

## SYNGENE INTERNATIONAL LIMITED

### DIRECTORS' REPORT

Dear Shareholders,

Your Directors have great pleasure in presenting their Fourteenth Annual Report on the business and operations of the Company, along with its Audited Accounts, for the year ended 31<sup>st</sup> March 2007. The financial highlights for the year under review are given below:

#### Financial Highlights

	Rs in Millions	
	March 31, 2007	March 31, 2006
Total revenues	1,316	982
Total expenditure	732	439
Profit before interest depreciation and tax	584	543
Depreciation & Interest	72	59
Profit before tax	512	484
Provision for tax	15	32
Profit after tax	497	452
Surplus brought forward from previous year	975	523
Profit available for Appropriation	1,472	975

Appropriated as follows:

	March 31, 2007	March 31, 2006
Transfer to General Reserve	-	-
Proposed Dividend and tax thereon	-	-
Balance carried to Balance Sheet	1,472	975

#### Performance Analysis

For the Financial Year 2006-07, Syngene registered a strong growth of 34% in revenues from Rs. 982 million to Rs. 1,316 million, and 10% at the profit after tax level from Rs. 452 million to Rs. 497 million.

Syngene continues to be one of Asia's leading custom research service provider with a broad set of services enabling it to participate in the drug development process from discovery to supply of development compounds. As a testimony of Syngene's capabilities, Bristol-Myers Squibb has entered into a long term agreement with Syngene to set up an exclusive

research facility to house more than 400 scientists. This is expected to be ready in fiscal year 2008-09 and will scale-up Syngene's operations and further develop Syngene's integrated capabilities in medicinal chemistry, biology, drug metabolism and pharmaceutical development.

A new research facility to expand existing research services of Syngene is expected to be completed in 2007-08, and additional investments are planned to support future growth and establish Syngene as the leading custom research provider in the world.

Syngene had made good progress in offering integrated services towards drug discovery encompassing lead discovery - scaffold generation and library production in combination with early ADME studies to provide lead compounds and early medicinal chemistry optimization. The process development groups provided services to optimize discovery scale chemistry and to provide materials for early toxicological and pre-clinical studies. Syngene also supported manufacture and supply of lead candidates under GMP for various phase trials activities as well

Syngene had ventured into other areas of Biology viz Genetic Engineering, Protein Chemistry, and assay development. Syngene had developed extensive expertise in the creation of customized stable cell lines expressing proteins/receptors of interest. Additionally, extension of drug discovery support services in the areas of in vitro ADME assays of small molecules and evaluation of compounds for their "drug-like" properties, were offered as an integrated package with Syngene's medicinal chemistry capabilities

#### **Research Personnel**

Syngene has strong knowledge base where out of the total strength 754 employees (526 in the previous year) more than 90% employees are scientists. 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. Kiran Mazumdar Shaw and Mr. JMM Shaw retire by rotation at the ensuing Annual General Meeting, and being eligible, offer themselves for re-election.

#### **Auditors**

The statutory auditors M/s. S.R.Batliboi & Associates, Chartered Accountants, Bangalore, retire at the conclusion of fourteenth annual general meeting, and have confirmed their eligibility and willingness to accept office, if re-appointed. As recommended by the audit committee, the Board recommends that M/s. S.R. Batliboi & Associates be re-appointed as the statutory auditors to hold office until the conclusion of the fifteenth annual general meeting.

#### **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.

### **Conversion from Private Company to Public Company**

During the year the company has converted into Public Limited Company with the shareholders approval in their Ex-ordinary General Meeting held on 26<sup>th</sup> March, 2007.

### **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 included in this report.

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

Syngene's primary business is Contract Research. 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, Syngene'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 Syngene 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.

The Company has not bought any technology for absorption.

### **Foreign Exchange Earnings & Outflow**

Total earnings in foreign exchange during the year (Previous year Rs. 970 million)	-	Rs. 1,295 million
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Total out flow of foreign exchange during the year (Previous year Rs. 177 million)	-	Rs. 456 million
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### **Auditors Report:**

In the report by the Auditors under Companies (Auditors' Report) Order, 2003 (as Amended), the Auditors have reported that company has maintained proper records showing full particulars, including details and situation, of fixed assets, however, is in process of updating the quantitative records for certain fixed assets. The company is, as stated by Auditors is updating the quantitative details of fixed assets in the Register.

The Auditors have also reported that the Company has an adequate internal control system in place and is currently putting in place a robust and efficient control system in respect of research services. As stated by the auditors, such a system will be to strengthen the internal control system on research services and also efficiently monitoring the same.

## 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 customers, investors, vendors and bankers for their continued goodwill, patronage and support. Your Directors also thank the Government of India and State Government and other Government agencies for their support during the year and look forward for their continued support in the future.

Your Directors place on record their deep appreciation of the valuable contribution made by all staff at all levels through their competence, hard work, co-operation and support for the progress of the Company during the year and look forward to their continued co-operation in realization of the corporate goals in the years ahead.

For and on behalf of the Board

Dr. Kiran Mazumdar- Shaw  
Director

Mr. JMM Shaw  
Director

April 18, 2007

**ANNEXURE TO DIRECTORS' REPORT**

**Statement pursuant to Section 217 (2A) of the Companies Act, 1956 & Companies (Particulars of Employees) Rules 1975**

**DETAILS OF REMUNERATION PAID DURING THE YEAR ENDED 31st March 2007**

Sl. No.	Name Designation & Nature of Duties	Age	Remuneration Rs	Qualification & Experience	Commencement of employment	Last employment
1	Dr. Goutam Das Chief Operating Officer	51	10,322,640	Ph. D 19 Years	01-Aug-94	Astra Research Centre Bangalore
2	Nita Roy Chief Scientific Manager	43	2,711,760	Ph. D 14 years	01-Aug-94	Astra Research Centre Post Doctoral Fellow
3 *	Uday Kumar V Vice President - Finance	52	2,478,312	PGDM 30 Years	11-Sep-06	Indus League Clothing Director - Finance & HR
4 *	Dr. Sambasivam Ganesh Chief Scientific Manager	43	3,300,744	Ph. D 13 Years	16-May-94	-

\* Employed for part of the year with an average salary of above Rs.2 Lakh per month

Note :

1. Remuneration shown above includes Salary, Allowances, Bonus ( based on receipt) , Company's contribution to P.F, Super Annuation and other perquisites valued as per Income Tax Rules, 1962.
2. Nature of employment in all cases is contractual. The other terms and conditions are as per Company's Rules.
3. None of the employees mentioned above is related to any Directors of the Company.

on behalf of the Board of Directors

Place: Bangalore  
Date: April 18, 2007

Kiran Mazumdar Shaw  
Chairman