



## **Notice**

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of M/S TRANSGESNE BIOTEK LIMITED will be held on Thursday, the 30th September, 2010 at 11.00 A.M. at 68, 69 & 70, Anrich Industrial Area, Bollaram, Medak District, to transact the following business.

### **ORDINARY BUSINESS:**

#### **1. ADOPTION OF AUDITED ACCOUNTS AND REPORTS**

To receive, consider and adopt the Balance Sheet as at 31st March, 2010, the Profit and Loss Account for the year ended as on that date, Directors' Report and Auditors' Report thereon.

#### **2. RE-APPOINTMENT OF DIRECTOR**

To appoint a Director in place of Dr P K Ghosh who retires by rotation and being eligible offers himself for reappointment.

#### **3. RE-APPOINTMENT OF DIRECTOR**

To appoint a Director in place of Sri P Narayana Murthy who retires by

rotation and being eligible offers himself for reappointment.

#### **4. APPOINTMENT OF AUDITORS**

To consider and if thought fit to pass the following resolution with or without modification(s) as Ordinary Resolution:

"RESOLVED THAT M/S Sarath & Associates, Chartered Accountants, be and are hereby re-appointed as Auditors of the Company to hold the office from the conclusion of this Annual General Meeting of the Company until the conclusion of next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors in consultation with the Auditors."

By the Order of the Board  
For **Transgene Biotek Limited**

Sd/-

**Dr.K.Koteswara Rao**  
Chairman &  
Managing Director

Place : Hyderabad  
Date : 04.09.2010

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### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more Proxies to attend and vote on a poll instead of himself.
2. The Proxy need not be a member of the Company.
3. Should any member choose to exercise his right of appointing a Proxy, the Proxy Form attached herewith should be duly completed and should be deposited at the Registered Office of the Company not less than 48 Hours before the time of holding of the meeting.
4. Member/Proxies should bring the Attendance Slip duly filled in for the attending the meeting.
5. Members are requested to bring their copies of the report and accounts of the Company.
6. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday the 28th September 2010 to Thursday the 30th September, 2010 (both days inclusive).



## Directors' Report

The Board of Directors of your Company hereby present the 20th Annual Report on the business & operations of the company and Audited Statement of Accounts for the year ended 31st March, 2010 along with the Auditor's Report thereon.

### FINANCIAL RESULTS

Rs. in Lakhs

Particulars	2008-09	2009-10
Net Sales / Income	398.46	370.02
Total Expenditure	234.42	217.29
Gross Operating Profit	164.04	152.73
Interest & Financial Charges	84.98	75.37
Depreciation	33.49	34.81
Profit before Tax/Loss	45.57	42.55
Provision for Tax	7.42	4.82
Net Profit	38.15	37.73

### OPERATIONS

During the year under review the total income was Rs.398.46 Lakhs as against Rs.370.02 Lakhs in the previous year and the Net Profit for the year was Rs.38.15 Lakhs as against Rs.37.73 Lakhs for the previous year. During the year, the company has incurred an amount of Rs.455.77 lakhs on ongoing product development and Rs.10.05 Lakhs on Fixed Assets as against Rs.239.09 lakhs and Rs.13.14 Lakhs respectively in 2008-09.

During the year gone by, your company has been advancing on several fronts especially on the product development aspect. This is highly satisfying for a company like Transgene where the core focus is the development of novel and exciting Biotechnology products with first of their kind on the global scene. In order to mitigate the risks involved in developing such novel products

and also, to strengthen your company's revenues the management has been focusing on the development of technologies and commercialization of some API drugs too. As you already know one of your API drugs, Orlistat, has already been out-licensed to Dr Reddy's Laboratories Limited (DRL) and the first two installments have been received as a part of the upfront payment schedule - with the remaining upfront payments and royalties on the commercial sales to be received from the current year onwards.

Soon after the technology transfer to DRL for Orlistat is completed, the production facilities shall be utilized for producing other API drugs which have been put on hold during the last several months.

### DIVIDEND

Your Directors are unable to recommend any dividend for the year due to inadequacy of profits.

### GROWTH PLANS AND OUTLOOK

1. This year we hope to complete the scaling up process of the manufacture of Orlistat – which in turn will lead to a new stream of revenues emanating from Royalties paid to Transgene by Dr Reddy's Labs. At the moment that process is on-going, and although the scaling up process has taken a little longer than expected we anticipate moving to the next level of that process very soon. Problems with this process have included contamination of production batches – something that Transgene has taken specific corrective steps to eliminate. Over the next few weeks and months the completion of that process will see us visit Dr Reddy's Orlistat manufacturing plant in Eastern Europe.

Moving onto the other API's, as you can understand we chose to direct all our API resources to the Orlistat project and so made

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a conscious decision to put the other projects in this division on hold... that includes Tacrolimus and one or two other APIs also. To reiterate, once the scaling-up process of Orlistat is completed work on these other projects will resume. As reported earlier your company's management is actively pursuing to set-up a large production facility with the help of funding from SBIRI, Department of Biotechnology, Government of India to enhance the revenue generation and bottom line of your company.

2. Last year we reported that Transgene had reached some critical milestones in the development of our therapeutic AIDS vaccine. That progress has continued this year and we are now on the verge of entering preclinical trials. We have begun technology optimization process of our immuno-toxin drug – in preparation for preclinical toxicology and efficacy studies. Added to the revenues we expect through royalties from DRL deal, and the prospects for the out-licensing of our AIDS vaccine during the next calendar year the future seems very bright indeed.
3. On the development of Oral Insulin, due to a combination of financial constraints and the fact that your other projects (including the Oncology drugs and the AIDS vaccine) are progressing at a far greater pace, we decided to put this project on hold for the time being. We fully intend to resume work on this front once financial constraints are eased from completion and sale of one of our technologies, or from the successful raising of funds.
4. Moving on to the real pride of your company, namely the Oncology division comprising of the siRNA drugs and the Monoclonal Antibody drugs, your directors draw distinct pleasure in telling you how well these projects are progressing. Within a relatively short space of time we have managed to create a world class oncology pipeline here at Transgene Biotek. With our siRNA drugs we have begun our search for third party CRO companies with whom we will be working to conduct animal efficacy and preclinical toxicology studies for our Liver cancer and Breast cancer drugs. This validation by an external CRO will add a significant degree of integrity and value to our pipeline – something that should give all of you, our trusted shareholders the confidence that we are creating enormous value here in your company.
5. Equally pleasing are the strides we are making in the development of the monoclonal antibody drugs – again, within the oncology division of your pipeline. Within just a few days from now we expect to receive the report from a third party CRO company who have been given the task of validating our in-house studies conducted on four drugs – for Colon cancer, Multiple Myeloma, Non-Hodgkins Lymphoma and Esophageal cancer. This will not only serve to enhance the value of our claims on the efficacy of your pipeline, but will also provide Transgene with a host of data which can be submitted to regulatory authorities (or other interested parties) when necessary.
6. The medical centers have been performing steadily on the expected lines.
7. As we reported in recent weeks, your Board has agreed to acquire Marillion Pharmaceuticals Inc., of Pennsylvania, USA in an all-share deal. However, this deal is subject to satisfactory due diligence to be conducted on Marillion Pharmaceuticals Inc. One of the main strengths perceived in this deal is Marillion's pipeline of 3 oncology products, two of which are said



to be at Phase I human trials stage, and the third one at Phase II. The perception carried by your management in trying to acquire this company is not only to enhance Transgene's reputation as a specialist R&D oncology company, but also extends the company's pipeline from preclinical to clinical as well. Added to the expanded product list, the merger is expected to bring with it the skills and experience of Marillion's CEO Dr Zahed Subhan, an expert on IND filing and US FDA related matters. In addition, your company's management felt that this deal also brings Transgene Biotech closer to the Venture Capital community, a feature that will help Transgene's capital raising efforts going forward. However, the management is acutely aware that the consummation of this deal is subject to a satisfactory due diligence to be carried out by a team of experts appointed by your company's management on Marillion Pharmaceuticals from various angles.

