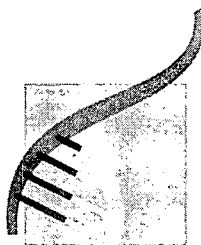


19th Annual Report
2008-09

Reaching out to New Horizons



TRANSGENE
BIOTEK LIMITED
INNOVATING. FOR LIFE.



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.



Notice

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of M/S TRANSGESNE BIOTEK LIMITED will be held on Wednesday, the 30th September, 2009 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, 2009, 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 P Narayana Murthy who retires by rotation and being eligible offers himself for reappointment.

3. 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.

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 : 05.09.2009

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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 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 Friday the 25th September, 2009 to Wednesday the 30th September, 2009 (both days inclusive).



Directors' Report

The Directors of your Company have pleasure in presenting to you the 19th Annual Report on the business & operations of the company and Audited Statement of Accounts for the year ended 31st March, 2009 along with the Auditor's Report thereon.

FINANCIAL RESULTS

Rs. in Lakhs

Particulars	2008-09	2007-08
Net Sales / Income	370.02	374.46
Total Expenditure	217.29	195.66
Gross Operating Profit	152.73	178.80
Interest & Financial Charges	75.37	42.59
Depreciation	34.81	31.90
Profit before Tax/Loss	42.55	104.31
Provision for Tax	4.82	11.00
Net Profit	37.73	93.31

OPERATIONS

During the year under review the total income was Rs.370.02 Lakhs as against Rs.374.46 Lakhs in the previous year and the Net Profit for the year was Rs.37.73 Lakhs as against Rs.93.31 Lakhs for the previous year due to the increase in Interest and Financial charges. During the year, the company has incurred an amount of Rs.239.11 lakhs on ongoing product development and Rs. 13.14 Lakhs on Fixed Assets as against Rs.253.09 lakhs and Rs.115.28 Lakhs respectively in 2007-08.

Your Directors bring to your notice on the receipt of manufacturing license for the production of Orlistat from the Drug Controller of Andhra Pradesh during the year 2008-09. With the receipt of license, your company has commenced the production and dispatch of initial sample orders for this product. It has been comforting to learn about the quality of materials in the samples being approved by several companies.

However, abandoning the production of Tacrolimus at the earlier contracted facility because of problems of contamination in successive batches is disappointing.

Certain technical aspects prevented the production of both Tacrolimus and Orlistat at the same premises of your company using 4 kl fermentation facility, hence the production of Tacrolimus has been put on hold temporarily. Serious efforts are put in to overcome this shortage of production facilities.

These efforts being taken up are expected to result in the generation of long expected revenues and profits from the year 2009-10 onwards.

Due to the production of Tacrolimus being put on hold for the reasons stated above, the turnover of your Company has been adversely impacted to some extent. The impact of interest on the bank loan has also contributed to the reduction in the profits of your company.

DIVIDEND

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

GROWTH PLANS AND OUTLOOK

1. With the optimization of technologies for two APIs being completed and with the receipt of manufacturing license for those products, the management has decided to restructure the business model of your company. In line with that plan, *production and marketing of Orlistat and Tacrolimus* along with other API products, are given priority over the ongoing R&D projects which require continuous and significant funding.
2. In order to carry forward the stated business model successfully, your management is making efforts not only to expand the current facilities at your company's premises but also to bring in strategic partnerships for commercial exploitation of the technologies being developed in house. This will help in expanding the manufacturing and commercialization operations. Further, funding for R&D projects reaching critical milestones may also be achieved through the creation of SPVs, as one of the options.
3. With the receipt of manufacturing license for the production of APIs at your own facility and with the commencement of marketing operations for Orlistat in increasing quantities, the management is confident about meeting the long awaited expectations on revenues and profits from the current year 2009-10 onwards.
4. In line with the change in business model, the management of your company will be leveraging the inherent strengths in R&D and manufacturing capabilities through strategic partnerships and expansion of existing facilities at the company's premises.
5. Your company has commenced the commercial operations for Orlistat and started delivering increased quantities to the customers after their initial assessment on the quality of material being delivered. Receipt of number of enquiries for the supply of this product in large quantities, has prompted your management to address this shortfall as a matter of utmost urgency. The management is confident about meeting this challenge successfully in order to capitalize the demand for this product.
6. The constraint in producing Tacrolimus at your company's facility currently producing Orlistat, due to technical reasons, the management is actively exploring for a strategic alternative to meet an increasing demand for this product too.
7. A team of scientists at your company has achieved an exciting break through and reached a critical milestone in the development of therapeutic vaccine for HIV.
8. On the development of Oral Insulin, inherent financial constraints and economic recession in general to source the required funds, has forced your company to take a temporary pause on the development of this project.
9. On Meningococcal vaccines front, the agreement with JNI is being terminated, in spite of obvious fraud and forgery committed by JNI, for the reasons of continuous drain on the company's finances to meet the legal challenges, without any result in sight. Additionally, this is adversely impacting the progress of other projects also necessitating the termination of agreement with JNI.



