65,090 stating that as per the provisions of section 115JB(2), explanation clause (f), any expenditure attributable to income claimed as exempt under section 10 is to be added to book profits;

   d) The Assessing Officer, while arriving at the book profit under section 115JB, added derivative loss provided on 'mark to mark' basis amounting to ₹ 50,49,000 stating that the same is a contingent liability and hence under clause (c) of explanation 1 to section 115JB of the Act; and

   e) The Assessing Officer, while arriving at the tax payable on the income assessed applied interest under section 234B & 234C on the income assessed.

   The appeal is currently pending before Commissioner of Income Tax (Appeals) - IV, Hyderabad. Pursuant to the Impugned Order, the Company has paid an amount equivalent to ₹ 70,00,000. The amount involved in the present matter is ₹ 16,97,654.

2. An appeal dated April 16, 2013 ("**Appeal**") is pending before Commissioner of Income Tax (Appeals) - IV, Hyderabad under section 246 A (1) (a) of the Income Tax Act, 1961 ("**Act**") filed by the Company against the order dated March 18, 2013 ("**Impugned Order**") passed by the Deputy Commissioner of Income Tax Circle - 3(2), Hyderabad ("**Assessing Officer**") for the Assessment Year 2011 – 12. Notice of demand was issued by the Assessing Officer under section 156 of Act on March 18, 2013 for a sum of ₹ 7,63,528.

   The Appeal has been filed on the following grounds:

a) The Assessing Officer disallowed an amount of ₹ 25,29,205 by applying rule 8D read with section 14A of the Act, stating that the same was incurred for earning dividend income which is claimed as exempt under section 10(33) of the Act; and
b) The Assessing Officer, while arriving at the book profit under section 115JB of the Act added back the disallowance under section 14A amounting to ₹ 25,29,205 stating that as per the provisions of section 115JB(2), explanation clause (f), any expenditure attributable to income claimed as exempt under section 10 of the Act is to be added to book profits.

The appeal is pending hearing. The amount involved in the present matter is ₹ 7,63,528.

***Potential Litigation against our Company***

**1.** Our Company received a legal notice dated October 29, 2014 ("Notice"), by P S Balasubrahmanyam on behalf of Pentamsetty Lakshmi Devi ("Noticee"), for transmission of 2,000 equity shares of our Company owned by Late Pentamsetty Nataraja in favour of his wife Pentamsetty Lakshmi Devi. The Noticee claimed that she had filed Succession O. P. No. 1 of 2010 before Court of Junior Civil Judge, Pulivendula, Kadapa District and obtained Succession Certificate dated March 11, 2011 in respect to the shares of Late Pentamsetty Nataraja. Our Company has not replied to the said Notice.

***Litigation Involving our Promoters***

There are no litigations or legal actions pending or taken by any Ministry or Department of the Government or a statutory authority against the Promoters of our Company during the last three years immediately preceding year of this Placement Document.

***Proceedings under the Companies Act***

There has been no inquiry, inspection or investigations initiated or conducted against the Company under the Companies Act, 2013 or any previous company law in the last three years immediately preceding the year of circulation of this Placement Document. Further, there have not been any prosecutions filed (whether pending or not), fines imposed, compounding of offences under the Companies Act, 2013 or any previous company law, in the last three years immediately preceding the year of circulation of this Placement Document with respect to the Company.

***Material Frauds against the Company***

There have been no material frauds committed against the Company in the last three years.

## INDEPENDENT AUDITORS

Our Company's current statutory auditors, M/s. Karvy & Co., Chartered Accountants, are independent auditors with respect to our Company as required by the Companies Act and in accordance with the guidelines issued by the Institute of Chartered Accountants of India. Further, M/s. Karvy & Co., Chartered Accountants, have audited financial statements as of and for the years ended March 31, 2014, 2013 and 2012, and have applied limited procedures in accordance with professional standard in India with respect to our unaudited reviewed financial results as of and for the quarter and six months period ended September 30, 2014, whose audit report is included in this Placement Document. Please see the section, *"**Financial Statements**"* beginning on page 206.

## GENERAL INFORMATION

1. Our Company was originally incorporated as '*Suven Pharmaceuticals Private Limited*' a private limited company under the Companies Act pursuant to Certificate of Incorporation dated March 9, 1989 bearing registration number 01-09713 of 1988-89 issued by the Registrar of Companies, Andhra Pradesh. Our Company was converted into a public limited company and the name of our Company was changed to '*Suven Pharmaceuticals Limited*' pursuant to a fresh certificate of incorporation consequent upon change of name on conversion to public limited company dated January 4, 1995 issued by the Assistant Registrar of Companies, Andhra Pradesh, Hyderabad. Thereafter, the name of our Company was changed to its present name '*Suven Life Sciences Limited*' pursuant to a fresh certificate of incorporation consequent upon change of name dated September 25, 2003 issued by the Assistant Registrar of Companies, Andhra Pradesh, Hyderabad. Our corporate identification number is L24110TG1989PLC009713.

2. As of the date of this Placement Document, our authorized capital is ₹ 4,000 Lacs divided into 4,000 Lacs Equity Shares of ₹ 1 each. As of the date of this Placement Document, 11,68,28,788 Equity Shares of ₹ 1 each were paid up and outstanding.

3. Our Registered Office is located at Door No. 8-2-334, 6th Floor, SDE Serene Chambers, Road No. 5, Avenue 7, Banjara Hills, Hyderabad – 500 034, Telangana, India.

4. The Equity Shares of the Company were initially listed in the year 1995 on the BSE and HSE (not a stock exchange since order of SEBI dated January 25, 2013). Further, the Equity Shares of the Company are also listed on the NSE in the year 2003.

5. Under our Memorandum of Association, our principal objects are to carry out the business described in the section "***Business***" beginning on page 114. The objects are set out in Clause III of our Memorandum of Association.

6. The Issue was authorized and approved by our Board of Directors by resolutions dated September 22, 2014 and approved by our shareholders by resolutions dated October 21, 2014.

7. Our Company has received in-principle approvals under Clause 24(a) of the Listing Agreements for the issue of the Equity Shares from the BSE and the NSE. We will apply for final approvals to list our Equity Shares to be issued in the Issue on the BSE and the NSE.

8. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) during the offering period at our Registered Office.

9. Other than as set forth in this Placement Document, there has been no significant change in our financial results since March 31, 2014, the date of our last audited financial statements.

10. Except as disclosed in this Placement Document, we are not involved in any material legal proceedings and we are not aware of any threatened legal proceedings, which, if determined adversely, could result in a material adverse effect on our business, financial condition or results of operations.

11. The Company has obtained necessary consents, approvals and authorisations required in connection with the Issue.

12. M/s. Karvy & Co., Chartered Accountants have audited our financial statements as of and for the years ended, March 31, 2014, March 31, 2013 and March 31, 2012 and limited review report for the quarter ended September 30, 2014 and have provided their consent for inclusion of their reports in relation thereto in this Placement Document.

13. We confirm that we are in compliance with minimum public shareholding requirements under the terms of our Listing Agreements with the Stock Exchanges.

14. Our Company and the GC- BRLM accept no responsibility for statements made otherwise than in this Placement Document and anyone placing reliance on any other source of information, including our website www.suven.com, would be doing so at his or her own risk.

15. The Floor Price for the Issue is ₹ 201.38 per Equity Share calculated in accordance with Regulation 85 of the ICDR Regulations. Our Company may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the ICDR Regulations.

## FINANCIAL STATEMENTS

## INDEX



| Sr. No. | Contents | Page No. |
|---|---|---|
| 1. | Unaudited financial results of our Company as of and for the quarter and six months' period ended September 30, 2014 | F – 1 |
| 2. | Auditor's Report and Financial Statements for the years ended March 31, 2014 | F – 7 |
| 3. | Auditor's Report and Financial Statements for the years ended March 31, 2013 | F – 33 |
| 4. | Auditor's Report and Financial Statements for the years ended March 31, 2012 | F – 60 |

## LIMITED REVIEW REPORT

To
The Board of Directors of

**M/s. SUVEN LIFE SCIENCES LIMITED**

We have reviewed the accompanying statement of unaudited financial results of M/S. SUVEN LIFE SCIENCES LIMITED, having registered office at 8-2-334, 6th Floor, SDE Serene Chambers, Road No.7, Banjara Hills, Hyderabad — 34, for the period ended on 30.09.2014, except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors/ committee of Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, Engagements to Review Financial Statements issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

For KARVY & CO.,
Chartered Accountants
(Registration No.001757S)

Sd/-

(K. AJAY KUMAR)
PARTNER
M.No.021989

Place: Hyderabad
Date: 14/11/2014

## STATEMENT OF UN-AUDITED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS ENDED 30th SEPTEMBER, 2014

*(₹ in lakhs)*

| Sl. No. | Particulars | Quarter ended | | | Six Months ended | | Previous year ended |
|---|---|---|---|---|---|---|---|
| | | 9/30/2014 | 6/30/2014 | 9/30/2013 | 9/30/2014 | 9/30/2013 | 3/31/2014 |
| | | Un-audited | Un-audited | Un-audited | Un-audited | Un-audited | Audited |
| **1** | **Income from operations** | | | | | | |
| | (a) Net sales/income from operations (Net of excise duty) | 13,983.12 | 14,153.16 | 15,141.23 | 28,136.28 | 26,008.19 | 51,031.24 |
| | (b) Other operating income | - | - | - | - | - | - |
| | **Total income from operations (net) (a)+(b)** | **13,983.12** | **14,153.16** | **15,141.23** | **28,136.28** | **26,008.19** | **51,031.24** |
| **2** | **Expenses** | | | | | | |
| | a) Cost of materials consumed | 4,068.03 | 4,695.34 | 4,200.48 | 8,763.37 | 7,575.03 | 15,049.65 |
| | b) Purchases of stock-in-trade | - | - | - | - | - | - |
| | c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | 2,078.07 | (47.88) | (727.64) | 2,030.19 | (712.95) | (1,397.66) |
| | d) Employee benefits expense | 781.19 | 911.37 | 759.79 | 1,692.56 | 1,539.62 | 3,144.21 |
| | e) Depreciation and amortisation expense | 248.08 | 238.86 | 221.92 | 486.94 | 431.40 | 883.74 |
| | f) Other expenses<br>- Manufacturing Expenses | 1,552.85 | 1,439.61 | 1,288.32 | 2,992.46 | 2,447.83 | 5,388.94 |
| | - R & D Expenses | 1,098.72 | 894.89 | 1,789.79 | 1,993.61 | 2,583.66 | 4,794.79 |
| | - Others | 565.29 | 471.67 | 689.27 | 1,036.96 | 1,130.59 | 2,145.45 |
| | Total expenses | **10,392.23** | **8,603.86** | **8,221.93** | **18,996.09** | **14,995.18** | **30,009.12** |
| **3** | Profit / (Loss) from operations before other income, finance costs and exceptional items (1-2) | 3,590.89 | 5,549.30 | 6,919.30 | 9,140.19 | 11,013.01 | 21,022.12 |
| **4** | **Other Income** | **141.98** | **107.94** | **11.41** | **249.92** | **326.94** | **302.95** |
| **5** | Profit / (Loss) from ordinary activities before finance costs and exceptional items (3+4) | 3,732.87 | 5,657.24 | 6,930.71 | 9,390.11 | 11,339.95 | 21,325.07 |
| **6** | Finance costs | 132.99 | 116.42 | 341.28 | 249.41 | 660.34 | 1,051.28 |
| **7** | Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5-6) | 3,599.88 | 5,540.82 | 6,589.43 | 9,140.70 | 10,679.61 | 20,273.79 |
| **8** | Exceptional Items (Ref: Note No.4 below) | 322.06 | 405.99 | - | 728.05 | - | - |
| **9** | Profit/Loss from Ordinary Activities before tax (7+8) | 3,277.82 | 5,134.83 | 6,589.43 | 8,412.65 | 10,679.61 | 20,273.79 |
| **10** | Tax Expenses | 794.17 | 1,661.01 | 2,034.75 | 2,455.18 | 3,147.74 | 5,858.04 |
| **11** | **Net Profit/ (Loss) from** Ordinary **Activities after tax (9-10)** | **2,483.65** | **3,473.82** | **4,554.68** | **5,957.47** | **7,531.87** | **14,415.75** |

| Sl. No. | Particulars | Quarter ended | | | Six Months ended | | Previous year ended |
|---|---|---|---|---|---|---|---|
| | | 9/30/2014 | 6/30/2014 | 9/30/2013 | 9/30/2014 | 9/30/2013 | 3/31/2014 |
| | | Un-audited | Un-audited | Un-audited | Un-audited | Un-audited | Audited |
| **12** | Extraordinary Items | - | - | - | - | - | - |
| **13** | **Net Profit / (Loss) for the period (11 + 12)** | **2,483.65** | **3,473.82** | **4,554.68** | **5,957.47** | **7,531.87** | **14,415.75** |
| **14** | Share of profit / (loss) of associates | - | - | - | - | - | - |
| **15** | Minority interest | - | - | - | - | - | - |
| **16** | Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (13+14+15) | 2,483.65 | 3,473.82 | 4,554.68 | 5,957.47 | 7,531.87 | 14,415.75 |
| **17** | Paid-up equity share capital (Face Value of Rs. 1/- each) | 1,168.29 | 1,168.29 | 1,168.29 | 1,168.29 | 1,168.29 | 1,168.29 |
| **18** | Reserve excluding Revaluation Reserves as per balance sheet of previous accounting year | - | - | - | - | - | 25,276.34 |
| **19.i** | **Earnings Per Share (EPS) (before** extraordinary **items) (of Rs.1/- each) (not annualised):** | | | | | | |
| | a) Basic | 2.13 | 2.97 | 3.90 | 5.10 | 6.45 | 12.34 |
| | b) Diluted | 2.13 | 2.97 | 3.90 | 5.10 | 6.45 | 12.34 |
| **19.ii** | Earnings **Per Share (EPS) (after extraordinary items) (of Rs.1/- each) (not annualised):** | | | | | | |
| | a) Basic | 2.13 | 2.97 | 3.90 | 5.10 | 6.45 | 12.34 |
| | b) Diluted | 2.13 | 2.97 | 3.90 | 5.10 | 6.45 | 12.34 |

| A | Particulars of Shareholding | 9/30/2014 | 6/30/2014 | 9/30/2013 | 9/30/2014 | 9/30/2013 | 3/31/2014 |
|---|---|---|---|---|---|---|---|
| **1** | **Public share holdings** | | | | | | |
| | a. Number of shares | 41,171,212 | 41,171,212 | 41,171,212 | 41,171,212 | 41,171,212 | 41,171,212 |
| | b. Percentage of share holding | 35.24% | 35.24% | 35.24% | 35.24% | 35.24% | 35.24% |
| **2** | **Promoters and promoter group Shareholding** | | | | | | |
| | **a) Pledged / Encumbered** | | | | | | |
| | - Number of shares | NIL | NIL | NIL | NIL | NIL | NIL |
| | - Percentage of shares (as a % of the total shareholding of promoter and promoter group) | NIL | NIL | NIL | NIL | NIL | NIL |
| | - Percentage of shares (as a % of the total share capital of the company) | NIL | NIL | NIL | NIL | NIL | NIL |
| | b) Non-Encumbered | | | | | | |
| | - Number of shares | 75,657,576 | 75,657,576 | 75,657,576 | 75,657,576 | 75,657,576 | 75,657,576 |
| | - Percentage of shares (as a % of the total shareholding of promoter and promoter group) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| | - Percentage of shares (as a % of the total share capital of the company) | 64.76% | 64.76% | 64.76% | 64.76% | 64.76% | 64.76% |
| | **Particulars** | **3 months ended (30/09/2014)** | | | | | |
| **B** | **INVESTOR COMPLAINTS** | | | | | | |
| | Pending at the beginning of the quarter | - | | | | | |
| | Received during the quarter | 82 | | | | | |
| | Disposed of during the quarter | 82 | | | | | |
| | Remaining unresolved at the end of the quarter | - | | | | | |

## SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED

(₹ in lakhs)

| Sl. No. | PARTICULARS | Quarter ended | | | Six Months ended | | Previous year ended |
|---|---|---|---|---|---|---|---|
| | | 9/30/2014 | 6/30/2014 | 9/30/2013 | 9/30/2014 | 9/30/2013 | 3/31/2014 |
| | | Un-audited | Un-audited | Un-audited | Un-audited | Un-audited | Audited |
| 1 | **SEGMENT REVENUE** | | | | | | |
| | a) Manufacturing (CRAMS) | 13,006.64 | 13,894.85 | 14,742.29 | 26,901.59 | 25,430.81 | 49,344.00 |
| | b) Services (DDDSS) | 976.48 | 258.21 | 398.95 | 1,234.69 | 577.38 | 1,687.24 |
| | c) Research & Development | - | - | - | - | - | - |
| | Net sales/income from operations | 13,983.12 | 14,153.06 | 15,141.24 | 28,136.28 | 26,008.19 | 51,031.24 |
| 2 | **SEGMENT RESULTS (Profit/(Loss) before tax and interest)** | | | | | | |
| | a) Manufacturing (CRAMS) | 4,300.75 | 6,731.05 | 8,859.93 | 11,031.80 | 14,039.63 | 26,308.56 |
| | b) Services (DDDSS) | 737.95 | 34.89 | 213.02 | 772.84 | 228.85 | 888.72 |
| | c) Research & Development | (1,347.49) | (1,241.35) | (1,789.79) | (2,588.84) | (2,583.66) | (4,794.79) |
| | **TOTAL** | **3,691.21** | **5,524.59** | **7,283.16** | **9,215.80** | **11,684.82** | **22,402.49** |
| | Less: (i) Interest | 81.87 | 77.56 | 194.13 | 159.43 | 411.56 | 618.92 |
| | (ii) Other Un-allocable expenses net off | 331.52 | 312.20 | 499.60 | 643.72 | 593.64 | 1,509.78 |
| | (iii) un-allocable Income | - | - | - | - | - | - |
| | Profit Before Tax | 3,277.82 | 5,134.83 | 6,589.43 | 8,412.65 | 10,679.62 | 20,273.79 |
| 3 | **CAPITAL EMPLOYED (Segment Assets-Segment Liabilities)** | | | | | | |
| | a) Manufacturing (CRAMS) | 24,305.89 | 20,879.49 | 21,096.25 | 24,305.89 | 21,096.25 | 17,807.16 |
| | b) Services (DDDSS) | 3,211.14 | 3,322.55 | 3,203.02 | 3,211.14 | 3,203.02 | 3,434.62 |
| | c) Research & Development | 1,377.68 | 927.47 | 1,807.03 | 1,377.68 | 1,807.03 | 1,460.97 |
| | d) Net assets which are not segmented and unallocable | 9,912.25 | 10,568.80 | 4,169.47 | 9,912.25 | 4,169.47 | 10,453.81 |
| | **TOTAL** | **38,806.96** | **35,698.31** | **30,275.77** | **38,806.96** | **30,275.77** | **33,156.56** |

**Notes:**

1. The above Un-audited results were approved and taken on record at the Board of Directors' Meeting held on 14th November, 2014.
2. Previous year(s) figures have been regrouped/reclassified whenever necessary.
3. The above results are reviewed by Statutory Auditors.
4. The depreciation has been computed as per Schedule II of the Companies Act 2013 effective April 1, 2014. Accordingly the depreciation which is higher as shown as exceptional item under Sl No. 8 above. Further, based on transitional provision in note 7(b) of schedule II an amount of ₹ 473.50 Lakhs (net of defrerred tax of ₹ 243.81 Lakhs) has been adjusted with the opening Reserves.

**Standalone Statement of Assets & Liabilities as per Clause 41(V)(h) as per Listing agreement**

***(₹in lakhs)***

| | Particulars | Half year Ended 9/30/2014 | 3/31/2014 |
|---|---|---|---|
| **A** | **EQUITY AND LIABILITIES** | | |
| **1** | **Shareholder's funds:** | | |
| | (a) Share Capital | 1,168.29 | 1,168.29 |
| | (b) Reserves and Surplus | 30,760.29 | 25,276.34 |
| | Sub-total - Shareholders' funds | 31,928.58 | 26,444.63 |
| **2** | **Non-current liabilities** | | |
| | (a) Long-term borrowings | 4,372.55 | 3,772.92 |
| | (b) Deferred tax Liability (net) | 2,326.46 | 2,759.66 |
| | (c) Long-term provisions | 179.36 | 179.36 |
| | Sub-total - Non-current liabilities | 6,878.37 | 6,711.94 |
| **3** | **Current liabilities** | | |
| | (a) Short-term borrowings | 2,498.96 | 2,855.36 |
| | (b) Trade payables | 3,350.11 | 4,090.05 |
| | (c) Other current liabilities | 3,874.57 | 4,751.84 |
| | (d) Short-term provisions | ,015.52 | 3,808.90 |
| | Sub-total - Current liabilities | 11,739.16 | 15,506.15 |
| | | | |
| | **TOTAL - EQUITY AND LIABILITIES** | **50,546.11** | **48,662.72** |
| **B** | **ASSETS** | | |
| **1** | **Non-current assets** | | |
| | (a) Fixed assets | 21,341.96 | 19,205.41 |
| | (b) Non-current investments | 0.15 | 0.15 |
| | (c) Deferred tax assets (net) | - | - |
| | (d) Long-term loans and advances | 2,013.89 | 1,258.74 |
| | Sub-total - Non-current assets | 23,356.00 | 20,464.30 |
| **2** | **Current assets** | | |
| | (a) Current investments | 5,228.96 | 3.64 |
| | (b) Inventories | 6,100.49 | 7,862.87 |
| | (c) Trade receivables | 6,064.12 | 6,547.03 |
| | (d) Cash and cash equivalents | 2,486.12 | 6,939.96 |
| | (e) Short-term loans and advances | 7,307.40 | 6,809.17 |
| | (f) Other current assets | 3.02 | 35.75 |
| | Sub-total - Current assets | 27,190.11 | 28,198.42 |
| | | | |
| | **TOTAL - ASSETS** | **50,546.11** | **48,662.72** |

**Independent Auditor's Report**

To the Members of

**Suven Life Sciences Limited**

**Report on the Financial Statements**

We have audited the accompanying financial statements of M/s. Suven Life Sciences Limited ('the Company') which comprise the Balance Sheet as at 31st March, 2014, Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
(b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:

   a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;

d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of Companies Act, 2013; and

e) on the basis of written representations received from the directors as on 31st March, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956

For KARVY & CO.
Chartered Accountants
Firm's registration number: 01757S
K. AJAY KUMAR
Partner
(M. No. 021989)
Place: Hyderabad
Date: 22-05-2014

## The Annexure to the Auditor's Report
## Referred to in Paragraph 1 of Our Report

i. In respect of its fixed assets:

a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
b) As explained to us, the management has physically verified all the fixed assets during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such physical verification.
c) In our opinion, fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.

ii. In respect of its inventories:

a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical inventory and book records were not material.

iii. a) According to the information and explanations given to us, during the year the Company has not granted any loans to companies covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (a) to (d) of the paragraph 4 of the Order are not applicable.
d) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

v. In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.

vi. According to the information and explanations given to us, the Company has not accepted deposits from the public within the meaning of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed there under.

vii. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.

viii. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Bulk Drugs, pursuant to Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

ix. In respect of statutory dues:

a) According to the records of the company and information and explanations given to us, the company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues to the extent applicable with the appropriate authorities during the year.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of the above are in arrears as at the year end for a period of more than six months from the date on which they became payable.