In conclusion, the overall changes mentioned above in the stated business of your company are likely to make significant contributions to the company's bottom line from the next few months onwards. Add to this the acquisition of Marillion, which also instantly creates a presence in western markets with an enhanced, even more lucrative pipeline – it becomes obvious why we feel so confident about the company's prospects.

#### **EMPLOYEES STOCK OPTION SCHEME**

The employee stock option scheme is still under implementation.

#### **DIRECTORS**

Dr P K Ghosh and Sri P Narayana Murthy retire by rotation and being eligible offer themselves for re-appointment.

#### **PREFERENTIAL OFFER TO THE PROMOTERS**

The listing permission of 7,50,000 shares of Rs.10/ each at a conversion price of Rs.80/- allotted to Dr K K Rao, promoter of the Company, on preferential basis last year is awaited from Bombay Stock Exchange.

#### **KEY SCIENTIFIC & ADMINISTRATIVE PERSONNEL**

In line with the increased activities on R&D front several key scientific personnel have been recruited.

#### **FIXED DEPOSITS**

The company has not accepted any Fixed Deposits and the provisions of section 58A of the Companies Act, 1956 are not applicable to the Company.

#### **AUDITORS**

M/s Sarath & Associates, Chartered Accounts, the statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment.

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

As required under the Companies Act, 1956, your Directors wish to state:

- a) That in the preparation of the annual accounts, the applicable Accounting standards have been followed.
- b) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were 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 or loss of the Company for the year under review;

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- c) That the Directors had 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; and
- d) That the Directors had prepared the accounts for the year ended 31st March, 2010 on a 'going concern' basis.

### **CORPORATE GOVERNANCE**

As required by Clause 49 of the Listing Agreement with the Stock Exchanges, your Company believes in conducting the business with due compliance of all the applicable laws, rules and regulations. The Company has duly implemented the system of Corporate Governance as per the requirement of the said Listing Agreement. Report on Corporate Governance along with Compliance Certificate of the Auditors and Management Discussion and Analysis Report are annexed hereto.

### **EMPLOYEE RELATIONS**

Your Directors wish to express their sincere appreciation of the efficient services rendered by the employees at all levels of the company for their excellent support and contribution at all times.

There is no employee whose particulars are to be furnished pursuant to the provisions under Section 217 (2A) of the Companies Act, 1956 read with

the Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Amendment) Act, 1988.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

#### *A. Conservation of Energy, Power :*

Efforts for conservation of energy and fuel consumption is an ongoing process in the Company and every effort is made in that direction.

#### *B. Research & Development :*

The Company's R&D division is recognized and certified under DSIR guidelines. Continuous efforts are being made to optimize and streamline various developmental and commercial processes.

#### *C. Foreign Exchange Earnings : Nil*

#### *D. Foreign Exchange Outgo : Nil*

### **ACKNOWLEDGEMENTS**

Your Directors wish to place on record their gratitude to the Government authorities, for the support and co-operation received from M/S Union Bank of India, Bankers of the company, Shareholders, Auditors, Customers, vendors, business associates and Staff of the Company for their valued support during the year under review.

By the Order of the Board  
For **Transgene Biotek Limited**

Sd/-

**Dr.K.Koteswara Rao**  
Chairman &  
Managing Director

Place : Hyderabad  
Date : 05.09.2010



## Management Discussion & Analysis

### A. Industry structure and development - Oncology

In industries populated by entrepreneurial high technology firms, the rapid development of new products is viewed as a key determinant of success. Developing a portfolio of new products is necessary to gain early cash flows, external visibility and legitimacy, early market share, and increase the likelihood of survival (Schoonhoven, Eisenhardt, and Lymman 1990).

The process of developing a new drug to treat an illness is long, costly and uncertain. A number of studies have tried to estimate the cost, the most quoted figures being those from the US Pharmaceutical Manufacturers Association (PhRMA) which are based on work done by DiMasi and others at the Tufts Center in Boston. Recent estimates by DiMasi put the average cost at US\$802 million spread over 12 years from the initial research stage to the successful marketing of a new drug, while the Boston Consulting Group estimates the cost as \$880 million over 15 years.

There are many challenges in cancer drug development, not least of which are regulatory hurdles, time consuming, risky and expensive clinical trials, basic research, biomarker development and many others. For many of us, the challenges of how to think outside the box and speed up development while treating earlier stage of disease more effectively has occupied many thoughts. Sometimes the bureaucracy across so many functions is just mind boggling.

Pharma companies have historically pursued drug discovery and development on their own, bearing all the risk and reaping all the rewards-but that model is increasingly unsustainable. The cost of developing drugs

is rising, and this, combined with a perceived decrease in the productivity of R&D, has been the one of the major reasons for the mergers and acquisitions among pharmaceutical companies over recent years, as they seek to find and exploit economies of both scale and scope in drug R&D. Oncology, an area where seemingly every company now wants to compete but where few yet possess a comprehensive expertise, is particularly ripe for such collaboration.

Oncology is the latest disease area where these trends of collaboration are increasingly apparent. While the number of patients is smaller in oncology than most primary care segments, many pharma companies have been attracted to the same opportunities due to several reasons: smaller commercial investment requirements, significantly higher prices for oncology drugs, payers who are willing to pay these prices, and a rapidly growing set of potential new drugs. The number of preclinical and clinical oncology compounds in pipelines is two to three times that of the next largest disease area. In the last five years, Pfizer has increased its oncology R&D projects by 400%, created a specialist oncology business unit, and now has more than 20 oncology compounds under various stages of development.

If done right, collaborative development will help the pharma industry in several ways. First and foremost, it will help eliminate duplicate investment by consolidating pipelines of different companies into a smaller number of broader product portfolios. To be sure, there will still be the need to develop multiple products to service niches-in areas like breast cancer, depression and schizophrenia different products are required for different genetic make-ups.

This new model could create more winners

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and fewer losers in a pharmaceutical industry currently facing an uncertain outlook. If implemented thoughtfully, the model is capable of reducing total R&D investment in the near term without compromising the development of drugs in the long term. Still, some may worry that this model will result in less innovation if pharma companies don't conduct R&D independently of each other.

**B. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

Your company has adequate and proper system of internal control. Your company also ensures that transactions are authorized, recorded and reported correctly.

**C. DEVELOPMENT OF HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

Adequate facilities and opportunities are being provided to all the staff to update

themselves in the changing business environment at the company and also in relation to the clients from the countries the company is preparing to export its products.

**D. NOTE OF CAUTION**

The report provided herein on the Management Discussion and Analysis detailing the company's performance, objectives, projections, estimates and expectations may contain forward looking statements within the meaning of applicable laws and regulations. These statements are based on certain assumptions and expectations of future events. The actual results may differ substantially or materially from those expressed or implied. The company assumes no responsibility to publicity, amend, modify or revise any forward working statements, on the basis of subsequent developments, information or events.

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## Corporate Governance Report

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company continues to make efforts on enhancing the value and protect the interests of its stakeholders, customers, employees, Banks, Government Agencies, etc. Conscientious of this, the company has always been formulating its business plans to mitigate and avoid any risks.

### 2. BOARD OF DIRECTORS

The constitution of the Board is given below:

No.	Name of the Director	Status	No. of Other Public Directorships(*)	No. of Memberships on Board Committee
1.	Dr. K Koteswara Rao	Chairman & Managing Director, Promoter	NIL	2
2.	Sri P Narayana Murthy	Executive	NIL	2
3.	Sri S S Marthi	Independent	2	2
4.	Dr. P K Ghosh	Independent	2	1

(\*) This excludes Directorships in Indian Private Limited Companies, membership of Managing Committees of various Chambers/bodies.