10. The progress on the development and commercialization of combination vaccines and Universal meningococcal vaccine is rather slow at present and we hope to advance this further during the year 2009-10 onwards.
11. The development of cancer drugs has also been put on hold for the reasons of financial constraints. The commercial operations of APIs are expected to provide an opportunity for either direct funding or to explore other avenues for funding this project.
12. On the diagnostics division, the medical center premises at Tanuku, AP has been expanded and the results from this center have substantiated the management's expectations.
13. On the Agro division front, your management is to report that there has been a continuous decline in the commercial results of this division, a result that prompted your company's management to halt the operations of this division which also helps in focusing more on the revenue generating APIs.

pertaining to PF, ESI, Income Tax, Central Excise, etc. Your Directors wish to inform you that due to inadequate financial resources, the company was unable to remit the said amounts within stipulated time. However, the same are being paid since then. The company is also in the process of strengthening the internal control procedures

EMPLOYEES STOCK OPTION SCHEME

The shareholders had given their consent for issue of stock options to the employees of the company at the last Annual General Meeting held on 29th November 2008 which is under implementation.

DIRECTORS

During the year under review, Mr. N. Srikrishna has resigned from the Directorship of the Company w.e.f. 18th February 2009. The Board while accepting his resignation recorded with appreciation his contribution during his tenure on the Board.

S/Sri P Narayana Murthy and S.S Marthi retire by rotation and being eligible offer themselves for re-appointment.

The management is actively seeking to expand the Board further to strengthen it on technical and financial fronts.

PREFERENTIAL OFFER TO THE PROMOTERS

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

In conclusion, the change in the stated business is likely to make significant contribution to the Company's bottom line from the current year onwards. Apart from this, entering into strategic partnerships and creation of possible SPVs, is expected to meet the long awaited financial objectives of the company in all respects.

COMMENTS OF AUDITORS

As per the Audit Report, it has been reported that the company has not remitted the amounts

KEY SCIENTIFIC & ADMINISTRATIVE PERSONNEL

The cessation of operations at agri-division and *pausing on some R&D projects is reflected on the over all reduction on the number of employees at your company. However, the commencement of manufacturing operations has necessitated the addition of few key scientific staff to carry out those activities.*

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;

- 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, 2009 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 has its own Research and Development for the purpose of rationalization and cost reduction steps. Continuous efforts are being made to optimize and streamline various processes.

C. Foreign Exchange Earnings :

Nil

D. Foreign Exchange Outgo :

Rs.5,54,663/-

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 : 05.09.2009

Management Discussion & Analysis

A. INDUSTRY STRUCTURE & DEVELOPMENT

So far in the country and to some extent globally, the focus in health related matter has been to contain and eradication of major communicable diseases such as AIDS, small pox, malaria, polio, hepatitis etc. But this year, Swine Flu programme has been added to the Government's agenda.

With the commencement of commercial operations, this year, of Tacrolimus and Orlistat the management had an in-depth discussion analyzing the prospects for these and other related drugs, soon to be commercialized.

Opportunities for immuno-suppressant drugs - Tacrolimus

Multiple immuno-suppressant and anti-inflammatory drugs have been developed that inhibit distinct pathways involved in either innate or adaptive immunity. Several innate immune antagonists or agonists ligands for Toll-like receptors are now in clinical trials to improve the efficacy of some viral vaccines and to treat hepato-biliary diseases. Immuno-suppression and immuno-modulation of adaptive immunity can now target T-cell activation, co-stimulation, clonal proliferation, differentiation and maturation of effector functions and trans-endothelial cell migration into tissues.

The remarkable success in the human organ transplantations are due to the development of immuno-suppressant drugs. Cyclosporine has been used most successfully as a primary drug to suppress the rejection of transplants and as a novel therapy in auto-immune diseases. However, Cyclosporine causes severe adverse effects such as nephro-toxicity, hepato-toxicity and central nervous system disturbances.

The immuno-suppressive ability of Tacrolimus has been reported to be 100 times greater that of Cyclosporine. Tacrolimus is used in organ transplants and as a dermatological ointment in the treatment of atopic dermatitis, psoriasis and in vitiligo.

Opportunities for immuno-suppressant drugs - Orlistat

As described in the Directors report for the year 2007-08, Orlistat presents a huge opportunity not only among the global population because of obesity attaining epidemic proportions but also among Indian population due to rapidly changing lifestyles and an alarming rise of diabetic population. Combined with the opportunity arising out of the increasing opportunity, complex technology needed to produce this drug and success achieved by the scientists of Transgene presents an immense opportunity for the generation of significant revenues and profits for the years to come.