c) According to the information and explanations given to us, the following amounts have not been deposited with the appropriate authorities on account of dispute:

| Nature of the Statute | Amount ₹ in Lacs | Period to which amount relates | Forum where pending |
|---|---|---|---|
| Income Tax | 16.97 | AY 2010-11 | Income tax appellate Tribunal– Hyderabad. |
| Income Tax | 7.63 | AY 2011-12 | Income tax appellate Tribunal– Hyderabad. |

x. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.

xi. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in the repayment of dues to Financial Institutions and Banks. The company did not have any outstanding debentures during the year.

xii. In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion, the Company is not a Chit fund or a Nidhi/ Mutual Benefit fund/ Society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the company.

xiv. The Company has not dealt or traded in shares, securities, debentures and other investments. Accordingly, the provision of clause 4 (xiv) of the Order are not applicable to the company.

xv. In our opinion and as per the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.

xvi. In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were raised.

xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long term investment.

xviii. The Company has not made any preferential allotment of share to parties and companies covered under register maintained under section 301 of the Companies Act, 1956.

xix. The Company during the year has not issued any debentures. Accordingly, clause 4 (xix) of the Order are not applicable to the company.

xx. The Company has not raised any money by public issues during the year.

xxi. According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For KARVY & CO.
Chartered Accountants
Firm's registration number: 01757S
K. AJAY KUMAR
Partner
(M. No. 021989)
Place: Hyderabad
Date: 22-05-2014

Balance Sheet As at 31st March, 2014

(₹ in lacs)

| Particulars | Note | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Shareholder's Fund | | | |
| Share Capital | 3 | 1,168.29 | 1,168.29 |
| Reserves & Surplus | 4 | 25,276.34 | 14,277.70 |
| Non-Current Liabilities | | | |
| Long-term borrowings | 5 | 3,772.92 | 6,418.33 |
| Long term provisions | 6 | 179.36 | 157.78 |
| Deferred Tax Liability (Net) | 7 | 2,759.66 | - |
| Current Liabilities | | | |
| Short-term borrowings | 8 | 2,855.36 | 2,782.59 |
| Trade payables | 9 | 4,090.05 | 3,613.53 |
| Other current liabilities | 10 | 4,751.84 | 3,611.53 |
| Short - term provisions | 11 | 3,808.90 | 731.61 |
| **TOTAL** | | **48,662.72** | **32,761.36** |
| **ASSETS** | | | |
| Non - Current Assets | | | |
| Fixed Assets | | | |
| i) Tangible assets | 12 | 17,923.39 | 16,151.54 |
| ii) Capital work-in-progress | | 1,282.01 | 414.76 |
| Non -Current Investments | 13 | 0.15 | 0.15 |
| Deferred Tax Asset (Net) | 7 | - | 1,569.63 |
| Long term loans and advances | 14 | 1,258.75 | 939.22 |
| Current Assets | | | |
| Current Investments | 15 | 3.64 | 7.12 |
| Inventories | 16 | 7,862.87 | 5,381.43 |
| Trade Receivables | 17 | 6,547.03 | 2,377.76 |
| Cash and Bank balances | 18 | 6,939.96 | 2,183.30 |
| Short - term loans and advances | 19 | 6,809.17 | 3,716.77 |
| Other current assets | 20 | 35.75 | 19.68 |
| **TOTAL** | | **48,662.72** | **32,761.36** |
| Summary of significant accounting policies | 1-2 | | |

Statement of Profit and Loss for the year ended 31st March 2014

(₹ in lacs)

| Particulars | Note | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from Operations (Gross) | 21 | 51,058.62 | 25,828.02 |
| Less: Excise Duty | | (27.38) | (39.56) |
| | | 51,031.24 | 25,788.46 |
| Other Income | 22 | 302.95 | 104.34 |
| **TOTAL** | | **51,334.19** | **25,892.80** |
| **EXPENSES** | | | |
| Cost of Materials Consumed | 23 | 15,049.65 | 8,827.40 |
| Changes in Inventories of Finished goods, Work-in- progress and Stock- in- trade | 24 | (1,397.66) | (559.63) |
| Manufacturing Expenses | 25 | 5,388.94 | 3,904.81 |
| Employee benefit expenses | 26 | 3,144.21 | 2,537.70 |
| Research & Development Expenses | 27 | 4,794.79 | 3,469.33 |
| Financial Costs | 28 | 1,051.28 | 1,350.94 |
| Depreciation and amortisation expenses | 12 | 883.74 | 786.71 |
| Other expenses | 29 | 2,145.45 | 2,290.30 |
| **TOTAL** | | **31,060.40** | **22,607.56** |
| **Profit before tax** | | **20,273.79** | **3,285.24** |
| Tax expenses | | | |
| Current Tax | | 4,325.76 | 664.28 |
| Previous year tax | | - | (13.17) |
| Deferred Tax | | 4,329.28 | 191.34 |
| MAT Credit entitlement | | (2,797.00) | (641.16) |
| Total tax expenses | | 5,858.04 | 201.29 |
| **Profit for the year** | | **14,415.75** | **3,083.95** |
| Basic and Diluted Earnings per share (in ₹) | 30 | 12.34 | 2.64 |
| Summary of significant accounting policies | 1-2 | | |

Cash flow Statement for the year ended 31st March 2014

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | | For the year ended 31st March 2013 | |
|---|---|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net Profit before Tax and Extraordinary Items | | 20,273.79 | | 3,285.24 |
| Adjustments for : | | | | |
| Depreciation & Amortisation | 1,148.99 | | 1,046.65 | |
| Interest Income | (147.21) | | (23.53) | |
| Interest on Finance cost | 769.47 | | 1,283.74 | |
| Profit on sale of Assets | (0.47) | | (0.12) | |
| Dividend Income | (101.84) | 1,668.94 | (80.69) | 2,226.05 |
| Operating Profit Before Working Capital Changes | | 21,942.73 | | 5,511.29 |
| Adjustments for : | | | | |
| Trade and Other Receivables | (4,882.93) | | (1,511.66) | |
| Inventories | (2,481.44) | | (731.26) | |
| Trade Payables and Other Liabilities | 1,637.96 | | 369.39 | |
| Increase/(Decrease) in Net Current Assets | | (5,726.41) | | (1,873.53) |
| Cash Generated From Operations | | 16,216.32 | | 3,637.76 |
| Adjustments for : | | | | |
| Income Tax paid | 4,085.51 | 4,085.51 | 569.16 | 569.16 |
| Net Cash From Operating Activities (A) | | 12,130.81 | | 3,068.60 |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Sale/(Purchase) of Investments | 3.48 | | 445.16 | |
| Purchase of Fixed Assets | (3,788.10) | | (2,006.91) | |
| Sale of Fixed Assets | 0.47 | | 2.45 | |
| Interest Received | 131.13 | | 16.52 | |
| Changes in bank balances not considered as cash equivalents | (14.26) | | (3.89) | |
| Dividend Received | 101.84 | | 80.69 | |
| Net Cash Used In Investing Activities (B) | | (3,565.44) | | (1,465.98) |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Borrowings (Net) | (2,650.06) | | 1,926.13 | |
| Interest Paid on borrowings | (762.85) | | (1,283.74) | |
| Issue of capital with Premium | - | | 19.95 | |
| Dividend Payouts (including Dividend Tax) | (410.06) | | (407.02) | |
| Net Cash used in financing Activities (C) | | (3,822.97) | | 255.32 |
| **Net Increase in Cash and Cash Equivalents (A+B+C)** | | **4,742.40** | | **1,857.94** |
| Cash and Cash Equivalents at the beginning the year | | 2,034.64 | | 176.70 |
| Cash and Cash Equivalents at the end of the year | | 6,777.04 | | 2,034.64 |

**Notes to the Financial Statements**
**Note 1: Corporate Information**

Suven Life Sciences, in the business of design, manufacture and supply of Bulk Actives, Drug Intermediates & Fine Chemicals, Drug Discovery and Development Support Services (DDDSS) and Contract Research and Manufacturing Services (CRAMS) catering to the needs of global Life Science Industry, is committed to provide customers with products fulfilling customer's needs and expectations.

**Note 2: Basis of preparation**

**2.1 Basis of Accounting**

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the accounting standards notified under section 211(3C) of the Companies Act, 1956 of India (the Act) and the relevant provisions of the Act.

**2.2 Use of Estimates**

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported value of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenditure for the year. The difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

**2.3 Revenue Recognition**

i. Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to customers.

ii. Revenue from Contract Technical Services, Clinical Trials Services, Process Development Services and Formulation Development Charges are recognised on completion of the milestone work.

iii. Income from Investments

(c) The Company recognises Interest on investments on accrual basis.

(d) Dividend income on investments is accounted for when the right to receive the payment is established.

**2.4 Fixed Assets**

Fixed assets are stated at cost and as reduced by accumulated depreciation. All costs including financing costs, up to the date of commissioning and attributable to the fixed assets are capitalised. Exchange difference arising on Long Term Foreign currency monetary items relating to acquisition of fixed assets are adjusted to the carrying cost of such assets.

**2.5 Events Occurring After Balance Sheet Date**

Events occurring after the date of balance sheet are considered up to the date of adoption of the accounts, where material and are taken into cognizance.

**2.6 Depreciation**

Depreciation on fixed assets is provided on straight-line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. The company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

**2.7 Investments**

Non-current investments are stated at cost and provision for diminution is made if the decline in value is other than temporary in nature.
Investments other than Non-current Investments are stated at cost or market value whichever is lower. Any increase / Reduction in the carrying cost is credited / charged to the Profit and Loss account.

## 2.8 Inventories

i. Stock of raw materials, Stores, spares and fuel are stated at cost and are valued on FIFO basis.
ii. Work in process is stated at cost.
iii. Finished Goods are valued at the lower of the Cost or net realisable value.

## 2.9 Research & Development expenses

i. Revenue expenditure on research and development activities is expensed as and when incurred.
ii. The expenditure on capital assets having alternative use either in R&D activity or otherwise are capitalised and amortised at the rate specified in Schedule XIV of the Companies Act 1956.
iii. Depreciation on R&D assets is included in R&D expenses.

## 2.10 Foreign Currency Transactions

i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transaction.
ii. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the profit and loss account, except exchange difference arising on Long Term Foreign currency monetary items relating to acquisition of fixed assets which are adjusted to the carrying cost of such assets.
iii. In case of Monetary items which are covered by forward exchange contracts, premium or discount on forward exchange contracts are amortised and recognised in the profits and loss account over the period of the contract. Forward Exchange Contracts outstanding at the balance sheet date, are stated at fair value and any gains or losses are recognised in the profit and loss account.
iv. Financial Derivative Contracts :
The realised gain/loss in respect of settled contracts are recognised in the Profit and loss account.

## 2.11 Retirement benefits to employees

The company has Defined Contribution Plan for its employees' retirement benefits comprising of Provident Fund and Employees Pension Scheme, 1995. The Company contributes to State Plans namely Employees' State Insurance Scheme.
The Company has Defined Benefit Plan comprising of Gratuity Fund and Leave Encashment. The Company contributes to Gratuity Fund administered by LIC. The liability for the Gratuity Fund and Leave Encashment are determined on the basis of an independent actuarial valuation done at the year end. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognised immediately in the Profit and Loss Account as income or expense.

## 2.12 Borrowing cost

Borrowing Costs that are directly attributable to the acquisition of a fixed asset are capitalised as part of the cost of the asset till the date the asset is ready for commercial use. All other borrowing costs are charged to revenue.

## 2.13 Income taxes

The current charge for taxes is calculated in accordance with relevant tax regulations applicable to the company.
The deferred tax for the timing differences between the book and tax profits for the year end is accounted for, using the tax rates and laws that have been substantially enacted as of the balance sheet date.
Deferred tax assets arising from timing differences are recognised and carried forward only if there is reasonable certainty that they will be realised in future and reviewed for the appropriateness of their respective carrying value at each balance sheet date.

## 2.14 Earnings per share

The basic earnings per share (EPS) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

**2.15 Impairment of Assets**

If the carrying amount of fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

**2.16 Provisions**

Provisions are recognised when the company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of obligation.

**2.17 Segmental information - Basis of preparation**

i. Segment Revenue and Expenses
Revenues and expenses are allocated on a reasonable basis to segments being common manufacturing facilities and sales force.

ii. Segment Assets and Liabilities
Segment assets and liabilities which can be identified to a segment are allocated to the respective segment. The fixed assets and net current assets are not identifiable for particular segment except R & D segment, because these assets can be used interchangeable among the segments. Hence the management feels that the assets cannot be segregated to particular segment and to disclose these under unallocated assets.

**2.18 Employee Stock Option Schemes**

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the Employee stock option schemes, over the exercise price is treated as employee compensation and amortised on a straight-line basis over the vesting period.

**2.19 Cash and Cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

## NOTE 3: SHARE CAPITAL

| Particulars | As at 31st March 2014 (No. of Shares) | As at 31st March 2014 (₹ in lacs) | As at 31st March 2013 (No. of Shares) | As at 31st March 2013 (₹ in lacs) |
|---|---|---|---|---|
| Authorised share capital | | | | |
| Equity Shares of ₹1/- each | 400,000,000 | 4,000.00 | 400,000,000 | 4,000.00 |
| Issued, Subscribed and Paid up | | | | |
| Equity Shares of ₹1/- each | 116,828,788 | 1,168.29 | 116,828,788 | 1,168.29 |
| **3.1 Reconciliation of number of Ordinary Shares outstanding** | | | | |
| As at beginning of the year | 116,828,788 | 1,168.29 | 116,731,988 | 1,167.32 |
| Add: Issue of shares on exercise of options | - | - | 96,800 | 0.97 |
| As at end of the year | 116,828,788 | 1,168.29 | 116,828,788 | 1,168.29 |

### 3.2 Rights, preferences and restrictions attached to the Ordinary Shares

The Shares of the Company, having par value of ₹ 1.00 per share, rank pari passu in all respects including voting rights and entitlement to dividend.

### 3.3 Shareholders holding more than 5% of the Shares in the Company

| Particulars | As at 31st March 2014 (No. of Shares) | % | As at 31st March 2013 (No. of Shares) | % |
|---|---|---|---|---|
| Mr. Venkateswarlu Jasti | 23,000,000 | 19.69 | 22,420,940 | 19.19 |
| Mrs. Sudha Rani Jasti | 21,000,000 | 17.98 | 20,756,312 | 17.77 |
| Mrs. Sirisha Jasti | 10,550,000 | 9.03 | 10,550,000 | 9.03 |
| Mrs. Madhavi Jasti | 10,550,000 | 9.03 | 10,550,000 | 9.03 |
| Ms. Kalyani Jasti | 10,550,000 | 9.03 | 10,550,000 | 9.03 |

### 3.4 Shares reserved for issue under Options

| Particulars | As at 31st March 2014 (No. of Shares) | As at 31st March 2014 (₹ in lacs) | As at 31st March 2013 (No. of Shares) | As at 31st March 2013 (₹ in lacs) |
|---|---|---|---|---|
| Equity Shares of ₹1.00 each | 700,000 | 7 | 1,190,600 | 11.91 |

Terms and Conditions of Options Granted
Each Option entitles the holder thereof to apply for and be allotted one Equity Shares of the Company of ₹1.00 each upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of three years from the date of vesting in respect of Options granted under the Suven Employee Stock Option Scheme -2004

**The vesting period for conversion of Options is as follows:**

- On completion of 24 months from the date of grant of the Options: 25% vests
- On completion of 36 months from the date of grant of the Options: 35% vests
- On completion of 48 months from the date of grant of the Options: 40% vests

The Options have been granted at the 'market price' as defined from time to time under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

## NOTE 4: RESERVES & SURPLUS

(₹ in lacs)

| Particulars | As at 31st March 2014 | | As at 31st March 2013 | |
|---|---|---|---|---|
| General Reserve | | | | |
| Opening Balance | 4,186.61 | | 3,876.61 | |
| Add: Additions during the year | 1,450.00 | | 310.00 | |
| | | 5,636.61 | | 4,186.61 |
| Securities Premium Account | 4,022.08 | | 4,003.09 | |
| Add: Additions during the year | - | 4,022.08 | 18.99 | 4,022.08 |
| Surplus in statement of Profit & Loss | | | | |
| Opening Balance | 6,069.01 | | 3,705.12 | |
| Add: Profit for the year | 14,415.75 | | 3,083.95 | |
| | 20,484.76 | | 6,789.07 | |
| Less: Appropriations | | | | |
| Transfer to General Reserve | 1,450.00 | | 310.00 | |
| Proposed Dividend | 2,920.72 | | 350.49 | |
| Earlier year's Dividend | 0.01 | | 0.01 | |
| Income tax on Proposed Dividend | | | | |
| Current Year | 496.38 | | 59.57 | |
| Earlier year's Provision | 0.00 | 15,617.65 | 0.00 | 6,069.01 |
| **TOTAL** | | **25,276.34** | | **14,277.70** |

## NOTE 5: LONG-TERM BORROWINGS

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Term Loans | | |
| From Banks (Secured) | | |
| Corporate Loan From State Bank of India | 672.11 | 1,310.18 |
| Term Loan From State Bank of India (Vizag Plant) | 180.04 | - |
| Corporate Loan From State Bank of Patiala | - | 1,190.13 |
| Corporate Loan From Bank of India | 1,400.55 | 2,262.92 |
| Corporate Loan From Bank of Bahrain & Kuwait | 3,143.70 | 3,261.60 |
| TOTAL (A) | 5,396.40 | 8,024.83 |
| From other parties (Unsecured) | | |
| Loan from Department of Science and Technology, Govt. of India. | 805.20 | 899.60 |
| TOTAL (B) | 805.20 | 899.60 |
| **TOTAL LONG TERM BORROWINGS ( A+B )** | 6,201.60 | 8,924.43 |
| Less: Current maturities of long-term borrowings (Refer Note 10) | 2,428.68 | 2,506.10 |
| **TOTAL** | **3,772.92** | **6,418.33** |

| Nature of Security | Terms of Repayment |
|---|---|
| Corporate Loan From S.B.I. secured by first and Pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets | The term loan is repayable in 18 monthly installments. First seven installments of USD 0.080 Millions and next 11 installments of USD 0.095 Millions commenced from Sept'2013. Rate of Interest 4.33%. |
| Corporate Loan From State Bank of Patiala secured by first and Pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | The corporate loan is repayable in 15 quarterly installments. First three installments of ₹ 67 Lacs and next 12 installments of ₹150 Lacs. Repayment commenced from 30.09.2011. (However, during the financial year the entire loan amount is repaid) Rate of Interest 13.75% |
| Corporate Loan From Bank of India secured by first and Pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | The term loan is repayable in 9 quarterly installments of US $ 0.106 Million. Commencing from October'2013. Rate of Interest 6.8675% |

| | |
|---|---|
| Corporate Loan From Bank of Bahrain & Kuwait secured by first and Pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | The term loan is repayable in 16 quarterly installments of US $ 0.375 Million. Commencing from December'2013. Rate of Interest 4.15% |
| Term Loan From S.B.I. secured by first and Pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | The term loan is repayable in 22 quarterly installments commencing from 3rd quarter of 2015-16. Rate of Interest 11.50%. |
| Loan from Department of Science and Technology - I | The loan is repayable in 10 Annual installments of ₹ 50 Lacs each commencing from October'2013. Rate of Interest 3.00% |
| Loan from Department of Science and Technology - II | The loan is repayable in 10 Annual installments of ₹ 44.40 Lacs each commencing from Feb '2013. Rate of Interest 3.00% |

**NOTE 6: LONG - TERM PROVISIONS**

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Gratuity | 64.40 | 58.74 |
| Leave encashment | 114.96 | 99.04 |
| **TOTAL** | **179.36** | **157.78** |

**NOTE 7: DEFERRED TAX LIABILITIES / DEFERRED TAX ASSETS**

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Deferred Tax Liabilities | | |
| Depreciation | 2,974.60 | 2,598.36 |
| **Total** | **2,974.60** | **2,598.36** |
| Deferred Tax Assets | | |
| Unabsorbed Losses | 133.69 | 4,074.32 |
| Provision for Gratuity and Leave Encashment | 81.25 | 93.67 |
| **Total** | **214.94** | **4,167.99** |
| Net Deferred Tax Liability / (Asset) | 2,759.66 | (1,569.63) |

**NOTE 8: SHORT - TERM BORROWINGS**

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Loan repayable on demand | | |
| i) From Banks | | |
| Working Capital Loans from S.B.I (Secured) | 2,383.47 | 2,379.07 |
| Secured by first charge on Raw Materials, Stock in Process, Finished Goods, Receivables and Book Debts and second charge on Land, Buildings and Plant & Machinery. | | |
| Working Capital Loans from Bank of Bahrain & Kuwait (Secured) | 471.89 | 403.52 |
| Secured by first charge on Raw Materials, Stock in Process, Finished Goods, Receivables and Book Debts and second charge on Land, Buildings and Plant & Machinery. | | |
| **TOTAL** | **2,855.36** | **2,782.59** |

**NOTE 9: TRADE PAYABLES**

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Micro and Small Enterprises | - | - |
| Others | 4,090.05 | 3,613.53 |
| TOTAL | 4,090.05 | 3,613.53 |

## NOTE 10: OTHER CURRENT LIABILITIES

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Current maturities of long-term borrowings (also refer note 5) | 2,428.68 | 2,506.10 |
| Interest accrued but not due | 35.05 | 28.43 |
| Unclaimed Dividend | 21.13 | 19.41 |
| Other Payables | | |
| Advance Received from Customers | 305.60 | 88.19 |
| Liabilities for Expenses | 1,717.60 | 500.94 |
| Liabilities for statutory dues | 71.93 | 57.01 |
| Liabilities for Capital Works | 171.85 | 411.46 |
| TOTAL | 4,751.84 | 3,611.53 |

## NOTE 11: SHORT - TERM PROVISIONS

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Taxation | 141.50 | - |
| Dividend | 2,920.72 | 350.49 |
| Corporate Dividend Tax | 496.38 | 59.57 |
| Gratuity | 222.60 | 234.21 |
| Leave encashment | 27.70 | 87.34 |
| TOTAL | 3,808.90 | 731.61 |

