



TRANSGENE BIOTEK LIMITED

NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Members of M/S TRANSGESNE BIOTEK LIMITED will be held on Friday, the 30th September, 2011 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, 2011, 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 Sri S S Marthi who retires by rotation and being eligible offers himself for reappointment.

3. 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.

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."

SPECIAL BUSINESS

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

" RESOLVED THAT pursuant to Section 198, 269, 309, 310, 314, Schedule XIII and other applicable provisions of the Companies Act, 1956 Dr K Koteswara Rao be and is hereby reappointed as the Managing Director of the Company for a period of FIVE years with effect from 5th May 2011 on the following terms and conditions :

REMUNERATION

- i) Salary of Rs. 1,25,000/- p.m.
- ii) Perquisites of free furnished residential accommodation, gas, electricity, water, medical expenses reimbursement for self and family and annual leave travel concessions for self and family, club fees,

medical and personal accident insurance to be evaluated as per income tax rules wherever applicable in other cases on actual cost basis.

- iii) Benefits of contribution to Provident Fund, Gratuity, encashment of earned leave at the end of the tenure as per the rules of the Company.
- iv) Facilities of car, telephone and other communication facilities at residence for use in Company's business.
- v) Dr K Koteswara Rao will not be entitled to any sitting fees for attending meetings of the Board or of any committee thereof.

6. To consider and if thought fit to pass with or without modification(s) the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to applicable provisions of the Foreign Exchange Management Act, 1999 (FEMA), the Companies Act, 1956 and all other applicable rules, regulations, guidelines and laws (including any statutory modification or re-enactment thereof for the time being in force) and subject to all requisite approvals, permissions and sanctions of Government of India and Reserve Bank of India (RBI) and any other appropriate bodies and authorities as may be necessary and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions, which may be agreed to by the Board of Directors of the Company and/or a duly authorized Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as "the Board"), the consent of the Company be and is hereby accorded for investments by Foreign Institutional Investors including their sub-accounts (hereinafter referred to as "the FIIs"), in the shares or debentures convertible into shares of the Company, by purchase or acquisition from the market under the Portfolio Investment Scheme under FEMA, subject to the condition that the total holding of all FIIs put together shall not exceed 100 (**Hundred**) per cent of the paid up equity share capital or paid up value of the respective series of the convertible debentures of the Company as may be applicable or such other maximum limit as may be prescribed from time to time."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

By the Order Of the Board

For **TRANSGENE BIOTEK LIMITED**

PLACE: HYDERABAD
DATE: 05-09-2011

Dr. K. KOTESWARA RAO
CHAIRMAN &
MANAGING DIRECTOR

TWENTYFIRST ANNUAL REPORT 2010-2011

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 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 Wednesday the 28th September 2011 to Friday the 30th September, 2011 (both days inclusive) .
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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 5

The Board of Directors in their meeting held on 14th May 2011 reappointed Dr K Koteswara Rao as Managing Director of the company for a period of 5 years effective from 5th May 2011 on the terms and conditions as set out in the resolution. Since his term expired, the Board has considered the reappointment of Dr K Koteswara Rao as the Managing Director of the company for a period of 5 years subject to the approval of the members in the Annual General Meeting. The terms and conditions of his appointment are laid down in the resolution proposed at Item No. 5 which may be treated as an abstract of the terms and conditions of appointment under Section 302 of the Companies Act, 1956. The terms and conditions of appointment set out in the resolution may be considered as the abstract of the contract of appointment under Section 342 of the Companies Act, 1956. Dr K Koteswara Rao is interested in the above resolution to the extent of his appointment.

ITEM NO. 6

The Foreign Institutional investors (FIIs) have assumed a crucial role in the Indian capital market. It is proposed to facilitate greater FII investment in the Company, which would not only provide depth and liquidity to the Company's shares but will also reflect the Company's commitment to the highest standards of disclosures, transparency, and corporate governance, its operational efficiencies, global competitiveness, and proven management track record, which are the preferred investment qualifications for FIIs.

In terms of the provisions of Portfolio Investment Scheme under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, the Foreign Institutional Investors (FIIs) may invest in the equity shares / convertible debentures up to the sectoral cap / statutory limit as applicable to the Indian companies, subject to the approval of the Board of Directors and approval of Members of the Company by way of a special resolution.

The Board of Directors of the Company at its meeting held on 5th September, 2011, inter alia, proposed, subject to the approval of Members by way of a special resolution, to enhance the said FII investment limit to 100 per cent of the paid up Equity Capital.

The resolution set out at Item No. 6 of the accompanying Notice will enable the FIIs, who are considered to be prudent investors, to acquire shares of the Company through authorized dealers within the revised ceiling under the Portfolio Investment Scheme of the Reserve Bank of India.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors is concerned or interested in the above Resolution.

By the Order Of the Board
For **TRANSGENE BIOTEK LIMITED**

PLACE: HYDERABAD
DATE: 05-09-2011

Dr. K. KOTESWARA RAO
CHAIRMAN & MANAGING DIRECTOR



DIRECTORS' REPORT 2010-11

The Board of Directors of your company hereby present the 21st Annual Report on the business & operations of the company and Audited Statement of Accounts for the year ended 31st March, 2011 along with the Auditor's Report thereon.

FINANCIAL RESULTS

Particulars	Rs. in Lakhs	
	2010- 2011	2009- 2010
Net Sales / Income	1001.21	398.46
Total Expenditure	761.74	234.42
Gross Operating Profit	239.47	164.04
Interest and Finance Charges	71.47	84.98
Forex Loss	116.05	-
Depreciation	35.16	33.49
Profit before Tax	16.79	45.57
Provision for Tax	3.11	7.42
Net Profit	13.68	38.15

OPERATIONS

The Directors' report that during the year under review the total income was Rs.1001.21 Lakhs as against Rs.398.46 Lakhs in the previous year and the Net Profit for the year was Rs.13.69 Lakhs as against Rs.38.15 Lakhs for the previous year. There was a forex loss of Rs.116.05 lakhs due to which the profit had come down. During the year, the company has incurred an amount of Rs.286.01 lakhs on ongoing product development and Rs.64.33 Lakhs on Fixed Assets as against Rs.455.77 lakhs and Rs.10.05 Lakhs respectively in 2009-10.

It has been a year of some satisfaction with your company raising the much needed funds through GDRs, the funds to enhance your company's ability in reaching the desired objectives on different projects.

With the funds in place, the management has initiated plans to restructure its operations in order to realize the inherent values of various projects much faster. The newly structured operations fall under:

API division

- Tacrolimus
- DHA
- Orlistat

R&D division

- RNAi based drugs
 - Breast cancer
 - Liver cancer
 - Ovarian cancer
 - Pancreatic cancer
- **Monoclonal antibodies (mAbs)**
 - Colon cancer
 - Multiple myeloma
 - Non-Hodgkin's Lymphoma
 - Esophageal cancer
- **BeeCell technology (Auto-immune disease model)**
 - AIDS therapeutic vaccine
 - Multiple Sclerosis
- **NDDS**
 - Oral Insulin
 - Oral AIDS vaccine
 - Oral mAb based drugs
 - Transdermal delivery of AIDs vaccine

APIs and commercial production:

As informed earlier, this division has achieved breakthrough on two other APIs. Unfortunately, because of the hurdles faced by the company in getting the approvals for expanding the manufacturing facilities at the current location of your company, the management is looking at alternative proposals for acquiring land with special emphasis on getting environmental and pollution control approvals. Realising the possible delays on that front, the management has opted to start the commercial operations from a third party facility. We have already entered into a Memorandum of Understanding with a company to start the production

TWENTYFIRST ANNUAL REPORT 2010-2011

using initially 64 kl fermentation facility with a capacity to expand it to much larger capacities. Work is progressing with installation of additional production and supporting equipment.

