

SYNGENE INTERNATIONAL LIMITED

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the Seventeenth Annual Report of the Company, along with its Audited Accounts, for the year ended 31st March 2010.

The financial highlights for the year under review are given below:

Financial Highlights

	Rs in Millions	
	March 31, 2010	March 31, 2009
Total revenues	2,675	2,065
Total expenditure	1,798	1,458
Profit before interest depreciation and tax	877	607
Depreciation & Interest	527	263
Profit before tax	350	344
Provision for tax	42	17
Exceptional Item	Nil	(552)
Profit after tax	308	(225)
Surplus brought forward from previous year	1,578	1,804
Profit available for Appropriation	1,886	1,578

Performance Analysis

For the Financial Year 2009-10, the Company registered a strong growth of 30% in revenues from Rs. 2,065 million to Rs. 2,675 million. The Operational Margin (EBITDA) increased from Rs.607 million to Rs. 877 million representing a 45 % increase during the year. Depreciation charge increased from Rs.231 million to Rs.451 million. The Company earned a net profit of Rs.308 million for the year against loss of Rs.225 million for the previous year. The increase is primarily attributed to an exceptional forex loss in the previous year.

Sixteen years since inception, the Company has achieved the largest market share in India for the drug discovery services in the areas of Synthetic Chemistry, Medicinal Chemistry and Biology (Aventus Report, Jan 2009)

During the year the Company also demonstrated its ability to successfully manage large relationships and has also forayed into Integrated Drug Discovery services. The commencement of operations the recently commissioned biologics pilot plant and the AAALAC accredited Vivarium, coupled with Formulation Development capabilities positions the Company as the ideal partner for providing high quality discovery services at competitive prices in both large & small molecules. The Company also partnered with Endo Pharmaceuticals to develop a novel biological therapeutic molecule against cancer. This is a first in India involving the discovery of a biological therapeutic entity and your company is proud to be a part of this.

Research Personnel

Syngene has strong knowledge base with a total strength of 1401 employees (1240 in the previous year). With the focused and collaborative efforts of its employees Syngene has achieved greater heights during the year and has built a strong international reputation.

Directors

Dr. Neville C Bain and Mr. JMM Shaw retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-election.

Mr. Peter Bains was appointed as an Additional Director on the Board with effect from 20th January, 2010, in accordance with Section 269 and Article 30 of the Articles of Association of the Company. Notices have been received from members pursuant to Section 257 of the Companies Act, 1956 together with necessary deposits proposing the appointment of Mr. Peter Bains as non – executive independent director on the Board of the Company.

Auditors

The statutory auditors M/s. S.R.Batliboi & Associates, Chartered Accountants (Firm Registration Number 101049W), Bangalore, Statutory Auditors of the Company retire and offer themselves for re-appointment as the Statutory Auditor of the Company pursuant to Section 224 of the Companies Act, 1956.

Fixed Deposits

Your Company has not accepted any deposits from the public and as such, no principal or interest was outstanding as of the balance sheet date.

Particulars of Employees Under Section 217 (2A)

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975 to the extent applicable are set out in the annexure to this report.

Conservation Of Energy, Research & Development, Technology Absorption and Foreign Exchange Earnings & Outflow

The Company is a certified ISO 9001 company and all research projects are conducted in conformance with the ISO 9001 systems. With particular strengths in the areas of molecular biology and synthetic chemistry, the Company's bio-diversity programme has provided proprietary advantages. This has in-turn enabled engagements with leading pharmaceuticals / bio-pharma players. The Department of Science & Industrial Research, Government of India also recognized the Company as an approved Research Company.

The Company is committed to energy conservation and adheres to good Laboratory Practice especially in terms of safety, health, environment, pollution control etc. On the energy conservation front your Company achieved substantial savings by carrying out energy audits and implementing key projects to save energy. The Company also carries the accreditations of Environmental and Safety Systems: ISO 14001:2004 and OHSAS 18001:1999.

The Company has not bought any technology for absorption.