### 3. AUDIT COMMITTEE

An Audit Committee of the Company was constituted at the meeting of the Board of Directors held on 31st July 2002 comprising of three Directors viz., Dr K Koteswara Rao, Sri S S Marthi, and Sri P Narayana Murthy. The company is in the process of reconstituting the committee based on the corporate governance norms.

#### TERMS OF REFERENCE

The terms of reference of the Audit Committee includes:

- To review the internal control systems
- To review Quarterly and Half-yearly results
- To review the accounting and financial policies and practices
- To review reports furnished by the internal and statutory auditors, and ensure that suitable follow-up action is taken.

During the financial year ended 31st March 2010, 5 (Five) meetings of the Committee were held on 30th April 2009, 31st July 2009, 31st October 2009, and 30th January 2010. The attendance of each member of the Committee is given below:

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Name of the Director	No. of Meetings Attended
Dr. K. Koteswara Rao	5
Sri S S Marthi	5
Sri P Narayana Murthy	5

#### 4. SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprising of Dr K Koteswara Rao, Mr P Narayana Murthy, and Mr S S Marthi have been assigned the work for redressal of investor / Shareholder complaints along with approval of share transfer, sub-division/consolidation of shares, etc. The Committee oversees the performance of Registrar and Share Transfer Agents and recommends measures for overall improvement of the quality of investor services. The Share Transfers/Transmissions approved by the committee are placed at the Board Meeting from time to time.

#### COMPLIANCE OFFICER

Mr. N Durga Prasad, Finance Manager is the Compliance Officer of the company.

#### 5. REMUNERATION OF DIRECTORS

The details of remuneration paid to Directors are given below :

Name of the Director	Relationship with other Directors	Sitting Fee & Incidental Expenses (Rs.)	Salary & Perk (Rs.)	Total (Rs.)
Dr. K Koteswara Rao	None	—	8,40,000/-	8,40,000/-
Sri S S Marthi	None	2,000/-	—	2,000/-
Sri P Narayana Murthy	None	2,000/-	—	2,000/-
Dr. P K Ghosh	None	2,000/-	—	—

#### 6. BOARD MEETINGS AND ATTENDANCE AT BOARD MEETINGS & ANNUAL GENERAL MEETINGS

The Board of Directors of the company met 6(SIX) times during the last financial year i.e., 30th April 2009, 31st July 2009, 5th September 2009, 31st October 2009, 30th January 2010, and 25th March 2010. The company placed before the Board the annual operating plans and budgets and performance of the company from time to time. Information, which is materially important were placed before the Board Meeting as and when the same takes place.



The attendance at the Board Meeting and Annual General Meetings was as under:

<b>Name of the Director</b>	<b>Attendance at Board Meetings</b>	<b>Attendance at Annual General Meeting</b>
Dr K Koteswara Rao	6	Yes
Sri S S Marthi	6	Yes
Sri P Narayana Murthy	6	Yes
Dr P K Ghosh	1	No

**7. DISCLOSURES**

Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its Promoters, the directors or the Management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the company at large :

During the year, there were no transactions of material nature with the Directors or the Management or the subsidiaries or relatives that had potential conflict with the interests of the company.

**8. MEANS OF COMMUNICATION**

The company publishes its quarterly results in the Regional vernacular News Paper (Andhra Prabha) and National Newspaper (Business Standard).

The company has a website [www.transgenebiotek.com](http://www.transgenebiotek.com) where all The official news releases and the developments that are taking place in relation to the company are updated and displayed.

**9. AUDITORS CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

A Certificate from the Auditors is enclosed along with this report.

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### SHAREHOLDER'S INFORMATION

<b>A</b>	<b>Registered Office</b>	Plot Nos. 68 , 69, & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.
<b>B</b>	<b>Annual General Meeting</b>	
	Date & Time	30 <sup>th</sup> September 2010 at 11.00 AM
	Venue	Plot No. 68, 69, & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.
<b>C</b>	<b>Financial Calendar</b>	
	Financial Reporting for	
	Quarter ending June, 30 2009	Last week of July 2009
	Quarter ending September, 30 2009	Last week of October 2009
	Quarter ending December, 31 2009	Last week of January 2010
	Quarter ending March 31, 2010	Last week of April 2010
	Annual General meeting for FY ended 31 <sup>st</sup> March 2010	30 <sup>th</sup> September 2010
<b>D</b>	<b>Date of Book Closure</b>	Tuesday the 28 <sup>th</sup> September 2010 to Thursday the 30 <sup>th</sup> September 2010
<b>E</b>	<b>Dividend Payment Date</b>	Not Applicable
<b>F</b>	<b>Listing on Stock Exchange</b>	Bombay Stock Exchange Ltd., P J J Towers,Dalal Street,Mumbai-400 001.
<b>G</b>	<b>Stock Code</b>	526139
<b>H</b>	<b>Stock Market Data</b>	The Company's shares are regularly traded on The Bombay Stock Exchange Limited. The 52 week high low has been Rs.95.00 and Rs.19.05 respectively.
<b>I</b>	<b>Registrar and Share Transfer Agents</b>	M/s. XL Softech Systems Limited 3, Sagar Society, Road No.2, Banjara Hills, Hyderabad – 500 034
<b>J</b>	<b>Share Transfer System</b>	Generally the shares have been transferred and returned in 30 days from the date of receipt, so long as the documents have been clear in all respects.
<b>K</b>	<b>Share Transfer Committee</b>	The Share Transfer Committee generally meets once in a fortnight.
<b>L</b>	<b>Investor Relations</b>	The Company has been maintaining good investor relations.



**TRANSGENE BIOTEK LIMITED**

**M) Distribution of Shareholding as on 31<sup>st</sup> March 2010**

Share Holder or Debenture Holding of nominal Value of		Share Holder or Debenture Holding of nominal Value of		Share / Debenture Amount	
Rs.	Rs.	Number	% of Total	Number	% of Total
(1)	(1)	(2)	(3)	(4)	(5)
Upto -	5000	6866		10716020	
5001 -	10000	709		5926230	
10001 -	20000	355		5524320	
20001 -	30000	151		3962270	
30001 -	40000	60		2196930	
40001 -	50000	80		3795370	
50001 -	100000	107		7833340	
100001 and above		185		117745520	
<b>TOTAL</b>		<b>8513</b>	<b>100.00</b>	<b>157700000</b>	<b>100.00</b>

<b>N</b>	<b>Dematerialisation of Shares and liquidity</b>	As on 31st August 2010 out of the total shareholding of 1,57,70,000 equity shares 1,41,33,795 equity shares representing 89.62% of equity shares are in dematerialised form.
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<b>O Particulars of Past Three AGMs</b>				
<b>AGM</b>	<b>Year</b>	<b>Venue</b>	<b>Date</b>	<b>Time</b>
19 <sup>TH</sup>	2009	Plot Nos. 68, 69 & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.	30 <sup>th</sup> September, 2009	11.30 A.M.
18 <sup>TH</sup>	2008	Plot Nos. 68, 69 & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.	29 <sup>th</sup> November, 2008	11.00 A.M.
17 <sup>TH</sup>	2007	Plot Nos. 68, 69 & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.	29 <sup>th</sup> September, 2007	11.00 A.M.
<b>P</b>	<b>Postal Ballot</b>	No resolution requiring a postal ballot under Section 192 A of the Companies Act, 1956 was placed before the last AGM nor is being proposed to be passed at the ensuing AGM.		
<b>Q</b>	<b>Nomination Facility</b>	Shareholders, holding shares in physical form and desirous of making/ changing a nomination in respect of their shareholding in the company as permitted under Section 109A of the Companies Act, 1956 are requested to submit to the Compliance Officer in the prescribed form 2B for this purpose, which can be furnished by the company on request.		