## NOTE 12: FIXED ASSET

(₹ in lacs)

| | | GROSS BLOCK | | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **S.NO** | **Particulars** | **As at 01/04/2013** | **Additions During the year** | **Total** | **Deletions** | **As at 31/03/2014** | **As at 01/04/2013** | **For the year** | **On deletions** | **UP TO 31/03/2014** | **AS AT 31/03/2014** | **AS AT 31/03/2013** |
| 1 | Land-free hold | 494.86 | 28.19 | 523.05 | - | 523.05 | - | - | - | - | 523.05 | 494.86 |
| 2 | Buildings - Office at factory | 44.78 | - | 44.78 | - | 44.78 | 12.10 | 0.73 | - | 12.83 | 31.95 | 32.68 |
| 3 | Buildings - Factory | 4,151.41 | 166.13 | 4,317.55 | - | 4,317.55 | 687.62 | 140.49 | - | 828.11 | 3,489.44 | 3,463.80 |
| 4 | Plant and Equipment | 11,103.37 | 1,930.68 | 13,034.05 | - | 13,034.05 | 4,001.94 | 621.18 | - | 4,623.12 | 8,410.93 | 7,101.43 |
| 5 | Furniture and fixtures | 441.12 | 4.27 | 445.39 | - | 445.39 | 193.00 | 28.03 | - | 221.02 | 224.37 | 248.12 |
| 6 | Vehicles | 137.31 | 53.87 | 191.18 | 10.60 | 180.59 | 90.54 | 12.75 | 10.60 | 92.69 | 87.89 | 46.77 |
| 7 | Office Equipments | 94.19 | 8.81 | 103.00 | - | 103.00 | 47.59 | 4.67 | - | 52.26 | 50.74 | 46.60 |
| 8 | Laboratory Equipments | 1,224.96 | 240.06 | 1,465.02 | - | 1,465.02 | 257.59 | 61.95 | - | 319.54 | 1,145.48 | 967.37 |
| 9 | ETP Works | 144.51 | 262.14 | 406.66 | - | 406.66 | 110.90 | 10.53 | - | 121.43 | 285.22 | 33.61 |
| 10 | Misc Fixed assets | 4.62 | - | 4.62 | - | 4.62 | 4.26 | 0.22 | - | 4.48 | 0.14 | 0.36 |
| 11 | EDP Equipments | 486.45 | 11.54 | 498.00 | - | 498.00 | 473.80 | 3.19 | - | 476.99 | 21.01 | 12.65 |
| | **Sub total** | **18,327.59** | **2,705.70** | **21,033.29** | **10.60** | **21,022.69** | **5,879.33** | **883.74** | **10.60** | **6,752.47** | **14,270.22** | **12,448.26** |
| 12 | R & D Equipments | 5,502.65 | 215.15 | 5,717.80 | - | 5,717.80 | 1,799.37 | 265.25 | - | 2,064.63 | 3,653.17 | 3,703.28 |
| | **Total Tangible assets** | | | | | | | **1,148.99** | | **8,817.** | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **23,830.24** | **2,920.85** | **26,751.09** | **10.60** | **26,740.49** | **7,678.71** | | **10.60** | **10** | **17,923.39** | **16,151.54** |
| Previous year | 19,888.77 | 3,956.17 | 23,844.94 | 14.70 | 23,830.24 | 6,644.43 | 1,046.65 | 12.37 | 7,678.71 | 16,151.54 | |

**Note: Depreciation on R & D Equipment of Rs. 2,65.25 lacs has been added to R & D Expenses (Previous Year Rs.2,59.94 lacs)**

### NOTE 13: NON - CURRENT INVESTMENTS (VALUED AT COST)

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| A Investment In Equity shares: | | |
| 100 Equity Shares of ₹ 20/- each in G.S.F.C.Limited | 0.02 | 0.02 |
| B Investment in Govt. and Trust securities | | |
| Investment In National Savings Certificates | 0.13 | 0.13 |
| **TOTAL** | **0.15** | **0.15** |
| Aggregate value of Investments : | | |
| Un-quoted : | | |
| Book Value | 0.15 | 0.15 |

### NOTE 14: LONG TERM LOANS AND ADVANCES

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| (Unsecured, considered good) | | |
| Capital Advances | 1,071.18 | 775.06 |
| Security Deposits | 187.57 | 164.16 |
| **TOTAL** | **1,258.75** | **939.22** |

### NOTE 15: CURRENT INVESTMENTS

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Investment in Mutual Funds: | | |
| SBI Premier Liquid Fund | - | 3.48 |
| Investment In Mutual Funds: | | |
| SBI Infrastructure fund | 3.64 | 3.64 |
| 50000 units of ₹ 10/- each (Previous year 50000 units) | | |
| **TOTAL** | **3.64** | **7.12** |
| Aggregate value of Investments : | | |
| Quoted : | | |
| Book Value | 3.64 | 7.12 |
| Market Value | 3.80 | 7.12 |

### NOTE 16: INVENTORIES

(₹ in lacs)

| Particulars (As valued and certified by the Management) | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Raw Materials | 2,447.42 | 1,519.26 |
| Packing Materials | 37.71 | 19.18 |
| Work-in- Process | 2,230.61 | 1,898.85 |
| Finished Goods | 2,624.14 | 1,558.24 |
| Stores and Spares | 522.99 | 385.9 |
| **TOTAL** | **7,862.87** | **5,381.43** |

### NOTE 17: TRADE RECEIVABLES

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Unsecured, considered good | | |
| Aggregate amount of trade receivables outstanding for a period exceeding six months from the date they are due for payment | - | 45.64 |
| Others | 6,547.03 | 2,332.12 |
| **TOTAL** | **6,547.03** | **2,377.76** |

### NOTE 18: CASH AND BANK BALANCES

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Cash and Cash Equivalents | | |
| Cash on hand | 7.63 | 9.34 |
| Balances with bank: | | |
| In Current Accounts | 181.59 | 925.30 |
| In fixed deposit (maturity less than 3 months) | 6,587.82 | 1,100.00 |
| (A) | 6,777.04 | 2,034.64 |
| Other bank balances | | |
| Earmarked balances with banks | 162.92 | 148.66 |
| (B) | 162.92 | 148.66 |
| **TOTAL (A+B)** | **6,939.96** | **2,183.30** |

### NOTE 19: SHORT - TERM LOANS AND ADVANCES

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Unsecured, considered good | | |
| Advances for Purchases | 191.34 | 203.83 |
| Advances for Expenses | 299.74 | 205.98 |
| Security Deposits | 44.34 | - |
| Prepaid expenses | 93.52 | 108.09 |
| VAT Credit Receivable | 444.19 | 740.82 |
| CENVAT Credit Receivable | 844.66 | 660 |
| Service Tax Credit Receivable | 868.35 | 473.73 |
| MAT Credit Entitlement | 3,990.95 | 1,193.95 |
| Advance Tax and TDS (Net of Provision for Tax) | - | 98.74 |
| Other Advances | 32.08 | 31.63 |
| **TOTAL** | **6,809.17** | **3,716.77** |

### NOTE 20: OTHER CURRENT ASSETS

(₹ in lacs)

| Particulars | As at 31st March 2014 | As at 31st March 2013 |
|---|---|---|
| Interest Accrued | 35.75 | 19.68 |
| **TOTAL** | **35.75** | **19.68** |

### NOTE 21: REVENUE FROM OPERATIONS

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| A. Sale of Products | 49,371.38 | 24,495.78 |
| Less : Excise Duty | (27.38) | (39.56) |
| | 49,344.00 | 24,456.22 |
| B. Sale of Services | 1,687.24 | 1,332.24 |
| **TOTAL** | **51,031.24** | **25,788.46** |
| A) Sale of Products | | |
| a) Bulk Drugs | 1,298.11 | 1,588.15 |
| b) Intermediates | 45,770.39 | 21,158.33 |
| c) Recoveries | 7.87 | 14.06 |
| d) Job works | 2,267.63 | 1,695.68 |
| **TOTAL** | **49,344.00** | **24,456.22** |
| B) Sale of Services | | |
| a) Contract Technical Services | 136.23 | 533.47 |
| b) Clinical Trials Services | 95.78 | 301.98 |
| c) Process Development Charges | 546.64 | 358.06 |
| d) Formulation Development Charges | 908.59 | 138.73 |
| **TOTAL** | **1,687.24** | **1,332.24** |
| **TOTAL (A+B)** | **51,031.24** | **25,788.46** |

## NOTE 22: OTHER INCOME

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| Interest Income | 147.21 | 23.53 |
| (Tax Deducted at Source ₹15.27 lacs (Previous year ₹2.30 lacs)) | | |
| Dividend Income from Mutual Funds | 101.84 | 80.69 |
| Foreign Exchange Fluctuations Gain (Net) | 53.43 | - |
| Profit on sale of assets | 0.47 | 0.12 |
| **TOTAL** | **302.95** | **104.34** |

## NOTE 23: COST OF MATERIALS CONSUMED

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| 1) Raw Materials | | |
| Opening Stock | 1,519.26 | 1,460.09 |
| Purchases | 15,762.79 | 8,747.50 |
| Less: Closing Stock | 2,447.42 | 1,519.26 |
| (A) | 14,834.63 | 8,688.33 |
| 2) Packing Materials | | |
| Opening Stock | 19.18 | 17.42 |
| Purchases | 233.55 | 140.83 |
| Less: Closing Stock | 37.71 | 19.18 |
| (B) | 215.02 | 139.07 |
| **TOTAL (A+B )** | **15,049.65** | **8,827.40** |

### Details of Major Raw Material consumed

| Particulars | | For the year ended 31st March 2014 | | For the year ended 31st March 2013 | |
|---|---|---|---|---|---|
| | | Quantity Kgs | Value ₹ in lacs | Quantity Kgs | Value ₹ in lacs |
| a) | 2-Amino-5-chloro-2-Flurobenzophenone | 10,500 | 271.97 | 18,500 | 454.74 |
| b) | Caustic Soda Lye | 3,578,271 | 539.01 | 2,684,177 | 410.56 |
| c) | 3- Isochromanone | 400,005 | 4,300.55 | 253,000 | 2,655.44 |
| d) | Methanol | 2,880,649 | 1,074.31 | 2,413,924 | 699.56 |
| e) | Chloro Acetaldehyde Dim ethyl Acetal | 27,411 | 177.94 | 32,799 | 203.47 |
| f) | Methyl Formate | 247,120 | 185.95 | 145,434 | 110.62 |
| g) | Toluene | 421,539 | 343.88 | 330,840 | 268.83 |
| h) | Tetra Hydrofuran | 251,893 | 502.18 | 107,521 | 234.51 |
| i) | Ethyl Alcohol | 335,363 | 116.43 | 354,835 | 109.30 |
| j) | Others | - | 7,322.42 | - | 3,541.30 |
| | **TOTAL** | | **14,834.63** | | **8,688.33** |

## NOTE 24: CHANGES IN INVENTORIES OF FINISHED GOODS, WORK- IN- PROGRESS AND STOCK- IN- TRADE

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| Opening Stock : | | |
| Work - in – Progress | 1,898.85 | 1,779.38 |
| Finished Goods | 1,558.24 | 1,118.08 |
| (A) | 3,457.09 | 2,897.46 |
| Closing Stock : | | |
| Work - in – Progress | 2,230.61 | 1,898.85 |
| Finished Goods | 2,624.14 | 1,558.24 |
| (B) | 4,854.75 | 3,457.09 |

| | | | | |
|---|---|---|---|---|
| Increase/(Decrease) in Stocks C= (B)-(A) | 1,397.66 | | 559.63 | |
| Break-up of Stocks - Finished Goods | Quantity MT. | Value ₹ in lacs | Quantity MT. | Value ₹ in lacs |
| a) Bulk Drugs | 4.147 | 146.07 | 0.606 | 11.52 |
| b) Intermediates | 163.157 | 2,478.07 | 119.189 | 1,546.72 |
| **TOTAL** | **167.304** | **2,624.14** | **119.795** | **1,558.24** |

**NOTE 25: MANUFACTURING EXPENSES**

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| Power & Fuel | 2,584.70 | 2,193.45 |
| Consumable Stores | 56.07 | 52.66 |
| Factory Upkeep Expenses | 929.34 | 671.14 |
| Environment Management Expenses | 246.48 | 189.78 |
| Safety Expenses | 69.74 | 44.85 |
| Quality Control Expenses | 400.45 | 185.69 |
| Repairs & Maintenance : | | |
| Buildings | 122.02 | 17.24 |
| Plant & Machinery | 980.14 | 550.00 |
| **TOTAL** | **5,388.94** | **3,904.81** |

**NOTE 26: EMPLOYEE BENEFIT EXPENSES**

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| Salaries, Wages & Bonus | 2,548.68 | 2,043.62 |
| Staff Welfare Expenses | 290.57 | 219.81 |
| Contribution to PF & Other Funds | 304.96 | 274.27 |
| **TOTAL** | **3,144.21** | **2,537.70** |

In accordance with Accounting Standard 15 "Employees Benefits", the Company has classified various benefits provided to employees as under:

**I. Defined Contribution Plans and respective Contributions**

(₹ in lacs)

| Particulars | Employers contribution debited to P&L A/c For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| Provident Fund | 154.88 | 145.44 |
| State Defined Contribution Plans | | |
| i. Employees' State Insurance | 20.99 | 19.52 |
| ii. Employees' Pension Scheme, 1995 | 48.40 | 41.92 |

**II. Defined Benefit Plans**

**a) Disclosure relating to Employee benefits – As per AS 15 (Revised) For defined benefit plan – Gratuity (Projected Unit Credit Method)**

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| A. Change in present value of obligation | | |
| Present value of obligation at the beginning of the year | 507.90 | 482.22 |
| Current Service cost | 22.86 | 28.25 |
| Interest cost | 40.63 | 38.58 |
| Benefits paid | (10.07) | (50.83) |
| Net Actuarial ( Gain ) / Loss Recognised during the year | (14.98) | 9.68 |
| Present value of obligation at the end of the year | 546.34 | 507.90 |

### III. Defined Benefit Plans

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| B. Changes in the Fair Value of Plan Assets | | |
| Present Value of Plan Assets at the beginning of the year | 214.95 | 167.88 |
| Expected Return on Plan Assets | 18.48 | 14.28 |
| Actuarial Gain/(Loss) | - | - |
| Contributions | 35.99 | 65.06 |
| Benefits Paid | (10.07) | (32.27) |
| Fair Value of Plan Assets at the end of the year | 259.34 | 214.95 |
| C. Net (Asset)/Liability recognised in the Balance Sheet | | |
| Present value of obligation at the end of the year | 292.95 | 314.34 |
| Fair value of Plan Assets at the end of the year | (5.95) | (21.39) |
| Funded status (surplus)/deficit | 287.00 | 292.95 |
| Net (Asset)/Liability recognised in the Balance Sheet | 287.00 | 292.95 |
| D. Expenses recognised in the Profit & Loss Account | | |
| Service Cost | 22.86 | 28.25 |
| Interest Cost | 40.63 | 38.58 |
| Expected return on Plan Assets | (18.48) | (14.28) |
| Net Actuarial ( Gain )/Loss recognised during the year | (14.98) | 9.68 |
| Total Expenses recognised in Profit and Loss account | 30.03 | 62.23 |
| Assumptions Used | | |
| Discount Rate (per annum) | 8.00% | 8.00% |
| Rate of increase in Compensation levels | 9.00% | 9.00% |
| Rate of Return on Plan Assets (for Funded Scheme) | 8.75% | 9.25% |
| Expected Average remaining working lives of employees (years) | 25.32 | 25.05 |

### b) Other Employee Benefit Plan

The liability for Leave Encashment as at the year end is ₹ 142.66 lacs (previous year ₹186.38 lacs) and the assumptions are as same as above.

### NOTE 27: RESEARCH & DEVELOPMENT EXPENSES

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| R & D Salaries | 1,181.94 | 1,126.47 |
| R & D Materials | 480.72 | 509.35 |
| Patent Related Expenses | 726.57 | 533.38 |
| Lab Maintenance | 974.05 | 752.89 |
| R & D Other Expenses | 1,166.26 | 287.30 |
| Depreciation | 265.25 | 259.94 |
| **TOTAL** | **4,794.79** | **3,469.33** |

### NOTE 28: FINANCE COSTS

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| Interest - on Fixed Loans | 533.86 | 944.37 |
| - on Others | 85.06 | 229.97 |
| Bank Charges | 150.55 | 109.40 |
| Exchange difference on foreign currency loan | 281.81 | 67.20 |
| **TOTAL** | **1,051.28** | **1,350.94** |

### NOTE 29: OTHER EXPENSES

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| Administrative & Other Expenses | | |
| Rent | 84.45 | 94.32 |
| Rates & Taxes | 18.99 | 9.21 |
| Service Tax | 3.32 | 14.2 |
| Insurance | 171.55 | 129.21 |
| Communication Charges | 68.34 | 64.55 |
| Travelling & Conveyance | 282.43 | 274.82 |
| Printing & Stationery | 76.88 | 64.56 |
| Vehicle Maintenance | 22.64 | 22.05 |
| Professional Charges | 329.97 | 247.22 |
| Payments to Auditors : | | |
| - As Auditors | 5.50 | 5.50 |
| - for Tax Matters | 1.75 | 1.75 |
| - for other Services | 0.75 | 0.75 |
| - for Expenses | 0.12 | 0.12 |
| Security Charges | 114.75 | 91.60 |
| Donations | 3.39 | 5.19 |
| Repairs & Maintenance | 38.92 | 23.96 |
| Loss on Foreign Exchange Fluctuations | - | 21.18 |
| Loss /(Gain) on Forward Contracts | 23.31 | 362.95 |
| General Expenses | 154.59 | 149.55 |
| TOTAL (A) | 1,401.65 | 1,582.69 |
| Selling Expenses | | |
| Sales Promotion | 216.89 | 148.58 |
| Clearing & Forwarding | 364.43 | 178.78 |
| Commission on Sales | 89.90 | 171.73 |
| TOTAL (B) | 671.22 | 499.09 |
| Clinical Projects Expenses | 72.59 | 208.52 |
| TOTAL (C) | 72.59 | 208.52 |
| **Total other expenses (A+B+C)** | **2,145.45** | **2,290.30** |

### NOTE 30: EARNINGS PER SHARE

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| Net Profit after tax available for Equity shareholders (₹In lacs) | 14,415.75 | 3,083.95 |
| Weighted average of number of Equity shares outstanding during the year | 116,828,788 | 116,748,431 |
| Basic and Diluted Earnings per Equity share (₹1/- Face Value) | 12.34 | 2.64 |

### NOTE 31: ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

#### 31.1 Contingent Liabilities

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| Income tax appeal for Asst. year 2010-11 | 16.98 | 86.98 |
| Income tax appeal for Asst. year 2011-12 | 7.64 | - |

**31.2** Capital commitments not provided for on account of capital works [net of advance ₹1,360.11 lacs (Previous year ₹ 278.40 lacs)

**31.3** During the year Unclaimed Dividend pertaining to 2005-06 amounting to ₹1.65 lacs has been transferred to Investor Education and Protection Fund. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as of 31st March 2014 (Previous year Nil)

**31.4** Based on information available with the company, no creditors have been identified as Micro and Small enterprises within the meaning of "Micro, Small and Medium enterprises development (MSMED) Act, 2006".

**31.5 Managerial Remuneration:**

(₹ in lacs)

| Particulars | Chairman & CEO | | Whole-Time Director | |
|---|---|---|---|---|
| | **2013-14** | **2012-13** | **2013-14** | **2012-13** |
| Salary & Allowances | 120.00 | 91.80 | 54.00 | 40.81 |
| Commission | 207.80 | 34.86 | 103.90 | 17.43 |
| Contribution to Provident Fund | 14.40 | 11.02 | 6.48 | 4.90 |
| Perquisites | - | - | | |
| **Total** | **342.20** | **137.68** | **164.38** | **63.14** |

**31.6** National Savings Certificates to the extent of ₹ 3,000/- have been pledged with Government Authorities.

**31.7** Employee Stock Option Scheme

The Company instituted the Employees Stock Option 2004 plan for all eligible employees. The Scheme covers all eligible employees of Suven Life Sciences Limited and its subsidiary.

The movement in options during the year ended March 31, 2014 is set out below:

| Particulars | For the year ended 31st March 2014 (No. of Shares) | For the year ended 31st March 2013 (No. of Shares) |
|---|---|---|
| Options outstanding at the beginning of the year | 1,190,600 | 1,806,060 |
| Add : Granted during the year | | |
| TOTAL | 1,190,600 | 1,806,060 |
| Less: Lapsed | 490,600 | 518,660 |
| Converted into equity shares | | 96,800 |
| Options outstanding at the end of the year | 700,000 | 1,190,600 |

**31.8** Excise Duty amounting to ₹ 14.30 lacs on Closing Stock of finished goods has been provided during the year to comply with 'Guidance Note on Accounting treatment for Excise duty' issued by Institute of Chartered Accountants of India.

**NOTE 32: SEGMENT REPORTING**

**A) Primary Segment :**

Business Segment
Segments have been identified and reported taking into account the nature of products, the differing risk and returns, the organization structure, and the internal financial reporting scheme. The company has identified the following segments as its reportable segments:

a) Manufacturing (CRAMS)
b) Services (DDDSS)
c) Research and Development

I. Manufacturing (CRAMS) - Bulk Drugs & Intermediates under contract services products are developed and produced on an exclusive basis under contract Manufacturing services

II. Services (DDDSS) - Which consists of Clinical Trials and Testing and Analysis services

**B) Secondary Segment:**

The Company has identified the following geographical reportable segments:

a) India-The Company sells Bulk Drugs and Intermediates and Fine Chemicals.
b) U.S.A -The company sells Intermediates
c) Europe--The company sells Bulk Drugs and Intermediates
d) Others -The company sells Bulk Drugs and Intermediates

(₹ in lacs)

| Particulars | Manufacturing (CRAMS) | Services (DDDSS) | Research and Development | Un allocated | Total |
|---|---|---|---|---|---|
| **Segment Revenue** | | | | | |
| External Sales | 49,344.00 | 1,687.24 | - | - | 51,031.24 |
| | (22,760.54) | (3,027.92) | - | - | (25,788.47) |
| Inter Segmental Adj. | - | - | - | - | -- |
| Total | 49,344.00 | 1,687.24 | - | - | 51,031.24 |
| | (22,760.54) | (3,027.92) | - | - | (25,788.47) |
| **Segment Result** | | | | | |
| Operating Profit | 26,308.56 | 888.72 | (4,794.79) | (1,812.73) | 20,589.76 |
| | (7,928.86) | (1,514.45) | (3,469.33) | (1,618.74) | (4,355.25) |
| Other Income | - | - | - | - | 302.95 |
| | - | - | - | - | (104.34) |
| Interest Expense | - | - | - | | 618.92 |
| | - | - | - | - | (1,174.34) |
| Exceptional items | - | - | - | - | - |
| Income Tax -Current Tax | - | - | - | - | 4,325.76 |
| | - | - | - | - | (664.28) |
| Previous Current Tax | | | | | - |
| | | | | | (13.17) |
| Deferred Tax | - | - | - | - | 4,329.28 |
| | - | - | - | - | (191.34) |
| MAT Credit entitlement | - | - | - | - | (2,797.01) |
| | - | - | - | - | (641.16) |
| Net Profit | | | | | 14,415.75 |
| | | | | | (3,083.95) |
| Other Information | | | | | |
| **Segment Assets** | 29,433.78 | 3,837.66 | 3,881.03 | 11,510.25 | 48,662.72 |
| | (19,018.88) | (3,685.74) | (3,861.87) | (6,194.87) | (32,761.36) |
| **Segment Liabilities** | 9,924.53 | 344.03 | 2,065.78 | 9,883.75 | 22,218.09 |
| | (5,806.49) | (592.51) | (1,358.21) | (9,558.16) | (17,315.37) |
| Capital Expenditure | 2,512.31 | 193.36 | 215.15 | - | 2,920.82 |
| | (3,842.09) | - | (114.08) | - | (3,956.17) |
| Depreciation | 834.16 | 24.79 | 265.25 | 24.79 | 1,148.99 |
| | (691.09) | (47.81) | (259.94) | (47.81) | (1,046.64) |

Note: Figures in brackets relates to previous years.