Foreign Exchange Earnings & Outflow

Total earnings in foreign exchange during the year - Rs.2,541 million
(Previous year Rs.2,036 million)

Total out flow of foreign exchange during the year - Rs.893 million
(Previous year Rs.1,256 million)

Auditors Report:

In the report by the Auditors under Companies (Auditors' Report) Order, 2003 (as Amended), the Auditors have reported that the Company has used funds raised on short term basis for long –term loans amounting to Rs. 1,322 million as of March 31, 2010. These loans, repayable within six months have been used for purchase of fixed assets.

In reference to the auditors comments in their report, we would like to state that the Company thought it prudent to avail short term funds considering that the average expected tenor of the borrowing was lower than 12 months and the long term funding being available at a higher cost. The Company expects to repay these short term borrowings from the operational flows in the next fiscal year.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby confirm as under:

- i) In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) We have prepared the annual accounts on a going concern basis.

Acknowledgments

Your Directors thank clients, vendors, banks, regulatory and government authorities for their continued goodwill, patronage and support.

Your Directors place on record their deep appreciation of the valuable contribution made by all staff at all levels through their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry.

For and on behalf of the Board

Ms. Kiran Mazumdar- Shaw
Chairman

April 28, 2010

Annexure to Directors Report

Si. No.	Employee Name	Designation and Nature of Duties	Age	Remuneration Rs.	Qualification	Date of Commencement of Employment	Last Employment
1	ARUNACHALAM P N	CSM	44	3,223,403	MTECH	05/03/2002	National Organic Chemical Industry
2	ARUNKANTI SARKAR	SR-SCI-MGR	42	2,506,626	MSC , PHD	01/09/2003	Iowa State University
3	AJIT MANOCHA	GM	40	3,587,305	MCA	19/08/2008	Ranbaxy Labs
4	ARAVINDAKSHAN JAYAPRAKASH	CSM	40	567,161	MSC	18/01/2010	Merck
5	CHINAPPA M B	CFO	42	17,605,913	B.Com, ACA	12/07/1999	ITC
6	GOUTAM DAS	COO	55	13,973,697	M.SC, PH.D	01/08/1994	Astrazeneca
7	JOHN K A	SR-SCI-MGR	38	2,728,829	MSC, PHD	02/06/1997	
8	KUMARAVEL SELVAKUMAR	SR-SCI-MGR	44	4,059,059	MSC , PHD	03/06/2002	Institute fur Organische Katalyseforschung
9	MADHAVAN S	CSM	42	5,880,215	MSC , PHD	15/07/1998	Purdue University
10	MANICKAM G	CSM	43	5,686,520	MSC, PHD	02/05/2001	University of Tokyo
11	MANISHA NATESH	SR-MGR	37	3,574,361	MTECH	02/07/2001	Ranbaxy Labs
12	MUJEEBUR RAHUMAN M S M	CSM	39	3,383,482	MSC(TECH) , PHD	01/07/2004	Imperial College
13	MANOJ MANGESH NERURKAR	GM	41	2,536,560	B.PHARM , PHD	07/09/2009	SP Research Lab
14	NITA ROY	GM	46	3,833,280	B.A , PH.D	01/08/1994	Astra Research Center
15	NARENDRA KUMAR R	GM	39	3,288,920	B.PHARM , PGDBA	01/10/2007	Jubilant Biosys
16	PRATUL SINGH	CSM	45	2,138,610	MTECH	15/07/2009	Advinus Therapeutics

17	RAMAN KUMAR BAKSHI	VP	56	2,757,942	MSC , PHD	11/01/2010	Merck & Co
18	RAMESH KUMAR SISTLA	SCI-MGR	35	98,123	MSC , PHD	17/03/2010	Aurigene Discovery
19	SATHYA SHANKER P	CSM	44	2,816,387	M.SC, PH.D	01/02/2000	North Dakota University
20	SATYANARAYANA GANUGUPATI	CSM	45	2,915,073	M.SC , PH.D	16/05/2006	Reliance Industries Ltd
21	VAIDYANATHAN V V	CSM	46	3,106,894	M.SC, PH.D	01/12/2004	Aurigene Discovery

Note:

COO : Chief Operating Officer

CFO : Chief Financial Officer

VP : Vice President

GM : General Manager

CSM : Chief Scientific Manager

SR-SCI-MGR : Senior Scientific Manager

SCI-MGR : Scientific Manager

SR-MGR : Senior Manager