

## [Directors Report]

Dear Shareholders,

Your Directors have great pleasure in presenting the Sixteenth Annual Report on the business and operations of the Company, along with its Audited Accounts, for the year ended 31st March, 2009. The financial highlights for the year under review are given below:

### Financial Highlights

Rs in Millions

	March 31, 2009	March 31, 2008
Total revenues	2,065	1,604
Total expenditure	1,458	1,087
Profit before interest depreciation and tax	607	517
Depreciation & Interest	263	163
Profit before tax & exceptional item	344	354
Provision for tax	17	23
Exceptional Item	(552)	-
Profit/ (Loss) after tax	(225)	331
Surplus brought forward from previous year	1,804	1,472
Profit carried to Balance Sheet	1,579	1,804

### Performance Analysis

For the Financial Year 2008-09, Syngene registered a growth of 29 % in revenues from Rs. 1,604 million to Rs. 2,065 million. The Operational Margin (EBITDA) increased from Rs.517 million to Rs.606 Million representing a 17 % increase. During the year, the Company was able to sustain a healthy operating margin except for a sharp unprecedented depreciation in the rupee. The currency fluctuation adversely impacted the net profits due to contracted forward covers, which resulted in the Company declaring a net loss of Rs.225 million against a net profit of Rs.331 million in the previous years. The Company earned a net profit before exceptional items of Rs.326 million for the year as against Rs.331 million for the previous year.

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

The Company's dedicated facility for BMS (Bristol Myers Squibb) went operational during the last quarter of the financial year. The 200,000 square-foot facility at Biocon Park is dedicated to helping advance Bristol Myers Squibb's work in discovery and early drug development process from initial hit to lead optimisation to early pharmaceutical development to clinical nomination.

The Company established a 45,000 sq.ft laboratory animal facility. This world class facility has been approved by the CPCSEA (Committee for the purpose of Control and Supervision of Experiments on Animals) and it has also recently been audited for AAALAC (American Association for Accreditation of Laboratory Animal Care) accreditation. With additional expertise in the areas of toxicology, in vivo pharmacology, hispathology, and veterinary sciences, the Company can now offer pharma companies an extended platform of services in pre-clinical development of molecules.

Further, the Company recently commissioned a new chemical pilot plant designed to meet cGMP standards. It is a multiple product plant which can handle a variety of chemical processes. With this pilot plant, the Company can scale up and manufacture NCEs, APIs and Als. The Biological Pilot Plant Facility (BPP) has been built with manufacturing capabilities for microbial fermentation (upto 225L) and mammalian cell culture (upto 300L) based biologics and is in the final stages of validation. This facility is a multi-product, cGMP compliant plant which has been designed for contract manufacturing with a high degree of flexibility.

The Company has also deepened its relationship with DuPont Crop Protection and has signed up as its alliance partner. It will now cover a broad range of R&D technical capabilities to support DuPont's discovery pipeline.

### **Research Personnel**

Syngene has strong knowledge base where out of the total strength 1,240 employees (907 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**

Prof. Charles Cooney and Mr. Neville Bain 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 fifteenth 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 seventeenth 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.

## 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. 1,579 million)	-	Rs. 2,036 million
Total outflow of foreign exchange during the year (Previous year Rs. 648 million)	-	Rs. 1,255 million

## Auditors Report:

In the report by the Auditors under Companies (Auditors' Report) Order, 2003 (as Amended), the Auditors have reported that company has used short-term borrowings to fund the capital expenditure requirements during the current year. 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.

## **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 judgements 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.

## **Acknowledgements**

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. J MM Shaw**  
Director

April 27, 2009

## Annexure to Directors Report

S. No	Name & Designation	Age	Remuneration (Rs.)	Qualification & Experience	Date of Commencement of Employment	Last Employment
1	Dr. Nita Roy General Manager	46	3,131,080	Ph.D 17 Years	1-Aug-94	Post Doctoral Fellow, Astra Research Center
2	Dr. Madhavan S Chief Scientific Manager	41	2,536,540	Ph.D 13 Years	15-Jul-98	Post Doctoral Fellow, Purdue University
3	Dr. Ashis Baran Mandal Chief Scientific Manager	49	2,515,140	Ph.D 16 Years	1-Sep-99	Post Doctoral Fellow, National Taiwan University
4	Dr. Saibal Kumar Das Chief Scientific Manager	45	2,071,464	Ph.D 15 Years	21-May-08	Sr.Director Dr.Reddy's Labs
5	Mr. Narendra Kumar R General Manager	39	2,409,720	BPharm, PGDBA 12 Years	1-Oct-07	General Manager- BD, Jubilant Biosys
6	Dr. Goutam Das Chief Operating Officer	55	11,257,403	Ph.D 27 Years	1-Aug-94	Sr.Scientist, Astrazeneca
7	Mr. Chinappa M B President – Finance	42	9,573,310	B.Com, CA 17 Years	12-Jul-99	Manager - Finance, ITC
8	Mr. Ajit Manocha General Manager	40	2,190,270	MCA, 17 Years	19-Aug-08	General Manager – IT, Ranbaxy
9	Dr. Srinivas Nanduri Chief Scientific Manager	45	2,159,934	Ph.D 15 Years	3-Mar-08	Sr.Director, Dr.Reddy's Labs