**C) Geographical Information**

(₹ in lacs)

| Particulars | Revenue | | Location of Assets | | Additions to Fixed Assets | |
|---|---|---|---|---|---|---|
| | For the year ended 31.03.2014 | For the year ended 31.03.2013 | As at 31.03.2014 | As at 31.03.2013 | For the year ended 31.03.2014 | For the year ended 31.03.2013 |
| INDIA | 3,209.23 | 2,906.83 | 26,681.52 | 23,808.43 | 2,883.69 | 3,955.31 |
| U S A | 14,773.99 | 7,384.97 | 58.97 | 21.81 | 37.16 | 0.86 |
| EUROPE | 29,058.97 | 10,990.10 | - | - | - | - |
| OTHERS | 3,989.06 | 4,506.57 | - | - | - | - |
| TOTAL | **51,031.24** | **25,788.47** | **26,740.49** | **23,830.24** | **2,920.85** | **3,956.17** |

**NOTE 33: RELATED PARTY DISCLOSURES**

List of and relationship with related parties with whom transactions have taken place during the year:

| | | |
|---|---|---|
| Key Managerial Personnel | : | Mr. Venkateswarlu Jasti (Chairman & CEO)<br>Mrs. Sudha Rani Jasti (Whole-time Director) |
| Relative of key managerial persons | : | Ms. Kalyani Jasti (Daughter of Mr. Venkateswarlu Jasti) |

(₹ in lacs)

| Particulars | Key Managerial Personnel | Relative of Key Managerial Personnel | Total |
|---|---|---|---|
| Remuneration /Salary | 506.58 | 86.80 | 593.38 |
| | (200.81) | (78.20) | (279.01) |

Note: Figures in brackets relates to previous years.

**NOTE 34: OTHERS**

**34.1 Value of Imports on CIF basis**

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| a) Raw Materials | 4,081.45 | 3,221.04 |
| b) Components and Spare Parts | 255.42 | 372.18 |
| c) Capital Equipment | 479.72 | 291.53 |

**34.2 Expenditure in Foreign Currency**

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| Travel | 43.24 | 46.21 |
| Dividend | 12.62 | 12.62 |
| Sales Commission | 84.39 | 155.65 |
| Foreign Branch Expenses | 467.17 | 416.29 |
| Research & Development Expenses | 1,727.89 | 623.75 |
| **Total** | **2,335.31** | **1,254.52** |

**34.3 Value of Imported and indigenous Raw Materials, Stores and Spares consumed and percentage of each to total consumption.**

| Particulars | For the year ended 31st March 2014 | | For the year ended 31st March 2013 | |
|---|---|---|---|---|
| | Value ₹ in lacs | % to Total | Value ₹ in lacs | % to Total |
| **a) Raw Materials :** | | | | |
| i) Imported | 3,495.60 | 23.56 | 3,349.32 | 38.55 |
| ii) Indigenous | 11,339.03 | 76.44 | 5,339.02 | 61.45 |
| **TOTAL** | **14,834.63** | **100.00** | **8,688.34** | **100.00** |
| **b) Stores and Spares :** | | | | |
| i) Imported | 9.63 | 17.17 | 8.05 | 15.28 |
| ii) Indigenous | 46.45 | 82.83 | 44.61 | 84.72 |
| **TOTAL** | **56.07** | **100.00** | **52.66** | **100.00** |

**34.4 Dividend remittances in foreign currency**

| Year of remittance | On account of Financial year | No. of Non-Resident Shareholders | No. of Shares held | Amount of Dividend ₹ in lacs |
|---|---|---|---|---|
| 2013/2014 | 2012/2013 | 7 | 4,207,900 | 12.62 |
| 2012/2013 | 2011/2012 | 7 | 4,207,900 | 12.62 |

**34.5 Earnings in Foreign Currency**

(₹ in lacs)

| Particulars | For the year ended 31st March 2014 | For the year ended 31st March 2013 |
|---|---|---|
| FOB Value of Exports | 46,004 | 21,800 |

**NOTE 35:**

Previous year figures have been regrouped and reclassified wherever considered necessary to conform to this year's classifications.

**INDEPENDENT AUDITOR'S REPORT**
To the Members of

**M/s. Suven Life Sciences Limited Report on the Financial Statements**

We have audited the accompanying financial statements of M/s. Suven Life Sciences Limited ('the Company') which comprise the Balance Sheet as at 31st March, 2013 the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
(ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
(iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, we report that:
   a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c) the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report

are in agreement with the books of account;

d) in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and

e) on the basis of written representations received from the directors as on 31st March, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For KARVY & CO.

Chartered Accountants
Firm's registration number: 01757S
K. AJAY KUMAR
Partner
(M. No. 021989)
Date: 14-05-2013
Place: Hyderabad

## ANNEXURE TO THE AUDITORS' REPORT

**Annexure to the Auditors' Report Referred to in paragraph 1 of our report**

i. In respect of its fixed assets:
   a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
   b) As explained to us, the management has physically verified all the fixed assets during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such physical verification.
   c) In our opinion, fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.

ii. In respect of its inventories:
   a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
   b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
   c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical inventory and book records were not material.

iii. a) According to the information and explanations given to us, during the year the Company has not granted any loans to companies covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (a) to (iii) (d) of the paragraph 4 of the Order are not applicable.
   e) According to the information and explanations given to us, the Company has taken an unsecured loan from the party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year is ₹ 180 lacs and the yearend balance is Nil.
   f) In our opinion and according to the information and explanation given to us, the said loan is interest free loan and other terms and conditions are prima facie not prejudicial to the interest of the company.
   g) According to the information and explanations given to us, the said loan is repayable on demand and there is no repayment schedule.

iv. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.

v. In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.

vi. According to the information and explanations given to us, the Company has not accepted deposits from the public within the meaning of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed there under

vii. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.

viii. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Bulk Drugs, pursuant to Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

ix. In respect of statutory dues:

a) According to the records of the company and information and explanations given to us, the company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues to the extent applicable with the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of the above are in arrears as at the yearend for a period of more than six months from the date on which they become payable.

b) According to the information and explanations given to us, the following amounts have not been deposited with the appropriate authorities on account of dispute :

| Nature of the Statute | Amount ₹ in Lacs | Period to which amount relates | Forum where pending |
|---|---|---|---|
| Income Tax | 16.97 | AY 2010-11 | Income tax appellate Tribunal-Hyderabad. |

x. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.

xi. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in the repayment of dues to Financial Institutions and Banks. The company did not have any outstanding debentures during the year.

xii. In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion, the Company is not a Chit fund or a Nidhi/ Mutual Benefit fund/ Society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the company.

xiv. The Company has not dealt or traded in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the Order are not applicable to the company.

xv. In our opinion and as per the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.

xvi. In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were raised.

xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long term investment.

xviii. The Company has not made any preferential allotment to parties and companies covered under register maintained under section 301 of the Companies Act, 1956.

xix. The Company during the year has not issued any debentures. Accordingly, clause 4 (xix) of the Order are not applicable to the company.

xx. The Company has not raised any money by public issues during the year.

xxi. According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For KARVY & CO.

Chartered Accountants

Firm's registration number: 01757S
K. AJAY KUMAR
Partner
(M. No. 021989)
Date: 14-05-2013
Place: Hyderabad

## BALANCE SHEET AS AT 31ST MARCH, 2013

(₹ in lacs)

| Particulars | Note | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholder's Fund** | | | |
| Share Capital | 3 | 1,168.29 | 1,167.32 |
| Reserves & Surplus | 4 | 14,277.70 | 11,584.83 |
| **Non-Current Liabilities** | | | |
| Long-term borrowings | 5 | 6,418.33 | 5,502.45 |
| Long term provisions | 6 | 157.78 | 178.35 |
| **Current Liabilities** | | | |
| Short-term borrowings | 7 | 2,782.59 | 2,285.40 |
| Trade payables | 8 | 3,613.53 | 2,511.07 |
| Other current liabilities | 9 | 3,611.53 | 4,020.81 |
| Short - term provisions | 10 | 1,382.72 | 1,248.50 |
| **TOTAL** | | **33,412.47** | **28,498.72** |
| **ASSETS** | | | |
| **Non - Current Assets** | | | |
| **Fixed Assets** | | | |
| i) Tangible assets | 11 | 16,151.54 | 13,244.35 |
| ii) Capital work-in-progress | | 414.76 | 2,364.02 |
| Non - Current Investments | 12 | 0.15 | 0.10 |
| Deferred Tax Asset (NET) | 13 | 1,569.63 | 1,760.96 |
| Long term loans and advances | 14 | 943.83 | 644.44 |
| **Current Assets** | | | |
| Current Investments | 15 | 7.12 | 452.33 |
| Inventories | 16 | 5,381.43 | 4,650.17 |
| Trade Receivables | 17 | 2,377.76 | 2,523.93 |
| Cash and Bank balances | 18 | 2,178.69 | 316.86 |
| Short - term loans and advances | 19 | 4,367.88 | 2,528.88 |
| Other current assets | 20 | 19.68 | 12.68 |
| **TOTAL** | | **33,412.47** | **28,498.72** |
| Summary of significant accounting policies | 1-2 | | |

The accompanying notes are an integral part of the Financial Statements.

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

(₹ in lacs)

| Particulars | Note | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|---|
| **Income** | | | |
| Revenue from Operations (Gross) | 21 | 25,828.02 | 20,465.77 |
| Less: Excise Duty | | (39.56) | (44.98) |
| | | **25,788.46** | **20,420.78** |
| Other Income | 22 | 104.34 | 190.25 |
| **TOTAL** | | **25,892.80** | **20,611.03** |
| **Expenses** | | | |
| Cost of Materials Consumed | 23 | 8,827.40 | 8,145.56 |
| **Changes in Inventories of Finished goods,** | | | |
| Work-in-progress and Stock-in-trade | 24 | (559.63) | (564.74) |
| Manufacturing Expenses | 25 | 3,904.81 | 2,667.83 |
| Employee benefit expenses | 26 | 2,537.70 | 2,283.03 |
| Research & Development Expenses | 27 | 3,469.33 | 3,304.91 |
| Financial Costs | 28 | 1,350.94 | 990.93 |
| Depreciation and amortization expenses | 11 | 786.71 | 599.79 |
| Other expenses | 29 | 2,290.30 | 2,269.54 |
| **TOTAL** | | **22,607.56** | **19,696.85** |
| **Profit before tax** | | 3,285.24 | 914.18 |
| **Tax expenses** | | | |
| Current Tax | | 664.28 | 171.60 |
| Previous year tax | | (13.17) | (0.87) |
| Deferred Tax | | 191.34 | (522.06) |
| MAT Credit entitlement | | (641.16) | (170.73) |
| **Total tax expenses** | | 201.29 | (522.06) |
| | | | |
| **Profit for the year** | | **3,083.95** | **1,436.24** |
| Basic and Diluted Earnings per share (in ₹) | 30 | 2.64 | 1.23 |
| Summary of significant accounting policies | 1-2 | | |

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | | For the year ended 31st March 2012 | |
|---|---|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| **Net Profit before Tax and Extraordinary Items** | | **3,285.24** | | **914.18** |
| *Adjustments for :* | | | | |
| Depreciation & Amortisation | 1,046.64 | | 854.53 | |
| Interest Income | (23.53) | | (14.57) | |
| Interest on Finance cost | 1,283.74 | | 990.93 | |
| Profit on sale of Assets | (0.12) | | - | |
| Loss on sale of Assets | - | | 1 | |
| Dividend Income | (80.69) | | (56.49) | |
| MTM Losses | - | 2,226.04 | 348.06 | 2,123.46 |
| Operating Profit Before Working Capital Changes | | 5,511.28 | | 3,037.64 |
| *Adjustments for :* | | | | |
| Trade and Other Receivables | (1,511.68) | | 19.01 | |
| Inventories | (731.26) | | (1,167.03) | |
| Trade Payables and Other Liabilities | 369.39 | | 1,690.31 | |
| Increase/(Decrease) in Net Current Assets | | (1,873.55) | | 542.29 |
| Cash Generated From Operations | | 3,637.73 | | 3,579.93 |
| *Adjustments for :* | | | | |
| Income Tax paid | 569.16 | 569.16 | 204.66 | 204.66 |
| **Net Cash From Operating Activities (A)** | | **3,068.57** | | **3,375.27** |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Sale/(Purchase) of Investments | 445.16 | | (518.14) | |
| Purchase of Fixed Assets | (2,006.91) | | (2,727.49) | |
| Sale of Fixed Assets | 2.45 | | 0.35 | |
| Interest Received | 16.52 | | 14.14 | |
| Changes in bank balances not considered as cash equivalents | (3.89) | | (24.60) | |
| Dividends Received | 80.69 | | 56.49 | |
| **Net Cash Used In Investing Activities (B)** | | **(1,465.98)** | | **(3,199.25)** |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Borrowings (Net) | 1,926.13 | | 1,139.48 | |
| Interest Paid on borrowings | (1,283.74) | | (983.43) | |
| Issue of capital with Premium | 19.95 | | - | |
| Dividend Pay-outs (including Dividend Tax) | (407.02) | | (339.21) | |
| **Net Cash used in financing Activities (C)** | | **255.32** | | **(183.16)** |
| **Net Increase in Cash and Cash Equivalents (A+B+C)** | | **1,857.91** | | **(7.14)** |
| **Cash and Cash Equivalents at the beginning the year** | | **176.70** | | **183.84** |
| **Cash and Cash Equivalents at the end of the year** | | **2,034.64** | | **176.70** |

## NOTE 1: CORPORATE INFORMATION

Suven Life Sciences, in the business of design, manufacture and supply of Bulk Actives, Drug Intermediates & Fine Chemicals, Drug Discovery and Development Support Services (DDDSS) and CRAMS catering to the needs of global Life Science Industry, is committed to provide customers with products fulfilling customer's needs and expectations. During the year ended 31st March, 2012 Suven Nishtaa Pharma Private Limited was acquired by Suven Life Sciences Limited. Subsequent to the acquisition of M/s. Suven Nishtaa Pharma Pvt. Ltd. were amalgamated with M/s. Suven Life Sciences Ltd., in accordance with the scheme of amalgamation approved by the High court is effective from 1st Jan, 2012. The amalgamation was effected in the accounts for the year ended 31st March, 2012.

## NOTE 2: BASIS OF PREPARATION

### 2.1 Basis of Accounting

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the accounting standards notified under section 211(3C) of the Companies Act, 1956 of India (the Act) and the relevant provisions of the Act

During the year ended 31 March 2013, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

### 2.2 Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported value of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenditure for the year. The difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

### 2.3 Revenue Recognition

i. Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers.
ii. Revenue from Contract Technical Services, Clinical Trials Services and Process Development Services are recognized on completion of the work.
iii. Income from Investments
    (i) The Company recognizes Interest on investments on accrual basis.
    (ii) Dividend income on investments is accounted for when the right to receive the payment is established

### 2.4 Fixed Assets

Fixed assets are stated at cost and as reduced by accumulated depreciation. All costs including financing costs, up to the date of commissioning and attributable to the fixed assets are capitalized. Exchange difference arising on Long Term Foreign currency monetary items relating to acquisition of fixed assets are adjusted to the carrying cost of such assets

### 2.5 Events Occurring After Balance Sheet Date

Events occurring after the date of balance sheet are considered up to the date of adoption of the accounts, where material and are taken into cognizance.

### 2.6 Depreciation

Depreciation on fixed assets is provided on straight-line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. The company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

### 2.7 Investments

Non-current investments are stated at cost and provision for diminution is made if the decline in value is other than temporary in nature.

Investments other than Non-current Investments are stated at cost or market value whichever is lower. Any increase/reduction in the carrying cost is credited / charged to the Profit and Loss account.

### 2.8 Inventories

i. Stock of raw materials, Stores, spares and fuel are stated at cost and are valued on FIFO basis.
ii. Work in process is stated at cost.
iii. Finished Goods are valued at the lower of the Cost or net realizable value.

### 2.9 Research & Development expenses

i. Revenue expenditure on research and development activities is expensed as and when incurred.
ii. The expenditure on capital assets having alternative use either in R&D activity or otherwise are capitalized and amortized at the rate specified in Schedule XIV of the Companies Act 1956.
iii. Depreciation on R&D assets is included in R&D expenses.

### 2.10 Foreign Currency Transactions

i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transaction.
ii. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account, except exchange difference arising on Long Term Foreign currency monetary items relating to acquisition of fixed assets which are adjusted to the carrying cost of such assets.
iii. In case of Monetary items which are covered by forward exchange contracts, premium or discount on forward exchange contracts are amortized and recognized in the profits and loss account over the period of the contract. Forward Exchange Contracts outstanding at the balance sheet date, are stated at fair value and any gains or losses are recognized in the profit and loss account.
iv. Financial Derivative Contracts:
The realized gain/loss in respect of settled contracts are recognized in the Profit and loss account.

### 2.11 Retirement benefits to employees

The company has Defined Contribution Plan for its employees' retirement benefits comprising of Provident Fund and Employees Pension Scheme, 1995. The Company contributes to State Plans namely Employees' State Insurance Scheme.

The Company has Defined Benefit Plan comprising of Gratuity Fund and Leave Encashment. The Company contributes to Gratuity Fund administered by LIC. The liability for the Gratuity Fund and Leave Encashment are determined on the basis of an independent actuarial valuation done at the year end. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense.

### 2.12 Borrowing cost

Borrowing Costs that are directly attributable to the acquisition of a fixed asset are capitalised as part of the cost of the asset till the date the asset is ready for commercial use. All other borrowing costs are charged to revenue.

### 2.13 Income taxes

The current charge for taxes is calculated in accordance with relevant tax regulations applicable to the company.

The deferred tax for the timing differences between the book and tax profits for the year end is accounted for, using the tax rates and laws that have been substantially enacted as of the balance sheet date.
Deferred tax assets arising from timing differences are recognized and carried forward only if there is reasonable certainty that they will be realized in future and reviewed for the appropriateness of their respective carrying value at each balance sheet date.

### 2.14 Earnings per share

The basic earnings per share (EPS) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

### 2.15 Impairment of Assets

If the carrying amount of fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

### 2.16 Provisions

Provisions are recognized when the company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of obligation.

### 2.17 Segmental information - Basis of preparation

**i. Segment Revenue and Expenses**

Revenues and expenses are allocated on a reasonable basis to segments being common manufacturing facilities and sales force.

**ii. Segment Assets and Liabilities**

Segment assets and liabilities which can be identified to a segment are allocated to the respective segment. The fixed assets and net current assets are not identifiable for particular segment except R & D segment, because these assets can be used interchangeable among the segments. Hence the management feels that the assets cannot be segregated to particular segment and to disclose these under unallocated assets.

### 2.18 Employee Stock Option Schemes

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the Employee stock option schemes, over the exercise price is treated as employee compensation and amortized on a straight-line basis over the vesting period.

### 2.19 Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less

## NOTE 3: SHARE CAPITAL

(₹ in lacs)

| Particulars | As at 31st March 2013 (No. of Shares) | As at 31st March 2013 (₹ in lacs) | As at 31st March 2012 (No. of Shares) | As at 31st March 2012 (₹ in lacs) |
|---|---|---|---|---|
| Authorised share capital Equity Shares of ₹ 1/- each | 400,000,000 | 4,000.00 | 400,000,000 | 4,000.00 |
| Issued, Subscribed and Paid up | 116,828,788 | 1,168.29 | 116,731,988 | 1,167.32 |
| Equity Shares of ₹ 1/- each | | | | |
| **3.1 Reconciliation of number of Ordinary Shares outstanding** | | | | |
| As at beginning of the year | 116,731,988 | 1,167.32 | 116,731,988 | 1,167.32 |
| Add: Issue of shares on exercise of options | 96,800 | 0.97 | - | - |
| As at end of the year | 116,828,788 | 1,168.29 | 116,731,988 | 1,167.32 |

### 3.2 Rights, preferences and restrictions attached to the Ordinary Shares

The Shares of the Company, having par value of ₹ 1.00 per share, rank pari passu in all respects including voting rights and entitlement to dividend.

### 3.3 Shareholders holding more than 5% of the Shares in the Company

(₹ in lacs)

| Particulars | As at 31st March 2013 (No. of Shares) | % | As at 31st March 2012 (No. of Shares) | % |
|---|---|---|---|---|
| Mr. Venkateswarlu Jasti | 23,000,000 | 19.69 | 22,420,940 | 19.21 |
| Mrs. Sudha Rani Jasti | 21,000,000 | 17.98 | 20,756,312 | 17.35 |
| Mrs. Sirisha Jasti | 10,550,000 | 9.03 | 10,268,000 | 8.80 |
| Mrs. Madhavi Jasti | 10,550,000 | 9.03 | 10,550,000 | 9.04 |
| Ms. Kalyani Jasti | 10,550,000 | 9.03 | 10,550,000 | 9.04 |

### 3.4 Shares reserved for issue under Options

(₹ in lacs)

| Particulars | As at 31st March 2013 (No. of Shares) | As at 31st March 2013 (₹ in lacs) | As at 31st March 2012 (No. of Shares) | As at 31st March 2012 (₹ in lacs) |
|---|---|---|---|---|
| Equity Shares of ₹ 1.00 each | 1,190,600 | 11.91 | 1,806,060 | 18.06 |

**Terms and Conditions of Options Granted**

Each Option entitles the holder thereof to apply for and be allotted one Equity Shares of the Company of ₹ 1.00 each upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of three years from the date of vesting in respect of Options granted under the Suven Employee Stock Option Scheme -2004

**The vesting period for conversion of Options is as follows:**

- On completion of 24 months from the date of grant of the Options: 25% vests
- On completion of 36 months from the date of grant of the Options: 35% vests
- On completion of 48 months from the date of grant of the Options: 40% vests

The Options have been granted at the ‘market price’ as defined from time to time under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

## NOTE 4: RESERVES & SURPLUS

(₹ in lacs)

| Particulars | As at 31st March 2013 | | As at 31st March 2012 | |
|---|---|---|---|---|
| Opening Balance | 3,876.61 | | 5,149.71 | |
| Add: Additions during the year | 310.00 | | 150.00 | |
| Less: P&L Debit balance upto 31.12.11 | - | | (1,423.10) | |
| (Suven Nishtaa Pharma pvt ltd.) | | 4,186.61 | | 3,876.61 |
| Securities Premium Account | 4,003.09 | | 4,003.09 | |
| Add: Additions during the year | 18.98 | 4,022.08 | - | 4,003.09 |
| Surplus in statement of Profit & Loss | | | | |
| Opening Balance | 3,705.12 | | 2,353.62 | |
| **Add: Profit for the year** | **3,083.95** | | **1,583.38** | |
| Add: Transferred from Suven Nishtaa Pharma Pvt. Ltd | | | | |
| on account of amalgamation | - | | (147.14) | |
| Add: Deferred tax asset on account of amalgamation | - | | 472.31 | |
| of Suven Nishtaa Pharma Pvt Ltd. | | | | |
| | 6,789.07 | | 4,262.17 | |
| **Less: Appropriations** | | | | |
| Transfer to General Reserve | 310.00 | | 150.00 | |
| Proposed Dividend | 350.49 | | 350.20 | |
| Earlier year's Dividend | 0.01 | | 0.03 | |
| *Income tax on Proposed Dividend* | | | | |
| Current Year | 59.57 | | 56.81 | |
| Earlier year's Provision | 0.00 | 6,069.01 | 0.01 | 3,705.12 |
| **TOTAL** | | **14,277.70** | | **11,584.83** |