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 focus 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. Further, the company has also been making untiring efforts to adopt itself to the dynamic practices of good corporate governance.

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.	Sri N Srikrishna	Independent	2	NIL
5.	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 2009, 4 (Four) meetings of the Committee were held on 30th April 2008, 30th July 2008, 30th October 2008, and 30th January 2009. The attendance of each member of the Committee is given below:

Name of the Director	No. of Meetings Attended
Dr. K. Koteswara Rao	4
Sri S S Marthi	4
Sri P Narayana Murthy	4

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 (Rs.)	Salary & Perk (Rs.)	Total (Rs.)
Dr. K Koteswara Rao	None	—	6,91,703/-	6,91,703/-
Sri S S Marthi	None	6,000/-	—	6,000/-
Sri P Narayana Murthy	None	2,000/-	—	2,000/-
Dr. P K Ghosh	None	4,000/-	—	4,000/-

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

The Board of Directors of the company met 4(FOUR) times during the last financial year i.e., 30th April 2008, 31st July 2008, 31st October 2008, 31st January 2009. The company

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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	4	Yes
Sri S S Marthi	4	Yes
Sri P Narayana Murthy	4	Yes
Sri N Srikrishna	NIL	No
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.

**SHAREHOLDER'S INFORMATION**

A	Registered Office	Plot Nos. 68 , 69, & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.
B	Annual General Meeting	
	Date & Time	30 th September 2009 at 11.00 AM
	Venue	Plot No. 68, 69, & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.
C	Financial Calendar	
	Financial Reporting for	
	Quarter ending June, 30 2008	Last week of July 2008
	Quarter ending September, 30 2008	Last week of October 2008
	Quarter ending December, 31 2008	Last week of January 2009
	Quarter ending March 31, 2009	Last week of April 2009
	Annual General meeting for FY ended 31 st March 2009	30 th September 2009
D	Date of Book Closure	Friday the 25 th September to Wednesday the 30 th September 2009
E	Dividend Payment Date	Not Applicable
F	Listing on Stock Exchange	Bombay Stock Exchange Ltd., P J 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.33.20 ps and Rs.12.00 ps 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.

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M) Distribution of Shareholding as on 31st March 2009

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)		(2)	(3)	(4)	(5)
Upto -	5000	7717	80.26	12222080	8.14
5001 -	10000	827	8.60	6875670	4.58
10001 -	20000	399	4.15	6132150	4.08
20001 -	30000	169	1.76	4404050	2.93
30001 -	40000	73	0.76	2634340	1.75
40001 -	50000	71	0.74	3356570	2.24
50001 -	100000	113	1.17	8873650	5.91
100001 and above		246	2.56	105701490	70.37
TOTAL		9615	100.00	150200000	100.00

N	Dematerialisation of Shares and liquidity	As on 31st August 2009 out of the total shareholding of 1,50,20,000 equity shares 1,39,57,515 equity shares representing 93% of equity shares are in dematerialised form.
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O Particulars of Past Three AGMs

AGM	Year	Venue	Date	Time
18 TH	2008	Plot Nos. 68, 69 & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.	29 th November, 2008	11.30 A.M.
17 TH	2007	Plot Nos. 68, 69 & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.	29 th September, 2007	11.00 A.M.
16 TH	2006	Plot Nos. 68, 69 & 70 Anrich Industrial Area, IDA Bollaram, Medak District. A.P.	30 th November, 2006	11.00 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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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 31.03.2009 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

Sd/-

P.Sarath Kumar

Partner

(M.No.21755)

Place : Hyderabad.

Date : 05.09.2009

Auditors' Report

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

1. We have audited the attached Balance Sheet of M/s TRANSGENE BIOTEK LIMITED as at March 31, 2009 and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto both of 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 generally accepted auditing standards 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, issued by the Central Government of India in terms of section 227 (4A) of 'The Companies Act, 1956', of India (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 paragraphs 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) In our opinion, The Balance Sheet and Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in section 211 (3C) of the Companies Act, 1956, except in respect of AS-22 issued by the ICAI;
- (d) On the basis of written representations received from the Directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (e) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
- (f) The Company had neither paid nor provided for Cess Payable under Section 441A of the Companies Act, 1956 as the Central Government is yet to come out with necessary notification in this behalf.
- (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/attached thereto, subject to our comments above, give in the prescribed manner the information required by the Act, and also 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 March 31, 2009;
 - (ii) in the case of the Profit & Loss Account, of the PROFIT for the year ended on that date; &
 - (iii) in the case of the cash flow statement, of the cash flow for the year ended on that date

For **Sarath & Associates**
Chartered Accountants

Sd/-
P.Sarath Kumar
Partner
(M.No.21755)