We are scheduled to start commercial production of DHA, one of the APIs at the chosen 64 kl facility during Q3 of 2011-12. DHA, an Omega-3 fatty acid, is a product of great demand all over the world for its inclusion as part of a healthy diet that helps lower risk of heart disease and for the development of our nervous system and visual abilities during the first 6 months of life.

Likewise, our second API, Tacrolimus is due to start regular commercial production soon after DHA production is optimized at Transgene's current 4 kl facility and transferred to 64 kl plant at the new location.

With both APIs coming into commercial production during the Q3 of 2011-12, the management is looking at expanding its marketing horizons beyond the shores of India.

R&D

RNAi drugs

We have added two more oncology drugs to the existing Breast and Liver cancer drug development program – Pancreatic and Ovarian cancer drugs with the signing of MoU with a USA based company last month. We are scheduled to complete highly complex pre-clinical studies conducted outside India in North America on specially bred and genetically modified mice on all these four drugs before the end of Q3 – 2011-12. This will be followed by animal toxicology and human clinical studies.

mAb drugs

As informed earlier, we have engaged the services of two companies outside India for humanizing our monoclonal antibody drugs. First step in the process of humanization has been completed by both companies. The chimerized antibodies are delivered for conducting in-house in-vitro cytotoxicity assays prior to advancing and completing the process of humanization. The antibodies are directed towards Colon cancer, Multiple myeloma, NHL and Esophageal cancer.

BeeCell technology

The BeeCell technology platform developed by Transgene has been improved further with the acquisition of another technology. This is to enable Transgene to accelerate and widen the auto-immune disease drug development program. It is reported that the drugs against auto-immune diseases generated in excess of US\$10 billion in 2008 and growing further rapidly.

Intellectual property and patents

The advancement of drug development programs on several fronts along with addition of new projects, there has been a tremendous increase in the number of patents filed during the final quarter of 2010-11 and subsequently. So far, more than 30 patents have been filed during this period covering India, USA and PCT countries in addition to the earlier filed ones.

Expansion of scientific staff

In line with the expansion of manufacturing operations and with advancing R&D milestones, several new and experienced scientists have been added to each division headed by highly qualified and experienced leaders.

DIVIDEND

In spite of increased revenue and profits, your Directors are unable to recommend any dividend for the year due, keeping in mind of substantial funds needed to support the increasing R&D activities where activities such as pre-clinical and clinical studies are known to be highly cost intensive.

GROWTH PLANS AND OUTLOOK

Transgene Biotek's own comprehensive technology platforms represent a powerful tool for the development of various therapeutic products for treatment of several dangerous and debilitating conditions such as AIDS, Multiple Sclerosis etc. Recent acquisition of another technology for auto-immune diseases has contributed to the rapid advancement of drug development for auto-immune diseases apart from addition of two more drugs for conditions such as Parkinson's disease and Psoriasis.



In cancer treatment, the products being developed by Transgene are first in-class targeting the tumour cells in a selective manner, with release of high concentration of siRNAs be it shRNA or miRNAs into the cancer cells and may therefore induce tumor regression or even tumor death in a safe and effective manner. This in turn reduces or eliminates the need for chemo-therapy. With advancing in-vivo studies on several cancer drugs, the management hopes to enter the critical milestone of human studies on some of these by the end of 2011-12. We have engaged the services of an experienced CRO company in North America for conducting pre-clinical studies on three products to substantiate and add value to our pipeline.

“Global sales of cancer drugs will grow at a compounded annual rate of 12 to 15 percent, reaching \$75 to \$80 billion by 2012, according to a new forecast by IMS Health (NYSE: RX), the world’s leading provider of market intelligence to the pharmaceutical and healthcare industries. The growth rate for oncology products will be nearly double the forecasted growth rate of the global pharmaceutical market. Recent innovations have improved quality of life, delayed disease progression and helped prolong survival for patients battling different types of cancer.”

The expanding nature of new drug delivery technologies at Transgene with the scientists gaining better insight over the last decade into the challenges posed in delivering those drugs through routes other than by injectable path, opened up another dimension in creating or enhancing the value of each drug under development at Transgene. Today, Transgene is on the cusp of achieving its objective in providing a better alternative to the injections and in doing so, increasing the patient compliance resulting in better or effective treatment of conditions such as AIDs, Cancer etc.

“New or novel drug delivery systems continue to be a fast-growing market. Currently approaching \$54 billion in annual sales, it is estimated that this industry will reach \$67 billion by 2009 - close to 20% of total global pharmaceutical sales.”

The API division at Transgene, headed by a highly experienced and committed team of scientists provides

a stable and sustainable platform for the company in moving forward with its devout objective of becoming a globally recognized and innovative biotech company as we advance with API manufacturing and R&D projects. The expanding manufacturing operations and expansion of its marketing horizons beyond India shall enhance its value even further.

“The market for Omega-3 fatty acids (DHA/EHA) was estimated at over \$2B (2007), according to Scientia Advisors. With lot of emerging scientific evidence demonstrating the health benefits of DHA / EPA and consumer awareness, the market is expected to drive >60% growth in the coming years, according to a recent Frost & Sullivan report (2010). Demand is projected to outstrip available supply. “

Marillion Pharmaceuticals Inc

In the context of its restructuring program, the management has decided to terminate its proposed acquisition of Marillion Pharmaceuticals Inc of USA, following an in-depth due diligence exercise. However, Transgene continues its quest for inorganic growth through selective acquisition of or strategic partnerships with companies within and outside India.

In the near and medium term, Transgene is to grow through expanding its API manufacturing operations within and outside India generating substantial revenues and profits. Over the longer term, the Company continues to advance its novel drugs and achieving the critical milestones which are protected by patents and which are of significant value.

In summary, despite the economic and financial turbulence in the developed markets, we now have the team and the strategy in place to take the business forward to the next stage of its evolution. At Transgene we will continue to consolidate what we have been building on our solid platform and diversify where needed. This will be through a combination of organic growth and innovation, product licensing and acquisition, and strategic partnerships or company acquisitions.

EMPLOYEES STOCK OPTION SCHEME

The employee stock option scheme is still under implementation.

TWENTYFIRST ANNUAL REPORT 2010-2011

DIRECTORS

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

ISSUE OF GDRs

The company was able to successfully issue 2500000 GDRs @ USD 9.2 per GDR which were fully subscribed. The underlying shares of 25000000 Equity Shares of Rs.10/- each were listed on the Bombay Stock Exchange Limited w.e.f. May 06, 2011.

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 Accountants, 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 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;
- (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.

- (d) That the Directors had prepared the annual accounts for the year ended 31st March 2011 on a going concern basis.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement, your Company has taken adequate steps to ensure that all mandatory provisions of corporate Governance as prescribed under the listing agreement of the Stock Exchange with due compliance of all the applicable laws, rules and regulations. A separate report on Corporate Governance and the Auditor's certificate on its compliance are annexed hereto and forms part of this Annual report.