## NOTE 5: LONG - TERM BORROWINGS

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| **Term Loans** | | |
| **From Banks (Secured)** | | |
| Corporate Loan From S.B.I. | 1,310.18 | 2,000.84 |
| Corporate Loan From State Bank of Patiala | 1,190.13 | 1,795.31 |
| Corporate Loan From Bank of India | 2,262.92 | 2,999.35 |
| Corporate Loan From Bank of Bahrain & Kuwait | 3,261.60 | - |
| **TOTAL (A)** | **8,024.83** | **6,795.49** |
| From other parties (Unsecured) | | |
| Loan from Department of Science and Technology, Govt. of India. | 899.60 | 700.00 |
| **TOTAL (B)** | **899.60** | **700.00** |
| **TOTAL (A+B)** | **8,924.43** | **7,495.49** |
| Less: Current maturities of long-term borrowings (Refer Note 9) | 2,506.10 | 1,993.04 |
| **TOTAL** | **6,418.33** | **5,502.45** |

| Nature of Security | Terms of Repayment |
|---|---|
| **Corporate Loan From S.B.I.** secured by first and Pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | The term loan is repayable in 66 monthly installments varying from 15 Lacs to 60 Lacs commenced from October, 2009. Rate of Interest 14.40%. |
| **Corporate Loan From State Bank of Patiala** secured by first and Pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | The corporate loan is repayable in 15 quarterly installments. First three installments of ₹ 67 Lacs and next 12 installments of ₹ 150 Lacs. Repayment commenced from 30.09.2011. Rate of Interest 13.75% |
| **Corporate Loan From Bank of India** secured by first and Pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and | The term loan is repayable in 45 monthly installment of ₹ 67 Lacs each commenced from May, 2012. Rate of Interest 13.75% |

| Nature of Security | Terms of Repayment |
|---|---|
| other current assets. | |
| **Corporate Loan From Bank of Bahrain & Kuwait** secured by first and Pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | The term loan is repayable in 16 quarterly installments of US $ 0.375 Million. Commencing from December, 2013. Rate of Interest 4.15% |
| **Loan from Department of Science and Technology - I** | The loan is repayable in 10 Annual installments of ₹ 50 Lacs each commencing from October, 2013. Rate of Interest 3.00% |
| **Loan from Department of Science and Technology - II** | The loan is repayable in 10 Annual installments of ₹ 44.40 Lacs each commencing from Feb, 2013. Rate of Interest 3.00% |

**NOTE 6: LONG -TERM PROVISIONS**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| Gratuity | 58.74 | 72.72 |
| Leave encashment | 99.03 | 105.63 |
| **TOTAL** | **157.78** | **178.35** |

**NOTE 7: SHORT-TERM BORROWINGS**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| Loan repayable on demand | | |
| i) From Banks | | |
| Working Capital Loans from S.B.I (Secured) | 2,782.59 | 2,105.40 |
| Secured by first charge on Raw Materials, Stock in Process, Finished Goods, Receivables and Book Debts and second charge on Land, Buildings and Plant & Machinery. | | |
| ii) Loans and advances from related parties (Unsecured) | - | 180 |
| **TOTAL** | **2,782.59** | **2,285.40** |

**NOTE 8: TRADE PAYABLES**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| Micro and Small Enterprises | **-** | - |
| Others | 3,613.53 | 2,511.07 |
| **TOTAL** | **3,613.53** | **2,511.07** |

**NOTE 9: OTHER CURRENT LIABILITIES**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| Current maturities of long-term borrowings (also refer note 5) | 2,506.10 | 1,993.04 |
| Interest accrued but not due | 28.43 | 7.50 |
| Unclaimed Dividend | 19.41 | 17.10 |
| Other Payables | | |
| Advance Received from Customers | 88.19 | 837.62 |
| Liabilities for Expenses | 500.94 | 704.76 |
| Liabilities for statutory dues | 57.01 | 84.36 |
| Liabilities for Capital Works | 411.46 | 376.42 |
| **TOTAL** | **3,611.53** | **4,020.81** |

**NOTE 10: SHORT - TERM PROVISIONS**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| Taxation | 651.12 | 170.73 |
| Dividend | 350.49 | 350.2 |

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| Corporate Dividend Tax | 59.57 | 56.81 |
| Gratuity | 234.21 | 241.62 |
| Leave encashment | 87.34 | 81.07 |
| MTM Loses /(gain) | - | 348.06 |
| **TOTAL** | **1,382.72** | **1,248.50** |

**NOTE 11: FIXED ASSETS**

(₹ in lacs)

| | | GROSS BLOCK | | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **S.NO** | **Particulars** | **As at 01/04/2012** | **Additions During the year** | **Total** | **Deductions** | **As on 31/03/2013** | **As at 01/04/2012** | **For the year** | **Deductions** | **UP TO 31/03/2013** | **AS AT 31/03/2013** | **AS AT 31/03/2012** |
| 1 | Land-free hold | 460.39 | 34.47 | 494.86 | - | 494.86 | - | - | - | - | 494.86 | 460.39 |
| 2 | Buildings - Office at factory | 44.78 | - | 44.78 | - | 44.78 | 11.37 | 0.73 | - | 12.10 | 32.68 | 33.41 |
| 3 | Buildings - Factory | 3,176.52 | 974.89 | 4,151.41 | - | 4,151.41 | 568.49 | 119.12 | - | 687.62 | 3,463.80 | 2,608.03 |
| 4 | Plant and Equipment | 8,510.47 | 2,592.90 | 11,103.37 | - | 11,103.37 | 3,487.60 | 514.34 | - | 4,001.94 | 7,101.43 | 5,022.87 |
| 5 | Furniture and fixtures | 433.68 | 7.44 | 441.12 | - | 441.12 | 165.36 | 27.64 | - | 193.00 | 248.12 | 268.33 |
| 6 | Vehicles | 152.01 | - | 152.01 | 14.70 | 137.31 | 89.36 | 13.55 | 12.37 | 90.54 | 46.77 | 62.65 |
| 7 | Office Equipments | 91.29 | 2.90 | 94.19 | - | 94.19 | 43.21 | 4.37 | - | 47.59 | 46.60 | 48.07 |
| 8 | Laboratory Equipments | 1,012.88 | 212.08 | 1,224.96 | - | 1,224.96 | 207.47 | 50.12 | - | 257.59 | 967.37 | 805.41 |
| 9 | ETP Works | 140.35 | 4.16 | 144.51 | - | 144.51 | 103.38 | 7.52 | - | 110.90 | 33.61 | 36.97 |
| 10 | Misc Fixed assets | 4.62 | - | 4.62 | - | 4.62 | 4.04 | 0.22 | - | 4.26 | 0.36 | 0.58 |
| 11 | EDP Equipments | 473.21 | 13.24 | 486.45 | - | 486.45 | 424.70 | 49.10 | - | 473.80 | 12.65 | 48.51 |
| | **Sub total** | **14,500.21** | **3,842.09** | **18,342.29** | **14.70** | **18,327.59** | **5,104.99** | **786.72** | **12.37** | **5,879.33** | **12,448.26** | **9,395.22** |
| 12 | R & D Equipments | 5,388.57 | 114.08 | 5,502.65 | - | 5,502.65 | 1,539.44 | 259.94 | - | 1,799.37 | 3,703.28 | 3,849.13 |

| S.NO | Particulars | GROSS BLOCK As at 01/04/2012 | Additions During the year | Total | Deductions | As on 31/03/2013 | DEPRECIATION As at 01/04/2012 | For the year | Deductions | UP TO 31/03/2013 | NET BLOCK AS AT 31/03/2013 | AS AT 31/03/2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Total Tangible assets** | **19,888.77** | **3,956.17** | **23,844.94** | **14.70** | **23,830.24** | **6,644.43** | **1,046.65** | **12.37** | **7,678.71** | **16,151.54** | **13,244.35** |
| | Previous year | 15,976.83 | 329.10 | 16,305.93 | 2.88 | 19,888.77 | 5,409.06 | 854.53 | 1.52 | 6,644.43 | 13,244.35 | |

**Note: Depreciation on R & D Equipment of Rs. 2,59.93 lacs has been added to R & D Expenses (Previous Year Rs.2,54.74 lacs)**

**NOTE 12: NON-CURRENT INVESTMENTS (VALUED AT COST)**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| **A. Investment In Equity shares:** | | |
| 100 Equity Shares of ₹ 20/- each in G.S.F.C.Limited | 0.02 | 0.02 |
| **B. Investment in Govt. and Trust securities** | | |
| Investment In National Savings Certificates | 0.13 | 0.08 |
| **TOTAL** | **0.15** | **0.1** |
| **Aggregate value of Investments :** Un-quoted: | | |
| Book Value | 0.15 | 0.1 |

**NOTE 13: DEFERRED TAX LIABILITIES / DEFERRED TAX ASSETS**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| **Deferred Tax Liabilities** | | |
| Depreciation | 2,598.36 | 2,522.31 |
| **TOTAL** | **2,598.36** | **2,522.31** |
| **Deferred Tax Assets** | | |
| Unabsorbed Losses | 4,074.31 | 4,189.58 |
| Provision for Gratuity and Leave Encashment | 93.67 | 93.70 |
| **TOTAL** | **4,167.99** | **4,283.28** |
| Net Deferred Tax Liability / (Asset) | (1,569.63) | (1,760.96) |

**NOTE 14: LONG TERM LOANS AND ADVANCES**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| (Unsecured, considered good) | | |
| Capital Advances | 775.06 | 456.88 |
| Security Deposits | 168.78 | 187.56 |
| **TOTAL** | **943.83** | **644.44** |

**NOTE 15: CURRENT INVESTMENTS**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| **Investment in Mutual Funds:** | | |
| SBI Premier Liquid Fund | 3.48 | 447.33 |
| 347.220 units of ₹ 1003.25/- each (Previous year 44588.4611) | | |
| SBI Infrastructure fund | 3.64 | 5.00 |
| 50000 units of ₹ 10/- each (Previous year 50000 units) | | |
| **TOTAL** | **7.12** | **452.33** |
| **Aggregate value of Investments :** | | |
| **Quoted :** | | |
| Book Value | 7.12 | 452.33 |
| Market Value | 7.12 | 452.33 |

**NOTE 16: INVENTORIES**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| (As valued and certified by the Management) | | |
| Raw Materials | 1,519.26 | 1,488.45 |
| Work-in- Process | 1,898.86 | 1,779.38 |
| Finished Goods | 1,558.24 | 1,118.08 |
| Stores and Spares | 405.08 | 264.26 |
| **TOTAL** | **5,381.43** | 4,650.17 |

**NOTE 17: TRADE RECEIVABLES**

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| **Unsecured, considered good** | | |
| Aggregate amount of trade receivables outstanding for a period exceeding six months from the date they are due for payment | 45.64 | 36.11 |
| Others | 2,332.12 | 2,487.81 |
| **TOTAL** | **2,377.76** | **2,523.93** |

### NOTE 18: CASH AND BANK BALANCES

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| Cash and Cash Equivalents | | |
| Balances with bank | 925.30 | 172.09 |
| Cash on hand | 9.35 | 4.61 |
| In fixed deposit (maturity less than 3 months) | 1,100.00 | - |
| | 2,034.64 | 176.70 |
| **Other bank balances** | | |
| Earmarked balances with banks | 144.05 | 140.16 |
| | 144.05 | 140.16 |
| **TOTAL** | **2,178.69** | **316.86** |

### NOTE 19: SHORT - TERM LOANS AND ADVANCES

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| Unsecured, considered good | | |
| Advances for Purchases | 203.83 | 87.33 |
| Advances for Expenses | 205.98 | 138.09 |
| Prepaid expenses | 108.09 | 89.01 |
| VAT Credit Receivable | 740.82 | 479.11 |
| CENVAT Credit Receivable | 660.00 | 538.00 |
| Service Tax Credit Receivable | 473.73 | 291.66 |
| MAT Credit Entitlement | 1,193.95 | 552.79 |
| Advance Tax and TDS (Net of Provision for Tax) | 749.86 | 316.32 |
| Other Advances | 31.63 | 36.57 |
| **TOTAL** | **4,367.88** | **2,528.88** |

### NOTE 20: OTHER CURRENT ASSETS

(₹ in lacs)

| Particulars | As at 31st March 2013 | As at 31st March 2012 |
|---|---|---|
| Interest Accrued | 19.68 | 12.68 |
| **TOTAL** | **19.68** | **12.68** |

### NOTE 21: REVENUE FROM OPERATIONS

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| **A. Sale of Products** | **22,800.10** | **19,213.86** |
| Less : Excise Duty | (39.56) | (44.98) |
| | 22,760.54 | 19,168.88 |
| **B. Sale of Services** | **3,027.92** | **1,251.90** |
| **TOTAL** | **25,788.46** | **20,420.78** |
| **A) Sale of Products** | | |
| a) Bulk Drugs | 1,294.12 | 798.44 |
| b) Intermediates | 21,452.36 | 18,355.36 |
| c) Recoveries | 14.06 | 15.08 |
| **TOTAL** | **22,760.54** | **19,168.88** |
| **B) Sale of Services** | | |
| a) Contract Technical Services | 533.47 | 372.07 |

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| b) Clinical Trials Services | 301.98 | 200.59 |
| c) Process Development Charges | 358.06 | 641.20 |
| d) Formulation Development Charges | 138.73 | 38.05 |
| e) Job works | 1,695.68 | - |
| **TOTAL** | **3,027.92** | **1,251.90** |
| **TOTAL (A+B)** | **25,788.46** | **20,420.78** |

**NOTE 22: OTHER INCOME**

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| Interest Income | 23.53 | 14.57 |
| (Tax Deducted at Source ₹ 2.30 lacs (Previous year ₹ 1.51 lacs)) | | |
| Dividend Income from Mutual Funds | 80.69 | 56.49 |
| Foreign Exchange Fluctuations Gain (Net) | - | 75.55 |
| Miscellaneous Receipts | - | 43.64 |
| Profit on sale of assets | 0.12 | - |
| **TOTAL** | **104.34** | **190.25** |

**NOTE 23: COST OF MATERIALS CONSUMED**

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| **1) Raw Materials** | | |
| Opening Stock | 1,460.09 | 944.92 |
| Purchases | 8,747.50 | 8,589.25 |
| Less: Closing Stock | 1,519.26 | 1,460.09 |
| **(A)** | **8,688.33** | **8,074.08** |
| **2) Packing Materials** | | |
| Opening Stock | 17.42 | 11.95 |
| Purchases | 140.83 | 76.95 |
| Less: Closing Stock | 19.18 | 17.42 |
| **(B)** | **139.07** | **71.49** |
| **TOTAL (A+B)** | **8,827.40** | **8,145.56** |

**Details of Major Raw material consumed**

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | | For the year ended 31st March 2012 | |
|---|---|---|---|---|
| | Quantity Kgs | Value ₹ in lacs | Quantity Kgs | Value ₹ in lacs |
| a)2-Amino-5-chloro-2-Flurobenzophenone | 18,500 | 454.74 | 8,250 | 174.13 |
| b)Caustic Soda Lye | 2,684,177 | 410.56 | 2,395,424 | 294.64 |
| c)3-Isochromanone | 253,000 | 2,655.44 | 249,900 | 2,536.17 |
| d)Methanol | 2,413,924 | 699.56 | 2,946,004 | 723.55 |
| e)Chloro Acetaldehyde Dimethyl Acetal | 32,799 | 203.47 | 23,541 | 111.75 |
| f) Methyl Formate | 145,434 | 110.62 | 139,769 | 118.29 |
| g)Toluene | 330,840 | 268.83 | 427,065 | 290.11 |
| h)Tetra Hydrofuran | 107,521 | 234.51 | 130,785 | 275.57 |
| i)Ethyl Alcohol | 354,835 | 109.3 | 330,272 | 99.32 |
| j) Others | - | 3,541.29 | - | 3,450.56 |
| **TOTAL** | | **8,688.33** | | **8,074.08** |

**NOTE 24: CHANGES IN INVENTORIES OF FINISHED GOODS, WORK - IN - PROGRESS AND STOCK - IN – TRADE**

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| **Opening Stock :** | | |
| Work - in - Progress | 1,779.38 | 1,329.29 |
| Finished Goods | 1,118.08 | 1,003.43 |
| **A** | **2,897.46** | **2,332.72** |
| **Closing Stock :** | | |
| Work - in - Progress | 1,898.85 | 1,779.38 |
| Finished Goods | 1,558.24 | 1,118.08 |
| **B** | **3,457.09** | **2,897.46** |
| **Increase/(Decrease) in Stocks C = (B-A)** | **559.63** | **564.74** |

| Break-up of Stocks - Finished Goods | For the year ended 31st March 2013 | | For the year ended 31st March 2012 | |
|---|---|---|---|---|
| | **Quantity MT.** | **Value ₹ In Lacs** | **Quantity MT.** | **Value ₹ In Lacs** |
| a) Bulk Drugs | 0.606 | 11.52 | 6.199 | 89.01 |
| b) Intermediates | 119.189 | 1,546.72 | 86.999 | 1,029.07 |
| **TOTAL** | **119.795** | **1,558.24** | **93.198** | **1,118.08** |

**NOTE 25: MANUFACTURING EXPENSES**

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| Power & Fuel | 2,193.45 | 1,404.40 |
| Consumable Stores | 52.66 | 41.10 |
| Factory Upkeep Expenses | 671.14 | 415.50 |
| Environment Management Expenses | 189.78 | 198.15 |
| Safety Expenses | 44.85 | 37.75 |
| Quality Control Expenses | 185.69 | 126.46 |
| Repairs & Maintenance : | | |
| Buildings | 17.24 | 11.26 |
| Plant & Machinery | 550.00 | 433.22 |
| **TOTAL** | **3,904.81** | **2,667.83** |

**NOTE 26: EMPLOYEE BENEFIT EXPENSES**

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| Salaries, Wages & Bonus | 2,043.62 | 1,711.65 |
| Staff Welfare Expenses | 219.81 | 235.79 |
| Contribution to PF & Other Funds | 274.27 | 335.60 |
| **TOTAL** | **2,537.70** | **2,283.03** |

In accordance with Accounting Standard 15 "Employees Benefits", the Company has classified various benefits provided to employees as under:

**I. Defined Contribution Plans and respective Contributions**

(₹ in lacs)

| Particulars | Employers contribution debited to P&L A/c | |
|---|---|---|
| | For the year ended 31st March, 2013 | For the year ended 31st March, 2012 |
| Provident Fund | 145.44 | 132.12 |
| State Defined Contribution Plans | | |
| Employees' State Insurance | 19.52 | 16.69 |
| Employees' Pension Scheme, | 41.92 | 37.65 |

| 1995 |
|---|

## II. Defined Benefit Plans

a) Disclosure relating to Employee benefits – As per AS 15 (Revised) For defined benefit plan – Gratuity (Projected Unit Credit Method)

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| **A. Change in present value of obligation** | | |
| Present value of obligation at the beginning of the year | 482.22 | 349.86 |
| Current Service cost | 28.25 | 31.49 |
| Interest cost | 38.58 | 27.99 |
| Benefits paid | (50.83) | (0.09) |
| Net Actuarial (Gain) / Loss Recognized during the year | 9.68 | 72.98 |
| Present value of obligation at the end of the year | 507.90 | 4,822.22 |
| **B. Changes in the Fair Value of Plan Assets** | | |
| Present Value of Plan Assets at the beginning of the year | 167.88 | 127.54 |
| Expected Return on Plan Assets | 14.28 | 11.80 |
| Actuarial Gain / (Loss) | - | - |
| Contributions | 65.06 | 28.63 |
| Benefits Paid | (32.27) | (0.09) |
| Fair Value of Plan Assets at the end of the year | 214.95 | 167.88 |
| **C. Net (Asset)/Liability recognized in the Balance Sheet** | | |
| Present value of obligation at the end of the year | 314.34 | 204.45 |
| Fair value of Plan Assets at the end of the year | (21.39) | 109.89 |
| Funded status (surplus) / deficit | 292.95 | 314.34 |
| Net (Asset) / Liability recognized in the Balance Sheet | 292.95 | 314.34 |
| **D. Expenses recognized in the Profit & Loss Account** | | |
| Service Cost | 28.25 | 31.49 |
| Interest Cost | 38.58 | 27.99 |
| Expected return on Plan Assets | (14.28) | (11.8) |
| Net Actuarial (Gain) / Loss recognized during the year | 9.68 | 72.98 |
| **Total Expenses recognized in Profit and Loss account** | **62.23** | **120.65** |
| **Assumptions Used** | | |
| Discount Rate (per annum) | 8.00% | 8.00% |
| Rate of increase in Compensation levels | 9.00% | 9.00% |
| Rate of Return on Plan Assets (for Funded Scheme) | 9.25% | 9.25% |
| Expected Average remaining working lives of employees (years) | 25.05 | 25.05 |

## c) Other Employee Benefit Plan

The liability for Leave Encashment as at the year end is ₹ 186.38 lacs (previous year ₹ 186.70 lacs) and the assumptions are as same as above.

## NOTE 27: RESEARCH & DEVELOPMENT EXPENSES

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| Lab Maintenance | 752.89 | 737.30 |
| Patent Related Expenses | 533.38 | 475.89 |
| R & D Materials | 509.35 | 479.18 |
| R & D Other Expenses | 287.30 | 248.81 |
| R & D Salaries | 1,126.47 | 1,108.99 |
| Depreciation | 259.94 | 254.74 |
| **TOTAL** | **3,469.33** | **3,304.91** |

## NOTE 28: FINANCE COSTS

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| Interest - on Fixed Loans | 944.37 | 740.38 |
| - on Others | 229.97 | 148.12 |
| Bank Charges | 109.40 | 102.43 |
| Exchange difference on foreign currency loan | 67.20 | - |
| **TOTAL** | **1,350.94** | **990.93** |

## NOTE 29: OTHER EXPENSES

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| **Administrative & Other Expenses** | | |
| Rent | 94.32 | 100.47 |
| Rates & Taxes | 9.21 | 7.60 |
| Service Tax | 14.20 | 7.44 |
| Insurance | 129.21 | 109.35 |
| Communication Charges | 64.55 | 66.01 |
| Travelling & Conveyance | 274.82 | 234.62 |
| Printing & Stationery | 64.56 | 65.64 |
| Vehicle Maintenance | 22.05 | 27.85 |
| Professional Charges | 247.22 | 125.48 |
| Payments to Auditors : | | |
| - As Auditors | 5.50 | 4.63 |
| - for Tax Matters | 1.75 | 1.50 |
| - for other Services | 0.75 | 0.75 |
| - for Expenses | 0.12 | 0.20 |
| Security Charges | 91.60 | 68.92 |
| Donations | 5.19 | 4.65 |
| Repairs & Maintenance | 23.96 | 31.57 |
| Loss on Foreign Exchange Fluctuations | 21.18 | |
| Loss /(Gain) on Forward Contracts | 362.95 | 625.61 |
| MTM on Forward Contracts | - | 348.06 |
| General Expenses | 145.84 | 131.47 |
| **TOTAL (A)** | **1,578.98** | **1,961.82** |
| **Selling Expenses** | | |
| Sales Promotion | 148.58 | 18.99 |
| Advertisement | 3.71 | 6.75 |
| Carriage Outwards | 178.78 | 138.19 |
| Commission on Sales | 171.73 | 52.98 |
| **TOTAL (B)** | **502.80** | **216.91** |
| **Clinical Projects Expenses** | **208.52** | **90.81** |
| **TOTAL (C)** | **208.52** | **90.81** |
| **Total Other Expenses (A+B+C)** | **2,290.30** | **2,269.54** |

## NOTE 30: EARNINGS PER SHARE

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| Net Profit after tax available for Equity shareholders (₹ in lacs) | 3,083.95 | 1,436.24 |
| Weighted average of number of Equity shares outstanding during the year | 116,748,431 | 116,731,988 |
| Basic and Diluted Earnings Per Equity share (₹1/- Face Value) | 2.64 | 1.23 |

## NOTE 31: ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS

### 31.1 Contingent Liabilities

(₹ in lacs)

| Particulars | For the year ended 31st March 2013 | For the year ended 31st March 2012 |
|---|---|---|
| Un expired Letters of Credit | 550.58 | 358.71 |
| Income tax appeal for Asst.year 2010-11 | 86.98 | 0.00 |

**31.2** Capital commitments not provided for on account of capital works net of advance ₹ 278.39 lacs (Previous year ₹ 225.19 lacs)

**31.3** During the year Unclaimed Dividend pertaining to 2004-05 amounting to ₹ 1.40 Lacs has been transferred to Investor Education and Protection Fund. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as of 31st March 2013 (Previous year Nil)

**31.4** Based on information available with the company, no creditors have been identified as Micro and Small enterprises within the meaning of "Micro, Small and Medium enterprises development (MSMED) Act, 2006".