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### Auditors' Report

To  
The Members of  
**M/S. Transgene Biotek Limited**  
**Hyderabad.**

1. We have audited the attached Balance Sheet of TRANSGENE BIOTEK LIMITED ('the Company') as at 31st March, 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. 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.
  2. We have conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a 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 statements. We believe that our audit provides a reasonable basis for our opinion.
  3. As required by the Companies (Auditor's Report) Order, 2003, ('the Order') issued by the Central Government of India in terms of section 227 (4A) of 'The Companies Act, 1956', (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 appears from our examination of those books.
    - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
    - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in section 211 (3C) of the Act, to the extent applicable.
    - (e) On the basis of written representations received from the directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
    - (f) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the notes thereon give the information required by the Act,



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**TRANSGENE BIOTEK LIMITED**

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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, 2010;
- (ii) in the case of the Profit and Loss Account, of the PROFIT for the year ended on that date; and

- (iii) in the case of the cash flow statement, of the cash flow for the year ended on that date.

For **Sarath & Associates**  
Firm Registration No.005120S  
Chartered Accountants

Sd/-

**G.L.N.Prasad**

Partner

(M.No.214735)

Place : Hyderabad  
Date : 04.09.2010

## Annexure to the Auditors' Report

### ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDIT REPORT OF EVEN DATE ON THE ACCOUNTS OF TRANSGENE BIOTEK LIMITED ('THE COMPANY') FOR THE YEAR ENDED 31ST MARCH, 2010

1. (a) The Company is in the process of updating its records showing full particulars including quantitative details and situation of Fixed Assets.  
(b) As informed to us, the Company had carried out the physical verification of Fixed Assets during the year under review and such verification did not reveal any material discrepancies.  
(c) The Company has not disposed off any fixed assets during the year, which will affect the going concern status of the Company
2. (a) As per the information and explanations given to us, the inventory has been physically verified during the year by the management at periodical intervals. In our opinion the frequency of verification appears to be reasonable.  
(b) As per the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its present business.  
(c) As informed to us, no material discrepancies were noticed on such verification of inventories as compared to book records.
3. (a) As per the information and explanations given to us, as the company has not granted any loans, secured or unsecured, to Companies, Firms or other parties covered in the register maintained under section 301 of the Act, the provisions of Clause 4(iii)(a) to 4(iii)(d) are not applicable to the Company for the current year.  
(b) The Company, during the year, has taken unsecured loan from one party listed in the register maintained under Section 301 of the Act, amounting to Rs. Rs. 3,46,71,553/- and the maximum amount outstanding the year is Rs,10,58,44,469/-  
(c) In our opinion, the rate of interest and other terms and conditions of unsecured loan taken from the party listed in the register maintained under Section 301 of the Act, are not prima facie prejudicial to the interest of the Company.  
(d) The Company is regular in repayment, where applicable, of principal amount and interest on unsecured loan taken from the party listed in the register maintained under Section 301 of the Act.
4. In our opinion, the adequacy of internal control systems for the purchase of inventory and fixed assets and for the sale of goods and services as compared to the size of the Company and the nature of its business needs to be strengthened. However, we have not come across any continuing major weaknesses in the overall internal control system existed in the Company during the current year.
5. (a) **According to the information and explanations given to us and as confirmed by the Managing Director of the Company, the transactions of the**





**company which need to be entered into the register maintained under Section 301 of the Act, have been entered in the register maintained Under Section 301 of the Ac.**

- (b) According to the information and explanations given to us, there were no transactions made in pursuance of such contracts or arrangement during the year.
6. As the Company has not accepted any deposits from public covered by the directives issued by the Reserve Bank of India and the provisions of Section 58A,58AA or any other relevant provisions Act, the provisions of clause 4(vi) of the Order are not applicable to the Company for the current year.
7. In our opinion, the Company does not have an internal audit system commensurate with its size and nature of its business.
8. According to information and explanation given to us, the maintenance of cost records has not been prescribed by the Central

Government under clause (d) of sub-section (1) of section 209 of the Act.

9. (a) According to the information and explanations given to us, the Company is not regular in depositing undisputed statutory dues including provident fund, Employees State Insurance, Income Tax, Cess, Excise Duty and other appropriate statutory dues with the appropriate authorities. The amount of the arrears of outstanding statutory dues as at the last day of the financial year concerned for more than six months from the date they became payable pertaining to Income Tax Deducted At Source is Rs.12.96 lakhs and Income Tax is Rs.16.87 lakhs.
- (b) As per the records and according to the information and explanations given to us, there are no dues of Sales Tax / Income Tax / Wealth Tax / Excise Duty / Cess which have not been deposited on account of any dispute as on 31.03.2010, except a disputed claim of Custom Duty as per the details given below:

Name of the Statue	Nature of Dues	Amount Rs.	Period	Forum where pending
Customs Act,1962	Customs Duty Demand raised by the CESTAT, Chennai for non-fulfillment of export obligation	59.37 Lakhs	2002	CESTAT, Chennai

10. As per the information and explanation given to us and on overall examination of the financial statements of the Company, we report that the Company does not have any accumulated losses at the end of the current financial year nor incurred cash losses in the current and immediately preceding financial year.
11. As the Company has neither availed any loan from any financial institution or from any bank, nor issued any debentures, the provisions of Clause 4(xi) of the Order are not applicable to the Company for the current year.
12. As the Company has not granted any loans and advances on the basis of security by

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- way of pledge of shares, debentures and other securities, the provisions of Clause 4(xii) of the Order are not applicable to the Company for the current year.
13. In our opinion, as the company is not a chit fund, nidhi or a mutual benefit fund/society, the provisions of Clause 4(xiii) of the Order are not applicable to the company for the current year
14. In our opinion, as the company is not dealing in or trading in shares, securities, debentures and other investments, the provisions of Clause 4 (xiv) of the Order are not applicable to the company.
15. As per the information and explanations given to us, as the company has not given any guarantees for loans taken by others from bank or financial institution, the provisions of Clause 4(xv) of the Order are not applicable to the Company for the current year
16. As the company has not raised any term loans during the current year, the provisions of Clause 4 (xvi) of the Order are not applicable to the company for the current year.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment purposes.
18. According to the information and explanations given to us and on overall examination of the balance sheet of the company, as the Company has not made any preferential allotment of shares to parties and companies covered in the registered maintained under section 301 of the Act during the year, the provisions of Clause 4(xviii) of the Order are not applicable to the Company for the current year..
19. As the Company has not issued any debentures during the year, which requires creation of security or charge, the provisions of Clause 4(xix) of the Order, are not applicable to the Company for the current year.
20. According to the information and explanations given us and on an overall examination of the books of accounts of the Company, the Company has not raised any money by public issue during the year under review.
21. During the course of examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and as per the representation given by the Company and relied on by us, we have neither come across any instance material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by the management

For SARATH & ASSOCIATES, Firm  
Registration No. 005120S Chartered  
Accountants,

For **Sarath & Associates**  
Chartered Accountants

Sd/-

**P.Sarath Kumar**  
Partner  
(M.No.21755)

Place : Hyderabad  
Date : 04.09.2010

**TRANSGENE BIOTEK LIMITED****Balance Sheet as at 31st March 2010**

Particulars	SCH No.	As At 31.03.2010	As At 31.03.2009
<b>I. SOURCES OF FUNDS</b>			
<b>1. SHARE HOLDERS FUNDS</b>			
A. Share Capital	I	157700000	157700000
B. Share Application Money	II	0	11475529
C. Reserves & Surplus	III	1002084815	1159784815
		998269288	1167444817
<b>2. LOAN FUNDS</b>			
A. Secured Loans	IV	41627290	42104562
B. Unsecured Loans	V	108512587	150139877
		93534915	135639477
<b>Total Source of Funds</b>		<b>1309924692</b>	<b>1303084294</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS</b>			
Gross Block	VI	147204359	146198944
Less: Depreciation		78827591	72128508
Net Block		68376768	74070436
Intellectual Property Rights		996700000	1065076768
		996700000	1070770436
<b>2. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
A. Inventories	VII	152000	31317705
B. Sundry Debtors		5854827	5836544
C. Cash & Bank Balances		885744	3800853
D. Loans & Advances		9002185	8058584
		15894756	49013686
Less: CURRENT LIABILITIES & PROVISIONS	VIII	14137115	14212870
<b>NET CURRENT ASSETS</b>		<b>1757641</b>	<b>34800816</b>
<b>3. MISCELLANEOUS EXPENDITURE</b>			
(To the extent not written off)	IX		
Product Development Expenses		243090283	197513042
<b>Total</b>		<b>1309924692</b>	<b>1303084294</b>
<b>Notes on Accounts</b>	<b>XVI</b>		