EMPLOYEE RELATIONS

The key to our success is to develop core values within all of our staff which lead to an environment where they believe that what they are doing is making a difference. The core values with which we operate are participation, achievement, trust and respect, innovation and enthusiasm.

Transgene recognises that in an industry based on innovation and research and development, its employees are some of its biggest assets and it seeks to communicate and, where appropriate, consult with them on matters affecting them as employees, in the correct manner.

Transgene provides training and development appropriate to individual needs and offers remuneration packages (including pensions, permanent health and life insurance) and a working environment that are designed to be both fair and competitive with larger companies within the industry.

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, ENVIRONMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

A. Conservation of Energy, Power and Environment :

We are committed to minimising the impact of our



activities on the environment and energy efficiency is the most important means of climate protection currently available to the company. Efforts for conservation of energy and fuel consumption are ongoing processes in the Company and every effort is made in that direction.

B. Research & Development :

The Company's R&D division continues to be recognized and certified under DSIR guidelines. The company fosters the development of molecules owned/ co-owned by Transgene Biotek Ltd, in terms of finding right CROs in India, US and Europe based on their capabilities, overseeing, analysis and monitoring of information on in-vivo efficacy/toxicology studies being conducted within or outside India.

C. Foreign Exchange Earnings : Nil

D. Foreign Exchange Outgo : Rs. 4,55,64,518

ACKNOWLEDGEMENTS

Our employees remain crucial to the success of Transgene and it is their skill and expertise that have enabled us to achieve our progress to date. This has been recognised at various meetings where, over the past twelve months, Transgene has made presentations on its drug development pipeline.

We are committed to the development of a motivated and professional workforce in order to build a business that is constantly looking to innovate and evolve. On behalf of the Board, we thank all our staff for their hard work and continued support and commitment.

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 order of the Board
For **TRANSGENE BIOTEK LIMITED**

Place: Hyderabad
Date: 05-09-2011

Dr. K. Koteswara Rao
Chairman & Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

A. INDUSTRY STRUCTURE AND DEVELOPMENT

A sea change in the sector

The shift in market leadership from anti-cholesterol heart drugs to anti-cancer and neuro-degenerative disease treatments is the big story. Big changes, like the booming market in new, effective anti-cancer treatments, are reshaping the sector. The leadership in the drug sector is undergoing a sea change. For the first time ever, sales of oncology (cancer) drugs in 2006 outstripped sales of the anti-cholesterol drugs that had been the industry's best sellers, according to market researcher IMS Health.

Cancer drugs sales will grow 3 times faster than other drug sales

In 2007, sales of cancer drugs grew nearly three times as fast as drug sales overall, while sales of anti-cholesterol drugs creeping ahead by just 1-2% in 2007. That is a drop from projected growth rates of 6-7% for anti-cholesterol drugs in 2006.

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.

Emerging-market countries will contribute 30% of growth

The cancer drug sales growth was not the only shift ahead for the drug sector. For example, the world's

TWENTYFIRST ANNUAL REPORT 2010-2011

emerging-market countries – those with a per-capita gross national income of less than \$20,000, according to IMS Health, will contribute 30% of growth in drug sales next year. That is almost equal to the 36% of growth contributed by the U.S. market, even though emerging-market countries now make up just 17% of global drug sales. Drug sales in emerging market countries India, China, Brazil and Turkey grew by 10% in 2006 and 2007.

Generics will continue to take market share and patented drugs will continue to lose share. The generic market grew about 13% to 14% in 2007. Patented drugs with a sales value of \$16 billion lost patent protection in 2007, on top of the loss of patent protection on \$23 billion in drugs in 2006. And, IMS Health concludes, sales of new patented drugs will not be enough to offset these losses.

Transgene's unique market position

Transgene is superbly positioned to tap into the multi-billion dollar global market for cancer and auto-immune disease treatments due to:

- **Our core focus on expanding global markets in spite of economic turmoil for drugs against cancers and auto-immune diseases.**

Cancer and auto-immune diseases causing neuro-degenerative conditions such as MS and Parkinson's disease are the largest and fastest growing markets in health care. We concentrate our efforts primarily on developing drugs for cancer, in particular for cancers such as metastatic Breast and Liver cancers, Multiple myeloma, Colon cancer, NHL and neuro-degenerative conditions such as MS and Parkinson's etc.

- **Strategy: Big Pharma's dry pipes**

The Big Pharmaceutical companies have imploding internal drug development pipelines. At the same time, these Big Pharma companies currently have about \$215 billion in cash to purchase new drug targets from biotech companies such as Transgene. As cancer counts, together with cardiovascular diseases, for about half of both the casualties as well as the health care expenditure budgets, this indication area is a primary concern for Big Pharma. Transgene's cutting edge technologies in developing novel drugs for such life threatening conditions and intellectual property is thus very attractive to Big Pharma to in-license or purchase.

- **Global out-sourcing saving time and money**

Transgene's research and development is outsourced in few areas to time and cost efficient Contract Research organizations (CROs) around the world including North America, European countries and Asia Pacific region.

- **Blockbuster Drug Potential**

The upfront milestone payments from out-licensing each of Transgene's patented and proprietary drug targets to Big Pharma could be upto \$100 million as upfront payments for each drug. Subsequent to commercialization of each drug, the royalty fees to Transgene may reach \$400 million per annum with minimal cost associated with those revenues.

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

Our employees remain crucial to the success of Transgene and it is their skill and expertise that have enabled us to achieve our progress to date. The key to our success is to develop core values within all of our staff which lead to an environment where they believe that what they are doing is making a difference. The core values with which we operate are participation, achievement, trust and respect, innovation and enthusiasm.

We are committed to the development of a motivated and professional workforce in order to build a business that is constantly looking to innovate and evolve.

D. NOTE OF CAUTION

Certain statements in this document and analysis may be forward looking within the meaning of applicable securities law and regulations and actual results may differ materially from those expressed or implied. Factors that would make differences to Transgene's operations include competition, price realisation, changes in government policies and regulations, tax regimes, economic development within India and the countries in which the Company conducts business and other incidental factors.



TRANSGENE BIOTEK LIMITED

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

The constitution of the Board is given below:

NAME OF THE DIRECTOR	STATUS	NO. OF OTHER PUBLIC DIRECTORSHIPS (*)	NO. OF MEMBERSHIPS ON BOARD COMMITTEES
DR.K. KOTESWARA RAO	CHAIRMAN & MANAGING DIRECTOR, PROMOTER	NIL	2
SRI P NARAYANA MURTHY	EXECUTIVE	NIL	2
SRI S S MARTHI	INDEPENDENT	3	2
DR PK 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 include :

- 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 2011, 5 (Five) meetings of the Committee were held on 27th April 2010, 31st July 2010, 4th September 2010, 10th November 2010, and 12th February 2011. The attendance of each member of the Committee is given below:

NAME OF THE DIRECTOR	NO. OF MEETINGS ATTENDED
DR K KOTESWARA RAO	5
SRI S S MARTHI	5
SRI P NARYANA 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,

TWENTYFIRST ANNUAL REPORT 2010-2011

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 Ch Ramakrishna, 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	6000/-	—	6,000/-
SRI P NARAYANA MURTHY	None	2000/-	6,09,360/-	6,11,360/-
Dr P K Ghosh	None	2000/-	—	2,000/-

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

The Board of Directors of the company met 8(EIGHT) times during the last financial year i.e., 27th April 2010, 31st July 2010, 4th September 2010, 30th September 2010, 10th November 2010, 12th February 2011, 18th February 2011 and 22nd February 2011. 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:

NAME OF THE DIRECTOR	ATTENDANCE AT BOARD MEETINGS	ATTENDANCE AT ANNUAL GENERAL MEETING
DR K KOTESWARA RAO	8	YES
SRI S S MARTHI	8	YES
SRI P NARYANA MURTHY	8	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 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.