Place : Hyderabad
Date : 05.09.2009



Annexure to the Auditors' Report

1. (a) The Company is yet to update its records showing full particulars including quantitative details and situation of Fixed Assets.
(b) As per the information & explanations given 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) As per the information & explanations given to us, The Company has not disposed off any fixed assets during the year, which will effect the going concern status of the company-
2. (a) As per the information & 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) Based on the information & explanations to 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 per the information & explanations given to us, no discrepancies were noticed on such verification.
3. (a) The Company had not given any loans to parties covered in the Register maintained under Section 301 of the Companies Act. The Company had taken unsecured loan of Rs.125.40 Lakhs from one party covered in the Register maintained under Section 301 of the Companies Act, 1956.
(b) The unsecured loan obtained by the Company mentioned in (a) above is interest free and further does not contain any terms & conditions which are prejudicial to the interest of the Company.
4. Based on the information & explanations given to us, we are of the opinion that the matters as to adequacy of the internal control procedures regarding purchases/sales of goods and assets/services have to be strengthened. We have not come across continuing major weaknesses in the overall existing internal controls, apart from strengthening the existing systems.
5. **In our opinion and according to the information and explanations given to us and based on the representations by the management, the Company did not enter into transactions which need to be entered in the Register maintained under Section 301 of the Act concerning transactions with associate companies and other interested parties, the particulars of which were entered in the said Register.**
6. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits from public falling within the provisions of section 58A and 58AAA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975 with regard to Deposits accepted from public.
7. As per information and explanation given to us and in our opinion the Company is not having any Internal Audit System commensurate with the size and nature of the business.

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8. According to information and explanation given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act 1956 in respect of goods licensed to be manufactured by the Company.
9. 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 pertaining to Income Tax & TDS as at the last day of the financial year concerned for more than 6 months from the date they became payable stood at Rs.20.50 Lakhs
10. The Company has no accumulated losses. The Company has not incurred any cash loss in the financial year under report and immediately preceding financial year
11. According to the information and explanation given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
12. The Company is not a Chit Fund/Nidhi/Mutual Benefit Fund/Society Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) order 2003 are not applicable to the Company.
13. The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order 2003 are not applicable to the Company.
14. According to information and explanations given to us the Company has not given any guarantees to any banks or financial institution for loans taken by others during the year under review.
15. According to the information and explanations given to us and on the overall examination of the Balance Sheet, we are of the opinion that the term loans were applied for the purpose for which the loans were obtained.
16. According to the information and explanation given to us and on the overall examination of the Balance Sheet of the Company as of 31-03-09, we are of the opinion that funds raised from short term sources have not been used for long term purposes.
17. During the period under review, the Company has made preferential allotment of shares to parties covered in the Register maintained under Section 301 of the Act and such allotment is made at a price which is not, prima facie, prejudicial to the interests of the Company.
18. The Company has not issued any debentures during the period under review.
19. The Company has not raised any money by public issue during the year under review.
20. According to the information and explanation given to us, no frauds on or by the company has been noticed or reported during the year under review.

For **Sarath & Associates**
Chartered Accountants

Sd/-

P.Sarath Kumar

Partner

(M.No.21755)

Place : Hyderabad

Date : 05.09.2009



Balance Sheet as at 31st March 2009

Particulars	SCH No.	As At 31.03.2009	As At 31.03.2008
I. SOURCES OF FUNDS			
1. SHARE HOLDERS FUNDS			
A. Share Capital	I	157700000	150200000
B. Share Application Money	II	11475529	11475529
C. Reserves & Surplus	III	998269288	941996329
2. LOAN FUNDS			
A. Secured Loans	IV	42104562	41461826
B. Unsecured Loans	V	93534915	139789138
Total Source of Funds		<u><u>1303084294</u></u>	<u><u>1284922822</u></u>
II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
Gross Block	VI	146198944	144884691
Less: Depreciation		<u>72128508</u>	<u>65167005</u>
Net Block		74070436	79717686
Intellectual Property Rights		996700000	1076417686
2. CURRENT ASSETS, LOANS & ADVANCES			
A. Inventories	VII	31317705	31356387
B. Sundry Debtors		5836544	5816954
C. Cash & Bank Balances		3800853	1030883
D. Loans & Advances		<u>8058584</u>	<u>8054210</u>
		49013686	46258434
Less: CURRENT LIABILITIES & PROVISIONS	VIII	<u>14212870</u>	<u>10156317</u>
NET CURRENT ASSETS		34800816	36102117
3. MISCELLANEOUS EXPENDITURE			
(To the extent not written off)			
Product Development Expenses	IX	197513042	172403020
Total		<u><u>1303084294</u></u>	<u><u>1284922823</u></u>
Notes on Accounts			
	XVI		

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
Director

Place : Hyderabad
Date : 05.09.2009

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Profit and Loss Account for the year ending 31st March 2009