Vide our report of even date

For **Sarath & Associates**  
Chartered Accountants

Sd/-

**P.Sarath Kumar**  
Partner (M.No.21755)For and on behalf of the Board  
for **Transgene Biotek Limited**

Sd/-

**Dr.K.Koteswara Rao**  
Managing Director

Sd/-

**P.N.Murthy**  
DirectorPlace : Hyderabad  
Date : 04.09.2010

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**Profit and Loss Account for the year ending 31st March 2010**

Particulars	Sch. No.	As On 31.03.2010	As On 31.03.2009
<b>I. INCOME</b>			
1. Sales & operating income	X	39846456	37001987
<b>Total</b>		<u>39846456</u>	<u>37001987</u>
<b>II. EXPENDITURE</b>			
1. Materials Consumed	XII	5785000	2978000
2. Manufacturing Expenses	XIII	2236816	2228154
3. Other Expenditure	XIV	15419808	15323807
4. Finance Charges	XV	8498017	8736224
5. Depreciation	VI	3349541	3480751
<b>Total</b>		<u>35289182</u>	<u>32746936</u>
<b>Profit for the Year</b>		4557274	4255051
Provision for Tax		741747	482092
Profit after Tax		3815527	3772959
Profit/Loss brought forward from Previous Year		38453887	34680928
<b>Profit/Loss carried forward to Balance Sheet</b>		42269414	38453887
<b>Earnings Per Share</b>			
<b>Basic</b>		0.24	0.27
<b>Diluted</b>		0.24	0.27

Vide our report of even date

For **Sarath & Associates**  
Chartered Accountants

Sd/-

**P.Sarath Kumar**  
Partner (M.No.21755)

Place : Hyderabad  
Date : 04.09.2010

For and on behalf of the Board  
for **Transgene Biotek Limited**

Sd/-

**Dr.K.Koteswara Rao**  
Managing Director

Sd/-

**P.N.Murthy**  
Director

**TRANSGENE BIOTEK LIMITED****Schedules Forming Part of the Balance Sheet & Profit and Loss A/c**

<b>PARTICULARS</b>	<b>As at 31.03.2010</b>	<b>As at 31.03.2009</b>
<b>SCHEDULE I</b>		
<b>SHARE CAPITAL</b>		
Authorised Share Capital (2,00,00,000 Equity Shares of Rs.10/- each)	<b>200000000</b>	200000000
(Issued Subscribed & Paid Up Capital 1,50,20,000 Equity Shares of Rs.10/-each)	<b>157700000</b>	157700000
<b>Total</b>	<b>157700000</b>	157700000
<b>SCHEDULE II</b>		
<b>SHARE APPLICATION MONEY</b>		
From Directors	—	10387356
Others	—	1088173
<b>Total</b>	—	11475529
<b>SCHEDULE III</b>		
<b>RESERVES &amp; SURPLUS</b>		
<b>Share Premium Account</b>		
Opening Balance		
Received during the year	<b>56300000</b>	56300000
Capital Reserve	<b>891265401</b>	891265401
Warrants Forfeiture Reserve	<b>12250000</b>	12250000
Profit & Loss A/c	<b>42269414</b>	38453887
<b>Total</b>	<b>1002084815</b>	998269288
<b>SCHEDULE IV</b>		
<b>SECURED LOANS</b>		
Working Capital Loan from UBI	—	—
Bank of India	<b>41627290</b>	42104562
<b>Total</b>	<b>41627290</b>	42104562
<b>SCHEDULE V</b>		
<b>UNSECURED LOANS</b>		
A. Interest Free Sales Tax Loan	<b>68118</b>	68118
B. From Promoters	<b>105844469</b>	71172916
C. From Others	<b>2600000</b>	22293881
<b>Total</b>	<b>108512587</b>	93534915

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**SCHEDULE VI**

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As on 1.04.2009	Additions During the Period	As on 31.03.2010	Up to 31.03.2009	For the Period	Up to 31.03.2010	As on 31.03.2010	As on 31.03.2009
1	Land	2008003	-	2008003	-	-	-	2008003	2008003
2	Buildings	36182043	-	36182043	12802710	1208480	14011190	22170853	23379332
3	Buildings- Temporary Erections	64917	-	64917	64917	-	64917	-	-
4	Plant & Machinery	80470444	-	80470444	45291758	3822346	49114104	31356340	35178686
5	Miscellaneous Fixed Assets	3932467	-	3932467	481844	186792	668637	3263830	3450622
6	Furniture & Fixtures	1635451	-	1635451	297235	77684	374919	1260532	1338215
7	Air Conditioners - Factory	5692841	-	5692841	4572237	360357	4932594	760247	1120604
8	Electrical Installations - Factory	3668307	-	3668307	2774631	232204	3006835	661472	893676
9	Lab Equipment	7263444	-	7263444	3367151	459776	3826927	3436517	3896293
10	Office Equipment	1944766	-	1944766	530205	123104	653309	1291457	1414561
11	Generator	1177812	-	1177812	595915	74555	670470	507342	581897
12	Computers	1539145	57555	1596700	1090726	97428	1188154	408546	448419
13	Vehicles	619304	-	619304	259179	56357	315536	303768	360124
14	Capital Work in Progress-Buildings	-	947860	947860	-	-	-	947860	-
	<b>Total (B)</b>	146198944	1005415	-	72128508	6699083	78827591	68376768	74070436
	<b>Total (A + B)</b>	144884691	1314253	146198944	65167006	6961502	72128508	74070436	79717685

**Schedules Forming Part of the Balance Sheet & Profit and Loss A/c**

<b>PARTICULARS</b>	<b>As at 31.03.2010</b>	<b>As at 31.03.2009</b>
<b>SCHEDULE VII</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>A. INVENTORIES</b>		
Raw Materials	<b>152000</b>	1017705
Work-in-progress	<b>—</b>	30300000
<b>Sub - Total</b>	<b><u>152000</u></b>	<u>31317705</u>
<b>B. SUNDRY DEBTORS</b>		
(Unsecured and Considered good)		
More than Six Months	<b>339827</b>	5421954
Less than Six Months	<b>5515000</b>	414590
<b>Sub - Total</b>	<b><u>5854827</u></b>	<u>5836544</u>
<b>C. CASH &amp; BANK BALANCES</b>		
Cash on Hand	<b>211760</b>	853908
Balances with Scheduled Banks in Current Accounts	<b>673984</b>	2946945
<b>Sub - Total</b>	<b><u>885744</u></b>	<u>3800853</u>
<b>D. LOANS &amp; ADVANCES</b>		
Deposits with Government & Others	<b>6377429</b>	6377429
Other Advances	<b>2624756</b>	1676781
Prepaid Expenses	<b>—</b>	4374
<b>Sub - Total</b>	<b><u>9002185</u></b>	<u>8058584</u>
<b>Total (A + B + C + D)</b>	<b><u>15894756</u></b>	<u>49013686</u>
<b>SCHEDULE VIII</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
Creditors for Capital Goods	<b>475136</b>	631668
Creditors for Materials	<b>2065249</b>	3221729
Creditors for Expenses	<b>7714887</b>	7419839
Creditors for Others	<b>557080</b>	857080
	<b><u>10812352</u></b>	<u>12130316</u>
Provision for Tax	<b>2574763</b>	1832554
Provision for Gratuity	<b>750000</b>	250000
	<b>3324763</b>	2082554
<b>Total</b>	<b><u>14137115</u></b>	<u>14212870</u>