TRANSGENE BIOTEK LIMITED

SHAREHOLDERS' INFORMATION

A	Registered Office	Plot No. 68 , 69, & 70 Anrich Industrial Area IDA Bollaram, Medak District. A.P.
B	Annual General Meeting Date & Time Venue	30 th September 2011 at 11.00 AM Plot No. 68 , 69, & 70 Anrich Industrial Area IDA Bollaram, Medak District. A.P.
C	Financial Calendar Financial Reporting for Quarter ending June, 30 2010 Quarter ending September, 30 2010 Quarter ending December, 31 2010 Quarter ending March 31, 2011 Annual General meeting for FY ended 31 st March 2010	Last week of July 2010 Second week of November 2010 Second week of February 2011 Second week of May 2011 30 th September 2011
D	Date of Book Closure	Wednesday the 28 th September 2011 to Friday the 30 th September 2011
E	Dividend Payment Date	Not Applicable
F	Listing on Stock Exchange	Bombay Stock Exchange Limited P J Towers, Dalal Street , Mumbai – 400 001.
G	Stock Code	526139
H	Stock Market Data	The Company's shares are regularly traded on The Bombay Stock Exchange Limited. The 52 week high low has been Rs.79.30 and Rs.30.00 respectively.
I	Registrar and Share Transfer Agents	M/S XL Softech Systems Limited 3, Sagar Society, Road No.2, Banjara Hills, Hyderabad – 500 034
J	Share Transfer System	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.
K	Share Transfer Committee	The Share Transfer Committee generally meets once in a fortnight.
L	Investor Relations	The Company has been maintaining good investor relations.

TWENTYFIRST ANNUAL REPORT 2010-2011

M) Distribution of shareholding as on 31st March 2011

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	6925	79.43	10987300	2.69
5001 -	10000	734	8.42	6130040	1.50
10001 -	20000	370	4.24	5730080	1.41
20001 -	30000	172	1.97	4504570	1.10
30001 -	40000	73	0.84	2664390	0.65
40001 -	50000	76	0.87	3608960	0.89
50001 -	100000	129	1.48	9355690	2.29
100001 and above		240	2.75	364718970	89.47
TOTAL		8719	100.00	407700000	100.00

N	Dematerialisation of shares and liquidity	As on 31 st August 2011 out of the total shareholding of 4,07,70,000 equity shares 3,91,71,804 equity shares representing 96.07% of equity shares are in dematerialised form.
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O Particulars of Past Three AGMs

AGM	Year	Venue	Date	Time
20 th	2010	Plot No. 68 , 69, & 70 Anrich Industrial Area IDA Bollaram, Medak District. A.P.	30 th September 2010	11.00 A.M.
19 TH	2009	Plot No. 68 , 69, & 70 Anrich Industrial Area IDA Bollaram, Medak District. A.P.	30 th September 2009	11.00 A.M.
18 TH	2008	Plot No. 68 , 69, & 70 Anrich Industrial Area IDA Bollaram, Medak District. A.P.	29 th November 2008	11.30 A.M.

P	Postal Ballot	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.
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Q	Nomination Facility	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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TRANSGENE BIOTEK LIMITED

SARATH & ASSOCIATES **CHARTERED ACCOUNTANTS**

To
The Board of Directors of
TRANSGENE BIOTEK LIMITED

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to the compliance conditions of Corporate Governance of TRANSGENE BIOTEK LIMITED (the company) for the year ended 31.03.2011 as stipulated in Clause 49 of the listing agreement of the said company with the stock exchange.

The compliance of the conditions of the corporate governance is the responsibility of the management. Our examination conducted in the manner described in the guidance note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of corporate governance as stipulated in clause 49 of the listing agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For **Sarath & Associates**
Chartered Accountants

Place : Hyderabad
Date : 05.09.2011

Sd/-
GLN Prasad
Partner
(M.No.214735)

TWENTYFIRST ANNUAL REPORT 2010-2011

AUDIT REPORT

To
THE MEMBERS
M/S. TRANSGENE BIOTEK LIMITED
HYDERABAD.

1. We have audited the attached Balance Sheet of TRANSGENE BIOTEK LIMITED ("the Company") as at 31 st March 2011, 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 conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956("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 paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to 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 Sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable;
 - e. The Company has neither paid nor provided for the Cess payable under section 441A of the Companies Act,1956 since the aforesaid section is not yet been made effective by the Central Government of India;
 - f. On the basis of written representations received from the directors as on 31st March, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 st March 2011 from being appointed as a director in terms of



TRANSGENE BIOTEK LIMITED

Clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;

g. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Companies Act, 1956, 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 31 st March, 2011;

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 Cash Flow Statement, of the cash flow for the year ended on that date.

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

P. Sarath Kumar

Place : Hyderabad
Date : 05.09.2011

Partner
Membership No: 021755

TWENTYFIRST ANNUAL REPORT 2010-2011

ANNEXURE REFERRED TO IN PARAGRAPH- 3 OF AUDIT REPORT OF EVEN DATE ON THE ACCOUNTS OF TRANSGENE BIOTEK LIMITED FOR THE YEAR ENDED 31 ST March, 2011.

- I 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.
- II a As explained to us, inventories have been physically verified at reasonable intervals during the year by the management.
- b The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c As informed to us, no material discrepancies were noticed on such verification of inventories as compared to book records.
- III 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 Companies Act, 1956, the Provisions of Clause 4(iii) (a) to 4 (iii) (d) are not applicable to the Company for the current year.
- b The Company has taken interest free unsecured loan from one party listed in the register maintained under Section 301 of the Act, amounting to Rs. 10,05,41,788/- and the maximum amount involved during the year Rs. 10,92,10,470/-.
- 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 of loan taken from the party listed in the register maintained under Section 301 of the Companies Act, 1956.
- IV 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 weakness in the overall internal control system existed in the Company during the current year.
- V 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.
- b In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of Rs.5,00,000/- in respect of each party during the year.