Particulars	Sch. No.	As On 31.03.2009	As On 31.03.2008
I. INCOME			
1. Sales & operating income	X	37001987	37436175
2. Other Income	XI	—	10300
Total		<u>37001987</u>	<u>37446475</u>
II. EXPENDITURE			
1. Materials Consumed	XII	2978000	3380322
2. Manufacturing Expenses	XIII	2228154	3137448
3. Other Expenditure	XIV	15323807	13048804
4. Finance Charges	XV	8736224	4259032
5. Depreciation	VI	3480751	3189825
Total		<u>32746936</u>	<u>27015431</u>
Profit for the Year		4255051	10431044
Provision for Tax		482092	1100000
Profit after Tax		3772959	9331044
Profit/Loss brought forward from Previous Year		34680928	25349884
Profit/Loss carried forward to Balance Sheet		38453887	34680928

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
Director

Place : Hyderabad
Date : 05.09.2009



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

PARTICULARS	As at 31.03.2009	As at 31.03.2008
<u>SCHEDULE I</u>		
SHARE CAPITAL		
Authorised Share Capital (2,00,00,000 Equity Shares of Rs.10/- each)	<u>20000000</u>	<u>20000000</u>
(Issued Subscribed & Paid Up Capital 1,50,20,000 Equity Shares of Rs.10/-each)	<u>157700000</u>	<u>150200000</u>
Total	<u><u>157700000</u></u>	<u><u>150200000</u></u>
<u>SCHEDULE II</u>		
SHARE APPLICATION MONEY		
From Directors	<u>10387356</u>	<u>10387356</u>
Others	<u>1088173</u>	<u>1088173</u>
Total	<u><u>11475529</u></u>	<u><u>11475529</u></u>
<u>SCHEDULE III</u>		
RESERVES & SURPLUS		
Share Premium Account		
Opening Balance	<u>3800000</u>	<u>3800000</u>
Received during the year	<u>52500000</u>	<u>—</u>
Closing Balance	<u>56300000</u>	<u>3800000</u>
Capital Reserve	<u>891265401</u>	<u>891265401</u>
Warrants Forfeiture Reserve	<u>12250000</u>	<u>12250000</u>
Profit & Loss A/c	<u>38453887</u>	<u>34680928</u>
Total	<u><u>998269288</u></u>	<u><u>941996329</u></u>
<u>SCHEDULE IV</u>		
SECURED LOANS		
Working Capital Loan from UBI	<u>—</u>	<u>41461826</u>
Working Capital Term Loan From UBI	<u>42104562</u>	<u>—</u>
Total	<u><u>42104562</u></u>	<u><u>41461826</u></u>
<u>SCHEDULE V</u>		
UNSECURED LOANS		
A. Interest Free Sales Tax Loan	<u>68118</u>	<u>68118</u>
B. From Promoters	<u>71172916</u>	<u>118632281</u>
C. From Others	<u>22293881</u>	<u>21088739</u>
Total	<u><u>93534915</u></u>	<u><u>139789138</u></u>

SCHEDULE VI

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As on 1.04.2008	Additions During the Period	As on 31.03.2009	Up to 31.03.2008	For the Period	Up to 31.03.2009	As on 31.03.2009	As on 31.03.2008
1	Land	2008003	-	2008003	-	-	-	2008003	2008003
2	Buildings	36182043	-	36182043	11596642	1206068	12802710	23379333	24585401
3	Buildings- Temporaray Erections	64917	-	64917	64917	-	64917	-	-
4	Plant & Machinery	80269766	200678	80470444	41269369	4022389	45291758	35178686	39000397
5	Miscellaneous Fixed Assets	3835592	96875	3932467	291395	190449	481844	3450623	3544197
6	Furniture & Fixtures	1635451	-	1635451	188205	109030	297235	1338216	1447246
7	Air Conditioners - Factory	5692841	-	5692841	4192714	379523	4572237	1120604	1500127
8	Electrical Installations - Factory	3668307	-	3668307	2530077	244554	2774631	893676	1138230
9	Lab Equipment	7263444	-	7263444	2882921	484230	3367151	3896293	4380523
10	Office Equipment	928066	1016700	16944766	432148	98057	530205	1414561	495918
11	Generator	1177812	-	1177812	517394	78521	595915	581897	660418
12	Computers	1539145	-	1539145	1003975	86751	1090726	448419	535170
13	Vehicles	619304	-	619304	197249	61930	259179	360125	422055
	Total (A)	144884691	1314253	146198944	65167006	6961502	72128508	74070436	79717685
1	Capital Work in Progress-Buildings	-	-	-	-	-	-	-	-
	Total (B)	-	-	-	-	-	-	-	-
	Total (A+B)	144884691	1314253	146198944	65167006	6961502	72128508	74070436	79717685