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PARTICULARS	As at 31.03.2010	As at 31.03.2009
<b>SCHEDULE IX</b>		
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off)		
<b>PRODUCT DEVELOPMENT EXPENSES</b>		
Balance brought forward	197513042	176942081
Additions during the year	45577241	20570961
<b>Total</b>	<b>243090283</b>	<b>197513042</b>
<b>SCHEDULE X</b>		
<b>SALES &amp; SERVICE INCOME</b>		
Sale of Plants	1250448	13420000
Income from Diagnostic Services	25721484	23310000
Income from Technology outsource	12874524	271987
<b>Total</b>	<b>39846456</b>	<b>37001987</b>
<b>SCHEDULE XI</b>		
<b>OTHER INCOME</b>		
Interest & Other Income Received	—	10300
Leave & Licence Fee Received	—	—
<b>Total</b>	<b>—</b>	<b>10300</b>
<b>SCHEDULE XII</b>		
<b>MATERIALS CONSUMED</b>		
Opening Stock	1017705	820075
Purchases	15244918	3716811
<b>Sub Total</b>	<b>16262623</b>	<b>4536886</b>
Less: Closing Stock	152000	1017705
<b>Total</b>	<b>16110623</b>	<b>3519181</b>
<b>DECREASE IN STOCK</b>		
Opening Stock: Work in Process	30300000	30500000
Less: Closing Stock : Work In Process	—	30300000
<b>Decrease in Stock</b>	<b>30300000</b>	<b>200000</b>
<b>Total</b>	<b>46410623</b>	<b>3719181</b>
Less: Material Consumed for Product		
Development	40625623	741181
<b>Total</b>	<b>5785000</b>	<b>2978000</b>



**TRANSGENE BIOTEK LIMITED**

<b>PARTICULARS</b>	<b>As at 31.03.2010</b>	<b>As at 31.03.2009</b>
<b>SCHEDULE XIII</b>		
<b>MANUFACTURING EXPENSES</b>		
Repairs & Maintenance	<b>330668</b>	356527
Electrical Charges	<b>720708</b>	720386
Factory Maintenance	<b>277250</b>	363618
Laboratory Expenditure	<b>545000</b>	581071
Generator Maintenance	<b>363190</b>	206552
<b>Total</b>	<b><u>2236816</u></b>	<b><u>2228154</u></b>
<b>SCHEDULE XIV</b>		
<b>OTHER EXPENDITURE</b>		
Advertisement	<b>145284</b>	125893
Salaries	<b>4852075</b>	3792000
ESI Employer's contribution	<b>18677</b>	29359
PF Employer's Contribution	<b>80681</b>	157025
Bank Charges	<b>34612</b>	13470
Books & Periodicals, Subscriptions	<b>0</b>	6373
Travelling, Transport & Conveyance	<b>198978</b>	263829
Printing & stationery	<b>90725</b>	225502
Discounts	<b>3145</b>	293885
Directors' Sitting Fee	<b>20000</b>	12000
Vehicle Maintenance & Hire Charges	<b>126070</b>	492260
Postage & Telephones	<b>111611</b>	453531
Legal & Professional Charges	<b>561530</b>	1799696
Rent, Rates & Taxes and Fees	<b>382050</b>	567601
MD's Remuneration & Perquisites	<b>840000</b>	691703
Welfare Expenses	<b>123332</b>	114421
Insurance	<b>0</b>	177065
Commission	<b>909224</b>	865515
Referral Expenses	<b>1594621</b>	1701543
Auditors' Remuneration	<b>165450</b>	100000
General Expenses	<b>5161743</b>	3441136
<b>Total Other Expenditure</b>	<b><u>15419808</u></b>	<b><u>15323807</u></b>
<b>SCHEDULE XV</b>		
<b>FINANCE CHARGES</b>		
Interest on Bank Loans, Financial Institutions	<b>7888017</b>	8126224
Interest on Mortgage Loan	<b>610000</b>	610000
<b>Total Financial Charges</b>	<b><u>8498017</u></b>	<b><u>8736224</u></b>

## Significant Accounting Policies

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accruals basis. GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied and management evaluates all recently issued or revised accounting standards on an ongoing basis.

### 2. FIXED ASSETS AND DEPRECIATION:

Fixed Assets are stated at cost less accumulated depreciation. Cost includes all expenses related to acquisition and installation of the concerned assets and, any attributable cost of bringing the asset to the condition of its intended use.

Depreciation is provided under the straight-line method based on useful life of assets as estimated by the Management. Depreciation is charged on a monthly pro-rata basis for assets purchased / sold during the year. Individual assets acquired for less than Rs. 5,000 are entirely depreciated in the year of acquisition. Out of the total Depreciation on Assets, 50% is transferred to Product development expenses account as 50% of the assets is used for Product Development purpose. The Management's estimate of useful life for various fixed assets is as under:

Asset	Useful life of Asset in years
Buildings	30
Lab Equipment	15
Mis. Fixed Assets	20
Air Conditioners	15
Office Equipment	15
Electrical Installation	15
Generator	15
Furniture and Fixtures	15
Plant and Machinery	20
Vehicles	10

### 3. REVENUE RECOGNITION

Revenue for the company is from sales of products and medical diagnostic services. Revenue from sales and services are recognized on formal acceptance by the customer/patient.



**4. INVENTORIES**

Raw Materials - Valued at Cost

Finished Goods - There are no closing stocks of finished goods.

5. Expenditure on the ongoing product development for “Meningitis Vaccine, Erythropoietin, Tacrolimus, Statins (Orlistat, Lovastatin Pravastatin), Cancer products and Oral Insulin will be capitalized and written off over a period of the expected useful life of the respective products after obtaining commercial license/commencement of commercial production of the same.

Amount in Rupees

Opening Balance	Additions*	Closing Balance
19,75,13,042	4,55,77,241	24,30,90,283

\* Total amount incurred on development of products during 2009-10

The management is of the opinion that the product development expenditure incurred on the products is technically feasible to generate future economic benefits and the company has sufficient technical and financial resources to complete it.

**6. RETIREMENT BENEFITS**

- A) The Company is contributing to the Employees Provident fund maintained under the Employees Provident Fund Scheme by the Central Government.
- B) Leave encashment will be debited to profit and loss account as and when it has been paid.

**7. INTERNALLY GENERATED INTANGIBLE ASSETS**

Direct and indirect costs incurred during planning stage, and on operational activities charged to revenue in the year in which it has incurred.

Direct cost incurred on application & infrastructure development, design and content development stages are capitalized if and only if (i) it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and (ii) the cost of the asset can be measured reliably. Indirect cost incurred during application, infrastructure, development stage are charged to revenue.

**8. EARNINGS PER SHARE**

In determining earnings per share, the company considers the net profit after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding at the beginning of the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares outstanding during the year.

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### **9. CASH FLOW STATEMENT**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated. Cash flows in foreign currencies are accounted at average monthly exchange rates that approximate the actual rates exchange prevailing at the dates of the transactions.

### **10. INCOME-TAX**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is not provided as per AS-22, because of huge losses of the past year which have been carried forward to this year.

- 11.** Previous year figures have been regrouped and reclassified according to the groupings and classifications made for the current financial year.



**SCHEDULE XVI**

**NOTES FORMING PART OF THE ACCOUNTS**

1. Contingent Liabilities are not provided for in respect of

	<b>(Rs. In Lacs)</b>	
	<b>2009-10</b>	<b>2008-09</b>
(i) Customs Duty Demand disputed by the Company	<b>64.42</b>	5.05

2. Contracts remaining to be executed on Capital Account for the current year are nil. (Previous year NIL).

3. The following are the requirements under the Related Party Disclosures as per the AS-18 issued by the Institute of Chartered Accountants of India.