**31.5** Managerial Remuneration:

(₹ in lacs)

| Particulars | Chairman & CEO | | Whole-time Director | |
|---|---|---|---|---|
| | 2012-13 | 2011-12 | 2012-13 | 2011-12 |
| Salary & Allowances | 91.80 | 48.00 | 40.81 | 36.60 |
| Commission | 34.86 | - | 17.43 | - |
| Contribution to Provident Fund | 11.02 | 5.76 | 4.90 | 4.39 |
| **TOTAL** | **137.68** | **53.76** | **63.14** | **40.99** |

**31.6** National Savings Certificates to the extent of ₹ 3,000/- have been pledged with Government Authorities.

**31.7 Employee Stock Option Scheme**

The Company instituted the Employees Stock Option 2004 plan for all eligible employees. The Scheme covers all eligible employees of Suven Life Sciences Limited and its subsidiary.

The movement in options during the year ended March 31, 2013 is set out below:

| Particulars | Year Ended 31st March, 2013 (No. of Shares) | Year Ended 31st March, 2012 (No. of Shares) |
|---|---|---|
| Options outstanding at the beginning of the year | 1,806,060 | 1,735,812 |
| Add : Granted during the year | - | 500,000 |
| **TOTAL** | **1,806,060** | **2,235,812** |
| Less: Lapsed | 518,660 | 429,752 |
| Converted into equity shares | 96,800 | Nil |
| Options outstanding at the end of the year | 1,190,600 | 1,806,060 |

**31.8** Excise Duty amounting to ₹ 26.18 lacs on Closing Stock of finished goods has been provided during the year to comply with 'Guidance Note on Accounting treatment for Excise duty' issued by Institute of Chartered Accountants of India.

**31.9 Hedging and Derivatives**

Company has entered into Forward Exchange contract, being derivative instruments for hedging purpose and not intended for trading or speculation purposes, to establish the amount of currency in Indian Rupees required or available at the settlement date of certain payables and receivables. The following are the outstanding Forward Exchange Contracts as on 31st March 2013, entered into by the Company;

(Amounts in USD)

| Foreign Currency | Buy or Sell | No. of Contracts | Cross Currency | 2012-13 | 2011-12 |
|---|---|---|---|---|---|
| USD | Sell | 11 | Indian Rupees | Nil | $95,00,000 |

## NOTE 32: SEGMENT REPORTING

### A) PRIMARY SEGMENT :

Business Segment

Segments have been identified and reported taking into account the nature of products, the differing risk and returns, the organisation structure, and the internal financial reporting scheme. The company has identified the following segments as its reportable segments:

a) Manufacturing (CRAMS)
b) Services (DDDSS)
c) Research and Development

I. Manufacturing (CRAMS) - Bulk Drugs & Intermediates under contract services products are developed and produced on an exclusive basis under contract Manufacturing services

II. Services (DDDSS) - Which consists of Clinical Trials and Testing and Analysis services

### B) SECONDARY SEGMENT :

***Geographical Segment***

The Company has identified the following geographical reportable segments:

a) India-The company sells Bulk Drugs and Intermediates and Fine Chemicals.
b) U.S.A -The company sells Intermediates
c) Europe-The company sells Bulk Drugs and Intermediates
d) Others -The company sells Bulk Drugs and Intermediates

(₹ in lacs)

| Particulars | Manufacturing (CRAMS) | Services (DDDSS) | Research and Development | Un allocated | Total |
|---|---|---|---|---|---|
| **Segment Revenue** | | | | | |
| **External Sales** | **22,760.54** | **3,027.92** | **-** | **-** | **25,788.46** |
| | (19,168.88) | (1,251.90) | - | - | (20,420.78) |
| Inter Segmental Adj. | - | - | - | - | - |
| **TOTAL** | **22,760.54** | **3,027.92** | **-** | **-** | **25,788.46** |
| | (19,168.88) | (1,251.90) | - | - | (20,420.78) |
| **Segment Result** | | | | | |
| Operating Profit | 7,928.86 | 1,514.45 | (3,469.33) | (1,618.74) | 4,355.25 |
| | (6,507.91) | (531.83) | (3,304.91) | (2,122.40) | 1,612.43 |
| Other Income | - | - | - | - | 104.34 |
| | - | - | - | - | 190.25 |
| Interest Expense | - | - | - | - | 1,174.34 |
| | - | - | - | - | 888.50 |
| Exceptional items | - | - | - | - | - |
| Income Tax -Current Tax | - | - | - | - | 664.28 |
| | - | - | - | - | 171.60 |
| Previous Current Tax | - | - | - | - | (13.17) |
| | - | - | - | - | (0.87) |
| Deferred Tax | - | - | - | - | 191.34 |
| | - | - | - | - | (522.06) |
| MAT Credit entitlement | - | - | - | - | (641.16) |
| | - | - | - | - | (170.73) |
| **Net Profit** | **-** | **-** | **-** | **-** | **3,083.95** |
| | - | - | - | - | 1,436.24 |
| **Segment Assets** | **20,363.99** | **3,823.00** | **4,176.51** | **5,048.98** | **33,412.47** |
| | (17,446.83) | (3,681.82) | (3,988.33) | (3,381.75) | (28,498.72) |

| Particulars | Manufacturing (CRAMS) | Services (DDDSS) | Research and Development | Un allocated | Total |
|---|---|---|---|---|---|
| **Segment Liabilities** | **7,540.70** | **769.47** | **1,763.87** | **1,474.11** | **11,548.16** |
| | (6,780.97) | (385.66) | (1,770.05) | (1,307.45) | (10,244.12) |
| Capital Expenditure | 3,842.09 | - | 114.08 | - | 3,956.17 |
| | (265.81) | (3,385.72) | (63.28) | - | (3,714.81) |
| Depreciation | 691.10 | 47.81 | 259.94 | 47.81 | 1,046.65 |
| | (498.08) | (50.85) | (254.74) | (50.85) | (854.53) |

**C) Geographical Information**

(₹ in lacs)

| Country | Revenue | | Location of Assets | | Additions to Fixed Assets | |
|---|---|---|---|---|---|---|
| | Year Ended 31.03.2013 | Year Ended 31.03.2012 | Year Ended 31.03.2013 | Year Ended 31.03.2012 | Year Ended 31.03.2013 | Year Ended 31.03.2012 |
| IINDIA | 2,906.83 | 1,036.74 | 23,808.43 | 19,867.82 | 3,955.31 | 3,911.18 |
| U S A | 7,384.97 | 6,291.27 | 21.81 | 20.95 | 0.86 | 3.63 |
| EUROPE | 10,990.10 | 11,698.14 | | | | |
| OTHERS | 4,506.56 | 1,394.63 | | | | |
| **TOTAL** | **25,788.46** | **20,420.78** | **23,830.24** | **19,888.77** | **3,956.17** | **3,914.81** |

**NOTE 33: RELATED PARTY DISCLOSURES**

List of and relationship with related parties with whom transactions have taken place during the year:

| | | |
|---|---|---|
| Key Managerial Personnel | : | Mr. Venkateswarlu Jasti (Chairman & CEO)<br>Mrs. Sudha Rani Jasti (Whole-time Director) |
| Relative of key managerial persons | : | Ms. Kalyani Jasti (Daughter of Mr.Venkateswarlu Jasti) |

(₹ in lacs)

| Particulars | Key Managerial Personnel | Relative of Key Managerial Personnel | Total |
|---|---|---|---|
| Remuneration | 200.83 | 78.20 | 279.03 |
| | (94.75) | (66.43) | (161.18) |
| Finance | - | - | - |
| | (180.00) | - | (180.00) |
| Balance outstanding | - | - | - |
| | (180.00) | - | (180.00) |

Note: Figures in bracket relates to previous year

**NOTE 34: OTHERS**

**34. 1) Value of Imports on CIF basis**

(₹ in lacs)

| | Particulars | Year Ended 31st March 2013 | Year Ended 31st March 2012 |
|---|---|---|---|
| a) | Raw Materials | 3,221.04 | 3,099.14 |
| b) | Components and Spare Parts | 372.18 | 271.04 |

**34. 2) Expenditure in Foreign Currency**

(₹ in lacs)

| Particulars | Year Ended 31st March 2013 | Year Ended 31st March 2012 |
|---|---|---|
| Travel | 46.21 | 42.30 |
| Dividend | 12.62 | 10.89 |
| Sales Commission | 155.65 | 52.45 |
| Foreign Branch Expenses | 416.29 | 380.85 |
| Research & Development Expenses | 623.75 | 444.11 |
| **TOTAL** | **1,254.52** | 930.60 |

**34. 3) Value of Imported and indigenous Raw Materials, Stores and Spares consumed and percentage of each to total consumption.**

| Particulars | | Year Ended 31st March 2013 | | Year Ended 31st March 2012 | |
|---|---|---|---|---|---|
| | | **Value ₹ In Lacs** | **% to Total** | **Value ₹ In Lacs** | **% to Total** |
| **a) Raw Materials** | | | | | |
| **i)** | Imported | 3,349.32 | 38.55 | 2,696.43 | 33.40 |
| ii) | Indigenous | 5,339.01 | 61.45 | 5,377.65 | 66.60 |
| **TOTAL** | | **8,688.33** | **100.00** | **8,074.08** | **100.00** |
| **b) Stores and Spares** | | | | | |
| **i)** | Imported | 8.05 | 15.28 | 5.45 | 13.26 |
| ii) | Indigenous | 44.61 | 84.72 | 35.65 | 86.74 |
| **TOTAL** | | **52.66** | **100.00** | **41.10** | **100.00** |

**34. 4) Dividend remittances in foreign currency**

| Year of Remittance | On Account of Financial Year | No. of Non-Resident Shareholders | No. of Shares held | Amount of Dividend |
|---|---|---|---|---|
| 2012/2013 | 2011/2012 | 7 | 4,207,900 | 12.62 |
| 2011/2012 | 2010/2011 | 9 | 4,357,900 | 10.89 |

**34. 5) Earnings in Foreign Currency**

(₹ in lacs)

| Particulars | Year Ended 31st March 2013 | Year Ended 31st March 2012 |
|---|---|---|
| FOB Value of Exports | 21,800 | 18,178 |

**NOTE 35:**

M/s. Suven Nishtaa Pharma Pvt. Ltd., wholly owned subsidiary was merged with the company on 01.01.2012. Accordingly previous year figures includes combined operations for three months and hence previous year figures are not comparable.

**NOTE 36:**

Previous year figures have been regrouped and reclassified wherever considered necessary to conform to this year's classifications.

**Independent Auditor's Report**

To the Members of
**M/s. Suven Life Sciences Limited**

We have audited the attached Balance sheet of M/s. Suven Life Sciences Limited ('the Company') as at 31st March, 2012, the statement of Profit & Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the 'Order') issued by the Central Government Of India, in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.

3. Further to our comments in the Annexure referred to in paragraph 2 above, we report that
   a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   b) In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of the books of the company;
   c) The Balance Sheet, the statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   d) In our opinion, the Balance Sheet, the statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
   e) On the basis of the written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
   f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and Notes hereto, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
      i.) in the case of the Balance Sheet, of the state of affairs of the company as on 31st March, 2012;
      ii.) in the case of the statement of Profit and Loss, of the Profit of the Company for the year ended on that date; and
      iii.) in the case of Cash Flow Statement, of the cash flows for the year ended on that date

For KARVY & CO.
*Chartered Accountants*
Firm's registration number: 01757S

K. AJAY KUMAR
*Partner*
(M. No. 021989)
Place: Hyderabad
Date: 14th August, 2012

**The Annexure to the Auditor's Report**
**Referred to in Paragraph 2 of Our Report**

iii. In respect of its fixed assets:

d) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
e) As explained to us, the management has physically verified all the fixed assets during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such physical verification.
f) In our opinion, fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.

iv. In respect of its inventories:

a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical inventory and book records were not material.

v. a) According to the information and explanations given to us, during the year the Company has not granted any loans to companies covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (a) to (iii) (d) of the paragraph 4 of the Order are not applicable.

e) According to the information and explanations given to us, the Company has taken an unsecured loan from the party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year is ₹680.00 lacs and the yearend balance is ₹180.00 lacs.
f) In our opinion and according to the information and explanation given to us, the said loan is interest free loan and other terms and conditions are prima facie not prejudicial to the interest of the company.
g) According to the information and explanations given to us, the said loan is repayable on demand and there is no repayment schedule.

vi. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.

vii. In respect of the contracts or arrangements entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanation given to us:
a) The particulars of the contracts or arrangements referred to in Section 301 that need to be entered in the register maintained under the said section have been so entered.
b) In our opinion, and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

viii. According to the information and explanations given to us, the Company has not accepted deposits from the public within the meaning of Section 58A and Section 58AA of the Companies Act, 1956 and the rules framed there under.

ix. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.

x. We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of Bulk Drugs, pursuant to Rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.

xi. In respect of statutory dues:

a) According to the records of the company and information and explanations given to us, the company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other statutory dues to the extent applicable with the appropriate authorities during the year. According to the information and explanations given to us, no undisputed amounts payable in respect of the above are in arrears as at the year end for a period of more than six months from the date on which they become payable.

b) According to the information and explanation given to us, there are no amounts in respect of Income tax, Sales Tax, Customs Duty, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of any disputes.

xii. The Company does not have any accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.

xiii. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in the repayment of dues to Financial Institutions and Banks. The company did not have any outstanding debentures during the year.

xiv. In our opinion and according to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xv. In our opinion, the Company is not a Chit fund or a Nidhi/ Mutual Benefit fund/ Society. Therefore, the provisions of clause 4 (xiii) of the Order are not applicable to the company.

xvi. The Company has not dealt or traded in shares, securities, debentures and other investments. Accordingly, clause 4 (xiv) of the Order are not applicable to the company.

xvii. In our opinion and as per the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly the provisions of clause (xv) of paragraph 4 of the companies (Auditor's report) order, 2003 are not applicable to the company.

xviii. In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which the loans were raised.

xix. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that there are no funds raised on short-term basis that have been used for long term investment.

xx. The Company has not made any preferential allotment to parties and companies covered under register maintained under section 301 of the Companies Act, 1956.

xxi. The Company during the year has not issued any debentures. Accordingly, clause 4 (xix) of the Order are not applicable to the company.

xxii. The Company has not raised any money by public issues during the year.

xxiii. According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For KARVY & CO.
*Chartered Accountants*
Firm's registration number: 01757S
K. AJAY KUMAR
*Partner*
(M. No. 021989)

Place: Hyderabad
Date: 14th August, 2012

**Balance Sheet As at 31st March, 2012**

(₹ in lacs)

| Particulars | Note | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Shareholder's Fund** | | | |
| Share Capital | 2 | 1,167.32 | 1,167.32 |
| Reserves & Surplus | 3 | 11,584.83 | 11,506.42 |
| **Non-Current Liabilities** | | | |
| Long-term borrowings | 4 | 5,502.45 | 3,493.90 |
| Long term provisions | 5 | 178.35 | 104.08 |
| **Current Liabilities** | | | |
| Short-term borrowings | 6 | 2,285.40 | 2,368.41 |
| Trade payables | 7 | 2,454.11 | 1,892.45 |
| Other current liabilities | 8 | 4,077.77 | 1,233.02 |
| Short - term provisions | 9 | 1,248.50 | 597.79 |
| **TOTAL** | | **28,498.72** | **22,363.38** |
| **ASSETS** | | | |
| **Non - Current Assets** | | | |
| **Fixed Assets** | | | |
| i) Tangible assets | 10 | 13,244.35 | 10567.78 |
| ii) Capital work-in-progress | | 2,735.65 | 335.62 |
| Non -Current Investments | 11 | 5.1 | 1,073.61 |
| Deferred Tax Asset (Net) | 12 | 1,760.96 | 766.58 |
| Long term loans and advances | 13 | 272.82 | 172.38 |
| **Current Assets** | | | |
| Current Investments | 14 | 447.33 | 965.42 |
| Inventories | 15 | 4,650.17 | 3,336.56 |
| Trade Receivables | 16 | 2,523.93 | 3,137.38 |
| Cash and Bank balances | 17 | 316.86 | 294.63 |
| Short - term loans and advances | 18 | 2,528.88 | 1,703.67 |
| Other current assets | 19 | 12.68 | 9.75 |
| **TOTAL** | | **28,498.72** | **22,363.38** |
| Summary of significant accounting policies | 1 | | |

**Statement of Profit and Loss for the year ended 31st March 2012**

(₹ in lacs)

| Particulars | Note | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from Operations (Gross) | 20 | 20,465.77 | 15,104.23 |
| Less: Excise Duty | | (44.98) | (60.84) |
| Revenue from Operations (Net) | | 20,420.78 | 15,043.39 |
| Other Income | 21 | 190.25 | 125.75 |
| **TOTAL** | | **20,611.03** | **15,169.14** |
| **EXPENSES** | | | |
| Cost of Materials Consumed | 22 | 8,145.56 | 5,549.85 |
| Changes in Inventories of Finished goods, Work-in- progress and Stock- in- trade | 23 | (564.74) | (53.43) |
| Manufacturing Expenses | 24 | 2,667.83 | 2,082.72 |
| Employee benefit expenses | 25 | 2,283.03 | 1,876.83 |
| Research & Development Expenses | 26 | 3,304.91 | 3,114.35 |
| Financial Costs | 27 | 990.93 | 610.52 |
| Depreciation and amortisation expenses | | 599.79 | 544.55 |
| Other expenses | 28 | 2,269.54 | 1,118.29 |
| **TOTAL** | | **19,696.85** | **14,843.69** |
| **Profit before tax** | | 914.18 | 325.44 |
| Tax expenses | | | |
| Current Tax | | 171.60 | 8.36 |
| Previous year tax | | (0.87) | 7.82 |
| Deferred Tax | | (522.06) | (722.32) |
| MAT Credit entitlement | | (170.73) | (8.36) |
| **Profit for the year** | | 1,436.24 | 1,039.95 |
| Basic and Diluted Earnings per share (in ₹) | | 1.23 | 0.89 |
| Summary of significant accounting policies | 1-36 | | |

## Cash flow Statement for the year ended 31st March 2012

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | | For the year ended 31st March 2011 | |
|---|---|---|---|---|
| **A. CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Net Profit before Tax and Extraordinary Items | | 914.18 | | 325.44 |
| Adjustments for : | | | | |
| Depreciation & Amortization | 854.53 | | 790.57 | |
| Interest Income | (14.57) | | (10.82) | |
| Interest on Finance cost | 990.93 | | 610.52 | |
| Profit on sale of Assets | 0.00 | | (6.39) | |
| Loss on sale of Assets | 1.00 | | 0.00 | |
| Dividend Income | (56.49) | | (19.11) | |
| MTM Losses | 348.06 | 2,123.46 | 0.00 | 1,364.78 |
| Operating Profit Before Working Capital Changes | | 3,037.64 | | 1,690.23 |
| Adjustments for : | | | | |
| Trade and Other Receivables | (5.59) | | (356.85) | |
| Inventories | (1,167.03) | | (287.56) | |
| Trade Payables and Other Liabilities | 1,690.31 | | (503.51) | |
| Increase/(Decrease) in Net Current Assets | | 517.69 | | (1,147.92) |
| Cash Generated From Operations | | 3,555.33 | | 542.31 |
| Adjustments for : | | | | |
| Income Tax paid | 204.66 | 204.66 | 18.45 | 18.45 |
| **Net Cash From Operating Activities (A)** | | **3,350.67** | | **523.86** |
| **B. CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Sale/(Purchase) of Investments | (518.14) | | (879.18) | |
| Purchase of Fixed Assets | (2,727.49) | | (403.53) | |
| Sale of Fixed Assets | 0.35 | | 8.10 | |
| Interest Received | 14.14 | | 9.01 | |
| Dividend Received | 56.49 | | 19.11 | |
| **Net Cash Used In Investing Activities (B)** | | **(3,174.65)** | | **(1,246.49)** |
| **C. CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Borrowings (Net) | 1,139.48 | | 1,569.41 | |
| Interest Paid on borrowings | (983.43) | | (610.52) | |
| Issue of capital with Premium | 0.00 | | 168.91 | |
| Dividend Payouts (including Dividend Tax) | (339.21) | | (339.77) | |
| **Net Cash used in financing Activities (C)** | | **(183.16)** | | **788.03** |
| **Net Increase in Cash and Cash Equivalents (A+B+C)** | | **(7.14)** | | **65.40** |
| Cash and Cash Equivalents at the beginning the year | | *183.84 | | 113.67 |
| Cash and Cash Equivalents at the end of the year | | 176.70 | | 179.07 |
| *includes ₹4.77 lacs cash & cash equivalents of Suven Nishtaa Pharma Pvt Ltd | | | | |

## Notes to the Financial Statements

## Note 1: Corporate Information & Significant Accounting Policies

### (a) Corporate Information

Suven Life Sciences, in the business of design, manufacture and supply of Bulk Actives, Drug Intermediates & Fine Chemicals, Drug Discovery and Development Support Services (DDDSS) and Collaborative Research Partnership (CRP) catering to the needs of global Life Science Industry, is committed to provide customers with products fulfilling customer's needs and expectations.

Suven Nishtaa Pharma Pvt. Ltd - 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.

### (b) Basis of Accounting

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the accounting standards notified under section 211(3C) of the Companies Act, 1956 of India (the Act) and the relevant provisions of the Act.

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

### (c) Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported value of assets and liabilities on the date of the financial statements and the reported amount of revenue and expenditure for the year. The difference between the actual results and estimates are recognised in the period in which the results are known / materialized.

### (d) Revenue Recognition

(i) Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of products are transferred to customers.

(ii) Revenue from Collaborative Research Projects, Contract Technical Services, Clinical Trials Services and Process Development Services are recognized on completion of work

(iii) Income from Investments

- (i) The Company recognises Interest on investments on accrual basis.
- (ii) Dividend income on investments is accounted for when the right to receive the payment is established

### (e) Fixed Assets

Fixed assets are stated at cost and as reduced by accumulated depreciation. All costs including financing costs, up to the date of commissioning and attributable to the fixed assets are capitalised. Exchange difference arising on Long Term Foreign currency monetary items relating to acquisition of fixed assets are adjusted to the carrying cost of such assets

### (f) Events Occurring After Balance Sheet Date

Events occurring after the date of balance sheet are considered up to the date of adoption of the accounts, where material and are taken into cognizance.

**(g) Depreciation**

Depreciation on fixed assets is provided on straight-line basis at the rates prescribed in Schedule XIV of the Companies Act, 1956. The company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

**(h) Investments**

Non-current investments are stated at cost and provision for diminution is made if the decline in value is other than temporary in nature.

Investments other than Non-current Investments are stated at cost or market value whichever is lower. Any increase / reduction in the carrying cost is credited / charged to the Profit and Loss account.

**(i) Inventories**

i. Stock of raw materials, Stores, spares and fuel are stated at cost and are valued on FIFO basis.
ii. Work in process is stated at cost.
iii. Finished Goods are valued at the lower of the Cost or net realisable value.