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

PARTICULARS	As at 31.03.2009	As at 31.03.2008
SCHEDULE VII		
CURRENT ASSETS, LOANS & ADVANCES		
A. INVENTORIES		
Raw Materials	1017705	856387
Work-in-progress	30300000	30500000
Sub - Total	<u>31317705</u>	<u>31356387</u>
B. SUNDRY DEBTORS		
(Unsecured and Considered good)		
More than Six Months	5421954	395000
Less than Six Months	414590	5421954
Sub - Total	<u>5836544</u>	<u>5816954</u>
C. CASH & BANK BALANCES		
Cash on Hand	853908	660308
Balances with Scheduled Banks	2893699	54664
Cash & Bank Balance in Branches	53246	315911
Sub - Total	<u>3800853</u>	<u>1030883</u>
D. LOANS & ADVANCES		
Deposits with Government & Others	6377429	6377429
Other Advances	1676781	1676781
Prepaid Expenses	4374	—
Sub - Total	<u>8058584</u>	<u>8054210</u>
Total (A+B+C+D)	<u>49013686</u>	<u>46258434</u>

SCHEDULE VIII**CURRENT LIABILITIES & PROVISIONS**

Creditors for Capital Goods	631668	1550000
Creditors for Materials	3221729	2480548
Creditors for Expenses	1965747	1473335
Creditors for Others	857080	857080
Provision for Tax	2082554	1350231
Provision for Expenses	5454092	2445123
Total	<u>14212870</u>	<u>10156317</u>

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PARTICULARS	As at 31.03.2009	As at 31.03.2008
SCHEDULE IX		
MISCELLANEOUS EXPENDITURE (To the extent not written off)		
Deferred Rev. Expenditure		
I. Products Under Development		
A) Oral Drug Delivery System		
B) Cancer Drugs		
C) Novel Vaccines		
D) Generic APIs		
E) Bio-generics		
Work Under Progress		
A) Meningococcal Meningitis Vaccine		
B) Orlistat		
C) Tacrolimus		
	176942081	142942351
II. Technology Development Cost	20570961	29460669
Total	<u>197513042</u>	<u>172403020</u>
SCHEDULE X		
SALES & SERVICE INCOME		
Sale of Plants	13420000	14799850
Sale of Bulk	—	5685000
Testing Charges	23310000	16951325
Export Sales	271987	—
Total	<u>37001987</u>	<u>37436175</u>
SCHEDULE XI		
OTHER INCOME		
Interest & Other Income Received	—	10300
Leave & Licence Fee Received	—	—
Total	<u>—</u>	<u>10300</u>
SCHEDULE XII		
MATERIALS CONSUMED		
Stock in hand	31320075	135000
Purchases	3716811	39033642
Sub Total	<u>35036886</u>	<u>39168642</u>
Less: Closing Stock	31317705	31320075
Less: Raw Material for R&D	741181	4468245
	<u>2978000</u>	<u>3380322</u>
INCREASE / DECREASE IN STOCK		
Opening Stock	—	—
Less: Closing Stock	—	—
Increase / (Decrease) in Stock	<u>—</u>	<u>—</u>



TRANSGENE BIOTEK LIMITED

PARTICULARS	As at 31.03.2009	As at 31.03.2008
SCHEDULE XIII		
MANUFACTURING EXPENSES		
Repairs & Maintenance	356527	700363
Electrical Charges	720386	1302925
Factory Maintenance	363618	256322
Laboratory Expenditure	581071	610262
Generator Maintenance	206552	267576
Total	<u>2228154</u>	<u>3137448</u>
SCHEDULE XIV		
OTHER EXPENDITURE		
Advertisement	125893	—
Salaries	3792000	3554705
ESI Employer's contribution	29359	41457
PF Employer's Contribution	157025	226996
Bank Charges	13470	77059
Books & Periodicals, Subscriptions	6373	9604
Travelling, Transport & Conveyance	263829	526131
Printing & stationery	225502	250114
Discounts	293885	13538
Directors' Sitting Fee	12000	18000
Vehicle Maintenance & Hire Charges	492260	272211
Postage & Telephones	453531	367990
Legal & Professional Charges	1799696	914936
Rent, Rates & Taxes and Fees	567601	985159
MD's Remuneration & Perquisites	691703	1689368
Welfare Expenses	114421	172556
Insurance	177065	200000
Commission	865515	595645
Referral Expenses	1701543	525300
Auditors' Remuneration	100000	150000
General Expenses	3441136	2458035
Total Other Expenditure	<u>15323807</u>	<u>13048804</u>
SCHEDULE XV		
FINANCE CHARGES		
Interest on Bank Loans, Financial Institutions	8126224	3463063
Interest on Mortgage Loan	610000	795969
Total Financial Charges	<u>8736224</u>	<u>4259032</u>