A) **KEY MANAGEMENT PERSONNEL:**

Dr. K.Koteswara Rao : Managing Director

The following are the transactions relating to related party disclosure requirements

	<b>(Rs. In Lacs)</b>	
	<b>2009-10</b>	<b>2008-09</b>
<b>Dr.Koteswara Rao</b>		
Remuneration Paid to MD	<b>8.40</b>	5.60
Perquisites Paid to MD	—	1.31
<b>Interest free unsecured loan</b>		
* Received during the year	<b>346.72</b>	125.40
* Amount outstanding at the year end	1058.44	711.73

4. Statement of Particulars of employees pursuant to the provisions of the Section 217 (2A) of the Companies act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended up to date are not provided as there are no employees who are in receipt of the amounts prescribed under the said section Nil. Previous Year – Nil.
5. In the opinion of the Board, current assets, loans and advances are realizable at a value, which is at least equal to the amount, at which these are stated, in the ordinary course of business. Independent confirmation of balances of sundry debtors, sundry creditors, loans and advances, and other parties are in progress on date of this report.
6. Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956 to the extent relevant.

## NINETEENTH ANNUAL REPORT 2009-10

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### **DIAGNOSTIC KITS**

Particulars of Capacities and Production

				<b>2009-2010</b>	2008-2009
				<b><u>PRODUCTION SALES</u></b>	
		<b><u>UNIT LICENSED INSTALLED</u></b>			
Biochemistry	Tests	129 Lacs	NA	<b>NIL</b>	NIL
Immunology	Tests	166 Lacs	NA	<b>NIL</b>	NIL
Elisa	Tests	293 Lacs	NA		NIL

### **AGRI BIOTEK PLANTS**

Particulars of Capacities and Production

		<b>2009-2010</b>	2008-2009
		<b><u>PRODUCED</u></b>	
<b><u>UNIT</u></b>	<b><u>INSTALLED CAPACITY</u></b>		
Banana Plants	10.00 Lakhs	<b>1.25 Lakhs</b>	9.41 Lakhs

### **Particulars in respect of Sale of Finished Goods**

	<b>2009-2010</b>		<b>2008-2009</b>	
	Quantity of Plants (in Lacs)	Value Rs. in Lacs	Quantity of Plants (in Lacs)	Value Rs. in Lacs
Banana Plants	<b>1.25</b>	<b>12.50</b>	9.41	134.20
		<u>12.50</u>		<u>134.20</u>

### **Particulars in respect of Stock of Finished Goods**

	<b>2009-2010</b>		<b>2008-2009</b>	
	Quantity of Plants (in Lacs)	Value Rs. in Lacs	Quantity of Plants (in Lacs)	Value Rs. in Lacs
<b>OPENING STOCK</b>				
Banana Plants	<b>NIL</b>	<b>NIL</b>	NIL	NIL
		<u>NIL</u>		<u>NIL</u>



CLOSING STOCK - NIL

7. Deferred Tax Liability or Asset has not been provided, as per AS – 22, as in the Financial Statements the Company has huge accumulated losses and there is no probability of tax liabilities arising during the year and in the coming years.
8. The company is engaged in providing Technology Outsourcing Services, Diagnostic Services and producing Tissue culture Plants which as per accounting standard (AS) 17 is considered the business segments.

Particulars	Diagnostics (Rs.)	Export Sales (Rs.)	Agri Biotek Division (Rs.)	Total (Rs.)
Revenue	2,57,21,484	1,28,74,524	12,50,000	3,98,46,456
Identifiable operating expenses	1,83,90,861	90,12,167	8,12,500	2,82,15,528
Segment operating income	73,30,623	38,62,357	4,37,500	1,16,30,928
Other Income				—
<b>Total</b>				1,16,30,928
Unallocable expenses				70,73,654
Net profit before tax				45,57,274
Income Tax				7,41,747
<b>Net Profit After Taxes</b>				<b>38,15,527</b>

9. AUDITORS' REMUNERATION

	2009-2010	(Amount Rs.) 2008-2009
Audit Fee	1,00,000	1,00,000
Tax Representation	50,000	50,000
Sales Tax Reimbursement	15,450	12,240
<b>TOTAL</b>	<b>1,65,450</b>	<b>1,62,240</b>

## NINETEENTH ANNUAL REPORT 2009-10

### 10. EARNINGS PER SHARE

	<b>2009-2010</b>	<b>(Amount Rs.) 2008-2009</b>
a) Net Profit after Tax	<b>38,15,527</b>	42,55,051
b) Weighted Average Number of equity shares during the year	<b>1,57,70,000</b>	1,53,32,500
c) Earnings per Equity Share of Rs.10/- each		
Basic	<b>Rs. 0.24</b>	0.27
Diluted	<b>Rs. 0.24</b>	0.27

### 11. EXPENDITURE IN FOREIGN CURRENCY

	<b>2009-10</b>	<b>(Amount Rs.) 2008-09</b>
A) Product Development Expenses	<b>Nil</b>	5,54,663
<b>TOTAL</b>	<b>Nil</b>	<b>5,54,663</b>

### 12. Product Development Expenses comprise of

	<b>2009-10</b>		<b>(Amount Rs.) 2008-09</b>	
<b>Personnel Costs</b>				
<b>Salaries</b>				
a) Bio-Therapeutics	<b>11,34,056</b>		15,39,333	
b) NDDS	<b>3,81,417</b>		5,12,427	
c) Immuno-suppressants	<b>7,53,644</b>		10,24,854	
d) Vaccines	<b>7,53,644</b>		10,24,854	
e) Statins	<b>7,53,644</b>	<b>37,76,405</b>	10,24,854	51,31,108
Welfare Expenses		<b>—</b>		1,05,350
		<b>37,76,405</b>		<b>52,36,458</b>



**TRANSGENE BIOTEK LIMITED**

	<b>2009-10</b>	<b>(Amount Rs.)</b>	<b>2008-09</b>
<b><u>Stores &amp; Spares and Consumables</u></b>			
a) Bio-Therapeutics	<b>1,69,730</b>		2,96,472
b) NDDS	<b>42,262</b>		74,016
c) Immuno-suppressants	<b>1,05,318</b>		1,85,039
d) Statins	<b>1,05,318</b>		1,85,039
	<b>4,22,628</b>		7,40,506
Laboratory goods and testing expenses			615
<b><u>Depreciation &amp; Repairs</u></b>			
a) Bio-Therapeutics	<b>16,83,186</b>		17,40,376
b) Immuno-suppressants	<b>6,69,908</b>		6,95,382
c) Vaccines	<b>3,36,637</b>		3,49,611
d) Statins	<b>6,60,010</b>		6,95,382
	<b>33,49,541</b>		34,80,751
<b><u>Clinical Research Expenses</u></b>			
a) M.M.Vaccine	<b>—</b>		—
b) Cancer Drugs	<b>5,19,485</b>		4,69,047
c) Immuno-suppressants	<b>4,80,523</b>		4,35,739
d) Statins	<b>4,80,524</b>		4,35,739
	<b>14,80,532</b>		13,40,525
<b><u>Travelling, Conveyance &amp; Vehicle Expenses</u></b>			
a) M.M.Vaccine	<b>1,44,860</b>		1,28,787
b) Bio-therapeutics	<b>2,17,071</b>		1,93,182
c) Vaccines	<b>72,357</b>		64,394
d) Statins & Immuno-suppressants	<b>2,88,561</b>		2,57,464
	<b>7,22,849</b>		6,43,827
Patents related Expenses	<b>—</b>		—
Payments to Attorneys	<b>—</b>		5,54,643
Other overheads	<b>3,58,25,284</b>		1,31,12,697
	<b>4,55,77,241</b>		2,51,10,022