**(j) Research & Development expenses**

i. Revenue expenditure on research and development activities is expensed as and when incurred.
ii. The expenditure on capital assets having alternative use either in R&D activity or otherwise are capitalised and amortized at the rate specified in Schedule XIV of the Companies Act 1956.
iii. Depreciation on R&D assets is included in R&D expenses.

**(k) Foreign Currency Transactions**

i. Transactions denominated in foreign currency are normally recorded at the exchange rate prevailing at the time of the transaction
ii. Any income or expense on account of exchange difference either on settlement or on translation is recognized in the profit and loss account, except exchange difference arising on Long Term Foreign currency monetary items relating to acquisition of fixed assets which are adjusted to the carrying cost of such assets.
iii. In case of Monetary items which are covered by forward exchange contracts, premium or discount on forward exchange contracts are amortised and recognized in the profits and loss account over the period of the contract. Forward Exchange Contracts outstanding at the balance sheet date, are stated at fair value and any gains or losses are recognized in the profit and loss account.
iv. Financial Derivative Contracts :
The realized gain/loss in respect of settled contracts are recognized in the Profit and loss account.

**(l) Retirement benefits to employees**

The company has Defined Contribution Plan for its employees' retirement benefits comprising of Provident Fund and Employees Pension Scheme, 1995. The Company contributes to State Plans namely Employees' State Insurance Scheme.
The Company has Defined Benefit Plan comprising of Gratuity Fund and Leave Encashment. The Company contributes to Gratuity Fund administered by LIC. The liability for the Gratuity Fund and Leave Encashment are determined on the basis of an independent actuarial valuation done at the year end. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense.

**(m) Borrowing cost**

Borrowing Costs that are directly attributable to the acquisition of a fixed asset are capitalised as part of the cost of the asset till the date the asset is ready for commercial use. All other borrowing costs are charged to revenue.

**(n) Income taxes**

The current charge for taxes is calculated in accordance with relevant tax regulations applicable to the company.

The deferred tax for the timing differences between the book and tax profits for the year end is accounted for, using the tax rates and laws that have been substantially enacted as of the balance sheet date.

Deferred tax assets arising from timing differences are recognized and carried forward only if there is reasonable certainty that they will be realized in future and reviewed for the appropriateness of their respective carrying value at each balance sheet date.

**(o) Earnings per share**

The basic earnings per share (EPS) is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

**(p) Impairment of Assets**

If the carrying amount of fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

**(q) Provisions**

Provisions are recognized when the company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of obligation.

**(r) Segmental information - Basis of preparation**

i. Segment Revenue and Expenses

Revenues and expenses are allocated on a reasonable basis to segments being common manufacturing facilities and sales force.

ii. Segment Assets and Liabilities

Segment assets and liabilities which can be identified to a segment are allocated to the respective segment. The fixed assets and net current assets are not identifiable for particular segment except R & D segment, because these assets can be used interchangeable among the segments. Hence the management feels that the assets cannot be segregated to particular segment and to disclose these under unallocated assets.

**(s) Employee Stock Option Schemes**

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of shares, at the date of grant of options under the Employee stock option schemes, over the exercise price is treated as employee compensation and amortized on a straight-line basis over the vesting period.

**(t) Cash and Cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less

**(u) Amalgamation**

The amalgamation has been accounted for under the "Pooling of Interest Method" as prescribed by Accounting Standard (AS-14) "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India.

**NOTE 2: SHARE CAPITAL**

| Particulars | As at 31st March 2012 (No. of Shares) | As at 31st March 2012 (₹ in lacs) | As at 31st March 2011 (No. of Shares) | As at 31st March 2011 (₹ in lacs) |
|---|---|---|---|---|
| Authorised share capital | | | | |
| Equity Shares of ₹1/- each | 400,000,000 | 4,000.00 | 200,000,000 | 2,000.00 |
| Issued, Subscribed and Paid up | | | | |
| Equity Shares of ₹1/- each | 116,731,988 | 1,167.32 | 116,731,988 | 1,167.32 |
| **2.1 Reconciliation of number of Shares outstanding** | | | | |
| As at beginning of the year | 116,731,988 | 1,167.32 | 115,874,400 | 1,158.74 |
| Add: Issue of shares on exercise of options | - | - | 857,588 | 8.58 |
| As at end of the year | 116,731,988 | 1,167.32 | 116,731,988 | 1,167.32 |

**2.2 Shareholders holding more than 5% of the Shares in the Company**

| Particulars | As at 31st March 2012 (No. of Shares) | As at 31st March 2012 (%) | As at 31st March 2011 (No. of Shares) | As at 31st March 2011 (%) |
|---|---|---|---|---|
| Mr. Venkateswarlu Jasti | 22,420,940 | 19.21 | 22,420,940 | 19.21 |
| Mrs. Sudha Rani Jasti | 20,256,312 | 17.35 | 20,226,512 | 17.33 |
| Mrs. Sirisha Jasti | 10,268,000 | 8.80 | 10,218,000 | 8.75 |
| Mrs. Madhavi Jasti | 10,550,000 | 9.04 | 10,500,000 | 8.99 |
| Ms. Kalyani Jasti | 10,550,000 | 9.04 | 10,500,000 | 8.99 |

**2.3 Shares allotted as fully paid up by way of Bonus Shares for the Period of five years immediately preceding 31st March, 2012;**

The Company allotted 5,76,33,250 Equity Shares as fully paid-up Bonus Shares by utilization of Securities Premium in April 2007 except this no shares have been allotted by way of bonus during the preceding period of the five years.

**2.4 Rights, preferences and restrictions attached to the Ordinary Shares**

The Shares of the Company, having par value of ₹1.00 per share, rank pari passu in all respects including voting rights and entitlement to dividend.

**2.5 Shares reserved for issue under Options**

| Particulars | As at 31st March 2012 (No. of Shares) | As at 31st March 2012 (₹ in lacs) | As at 31st March 2011 (No. of Shares) | As at 31st March 2011 (₹ in lacs) |
|---|---|---|---|---|
| Equity Shares of ₹1.00 each | 1,806,060 | 461.54 | 1,735,812 | 443.59 |

**Terms and Conditions of Options Granted**

Each Option entitles the holder thereof to apply for and be allotted one Equity Shares of the Company of ₹1.00 each upon payment of the exercise price during the exercise period. The exercise period commences from the date of vesting of the Options and expires at the end of three years from the date of vesting in respect of Options granted under the Suven Employee Stock Option Scheme -2004

The vesting period for conversion of Options is as follows:
On completion of 24 months from the date of grant of the Options: 25% vests
On completion of 36 months from the date of grant of the Options: 35% vests
On completion of 48 months from the date of grant of the Options: 40% vests

The Options have been granted at the 'market price' as defined from time to time under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

**NOTE 3: RESERVES & SURPLUS**

(₹ in lacs)

| **Particulars** | **As at 31st March 2012** | | **As at 31st March 2011** | |
|---|---|---|---|---|
| General Reserve | | | | |
| Opening Balance | 5,149.71 | | 5,039.71 | |
| Add: Additions during the year | 150 | | 110 | |
| Less: P&L Debit balance upto 31.12.2011 (Suven Nishtaa Pharma Pvt. Ltd.) | (1,423.10) | | | |
| | | 3,876.61 | | 5,149.71 |
| Securities Premium Account | 4,003.10 | | 3,842.76 | |
| Add: Additions during the year | - | | 160.33 | |
| | | 4,003.10 | | 4,003.09 |
| Surplus in statement of Profit & Loss | | | | |
| Opening Balance | 2,353.62 | | 1,764.81 | |
| Add: Profit for the year | 1,583.38 | | 1,039.95 | |
| Add: Transferred from Suven Nishtaa Pharma Pvt. Ltd on account of amalgamation | (147.14) | | - | |
| Add: Deferred tax asset on account of amalgamation of Suven Nishtaa Pharma Pvt. Ltd. | 472.31 | | - | |
| | 4,262.17 | | 2,804.76 | |
| Less: Appropriations | | | | |
| Transfer to General Reserve | 150 | | 110 | |
| Proposed Dividend (Re 0.30 (2011 - Re 0.25) per share) | 350.2 | | 291.83 | |
| Earlier year's Dividend for 2010-11& 2009-10 | 0.03 | | 1.69 | |
| Income tax on Proposed Dividend | - | | - | |
| Current Year | 56.81 | | 47.34 | |
| Earlier year's Provision for 2010-11& 2009-10 | 0.01 | | 0.28 | |
| At the end of the year | | 3,705.12 | | 2,353.62 |
| TOTAL | | 11,584.83 | | 11,506.42 |

**NOTE 4: LONG-TERM BORROWINGS**

(₹ in lacs)

| **Particulars** | **As at 31st March 2012** | **As at 31st March 2011** |
|---|---|---|
| **A) Secured** | | |
| **Term Loans from Banks:** | | |
| **Corporate Loan From State Bank of India** | 1,322.20 | 198.64 |
| Secured by first and pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | | |
| **Corporate Loan From State Bank of Patiala** | 1,195.31 | 1,795.30 |
| Secured by first and Pari-passu charge on Land, Buildings, Plant & Machinery and Second charge on stocks, receivables and other current assets. | | |
| **Corporate Loan From Bank of India** | 2,329.35 | 1,499.96 |
| Secured by first and Pari-passu charge on Land, Buildings, Plant & | | |

| **Particulars** | **As at 31st March 2012** | **As at 31st March 2011** |
|---|---|---|
| Machinery and Second charge on stocks, receivables and other current assets. | | |
| **B) Unsecured** | | |
| **Term Loan from others:** | | |
| Loan from Department of Science and Technology | 655.60 | - |
| **TOTAL** | **5,502.45** | **3,493.90** |
| The schedule maturity of the Long-term borrowings is summarized as under: | | |
| **Borrowings Repayable** | **Term Loan** | **Term Loan** |
| In the first year | 1,993.04 | 713.37 |
| **Current maturities of the long term borrowings (Refer Note 8)** | **1,993.04** | **713.37** |
| In the second year | 2,098.40 | 1,468.64 |
| In the third to fifth year | 2,842.85 | 2,025.26 |
| After five year | 561.20 | - |
| **Long-term Borrowings** | **5,502.45** | **3,493.90** |

**NOTE 5: LONG - TERM PROVISIONS**

(₹ in lacs)

| **Particulars** | **As at 31st March 2012** | **As at 31st March 2011** |
|---|---|---|
| For Gratuity | 72.72 | 25.84 |
| For Leave encashment | 105.63 | 78.24 |
| **TOTAL** | **178.35** | **104.08** |

**NOTE 6: SHORT - TERM BORROWINGS**

(₹ in lacs)

| **Particulars** | **As at 31st March 2012** | **As at 31st March 2011** |
|---|---|---|
| **A. From Banks** | | |
| **Secured Loan** | | |
| **Working Capital Loans from S.B.I** | 2,105.40 | 2,208.41 |
| Secured by first charge on Raw Materials, Stock in Process, Finished Goods, Receivables and Book Debts and second charge on Land, Buildings and Plant & Machinery. | | |
| **B. Loan and advances from related parties (Unsecured)** | 180.00 | 160.00 |
| **TOTAL** | **2,285.40** | **2,368.41** |

**NOTE 7: TRADE PAYABLES**

(₹ in lacs)

| **Particulars** | **As at 31st March 2012** | **As at 31st March 2011** |
|---|---|---|
| Micro and Small Enterprises | - | - |
| Others | 2,454.11 | 1,892.45 |
| **TOTAL** | **2,454.11** | **1,892.45** |

**NOTE 8: OTHER CURRENT LIABILITIES**

(₹ in lacs)

| **Particulars** | **As at 31st March 2012** | **As at 31st March 2011** |
|---|---|---|
| a. Current maturities of long-term borrowings (Refer note 4) | 1,993.04 | 713.37 |
| b. Interest accrued but not due | 7.50 | - |
| c. Unclaimed Dividend | 17.10 | 14.90 |
| d. Other Payables | | |
| Advance Received from Customers | 837.62 | 14.71 |
| Liabilities for Expenses | 761.72 | 424.65 |
| Liabilities for statutory dues | 84.36 | 59.78 |
| Liabilities for Capital Works | 376.42 | 5.61 |
| **TOTAL** | **4,077.77** | **1,233.02** |

**NOTE 9: SHORT - TERM PROVISIONS**

(₹ in lacs)

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| For Taxation | 170.73 | 16.18 |
| For Dividend | 350.20 | 291.83 |
| For Corporate Dividend Tax | 56.81 | 47.34 |
| For Gratuity | 241.62 | 178.61 |
| For Leave encashment | 81.07 | 63.83 |
| For MTM Losses | 348.06 | - |
| **TOTAL** | **1,248.50** | **597.79** |

## NOTE 10: FIXED ASSET

(₹ in lacs)

| Particulars | GROSS BLOCK | | | | | DEPRECIATION | | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **AS ON 31/3/2011** | **Additions** | **Amalgamated asset as on 1/1/2012** | **Sub Total** | **Deductions** | **AS ON 3/31/2012** | **UPTO 1/0/1900** | **Amalgamated assets 1/1/2012** | **For the year** | **Deductions** | **UPTO 3/31/2012** | **AS ON 3/31/2012** | **AS ON 1/0/1900** |
| **Tangible assets** | | | | | | | | | | | | | |
| Land - Freehold | 315.85 | 0.78 | 143.76 | 316.63 | - | 460.39 | - | | - | - | - | 460.39 | 315.85 |
| Buildings | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Owned - Office at factory | 44.78 | - | - | 44.78 | - | 44.78 | 10.64 | - | 0.73 | - | 11.37 | 33.41 | 34.14 |
| Owned - factory | 1,903.28 | 25.00 | 1,248.24 | 1,928.28 | - | 3,176.52 | 379.59 | 114.76 | 74.14 | - | 568.49 | 2,608.03 | 1,523.69 |
| Plant and Equipment | 7,066.36 | 200.87 | 1,243.24 | 7,267.23 | - | 8,510.47 | 2,975.47 | 120.96 | 391.18 | - | 3,487.60 | 5,022.87 | 4,090.89 |
| Furniture and Fixtures | 193.67 | 1.46 | 238.55 | 195.14 | - | 433.68 | 100.58 | 48.67 | 16.10 | - | 165.36 | 268.33 | 93.09 |
| Vehicles | 154.31 | 0.58 | - | 154.89 | 2.88 | 152.01 | 76.27 | - | 14.61 | 1.52 | 89.36 | 62.65 | 78.04 |
| Office equipment | 87.74 | 1.20 | 2.34 | 88.94 | - | 91.29 | 38.60 | 0.36 | 4.25 | - | 43.21 | 48.07 | 49.14 |
| Laboratory equipment | 379.93 | 4.53 | 628.42 | 384.46 | - | 1,012.88 | 124.57 | 57.31 | 25.59 | - | 207.47 | 805.41 | 255.36 |
| E.T.P Works | 134.00 | - | 6.35 | 134.00 | - | 140.35 | 95.30 | 0.91 | 7.18 | - | 103.38 | 36.97 | 38.70 |
| Misc Fixed assets | 4.62 | - | - | 4.62 | - | 4.62 | 3.82 | - | 0.22 | - | 4.04 | 0.58 | 0.80 |
| EDP- Equipments | 367.00 | 31.39 | 74.82 | 398.39 | - | 473.21 | 319.52 | 39.39 | 65.79 | - | 424.70 | 48.51 | 47.48 |
| **Sub total** | **10,651.55** | **265.81** | **3,585.72** | **10,917.36** | **2.88** | **14,500.21** | **4,124.36** | **382.37** | ***599.79** | **1.52** | **5,104.99** | **9,395.22** | **6,527.19** |
| R & D Equipments | 5,325.28 | 63.28 | - | 5388.57 | - | 5388.57 | 1,284.70 | - | 254.74 | - | 1,539.44 | 3,849.13 | 4,040.59 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total Tangible assets** | **15,976.83** | **329.10** | **3,585.72** | **16,305.93** | **2.88** | **19,888.77** | **5,409.06** | **382.37** | **854.53** | **1.52** | **6,644.43** | **13,244.35** | **10,567.78** |
| **Previous year** | **15,579.09** | **403.98** | **-** | **-** | **6.23** | **15,976.83** | **4,623.00** | **-** | **790.58** | **4.52** | **5,409.06** | **10,567.78** | |

*Note: Capital work in progress for the year 2011 – 12 ₹ 2735.65 lacs (previous year ₹ 335.62 lacs)*
*Depreciation on R & D Equipment of Rs.2,54.74 lacs has been added to R & D Expenses (Previous Year Rs.2,46.02 lacs)*
*Amalgamated assets pertains to M/s. Suven Nishtaa Pharma Private Limited*
**Depreciation for the year includes depreciation on account of amalgamation for the period of three months.*

## NOTE 11: NON - CURRENT INVESTMENTS

(₹ in lacs)

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| **A. Trade Investments - Unquoted** | | |
| **Investment in Equity shares of Subsidiary Company:** | - | 600.00 |
| **Share Application** | | |
| In Suven Nishtaa Pharma Pvt. Ltd. | - | 468.46 |
| **B. Other Investments** | | |
| **a) Investment In Equity shares:** | | |
| 100 Equity Shares of ₹ 20/- each in G.S.F.C.Limited | 0.02 | 0.02 |
| **b) Investment in Mutual Funds:** | | |
| SBI Infrastructure fund | 5.00 | 5.00 |
| 50000 units of ₹10/- each (Previous year 50000 units) | | |
| **c) Investment In National Savings Certificates** | 0.08 | 0.13 |
| **TOTAL** | **5.10** | **1,073.61** |
| **Aggregate value of Investments :** | | |
| Quoted: | | |
| Book Value | 5.00 | 5.00 |
| Market Value | 3.91 | 4.69 |
| Un-quoted : | | |
| Book Value | 0.10 | 1,068.61 |

## NOTE 12: DEFERRED TAX LIABILITIES / DEFERRED TAX ASSETS

(₹ in lacs)

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| **Deferred Tax Liabilities** | | |
| Depreciation | 2,522.31 | 2,319.20 |
| **Total** | **2,522.31** | **2,319.20** |
| **Deferred Tax Assets** | | |
| Unabsorbed Losses | 4,184.22 | 3,036.87 |
| Provision for Gratuity and Leave Encashment | 93.7 | 43.56 |
| Disallowance under IT Act | 5.35 | 5.35 |
| **Total** | **4,283.27** | **3,085.78** |
| Net Deferred Tax Liability / (Asset) | (1,760.96) | (766.58) |

## NOTE 13: LONG TERM LOANS AND ADVANCES

(₹ in lacs)

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| **(Unsecured, considered good, advances recoverable in cash or in kind or for value to be received)** | | |
| Capital Advances | 85.26 | 3.95 |
| Security Deposits | 187.56 | 168.43 |
| **TOTAL** | **272.82** | **172.38** |

## NOTE 14: CURRENT INVESTMENTS

(₹ in lacs)

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| **Investment in Mutual Funds:** | | |
| SBI Premier Liquid Fund | 447.33 | 965.42 |
| 44588.4611 units of ₹1003.25/- each (Previous year 9622923.1207) | | |
| **TOTAL** | **447.33** | **965.42** |

## NOTE 15: INVENTORIES

(₹ in lacs)

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| (As valued and certified by the Management) | | |
| Raw Materials | 1,488.45 | 944.92 |
| Work-in- Process | 1,779.38 | 1,211.06 |
| Finished Goods | 1,118.08 | 1,003.43 |
| Stores and Spares | 264.26 | 177.15 |
| **TOTAL** | **4,650.17** | **3,336.56** |

## NOTE 16: TRADE RECEIVABLES

(₹ in lacs)

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| **Unsecured, considered good** | | |
| Outstanding for a period exceeding six months | 36.11 | 34.99 |
| Others | 2,487.81 | 3,102.40 |
| **TOTAL** | **2,523.93** | **3,137.38** |

## NOTE 17: CASH AND BANK BALANCES

(₹ in lacs)

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| **Cash and Cash Equivalents** | | |
| In Current Accounts | 172.09 | 177.39 |
| Cash on hand | 4.61 | 1.68 |
| | **176.70** | **179.07** |
| Other bank balances | | |
| Earmarked balances with banks | 140.16 | 115.56 |
| | **140.16** | **115.56** |
| **TOTAL** | **316.86** | **294.63** |

## NOTE 18: SHORT - TERM LOANS AND ADVANCES

(₹ in lacs)

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| Unsecured, considered good | | |
| Advances for Purchases | 87.33 | 96.08 |
| Advances for Expenses | 138.09 | 182.20 |
| Prepaid expenses | 89.01 | 75.36 |
| VAT Credit Receivable | 479.11 | 380.80 |
| CENVAT Credit Receivable | 538 | 299.86 |
| Service Tax Credit Receivable | 291.66 | 177.83 |
| MAT Credit Entitlement | 552.79 | 382.06 |
| Advance Tax and TDS (Net of Provision for Tax) | 316.32 | 51.20 |
| Other Advances | 36.57 | 58.29 |
| **TOTAL** | **2,528.88** | **1,703.67** |

## NOTE 19: OTHER CURRENT ASSETS

(₹ in lacs)

| Particulars | As at 31st March 2012 | As at 31st March 2011 |
|---|---|---|
| Interest Accrued | 12.68 | 9.75 |
| **TOTAL** | **12.68** | **9.75** |

### NOTE 20: REVENUE FROM OPERATIONS

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| A. Sale of Products | 19,213.86 | 12,682.72 |
| B. Sale of Services | 1,251.90 | 2,421.51 |
| **TOTAL** | **20,465.77** | **15,104.23** |
| A) Sale of Products | | |
| a) Bulk Drugs | 814.59 | 1,202.26 |
| b) Intermediates | 18,382.79 | 11,464.36 |
| c) Recoveries | 16.48 | 8.60 |
| d) Job works | 0.00 | 7.50 |
| **TOTAL** | **19,213.86** | **12,682.72** |
| B) Sale of Services | | |
| a) Collaborative Research Project | 0.00 | 1,099.81 |
| b) Contract Technical Services | 372.07 | 452.33 |
| c) Clinical Trials Services | 200.59 | 121.86 |
| d) Process Development Charges | 641.19 | 747.51 |
| e) Formulation Development Charges | 38.05 | 0.00 |
| **TOTAL** | **1,251.90** | **2,421.51** |
| **TOTAL (A+B)** | **20,465.77** | **15,104.23** |

### NOTE 21: OTHER INCOME

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| Interest from bank deposit (Gross) | 14.57 | 10.82 |
| (Tax Deducted at Source ₹1.51 lacs (Previous year ₹1.10 lacs) | | |
| Dividend Income from Mutual Funds | 56.49 | 19.11 |
| Gain on forward contracts | - | 46.33 |
| Foreign Exchange Fluctuations Gain (Net) | 75.55 | 14.61 |
| Miscellaneous Receipts | 43.64 | 28.50 |
| Profit on sale of assets | - | 6.39 |
| **TOTAL** | **190.25** | **125.75** |

### NOTE 22: COST OF MATERIALS CONSUMED

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| 1) Raw Materials | | |
| Opening Stock | 944.92 | 709.71 |
| Purchases | 8,589.25 | 5,728.65 |
| Less: Closing Stock | 1,460.09 | 944.92 |
| **Total (A)** | **8,074.08** | **5,493.44** |
| 2) Packing Materials | | |
| Opening Stock | 11.95 | 10.62 |
| Purchases | 76.95 | 57.74 |
| Less: Closing Stock | 17.42 | 11.95 |
| **Total (B)** | **71.49** | **56.41** |
| **TOTAL (A+B )** | **8,145.56** | **5,549.85** |