TRANSGENE BIOTEK LIMITED

- VI 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 and 58AA or any other relevant provisions of the Act and rules framed there under, the provisions of Clause 4(vi) of the Order are not applicable to the Company for the current year.
- VII In our opinion, the Company does not have an internal audit system commensurate with its size and nature of its business.
- VIII 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.
- IX a As per the information and explanations give to us, the Company is generally regular in depositing undisputed statutory dues of Provident fund, Investor Education Fund, Employee State Insurance, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities and in respect of these dues there are no dues outstanding for a period of more than six months from the date they became payable;
- The Company is not regular in depositing the undisputed statutory dues of Income Tax and Service Tax and the arrears of outstanding dues as on 31 st March,2011 outstanding for a period of more than six months from the date they became payable are Income Tax is Rs. 7,37,373/-, Income Tax in the nature of Tax Deducted at Source is Rs. 12,50,285/- and Service Tax is Rs. 9,08,750/-;
- 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 and Cess which have not been deposited on account of any dispute as on 31.03.2011, except a disputed claim of Custom Duty net of amount paid under protest, as per the details given below:

NATURE OF DUES	AMOUNT RS	PERIOD	FORUM WHERE DISPUTE IS PENDING
Customs Duty Demand raised by the CESTAT, Chennai for non-fulfillment of export obligation	59.37 Lakhs	2002	CESTAT, Chennai

- X 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.
- XI The Company is not regular in repayment of term loans with in the due date, however there are no outstanding arrears at the end of the year.
- XII As the Company had not granted any loans and advances on the basis of security by way of pledge of shares,

TWENTYFIRST ANNUAL REPORT 2010-2011

	debentures or other securities to anybody during the year, the provisions of Clause 4(xii) of the Order are not applicable to the Company for the current year.	XIX	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.
XIII	As the Company is not a Chit Fund or a Nidhi or Mutual Fund or Society, the provisions of Clause 4(xiii) of the Order are not applicable to the Company for the current year.	XX	According to the information and explanations given to us and on overall examination of the books of accounts of the Company, the Company has disclosed the end use of money raised by issue of Global Depositary Receipts in the Note No: 3 of Schedule XX – Notes to Accounts.
XIV	As the Company is not dealing or trading in shares, securities, debentures and other investments, the provisions of Clause 4(xiv) of the order are not applicable to the Company for the current year.	XXI	During the course of our 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 of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by the management.
XV	As the Company has not given any guarantee for loans taken by others from banks or financial institutions, the provision of Clause 4(xv) of the Order are not applicable to the Company for the current year.		
XVI	As per records of the Company, the term loans have been applied for the purposes for which they were obtained.		
XVII	According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long-term investment purposes.		
XVIII	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 register 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.		

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

P.Sarath Kumar

Place : Hyderabad.

Partner

Date : 05.09.2011

Membership No: 021755



TRANSGENE BIOTEK LIMITED

Balance Sheet as at 31st March 2011

PARTICULARS	SCH No.	As at		As at	
		Rs.	31st March 2011 Rs.	Rs.	31st March 2010 Rs.
I SOURCE OF FUNDS					
SHARE HOLDERS' FUNDS					
Share Capital	I	407,700,000		157,700,000	
Reserves and Surplus	II	<u>1,747,666,817</u>	2,155,366,817	<u>1,002,084,815</u>	1,159,784,815
LOAN FUNDS					
Secured Loans	III	73,574,051		41,627,290	
Unsecured loans	IV	<u>123,934,656</u>	196,993,957	<u>108,512,587</u>	150,139,877
Total			<u>2,352,360,774</u>		<u>1,309,924,692</u>
II. APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block		152,689,294		146,256,499	
Less: Depreciation		<u>85,858,202</u>		<u>78,827,591</u>	
Net Block	V	66,831,092		67,428,908	
Intellectual Property Rights		996,700,000		996,700,000	
Capital Work in Progress		947,860		947,860	
Advances for Capital Works		<u>632,679,912</u>		-	
			1,697,158,864		1,065,076,768
INVESTMENTS	VI			333,973,319	
NET CURRENT ASSETS					
A CURRENT ASSETS , LOANS AND ADVANCES	Vii				
Inventories		9,045,340		152,000	
Sundry Debtors		69,388,319		5,854,827	
Cash And Bank Balances		27,404,600		885,744	
Loans and Advances		<u>9,202,092</u>		<u>9,002,185</u>	
		115,040,351		15,894,756	
B CURRENT LIABILITIES AND PROVISIONS	Viii	<u>65,502,571</u>		<u>14,137,115</u>	
NET CURRENT ASSETS	(A-B)		49,537,780		1,757,641
MISCELLANEOUS EXPENDITURE	IX				
Product Development Expenses			271,690,811		243,090,283
Total			<u>2,352,360,774</u>		<u>1,309,924,692</u>
Significant Accounting Policies	XIX				
Notes to Accounts	XX				

Vide our report of even date
For **Sarath & Associates**
Firm Regn.No:005120S
Chartered Accountants

P.Sarath Kumar
Partner
Membership No. 21755

Place : Hyderabad
Date : 05.09.2011

For and on behalf of the Board of Directors

Dr.K.Koteswara Rao
Managing Director

P.Narayana Murthy
Director

TWENTYFIRST ANNUAL REPORT 2010-2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st March 2011

PARTICULARS	SCH No.	As at 31st March 2011	As at 31st March 2010
I. INCOME			
Income From Sales and Services	X	99,666,211	39,846,456
Other Income	XI	454,409	-
	Total	<u>100,120,620</u>	<u>39,846,456</u>
II. EXPENDITURE			
Materials Consumed	XII	4,042,766	5,785,000
Cost of Goods Traded	XIII	51,871,173	-
Manufacturing Expenses	XIV	2,677,006	2,236,816
personel Costs	XV	3,414,298	5,074,765
Other Expenses	XVI	14,169,017	10,310,431
Finance Charges	XVII	7,146,576	8,532,629
Loss on Forex Fluctuation		11,605,365	-
Depreciation	XVIII	3,515,305	3,349,541
		<u>98,441,507</u>	<u>35,289,182</u>
Profit before tax		1,679,113	4,557,274
Provision for Tax		311,308	741,747
Profit After Tax		1,367,806	3,815,527
Profit brought forward from Previous Year		42,269,414	38,453,887
Profit carried forward to Balance Sheet		43,637,220	42,269,414
Earnings Per Share			
Basic		0.08	0.24
Diluted		0.08	0.24
Significant Accounting Policies	XIX		
Notes to Accounts	XX		

Vide our report of even date
For **Sarath & Associates**
Firm Regn.No: 005120S
Chartered Accountants

For and on behalf of the Board of Directors

P.Sarath Kumar
Partner
Membership No. 021755

Dr.K.Koteswara Rao
Managing Director

P.Narayana Murthy
Director

Place : Hyderabad
Date : 05.09.2011



TRANSGENE BIOTEK LIMITED

Schedules Forming part of the Balance Sheet

SCH NO	PARTICULARS	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
I	Share Capital		
	Authorised Capital	750,000,000	200,000,000
	7,50,00,000 Equity Shares of Rs.10/-each		
	Issued Subscribed and Paid up Capital	407,700,000	157,700,000
	4,07,70,000 Equity Shares of Rs.10/- each		
	fully paid (Previous Year 1,57,70,000 Shares)		
	(Refer Note No: 3 of Schedule No:XX)	407,700,000	157,700,000
II	RESERVES AND SURPLUS		
	Securities Premium Account		
	Balance Brought Forward	56,300,000	
	Additions during the year	789,600,000	
		845,900,000	
	Less: Expenses incurred for issue of Securities	45,385,803	800,514,197
	(Refer Note No: 3 of Schedule No: XX)		56,300,000
	Capital Reserve	891,265,401	891,265,401
	Warrants Forfeiture Reserve	12,250,000	12,250,000
	Profit and Loss Account (Surplus)	43,637,219	42,269,414
		1,747,666,817	1,002,084,815
III	SECURED LOANS		
	Term Loan From Dept.of Bio Technology, Ministry of Science and Technology, Government of India (Refer Note No:4 of Schedule No:XX)	40,900,000	-
	Working Capital Term Loan From Union Bank of India	32,674,051	41,627,290
		73,574,051	41,627,290
IV	UNSECURED LOANS		
	Interest Free Sales tax loan	68,118	68,118
	From Directors	100,541,788	105,844,469
	From Others	22,810,000	2,600,000
		123,419,906	108,512,587
VI	INVESTMENTS		
	Balance of Unutilised Money raised Out of issue of Securities:		
	Balances with Non-Scheduled Banks in Current Accounts	333,973,319	-
	(Refer Note No: 3 of Schedule No: XX)	333,973,319	-
VII	CURRENT ASSETS, LOANS & ADVANCES		
A	INVENTORIES		
	Stock of Goods - Trading (As taken, Valued and Certified by Management)	8,923,500	-
	Stock of Lab chemicals etc.,	121,840	152,000
		9,045,340	152,000

