

## 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 2008. The financial highlights for the year under review are given below:

#### Financial Highlights

	Rs in Millions	
	March 31, 2008	March 31, 2007
Total revenues	1,600	1,316
Total expenditure	1,083	732
Profit before interest depreciation and tax	517	584
Depreciation & Interest	163	72
Profit before tax	354	512
Provision for tax	23	15
Profit after tax	331	497
Surplus brought forward from previous year	1,472	975
Profit available for Appropriation	1,803	1,472

Appropriated as follows:

	March 31, 2008	March 31, 2007
Transfer to General Reserve	-	-
Proposed Dividend and tax thereon	-	-
Balance carried to Balance Sheet	1,803	1,472

#### Performance Analysis

For the Financial Year 2007-08, Syngene registered a growth of 22% in revenues from Rs. 1,316 million to Rs. 1,600 million, and lower profit after tax at 21% vs 38% in 2006-07 (Rs. 497 million to Rs. 331 million). This was primarily driven by the appreciation in the Rupee (11%), higher power and maintenance costs (3%) and higher depreciation (5%) driven by investment in new facilities.

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. The project to build a an exclusive research facility, Bristol-Myers Squibb is on track to be completed 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.

Syngene has made investments in the current year to build new, state of the art facilities which will 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 916 employees (754 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.Batliloi & 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. Batliloi & 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.

## 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. 1,295 million)	-	Rs. 1,579 million
Total out flow of foreign exchange during the year (Previous year Rs. 456 million)	-	Rs. 648 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 has utilized these short term borrowings due to higher costs of INR borrowings and nonavailability of USD funds to companies in the service industry.

## Directors' Responsibility Statement

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

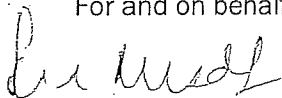
- i) In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and 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 21, 2008