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## NINETEENTH ANNUAL REPORT 2009-10

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13. Periodically the company evaluates all customers due to the company for collectables. The need for provisions is assessed based on the various factors including collectables of specific dues, risk perceptions of the industry in which the customers operates, and general economic factors, which could effect the customers ability to settle.
  14. Schedules I to XV form integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.
- 

Vide our report of even date

For **Sarath & Associates**  
Chartered Accountants

Sd/-

**P.Sarath Kumar**  
Partner (M.No.21755)

Place : Hyderabad  
Date : 04.09.2010

For and on behalf of the Board  
for **Transgene Biotek Limited**

Sd/-

**Dr.K.Koteswara Rao**  
Managing Director

Sd/-

**P.N.Murthy**  
Director



**Balance Sheet Abstract and Company's General Business Profile**

**I Registration Details**

Registration No. 0 1 1 0 6 5

State Code 0 1

Balance Sheet Date 3 1  
Date

0 3  
Month

2 0 1 0  
Year

**II Capital Raised during the year (Rs. in Thousands)**

Public Issue

Nil

Government  
Contribution

Rights Issue

7 5 0 0

Bonus Issue

Nil

Nil

Private Placements

Nil

**III Position of Mobilisation and Deployment of Funds**

Total Liabilities

1 3 0 9 9 2 4

Total Assets

1 3 0 9 9 2 4

**SOURCE OF FUNDS**

Paid up Capital

1 5 7 7 0 0

Reserves and Surplus

1 0 0 2 0 8 4

Secured Loans

4 1 6 2 7

Unsecured Loans

1 0 8 5 1 3

Share Application Money

Nil

**APPLICATION FUNDS**

Net Fixed Assets

1 0 6 5 0 7 7

Misc Expenses

2 4 3 0 9 0

Net Current Assets

1 7 5 7

PAccumulated Losses

Nil

**IV Performance of the Company**

Turnover

3 9 8 4 6

Profit / Loss before Tax

4 5 5 7

Earnings per share

0 . 2 4

Total Expenditure

3 5 2 8 9

Profit / Loss after tax

3 8 1 6

Dividend

Nil

Vide our report of even date

For **Sarath & Associates**  
Chartered Accountants

Sd/-

**P.Sarath Kumar**  
Partner (M.No.21755)

Place : Hyderabad  
Date : 04.09.2010

For and on behalf of the Board  
for **Transgene Biotek Limited**

Sd/-

**Dr.K.Koteswara Rao**  
Managing Director

Sd/-

**P.N.Murthy**  
Director

**NINETEENTH ANNUAL REPORT 2009-10**

**Cash Flow Statement for the year ending 31.03.2010**

PARTICULARS	As at 31.03.2010	As at 31.03.2009
<b>A. CASHFLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax and Extra Ordinary items	4557274	4255051
Adjustments for		
- Depreciations	6699083	6,961,502
- Misc Expenses Written Off		
Operating Profit Before Working Capital Changes	11,256,357	11,216,553
Changes in Working Capital		
- (Increase) / Decrease in Current Assets		
- Increase / (Decrease) in Current Liabilities	29,386,319	3,589,179
Cash Generated from Operations	40,642,676	14,805,732
Less: Direct Taxes Paid	-	-
Net Cashflow from Operating activities	40,642,676	14,805,732
<b>B. CASHFLOW USED IN INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	57,555	1,314,253
(Increase) / Decrease in Capital Work in Progress	947,860	-
Product Development Expenditure	45,577,241	25,110,022
Sale of Fixed Assets	-	-
Net Cashflow used in Investing activities	(46,582,656)	(26,424,275)
<b>C. CASHFLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long Term Borrowings	14,500,400	-
Repayment of Long Term Borrowings	(45,611,487)	-
Share application money Receipt / (Repayment)	(11,475,529)	60,000,000
Net cashflow from financing activities	3,024,871	14,388,513
<b>D. NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>		
	(2,915,109)	2,769,970
Cash & Cash Equivalents at the beginning of the Year	3,800,853	1,030,883
Cash & Cash Equivalents at the end of the Year	885,744	3,800,853

Vide our report of even date

For **Sarath & Associates**  
Chartered Accountants

Sd/-

**P.Sarath Kumar**  
Partner (M.No.21755)

Place : Hyderabad  
Date : 04.09.2010

For and on behalf of the Board  
for **Transgene Biotek Limited**

Sd/-

**Dr.K.Koteswara Rao**  
Managing Director

Sd/-

**P.N.Murthy**  
Director



**BOARD OF DIRECTORS**

Dr. K Koteswara Rao	Chairman & Managing Director
Dr. P K Ghosh	Director
Sri S S Marthi	Director
Sri P Narayana Murthy	Director

**Registered Office**

Plot Nos. 68,69 & 70  
Anrich Industrial Area,  
IDA Bollaram,  
Medak District. A.P.

**Factory**

Plot Nos. 68,69 & 70  
Anrich Industrial Area,  
IDA Bollaram,  
Medak District. A.P.

**Auditors**

Sarath & Associates  
Chartered Accountants  
102, Gowri Apartments,  
3-6-195/B, Urdu Lane,  
Himayath Nagar,  
Hyderabad.

**Bankers**

**Union Bank of India**  
Jubilee Hills Branch,  
Hyderabad.

**Share Transfer Agents**

M/s. XL Softech Systems Ltd.  
3, Sagar Society, Road No.2  
Banjara Hills,  
Hyderabad - 500 034.



# TRANSGENE BIOTEK LIMITED

Regd Off : Plot Nos. 68, 69 & 70, Anrich Industrial Area, IDA Bollaram, Medak Dist. (A.P)

## PROXY FORM

D.P. No.: .....

Client ID .....

Reg Folio No. ....

No. of Shares held: .....

I/We..... being a Member/s of the above named company hereby appoint Mr/Mrs ..... of ..... in the district of ..... as my/our proxy to vote for me/us on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held on Thursday the 30th September, 2010 at 11.00 A.M. at Regd Off :Plot Nos. 68, 69 & 70, Anrich Industrial Area, IDA Bollaram, Medak Dist. (A.P) and at any adjournment thereof.

Signed this ..... day of ..... Two Thousand and Ten.

Signature

Affix a  
Re. 1.00  
Revenue  
Stamp

### **Note:**

This proxy Form duly completed should be deposited at the **Regd. Office:** Plot Nos. 68, 69 & 70, Anrich Industrial Area, IDA Bollaram, Medak Dist. (A.P) not less than 48 hours before the time fixed for holding the meeting.

----- Tear Here -----



# TRANSGENE BIOTEK LIMITED

Regd Off. : Plot Nos. 68, 69 & 70, Anrich Industrial Area, IDA Bollaram, Medak Dist. (A.P)

## ATTENDANCE SLIP

D.P. No.: .....

Client ID .....

Reg Folio No. ....

No. of Shares held: .....

Name of the Shareholder: .....

Name of the Proxy (if applicable) .....

I/We hereby record my/our presence at the 19<sup>th</sup> Annual General Meeting of the Company to be held on Thursday the 30th September, 2010 at 11.00 A.M. at Regd Off: Plot Nos. 68, 69 & 70, Anrich Industrial Area, IDA Bollaram, Medak Dist. (A.P) and at any adjournment thereof.

Signature of the Member/Proxy

— NO GIFTS PLEASE —

Tear Here

**Book Post  
Printed Matter**



Regd. Office Plot Nos. 68, 69 & 70,  
Anrich Industrial Area, IDA Bollaram, Medak District. (A.P.)  
[www.transgenebiotech.com](http://www.transgenebiotech.com)



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20th Annual Report  
2009-10

Reaching out to New Horizons



**TRANSGENE**  
BIOTEK LIMITED  
INNOVATING. FOR LIFE.