TWENTYFIRST ANNUAL REPORT 2010-2011

SCHEDULE : V - FIXED ASSETS

Sl. No	PARTICULARS	GROSS BLOCK			DEPRECIATION		NET BLOCK		
		AS AT 01.04.2010 Rs.	Additions during the Year Rs.	AS AT 31.03.2011 Rs.	Up to 01.04.10 Rs.	For the Year Rs.	Up to 31.03.2011 Rs.	AS AT 31.03.2011 Rs.	AS AT 31.03.2010 Rs.
1	Land	2,008,003	-	2008003	-	-	-	2008003	2008003
2	Buildings	36,182,043	153660	36335703	14011190	1208775	15219966	211115737	22170853
3	Buildings- Temporary Erections	64,917	-	64917	64917	-	64917	-	-
4	Plant & Machinery	80,470,444	933675	81404119	49114104	3833282	52947386	28456733	31356340
5	Miscellaneous Fixed Assets	3,932,467	-	3932467	668637	186792	855429	3077038	3263830
6	Furniture & Fixtures	1,635,451	-	1635451	374919	77684	452603	1182848	1260532
7	Air Conditioner - Factory	5,692,841	-	5692841	4932594	360357	5292950	399891	760247
8	Electrical Installations - Factory	3,668,307	-	3668307	3006835	232204	3239038	429269	661472
9	Lab Equipment	7,263,444	5089617	12353061	3826927	605455	4432381	7920680	3436517
10	Office Equipment	1,944,766	161075	2105841	653309	127968	781276	1324565	1291457
11	Generator	1,177,812	-	1177812	670470	74555	745026	432786	507342
12	Computers	1,596,700	94768	1691468	1188154	267183	1455337	236131	408546
13	Vehicles	619,304	-	619304	315536	56357	371893	247411	303768
	Total (A)	146,256,499	6432795	152689294	78827591	7030611	85858202	66831092	67428908
	Capital Work in Progress-Buildings(B)	947,860	-	947,860	-	-	-	947860	947860
	Total (A+B)	147,204,359	6,432,795	153,637,154	78,827,591	7,030,611	85,858,202	67,778,952	68,376,768



TRANSGENE BIOTEK LIMITED

PARTICULARS	As at	As at
NO	31st March	31st March
	2011	2010
	Rs.	Rs.
B SUNDRY DEBTORS		
(Unsecured Considered good)		
Outstanding for a period exceeding Six Months	10,656,475	339,827
Others	58,731,844	5,515,000
	<u>69,388,319</u>	<u>5,854,827</u>
C CASH AND BANK BALANCES		
Cash on Hand	388,293	211,760
Balances with Scheduled Banks in Current Accounts	1,619,617	673,984
in Deposit Accounts	25,396,690	-
	<u>27,404,600</u>	<u>885,744</u>
D LOANS AND ADVANCES		
(Unsecured Considered Good, Recoverable in Cash, or in Kind for Value to be received)		
Deposits with Government and Others	6,377,429	6,377,429
Other Advances and Receivables	2,824,663	2,624,756
	<u>9,202,092</u>	<u>9,002,185</u>
Total (A+B+C+D)	<u>115,040,351</u>	<u>15,894,756</u>
VIII CURRENT LIABILITIES AND PROVISIONS		
A SUNDRY CREDITORS		
Dues of Micro and Small Enterprises	-	-
Dues of Creditors Other than Micro and Small Enterprises	63,185,583	10,812,352
	<u>63,185,583</u>	<u>10,812,352</u>
B PROVISIONS		
Provision for Tax (Net of Prepaid Taxes)	1,686,071	2,574,763
Provision for Employee Retirement Benefits	630,917	750,000
	<u>2,316,988</u>	<u>3,324,763</u>
Total (A+B)	<u>65,502,571</u>	<u>14,137,115</u>
IX MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
PRODUCT DEVELOPMENT EXPENSES		
Balance brought forward	243,090,283	197,513,042
Additions During the year	28,600,528	45,577,241
	<u>271,690,811</u>	<u>243,090,283</u>

TWENTYFIRST ANNUAL REPORT 2010-2011

PARTICULARS NO	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
X INCOME FROM SALES AND SERVICES		
Sale of Plants	-	1,250,448
Income from Diagnostics Services	29,921,611	25,721,484
Sales (Net of Taxes and duties)	69,744,600	12,874,524
	99,666,211	39,846,456
XI OTHER INCOME		
Interest Earned	449,637	-
Other Income	4,772	-
	454,409	-
XII MATERIALS CONSUMED		
Opening Stock	152,000	1,017,705
Purchases	17,994,878	15,244,918
	18,146,878	16,262,623
Less: Closing Stock	121,840	152,000
Total	18,025,038	16,110,623
DECREASE IN STOCK		
Opening Stock: Work in Process	-	30,300,000
Less: Closing Stock : Work In Process	-	-
Decrease in Stock	-	30,300,000
Total	18,025,038	46,410,623
Less: Material Consumed for Product Development	13,982,272	40,625,623
Total Materials Consumed	4,042,766	5,785,000
XIII COST OF GOODS TRADED		
Traded goods purchased	60,794,673	-
Less: Closing stock	8,923,500	-
Total	51,871,173	-
XIV MANUFACTURING EXPENSES		
Electricity charges	708,242	720,708
Factory Maintenance	357,887	277,250
Laboratory Expenses	675,211	545,000
Repairs and Maintenance	935,666	693,858
	2,677,006	2,236,816



TRANSGENE BIOTEK LIMITED

PARTICULARS NO	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
XV PERSONNEL COST		
Salaries and Other allowances	3,075,460	4,252,075
Employers Contributin to ESI	31,683	18,677
Employers Contributin to PF	82,206	80,681
Workers and Staff Welfare Expenses	224,949	123,332
	<u>3,414,298</u>	<u>4,474,765</u>
XVI OTHER EXPENDITURE		
Advertisement	25,961	145,284
Books, Periodicals, Subscriptions	12,186	-
Travelling, Transport and Conveyance	401,553	198,978
Printing and Stationery	435,612	90,725
Discounts	-	3,145
Director's Sitting Fee	10,000	20,000
Vehicle Maintenance and Hire Charges	302,867	126,070
Postage and Telephones	367,058	111,611
Legal and Professional Charges	515,958	561,530
Rent, Rates ,Taxes and Fees	1,085,645	382,050
Directors Remuneration	1,440,000	1,440,000
Insurance	177,669	-
Commission	1,438,164	909,224
Refferal Expenses	2,068,552	1,594,621
Auditors Remuneration	165,450	165,450
General Expenses	5,547,027	5,161,743
Prior Period Expenses	175,315	-
	<u>14,169,017</u>	<u>10,910,431</u>
XVII FINANCE CHARGES		
Interest to Bank and Financial Institutions	6,404,802	7,888,017
Interest to Others	718,000	610,000
Bank Charges	23,774	34,612
	<u>7,146,576</u>	<u>8,532,629</u>
XVIII DEPRECIATION		
Depreciation as per Schedule - V	7,030,611	6,699,083
Depreciation transferred to Product Development Expenses	3,515,305	3,349,541
	<u>3,515,305</u>	<u>3,349,541</u>

TWENTYFIRST ANNUAL REPORT 2010-2011

SCHEDULE NO : XIX NOTES TO ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES

A. 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.

1. 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 Instillation	15
Generator	15
Furniture and Fixtures	15
Plant and Machinery	20
Vehicles	10

2. 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.