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 accrual 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 lives 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	21
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
17,24,03,020	2,51,10,022	19,75,13,042

* Total amount incurred on development of products during 2008-09

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 years 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

	<u>2008-09</u>	<u>(Rs. In Lacs)</u> <u>2007-08</u>
(i) Customs Duty Demand in Dispute by the Company at CEGAT Tribunal	5.05	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

	<u>2008-09</u>	<u>(Rs. In Lacs)</u> <u>2007-08</u>
Remuneration Paid to MD	5.60	8.40
Perquisites Paid to MD	1.31	3.65



B) The following are the transactions relating to related party disclosure requirements

Dr. K.Koteswara Rao : Managing Director

	<u>(Rs. In Lacs)</u>	
	<u>2008-09</u>	<u>2007-08</u>
Interest free unsecured loan	125.40	8.01

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.

DIAGNOSTIC KITS

Particulars of Capacities and Production

				<u>2008-2009</u>	<u>2007-2008</u>
		<u>UNIT LICENSED INSTALLED</u>		<u>PRODUCED</u>	
Biochemistry	Tests	129 Lacs	NA	NIL	NIL
Immunology	Tests	166 Lacs	NA	NIL	NIL
Elisa	Tests	293 Lacs	NA		NIL

Particulars in respect of Sale of Finished Goods - NIL

Particulars in respect of Stock of Finished Goods - NIL

AGRI BIOTEK PLANTS

Particulars of Capacities and Production

		<u>2008-2009</u>	<u>2007-2008</u>
<u>UNIT</u>	<u>INSTALLED CAPACITY</u>	<u>PRODUCED</u>	
Banana Plants	10.00 Lakhs	9.41 Lakhs	10.00 Lakhs

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Particulars in respect of Sale of Finished Goods

	2008-2009		2007-2008	
	Quantity of Plants (in Lacs)	Value Rs. in Lacs	Quantity of Plants (in Lacs)	Value Rs. in Lacs
Banana Plants	9,41,00	134.20	10.00	147.99
		<u>134.20</u>		<u>147.99</u>

Particulars in respect of Stock of Finished Goods

	2008-2009		2007-2008	
	Quantity of Plants (in Lacs)	Value Rs. in Lacs	Quantity of Plants (in Lacs)	Value Rs. in Lacs
OPENING STOCK				
Banana Plants	NIL	<u>NIL</u>	NIL	<u>NIL</u>
		<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 in the coming years.
8. The company is engaged in providing Diagnostic Services, producing Tissue culture Plants and at times, generating revenues through lease and license arrangement of its manufacturing facilities 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	2,33,10,000	2,71,987	1,34,20,000	3,70,01,987
Identifiable operating expenses	1,63,17,000	2,00,000	40,12,961	2,05,29,961
Segment operating income	69,93,000	71,987	94,07,039	1,64,72,026
Other Income				—
Total				1,64,72,026
Unallocable expenses				1,22,16,975
Net profit before tax				42,55,051
Income Tax				4,82,092
Net Profit After Taxes				37,72,959

9. AUDITORS' REMUNERATION

	<u>2008-2009</u>	(Amount Rs.) <u>2007-2008</u>
Audit Fee	1,00,000	1,00,000
Tax Representation	50,000	50,000
TOTAL	<u>1,50,000</u>	<u>1,62,240</u>

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10. EARNINGS PER SHARE

	2008-2009	(Amount Rs.) 2007-2008
a) Net Profit after Tax	42,55,051	94,96,448
b) Number of Equity Shares	1,50,20,000	1,50,20,000
As at the commencement of the year		
c) Issued during the year	7,50,000	—
d) Total at the end of the year	1,57,70,000	1,50,20,000
e) Weighted Average Number of equity shares during the year		
Basic	1,53,32,500	1,50,20,000
Diluted	1,53,32,500	1,50,20,000
f) Earnings per Equity Share of Rs.10/- each		
Basic	Rs. 0.28	0.63
Diluted	Rs. 0.28	0.63

11. EXPENDITURE IN FOREIGN CURRENCY

	2008-09	(Amount Rs.) 2007-08
A) Travelling Expenses	—	2,10,452
B) Product Development Expenses	5,54,663	1,08,39,554
C) Chemicals	—	35,00,000
TOTAL	<u>5,54,663</u>	<u>1,45,50,006</u>