### Details of Major Raw Material consumed

| Particulars | | For the year ended 31st March 2012 | | For the year ended 31st March 2011 | |
|---|---|---|---|---|---|
| | | Quantity MT. | Value ₹ in lacs | Quantity MT. | Value ₹ in lacs |
| a) | 2-Amino-5-chloro-2-Flurobenzophenone | 8.25 | 174.13 | 10.25 | 210.90 |
| b) | Caustic Soda Lye | 2,395.42 | 294.64 | 2,358.09 | 201.59 |
| c) | 3- Isochromanone | 249.90 | 2,536.17 | 184.60 | 1,823.05 |
| d) | Methanol | 2946 | 723.55 | 1,652.88 | 323.93 |
| e) | Chloro Acetaldehyde Dim ethyl Acetal | 23.54 | 111.75 | 36.46 | 164.54 |
| f) | Others | - | 4,233.84 | - | 2,769.43 |
| | **TOTAL** | | **8,074.08** | | **5,493.44** |

### NOTE 23: CHANGES IN INVENTORIES OF FINISHED GOODS, WORK- IN- PROGRESS AND STOCK- IN- TRADE

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| Opening Stock : | | |
| Work - in – Progress | 1,329.29 | 950.35 |
| Finished Goods | 1,003.43 | 1,210.71 |
| **Total (A)** | **2,332.72** | **2,161.06** |
| Closing Stock : | | |
| Work - in – Progress | 1,779.38 | 1,211.06 |
| Finished Goods | 1,118.08 | 1,003.43 |
| **Total (B)** | **2,897.46** | **2,214.49** |
| **Increase/(Decrease) in Stocks C= (B)-(A)** | **564.74** | **53.43** |

| Break-up of Stocks - Finished Goods | Quantity MT. | Value ₹ in lacs | Quantity MT. | Value ₹ in lacs |
|---|---|---|---|---|
| a) Bulk Drugs | 6.199 | 89.01 | 1.324 | 31.08 |
| b) Intermediates | 86.999 | 1029.07 | 73.841 | 972.35 |
| **TOTAL** | **93.198** | **1,118.08** | **75.165** | **1,003.43** |

### NOTE 24: MANUFACTURING EXPENSES

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| Power & Fuel | 1,404.40 | 1,066.40 |
| Consumable Stores | 41.10 | 32.66 |
| Factory Upkeep Expenses | 415.50 | 352.46 |
| Environment Management Expenses | 198.15 | 125.28 |
| Safety Expenses | 37.75 | 36.54 |
| Quality Control Expenses | 126.46 | 135.96 |
| Repairs & Maintenance : | | |
| Buildings | 11.26 | 5.04 |
| Plant & Machinery | 433.22 | 328.39 |
| **TOTAL** | **2,667.83** | **2,082.72** |

### NOTE 25: EMPLOYEE BENEFIT EXPENSES

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| Salaries, Wages & Bonus | 1,711.65 | 1,436.51 |

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| Staff Welfare Expenses | 235.79 | 155.99 |
| Contribution to PF & Other Funds | 335.60 | 284.33 |
| **TOTAL** | **2,283.03** | **1,876.83** |

In accordance with Accounting Standard 15 "Employees Benefits", the Company has classified various benefits provided to employees as under:

### IV. Defined Contribution Plans and respective Contributions

(₹ in lacs)

| Particulars | Employers contribution debited to P&L A/c | |
|---|---|---|
| | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
| a. Provident Fund | 132.12 | 111.71 |
| b. State Defined Contribution Plans | | |
| i. Employees' State Insurance | 16.69 | 17.56 |
| ii. Employees' Pension Scheme, 1995 | 37.65 | 36.64 |

### V. Defined Benefit Plans

**b) Disclosure relating to Employee benefits – As per AS 15 (Revised) For defined benefit plan – Gratuity (Projected Unit Credit Method)**

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| **A. Change in present value of obligation** | | |
| Present value of obligation at the beginning of the year | 349.86 | 221.40 |
| Current Service cost | 31.49 | 9.38 |
| Interest cost | 27.99 | 17.71 |
| Benefits paid | (0.09) | (3.36) |
| Net Actuarial ( Gain ) / Loss Recognized during the year | 72.97 | 86.86 |
| Present value of obligation at the end of the year | 482.22 | 331.99 |
| **B. Changes in the Fair Value of Plan Assets** | | |
| Present Value of Plan Assets at the beginning of the year | 127.54 | 93.48 |
| Expected Return on Plan Assets | 11.80 | 8.74 |
| Actuarial Gain/(Loss) | 0.00 | 0.00 |
| Contributions | 28.63 | 25.36 |
| Benefits Paid | (0.09) | (0.45) |
| Fair Value of Plan Assets at the end of the year | 167.88 | 127.54 |
| **C. Net (Asset)/Liability recognized in the Balance Sheet** | | |
| Present value of obligation at the end of the year | 204.45 | 127.92 |
| Fair value of Plan Assets at the end of the year | 109.89 | 76.53 |
| Funded status (surplus)/deficit | 314.34 | 204.45 |
| Net (Asset)/Liability recognized in the Balance Sheet | 314.34 | 204.45 |
| **D. Expenses recognized in the Profit & Loss Account** | | |
| Service Cost | 31.49 | 9.38 |
| Interest Cost | 27.99 | 17.71 |
| Expected return on Plan Assets | (11.80) | (8.74) |
| Net Actuarial ( Gain )/Loss recognized during the year | 72.97 | 86.86 |
| Total Expenses recognized in Profit and Loss account | 120.65 | 105.21 |
| **Assumptions Used** | | |
| Discount Rate (per annum) | 8.00% | 8.00% |
| Rate of increase in Compensation levels | 9.00% | 9.00% |
| Rate of Return on Plan Assets (for Funded Scheme) | 9.25% | 9.00% |

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| Expected Average remaining working lives of employees (years) | 25.05 | 25.48 |

**b) Other Employee Benefit Plan**

The liability for Leave Encashment as at the year end is ₹186.70 lacs (previous year ₹142.06 lacs) and the assumptions are as same as above.

## NOTE 26: RESEARCH & DEVELOPMENT EXPENSES

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| Lab Maintenance | 737.30 | 617.83 |
| Patent related expenses | 475.89 | 291.23 |
| R & D Materials | 479.18 | 603.39 |
| R & D other expenses | 248.81 | 341.55 |
| R & D salaries | 1,108.99 | 1,014.33 |
| Depreciation | 254.74 | 246.02 |
| **TOTAL** | **3,304.91** | **3,114.35** |

## NOTE 27: FINANCE COSTS

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| Interest Expense | 888.50 | 532.17 |
| Bank Charges | 102.43 | 78.35 |
| **TOTAL** | **990.93** | **610.52** |

## NOTE 28: OTHER EXPENSES

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| **Administrative & Other Expenses** | | |
| Rent | 100.47 | 89.65 |
| Rates & Taxes | 7.60 | 10.65 |
| Service Tax | 7.44 | 7.98 |
| Insurance | 109.35 | 71.93 |
| Communication Charges | 66.01 | 54.90 |
| Travelling & Conveyance | 234.62 | 234.46 |
| Printing & Stationery | 65.64 | 51.47 |
| Vehicle Maintenance | 27.85 | 29.93 |
| Professional Charges | 125.48 | 87.25 |
| Payments to Auditors : | | |
| towards Statutory Audit | 4.63 | 4.25 |
| towards Tax Matters | 1.50 | 1.50 |
| for other Services | 0.75 | 0.75 |
| for Expenses | 0.20 | 0.05 |
| Security Charges | 68.92 | 60.01 |
| Donations | 4.65 | 1.45 |
| Repairs & Maintenance – Others | 31.57 | 23.02 |
| Loss on Sale of Assets | 1.00 | - |
| Loss /(Gain) on Forward Contracts | 625.61 | - |
| MTM on Forward Contracts | 348.06 | - |
| General Expenses | 130.46 | 96.88 |
| TOTAL (A) | **1,961.82** | **826.13** |

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| **Selling Expenses** | | |
| Sales Promotion | 18.99 | 21.32 |
| Advertisement | 6.75 | 4.02 |
| Carriage Outwards | 138.19 | 122.4 |
| Commission on Sales | 52.98 | 114.22 |
| TOTAL (B) | **216.91** | **261.95** |
| Clinical Trail Services Expenses (C) | **90.81** | **30.21** |
| **Total other expenses (A+B+C)** | **2269.54** | **1118.29** |

**NOTE 29: ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**

**29.1 Contingent Liabilities**

(₹ in lacs)

| Particulars | Year Ended 2011-12 | Year Ended 2010-11 |
|---|---|---|
| Corporate Guarantee given on behalf of Suven Nishtaa Pharma Private Limited | Nil | 2,375.00 |
| Un expired Letters of Credit | 358.71 | 478.31 |
| Disputed Service Tax demands against which company is in appeal | Nil | 38.25 |
| Disputed VAT demands against which company is in appeal | Nil | 7.53 |

**29.2** Capital commitments not provided for on account of pending execution [net of advance ₹225.19 Lacs (Previous year ₹2.80 Lacs)]

**29.3** During the year Unclaimed Dividend pertaining to 2003-04 amounting to ₹0.91 Lacs has been transferred to Investor Education and Protection Fund. There are no amounts due and outstanding to be credited to the Investor Education and Protection Fund as of 31st March 2012 (Previous year Nil).

**29.4** There are no delays in payments to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006. The information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

**29.5 Managerial Remuneration:**

(₹ in lacs)

| Particulars | Chairman & CEO | | Whole-time Director | |
|---|---|---|---|---|
| | **2011-12** | **2010-11** | **2011-12** | **2010-11** |
| Salary & Allowances | 48.00 | 48.00 | 36.60 | 36.60 |
| Commission | 0.00 | 0.00 | 0.00 | 0.00 |
| Contribution to Provident Fund | 5.76 | 5.76 | 4.39 | 4.39 |
| Perquisites | 0.00 | 0.00 | 0.00 | 0.00 |
| **Total** | **53.76** | **53.76** | **40.99** | **40.99** |

The Company has paid a minimum remuneration of ₹4.00 Lacs per month to Mr. Venkateswarlu Jasti, Chairman & CEO of the Company and ₹3.05 Lacs per month to Mrs. Sudha Rani Jasti, Whole-time Director of the Company for the financial year ending 31st March 2012.

The above remuneration excludes provision for gratuity, since the liability is determined for all the employees on an independent actuarial valuation basis. The specific amount of gratuity Directors cannot be ascertained separately.

**29.6** National Savings Certificates to the extent of ₹ 3,000/- have been pledged with Government Authorities.

**29.7** Employee Stock Option Scheme

The Company instituted the Employees Stock Option 2004 plan for all eligible employees. The Scheme covers all eligible employees of Suven Life Sciences Limited and its subsidiary.

The movement in options during the year ended March 31, 2012 is set out below:

| **Particulars** | **Year ended 2011-12 (No. of Shares)** | **Year ended 2010-11 (No. of Shares)** |
|---|---|---|
| Options outstanding at the beginning of the year | 17,35,812 | 24,19,880 |
| Add : Granted during the year | 5,00,000 | 2,00,000 |
| TOTAL | 22,35,812 | 26,19,880 |
| Less: Lapsed | 4,29,752 | 26,480 |
| Converted into equity shares | Nil | 8,57,588 |
| Options outstanding at the end of the year | 18,06,060 | 17,35,812 |

**29.8** Excise Duty amounting to ₹18.38 lacs on Closing Stock of finished goods has been provided during the year to comply with 'Guidance Note on Accounting treatment for Excise duty' issued by Institute of Chartered Accountants of India.

**29.9** Hedging and Derivatives

Company has entered into Forward Exchange contract, being derivative instruments for hedging purpose and not intended for trading or speculation purposes, to establish the amount of currency in Indian Rupees required or available at the settlement date of certain payables and receivables. The following are the outstanding Forward Exchange Contracts as on 31st March 2012, entered into by the company;

| **Foreign Currency** | **Buy or Sell** | **No of Contracts** | **Cross Currency** | **Amount in USD** | |
|---|---|---|---|---|---|
| | | | | **2011-12** | **2010-11** |
| USD | Sell | 11 | Indian Rupees | $9,500,000 | $1,250,000 |

**NOTE 30: SEGMENT REPORTING**

**D) Primary Segment :**

Business Segment

Segments have been identified and reported taking into account the nature of products, the differing risk and returns, the organization structure, and the internal financial reporting scheme. The company has identified the following segments as its reportable segments:

d) Manufacturing (CRAMS)
e) Services (DDDSS)
f) Research and Development

III. Manufacturing (CRAMS) - Bulk Drugs & Intermediates under contract services products are developed and produced on an exclusive basis under contract Manufacturing services

IV. Services (DDDSS) - Which consists of Collaborative Research Projects (CRP), Clinical Trials and Testing and Analysis services

**B) Secondary Segment:**

**Geographical Segment**

The Company has identified the following geographical reportable segments:

e) India-The Company sells Bulk Drugs and Intermediates and Fine Chemicals.
f) U.S.A -The company sells Intermediates
g) Europe--The company sells Bulk Drugs and Intermediates
h) Others -The company sells Bulk Drugs and Intermediates

(₹ in lacs)

| Particulars | Manufacturing (CRAMS) | Services (DDDSS) | Research and Development | Un allocated | Total |
|---|---|---|---|---|---|
| **Segment Revenue** | | | | | |
| External Sales | 19,168.88 | 1,251.90 | - | | 20,420.78 |
| | (12,614.38) | (2,429.01) | - | - | (15,043.39) |
| Inter Segmental Adjustment | - | - | - | - | - |
| Total | 19,168.88 | 1,251.90 | - | | 20,420.78 |
| | (12,614.38) | (2,429.01) | - | - | (15,043.39) |
| **Segment Result** | | | | | |
| Operating Profit | 6,507.91 | 531.83 | (3,304.91) | (2,122.40) | 1,612.43 |
| | (3,494.25) | (1,063.51) | (3,114.35) | (711.53) | (731.88) |
| Other Income | - | - | - | - | 190.25 |
| | - | - | - | - | (125.75) |
| Interest Expense | - | - | - | - | 888.50 |
| | - | - | - | - | (532.17) |
| Income Tax -Current Tax | - | - | - | - | 171.60 |
| Previous Current Tax | - | - | - | - | (0.87) |
| | - | - | - | - | (16.18) |
| Deferred Tax | - | - | - | - | (522.06) |
| | - | - | - | - | (722.32) |
| MAT Credit entitlement | - | - | - | - | (170.73) |
| | - | - | - | - | (8.36) |
| Net Profit | - | - | - | - | 1,436.24 |
| | - | - | - | - | (1,039.95) |
| **Segment Assets** | 17,446.83 | 3,681.82 | 3,988.33 | 3,381.74 | 28,498.72 |
| | (14,024.31) | (919.78) | (4,167.95) | (3,251.34) | (22,363.38) |
| **Segment Liabilities** | 6,622.67 | 376.65 | 1,728.73 | 1,337.72 | 10,065.77 |
| | (1,948.60) | (289.82) | (661.00) | (214.54) | (3,113.96) |
| Capital Expenditure | 265.81 | 3,585.72 | 63.28 | - | 3,914.81 |
| | (179.54) | - | (224.44) | - | (403.98) |
| Depreciation | 465.44 | 86.90 | 254.74 | 47.45 | 790.57 |
| | (458.97) | (42.79) | (246.02) | (42.79) | (790.57) |

*Capital expenditure related to Amalgamation of Suven Nishtaa Pharma Pvt. ltd

**Geographical Information**

(₹ in lacs)

| Particulars | Revenue | | Location of Assets | | Additions to Fixed Assets | |
|---|---|---|---|---|---|---|
| | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2012 | Year ended 31.03.2011 | Year ended 31.03.2012 | Year ended 31.03.2011 |
| INDIA | 1,036.74 | 1,442.02 | 19,867.82 | 15,959.51 | 3,911.18 | 403.98 |
| U S A | 6,291.27 | 4,483.97 | 20.95 | 17.32 | 3.63 | 0.00 |
| EUROPE | 11,698.14 | 6,783.95 | 0.00 | 0.00 | 0.00 | 0.00 |
| OTHERS | 1,394.63 | 2,333.45 | 0.00 | 0.00 | 0.00 | 0.00 |
| **TOTAL** | 20,420.78 | 15,043.39 | 19,888.77 | 15,976.83 | 3,914.81 | 403.98 |

**NOTE 31: RELATED PARTY DISCLOSURES**

**A) Related Parties**

1. Subsidiary : Suven Nishtaa Pharma Pvt. Ltd
2. Key Managerial Personnel : Mr. Venkateswarlu Jasti
   Mrs. Sudha Rani Jasti

**B) Transactions with the Related Parties:**

(₹ in lacs)

| Particulars | Subsidiary | Key Managerial Personnel | Total |
|---|---|---|---|
| Remuneration | - | 94.90 | 94.90 |
| | | (94.90) | (94.90) |
| Guarantees and Collaterals | 0.00 | - | 0.00 |
| | (2,375.00) | - | (2,375.00) |
| Finance | 0.00 | 180.00 | 180.00 |
| | (1,068.46) | (160.00) | (1,228.46) |
| Sale | 0.00 | - | 0.00 |
| | (10.71) | - | (10.71) |
| Balance outstanding | - | 180.00 | 180.00 |
| | - | (160.00) | (160.00) |

Note: Figures in bracket indicates previous year figures

**NOTE 32: AMALGAMATION OF M/S. SUVEN NISHTAA PHARMA PVT. LTD.**

In terms of the Scheme of Amalgamation & Arrangement (Scheme) approved by orders dated 10.07.2012 of Hon'ble High Court of Andhra Pradesh, M/s. Suven Nishtaa Pharma Private Limited (Nishtaa) a wholly owned subsidiary whose core business is to carry on the business of Pharmaceutical Formulations contract services has been amalgamated with the Company with effect from 1st January, 2012.

The amalgamation has been accounted for under the "Pooling of Interest Method" as prescribed by Accounting Standard (AS-14) "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India.

In accordance with the said scheme all the assets, debts, liabilities, duties and obligations of "Nishtaa" have been vested in the Company with effect from 1st January, 2012 and have been recorded at their respective book values under pooling of Interest method of accounting for amalgamation. There were no differences in the accounting policies of "Nishtaa" and the Company

**NOTE 33: EARNINGS PER SHARE**

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| Net Profit after tax available for Equity shareholders (₹In lacs) | 1,436.24 | 1,023.18 |
| Weighted average of number of Equity shares outstanding during the year | 11,67,31,988 | 11,65,47,325 |
| Basic and Diluted Earnings per Equity share (₹1/- Face Value) | 1.23 | 0.89 |

**NOTE 34: OTHERS**

**A) Value of Imports on CIF basis**

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| a) Raw Materials | 3056.04 | 2146.12 |
| b) Components and Spare Parts | 37.18 | 257.86 |

**B) Expenditure in Foreign Currency**

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| Travel | 56.42 | 71.85 |
| Dividend | 10.89 | 1.4 |
| Sales Commission | 52.45 | 111.24 |
| Foreign Branch Expenses | 380.85 | 271.23 |
| Research & Development Expenses | 444.11 | 249.81 |
| **Total** | **944.72** | **705.53** |

**C) Value of Imported and Indigenous Raw Materials, Stores and Spares consumed and percentage of each to total consumption.**

| Particulars | For the year ended 31st March 2012 | | For the year ended 31st March 2011 | |
|---|---|---|---|---|
| | Value ₹ in lacs | % to Total | Value ₹ in lacs | % to Total |
| **a) Raw Materials :** | | | | |
| i) Imported | 2,696.43 | 33.40 | 1,966.07 | 35.79 |
| ii) Indigenous | 5,377.65 | 66.60 | 3,527.37 | 64.21 |
| **TOTAL** | **8,074.08** | **100.00** | **5,493.44** | **100.00** |
| **b) Stores and Spares :** | | | | |
| i) Imported | - | - | - | - |
| ii) Indigenous | 41.10 | 100.00 | 32.66 | 100.00 |
| **TOTAL** | **41.10** | **100.00** | **32.66** | **100.00** |

**D) Dividend remittances in foreign currency**

| Year of remittance | On account of Financial year | No. of Non-Resident Shareholders | No. of Shares held | Amount of Dividend (₹ in lacs) |
|---|---|---|---|---|
| 2011/2012 | 2010/2011 | 9 | 4,357,900 | 10.89 |
| 2010/2011 | 2009/2010 | 8 | 561,200 | 1.49 |

**E) Earnings in Foreign Currency**

(₹ in lacs)

| Particulars | For the year ended 31st March 2012 | For the year ended 31st March 2011 |
|---|---|---|
| FOB Value of Exports | 18,178.04 | 11,195.89 |

**NOTE 35:**

On account of the Amalgamation of Suven Nishtaa Pharma Private Limited with the company w.e.f 01.01.2012, previous year figures are not comparable with the current year figures.

**NOTE 36:**

Previous year figures have been regrouped and reclassified wherever considered necessary to conform to this year's classification.

## DECLARATION

Our Company certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the ICDR Regulations have been complied with and no statement made in this Placement Document is contrary to the provisions of Chapter VIII and Schedule XVIII of the ICDR Regulations and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. Our Company further certifies that all the statements in this Placement Document are true and correct.

Signed by

**Venkateswarlu Jasti**
Chairman and Chief Executive Officer

**Sudha Jasti**
Whole-Time Director

Date: November 29, 2014
Place: Hyderabad

**DECLARATION IN ACCORDANCE WITH FORM PAS - 4**

We the Board of Directors of the Company certify that:

(a) the Company has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(b) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(c) the monies received under the offer shall be used only for the purposes and objects indicated in the Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by

________________

Director

I am authorized by the QIP Committee of the Board of Directors of the Company *vide* resolution number ___ dated November 29, 2014 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by

________________

Date: November 29, 2014
Place: Hyderabad

**ISSUER**

**SUVEN LIFE SCIENCES LIMITED**

**REGISTERED OFFICE OF THE ISSUER**
Door No. 8-2-334, 6th Floor
SDE Serene Chambers, Road No. 5
Avenue 7, Banjara Hills
Hyderabad – 500 034
Telangana, India
Website:www.suven.com, CIN : L24110TG1989PLC009713
*Contact Person*: K Hanumantha Rao, Company Secretary and Compliance Officer

**ADDRESS OF THE COMPLIANCE OFFICER**

K Hanumantha Rao
Door No. 8-2-334, 6th Floor
SDE Serene Chambers, Road No. 5
Avenue 7, Banjara Hills
Hyderabad – 500 034
Telangana, India
Tel: +91 40 –2354 1142/3311 , Fax: +91 40 – 2354 1152, Email: khrao@suven.com

**GLOBAL COORDINATOR AND BOOK RUNNING LEAD MANAGER**

**ANAND RATHI ADVISORS LIMITED**
10th Floor, Trade D
Senapati Bapat Marg
Kamla City, Lower Parel
Mumbai – 400 013

**DOMESTIC LEGAL ADVISORS TO THE ISSUE**

**M/s. Crawford Bayley & Co.**
State Bank Buildings, 4th Floor
N.G.N. Vaidya Marg, Fort
Mumbai – 400 023
Maharashtra, India

**INTERNATIONAL LEGAL COUNSEL TO THE COMPANY WITH RESPECT TO SELLING AND TRANSFER RESTRICTIONS**

**Duane Morris & Selvam LLP**
16 Collyer Quay #17-00
Singapore 049318

**STATUTORY AUDITOR**

**M/s. Karvy & Co.**
Chartered Accountants
No. 2, Bhooma Plaza, Street No. 4
Avenue 7, Banjara Hills
Hyderabad – 500 034
Telangana, India