3. INVENTORIES

Raw Materials - At cost or the net realizable value whichever is less is considered. Cost is determined on a First in First out basis.

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

4. 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
24,30,90,283	2,86,00,528	27,16,90,811

* Total amount incurred on development of products during 2010-11

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.

5. 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.
- C) The Company is contributing to the Employees Gratuity fund maintained under the GGCA Fund Scheme by the LIC of India.

6. 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.

TWENTYFIRST ANNUAL REPORT 2010-2011

7. 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.

8. 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.

9. 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.



XX. NOTES FORMING PART OF THE ACCOUNTS

1. Previous year figures have been regrouped and reclassified according to the groupings and Classifications made for the current financial year.
2. Contingent Liabilities are not provided for in respect of

	(Rs. In Lacs)	
	2010 – 11	2009-10
(i) Customs Duty Demands disputed by the Company	64.42	64.42
3. Contracts remaining to be executed on Capital Account are Rs.63, 26, 79,912. (Previous year Rs. NIL).		

4. GDR's Issue:

During the year the Company has issued 25 Lakhs Global Depository Receipts (GDR) at a price of US\$.9.2 per GDR on 22nd February, 2011, where one GDR represents 10 equity shares of Rs.10 each of the Company. The Company has received in aggregate US\$2.3 Crores equivalent to Rs.103.96 Crores which has been appropriated towards equity share capital of Rs.25 Crores and Rs.78.96 Crores as Securities premium. The expenses incurred in connection with the GDR issue of Rs.4,53,85,803/- has been appropriated against the Premium received.

Usage of GDR proceeds:

The Company intends to use net proceeds from the issue of GDR's towards expansion of the present business activities of the Company; augmenting long term working capital and any other use as may be permitted under applicable law or regulations from time to time.

Out of net proceeds, an amount of US\$.1,40,00,129.58 equivalent to Rs.62,51,05,786/- has been utilized as advances for acquiring new drug technologies and getting clinical technology services from technology\strategic partners abroad and Rs.2,71,73,660/- for working capital requirement purposes in India and the remaining balance of US\$.74,79,805.58 equivalent to Rs.33,39,73,718 is with non-scheduled bank in abroad for future requirements.

The Company intends to use the GDR issue proceeds in the following manner...

- a. Research and Development of various products of the Company viz, APIs, Vaccines,
- b. To carry out the Pre-Clinical / Clinical Trials for several novel Biotech Products in the pipe line,
- c. Setting up of new manufacturing facilities, expanding and modernizing existing manufacturing facilities in India,
- d. For establishing manufacturing facilities outside India for the production of APIs and Bio-Tech Products, ...etc
- e. Process innovation and Process optimization
- f. Acquisition of Companies and Technologies domestic and overseas
- g. Working Capital Requirements of the Company.

TWENTYFIRST ANNUAL REPORT 2010-2011

7. The Department of Biotechnology has sanctioned a loan amount of Rs.4.09 crores under Small Business Innovative Research Initiative (SBIRI) scheme for the novel technology up gradation of orlistat research, for which a charge against movable and Immovable assets acquired from utilization of the said loan amount has been created.
8. The following are the Related Party Disclosures as per the AS-18 as notified under the Companies Act 1956.

A) KEY MANAGEMENT PERSONNEL:

Dr. K. Koteswara Rao : Managing Director
 Mr.P.Narayana Murthy : Director

B) The following are the transactions made with related parties:

Name of the Party	Nature of Transation	2010-11		2009-10	
		Balance Amount Rs. in Lakhs Rs. in Lakhs	Balance Out standing as on 31-3-2011 Rs. in Lakhs	Amount Rs. in lakhs	Out standing as on 31-3-2010
Dr.K.Koteswara Rao	Remuneration Paid	8.40	NIL	8.40	NIL
	Loan Received	103.47	1005.42	346.71	1058.44
	Repayment of Loan	156.50	-	-	-
Mr.P.Narana Murthy	Remuneration paid	6.09	-	6.09	-

9. 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. Balances of sundry debtors, sundry creditors, loans and advances, and other parties are subject to independent confirmation from the respective parties.
10. Additional information pursuant to Part II of Schedule VI to the Companies Act, 1956 to the extent relevant.

Particulars of Capacities and Production			2010-11		2009-10	
	Unit licensed	Installed	Production / Purchases	Sales	Production	Sales
Bio Chemistry	Tests	129 Lacs	NA	NIL	NIL	NIL
Immunology	Tests	166 Lacs	NA	NIL	NIL	NIL
Elisa	Tests	293 Lacs	NA	NIL	NIL	NIL
Traded Goods	NA	NA	607.95 Lacs	649.34 Lacs	NIL	NIL



TRANSGENE BIOTEK LIMITED

9. The Company is engaged in Diagnostic Services and trading of Bulk Drugs which as per accounting standard (AS) 17 is considered the business segments.

Particulars	Diagnostic Services (Rs. in Lakhs)	Bulk Drugs (Rs. in Lakhs)	Total (Rs. in Lakhs)
Revenue	299.21	649.34	948.55
Identifiable operating expenses	204.26	518.71	722.97
Segment operating income	94.95	130.63	225.58
Other Income			4.49
Total			230.07
Unallocable expenses			213.28
Net profit before tax			16.79

10 AUDITORS' REMUNERATION

	2010-2011 (Rs.)	2009-2010 (Rs.)
As Auditors	1,00,000	1,00,000
For Tax Audit	50,000	50,000
Service Tax	15,450	15,450
TOTAL	1,65,450	1,65,450

11. EARNINGS PER SHARE

	2010-2011(Rs)	2009-2010 (Rs)
a) Profit attributable to the Equity Share Holders	13,67,807	38,15,527
b) Weighted Average Number of equity shares at the end of the year	1,83,72,740	1,57,70,000
c) Earning per Equity Share of Rs.10/- each		
Basic	Rs 0.08	Rs. 0.24
Diluted	Rs 0.08	Rs. 0.24

TWENTYFIRST ANNUAL REPORT 2010-2011

12. Remuneration to directors for the year ended 31.3.2011:

Particulars	March 31 st ,2011	March 31 st ,2010
Salaries and other allowances	1,440,000	1,440,000
Contribution to provident fund	9,360	9,360
	1,449,360	1,449,360