**12. Product Development Expenses comprise of**

			(Amount Rs.)	
	2008-09		2007-08	
<u>Personnel Costs</u>				
Salaries				
a) Bio-Therapeutics	15,39,333		14,92,506	
b) NDDS	5,12,427		4,97,502	
c) Immuno-suppressants	10,24,854		9,95,004	
d) Vaccines	10,24,854		9,95,004	
e) Statins	10,24,854	51,31,108	9,95,004	49,75,020
Welfare Expenses		1,05,350		1,08,927
		52,36,458		50,83,952
<u>Stores & Spares and Consumables</u>				
a) Bio-Therapeutics	2,96,472		14,51,290	
b) NDDS	74,016		3,62,823	
c) Immuno-suppressants	1,85,039		9,07,056	
d) Statins	1,85,039		9,07,056	
		7,40,506		36,28,225
Laboratory goods and testing expenses		615		6,35,946
<u>Depreciation & Repairs</u>				
a) Bio-Therapeutics	17,40,376		15,94,913	
b) Immuno-suppressants	6,95,382		6,37,965	
c) Vaccines	3,49,611		3,18,983	
d) Statins	6,95,382		6,37,965	
		34,80,751		31,89,825

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	2008-09	(Amount Rs.) 2007-08
<u>Clinical Research Expenses</u>		
a) M.M.Vaccine	—	—
b) Cancer Drugs	4,69,047	4,17,489
c) Immuno-suppressants	4,35,739	3,87,668
d) Statins	4,35,739	3,87,668
	13,40,525	11,92,825

Travelling, Conveyance & Vehicle Expenses

a) M.M.Vaccine	1,28,787	1,06,789
b) Bio-therapeutics	1,93,182	1,60,184
c) Vaccines	64,394	53,395
d) Statins & Immuno-suppressants	2,57,464	2,13,578
	6,43,827	5,33,946
Patents related Expenses	—	49,53,592
Payments to Attorneys	5,54,643	49,12,857
Other overheads	1,31,12,697	9,73,905
	2,51,10,022	2,53,09,147

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 XVI 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 : 05.09.2009

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

CIN No. L85195AP1990PLC011065 State Code 01

Balance Sheet Date 31 03 2009 Date Month Year

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

Public Issue NIL

Rights Issue 7500

Bonus Issue NIL

Private Placements NIL

III Position of Mobilisation and Deployment of Funds

Total Liabilities 1303084

Total Assets 1303084

SOURCE OF FUNDS

Paid up Capital 157700

Reserves and Surplus 998269

Secured Loans 42104

Unsecured Loans 93535

Share Application Money 11476

APPLICATION FUNDS

Net Fixed Assets 1070770

Investments NIL

Net Current Assets 34800

Product Development Expenditure 197513

IV Performance of the Company

Turnover 37002

Profit / Loss before Tax 4255

Earnings per share 0.28

Total Expenditure 32747

Profit / Loss after tax 3773

Dividend NIL

Vide our report of even date

For Sarath & Associates Chartered Accountants

For and on behalf of the Board for Transgene Biotek Limited

Sd/-

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

Sd/-

Dr.K.Koteswara Rao Managing Director

Sd/-

P.N.Murthy Director

Place : Hyderabad Date : 05.09.2009

NINETEENTH ANNUAL REPORT 2008-09

Cash Flow Statement for the year ending 31.03.2009

PARTICULARS	As at 31.03.2009	As at 31.03.2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) Before Tax & Extra ordinary Income	4255051	10431044
Adjustments for Depreciation	6961502	6379649
Miscellaneous Expenses Written off	—	—
Provision for Tax	482092	-1100000
Prior period, Extra Ordinary Items	—	—
Operating Profits / Losses Before Working Capital	10734461	15710694
Changes / Adjustments	—	—
Trade & other Receivables	14718	-29086454
Trade payables and other liabilities	4056553	1262913
Net Cash used from / in Operating Activities	14805732	-12112847
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-1314253	-11528314
Product Development & Other expnses	-2110022	-25309147
Net Cash used in Investing Activities	-26424275	-36837461
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital / Share Premium	60000000	—
Proceeds from Borrowings (Secured)	642736	41461826
Proceeds from Borrowings (Unsecured)	-46254223	7844629
Net Cash from financing Activities	14388513	49306455
Net Increase / Decrease in cash and cash equivalents (A + B + C)	2769770	356147
Cash And Cash Equivalents as on 01.04.2008 (Opening Balance)	1030883	655146
Cash And Cash Equivalents as on 31.03.2009 (Closing Balance)	3800653	1030883

Vide our report of even date

For **Sarath & Associates**
Chartered Accountants

Sd/-

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

Place : Hyderabad
Date : 05.09.2009

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

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 Wednesday the 30th September, 2009 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 Nine.

Signature

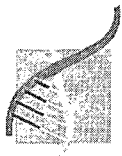
Affix a
Re. 1.00
Revenue
Stamp

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.

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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 19th Annual General Meeting of the Company to be held on Wednesday the 30th September, 2009 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 —

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TRANSGENE
BIOTEK LIMITED
INNOVATING. FOR LIFE.

Regd. Office Plot Nos. 68, 69 & 70,
Anrich Industrial Area, IDA Bollaram, Medak District. (A.P.)
www.transgenebiotek.com