13. EXPENDITURE IN FOREIGN CURRENCY:

	<u>2010-11</u>	<u>2009-10</u>
	(Amount Rs.)	(Amount Rs.)
A) Fee For Technical Services	15,27,778	NIL
B) Lead Manager fee for GDR Issue	417,41,871	NIL
14. Particulars of Earnings in Foreign Currency:	NIL	NIL
15. CIF Value of Imports	22,94,869	NIL

16. Product Development Expenses comprise:

	<u>2010-11</u>	<u>2009-10</u>
		(Amount Rs.)
<u>Personnel costs:</u>		
Salaries		
a) Bio- Therapeutics	36,09,658	11,34,056
b) NDDS	7,21,932	3,81,417
c) Immunosuppressants	10,82,897	7,53,644
d) Vaccines	10,82,897	7,53,644
e) Statins	7,21,932	7,53,644
	72,19,316	37,76,405
	-	-
	<u>72,19,316</u>	<u>37,76,405</u>
<u>Stores & Spare and Consumables</u>		
a) Bio- Therapeutics	69,91,136	1,69,730
b) NDDS	13,98,227	42,262
c) Immunosuppressants	27,96,454	1,05,318
d) Statins	27,96,455	1,05,318
Laboratory goods and testing expenses	<u>139,82,272</u>	<u>4,22,628</u>



TRANSGENE BIOTEK LIMITED

Depreciation & Repairs

a) Bio- Therapeutics	17,57,653		16,83,186	
b) Immunosuppressants	7,03,061		6,69,908	
c) Vaccines	3,51,530		3,36,637	
d) Statins	7,03,061	<u>35,15,305</u>	6,60,010	<u>33,49,541</u>

Clinical Research Expenses

a) M.M.Vaccine	-	-		
b) Cancer Drugs	7,12,183		5,19,485	
c) Immunosuppressants	5,34,137		4,80,523	
d) Statins	5,34,138	<u>17,80,458</u>	4,80,524	<u>14,80,532</u>

Travelling, Conveyance & Vehicle expenses

a) M.M.Vaccine	51,655		1,44,860	
b) Bio-therapeutics	1,03,309		2,17,071	
c) Vaccines	1,29,136		72,357	
d) Statins and Immuno suppressants	2,32,445	<u>5,16,545</u>	2,88,561	<u>7,22,849</u>

Patents related Expenses

Payments to Attorneys				
Other overheads		15,86,632		3,58,25,284
Total		2,86,00,528		4,55,77,241
		=====		=====

14.Details of opening stock, closing stock, purchase and sales for the year ended March 31:

Particulars	UOM	Quantity		Value	
		2011	2010	2011	2010
Inventory					
Opening stock	Gms.	Nil	Nil	Nil	Nil
Purchases	Gms.	16998	Nil	6,07,50,500	Nil
Sales	Gms.	14800	Nil	6,49,33,600	Nil
Closing stock	Gms.	2198	Nil	89,23,500	Nil

TWENTYFIRST ANNUAL REPORT 2010-2011

15. 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 operate, and general economic factors, which could effect the customer's ability to settle.
16. Schedules I to XVIII 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**
Firm Regn . No: 005120S
Chartered Accountants

For and on behalf of the Board
For **TRANSGENE BIOTEK LIMITED**

P.Sarath Kumar
Partner
Membership No: 021755

Dr.K.Koteswara Rao
Managing Director

P.Narayana Murthy
Director

Place : Hyderabad
Date : 05-09-2011



TRANSGENE BIOTEK LIMITED

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956 Balance Sheet Abstract and Companies General Profile AS AT 31ST MARCH 2011

I. Registration Details

Registration No.	011065	State Code	01
Balance Sheet Date	31-Mar-11		

II. Capital Raised during the Year

Public Issue	250000000	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
Govt. Contribution	NIL		

III. Position of Mobilization and Deployment of Funds

Total Liabilities	2352361	Total Assets	2352361
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Source of Funds

Paid-up Capital	407700.00	Reserves and Surpluses	1747666.817
Secured Loans	73574.051	Unsecured Loans	123419.906

Application of Funds

Net Fixed Assets	1697159	Investments	333973.319
Deferred Tax Assets (Net)			-
Net Current Assets	49538	Miscellaneous Expenditure	271691
Accumulated Losses	NIL		

IV. Performance of the Company

Turnover	100120.62	Total Expenditure	98442
Profit/Loss before tax	1679	Profit/Loss after tax (excluding deferred tax implication)	1368
Earnings per share		Dividend Rate	Nil
	Basic		0.08
	Diluted		0.08

Vide our report of even date
For **Sarath & Associates**
Firm Regn.No:005120S
Chartered Accountants
P.Sarath Kumar
Partner
Membership No: 021755

For and On Behalf of the Board

Dr.K.Koteswara Rao
Managing Director

P.Narayana Murthy
Director

Place : Hyderabad
Date : 05.09.2011

TWENTYFIRST ANNUAL REPORT 2010-2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

PARTICULARS	AS AT		AS AT	
	Rs.	31.03.2011 Rs.	Rs.	31.03.2010 Rs.
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit Before Tax		1,679,113		4557274
Adjustments for:				
Depreciation	3,515,305		6699083	
Interest and Finance Charges	7,146,576			
Interest received	(449,637)	10,212,244		6699083
Operating Profit before Working Capital Changes		11,891,357		11,256,357
Adjustments for:				
Decrease/(Increase) in Receivables	(63,733,399)		30,203,821	
Decrease/(Increase) in Inventories	(8,893,340)			
Increase/(Decrease) in Payables	51,365,456	(21,261,283)	(817,502)	29,386,319
Cash generated from operations		(9,369,926)		40,642,676
Less: Direct Taxes paid		(1,200,000)		
Net Cash flow from Operating activities		(10,569,926)		40,642,676
B CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(6,432,795)		1,005,415	
Product development exp	(28,600,528)		45,577,241	
Capital Advances and Investments	(632,679,912)			
Interest received	449,639			
Net Cash used in Investing activities		(667,263,596)		(46,582,656)
C CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from Issue of GDRs/Equity Shares	1,039,600,000			
GDRs/Equity Shares Issue Expenses	(45,385,803)			
Proceeds from Long term Borrowings	51,258,076		14,500,400	
Share Application money Returned	-		(11,475,529)	
Interest paid	(7,146,576)		-	
Net Cash used in financing activities		1,038,325,697		3,024,871
Net increase in cash and Cash Equivalents		360,492,175		(2,915,109)
Cash and Cash equivalents at the beginning of the year		885,744		3,800,853
Cash and Cash equivalents at the end of the year		361,377,919		885,744
		As At		As At
Cash and Cash Equivalents :		31.3.2011		31.3.2010
		Rs.		Rs.
Cash and Bank Balances As per Schedule VII		27,404,600		885,744
Investments with Non Scheduled Banks in Current Accounts		333,973,319		-
		361,377,919		885,744

Note:

1. Figures in brackets indicate cash outgo
2. The above Cash flow statement has been prepared under the indirect method set out in Accounting Standard-3 notified under the Companies Act, 1956
3. Significant Accounting policies and other Notes to Accounts (Schedule- XIX) form an integral part of the Cash flow Statement
4. Previous year figures have been regrouped/reclassified wherever necessary to confirm to current year classification

Vide our report of even date

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

For and on behalf of the Board of Directors

P.Sarath Kumar
Partner
Membership No. 021755

Dr.K.Koteswara Rao
Managing Director

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Director

Place : Hyderabad
Date : 05.09.2011