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EIGHTEENTH ANNUAL REPORT 2010

Abl Biotechnologies Limited

ABL Biotechnologies Limited
No. 55, Third East Street, Kamaraj Nagar,
Thiruvanmiyur, Chennai – 600 041

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BOARD OF DIRECTORS

Mr. K. O. Isaac - Chairman & Managing Director

Dr. G. Subramanian - Director

Mr. V M Sankaran Nampoothiri – Director

REGISTERED OFFICE

55, Third East Street, Kamaraj Nagar
Thiruvanmiyur, Chennai - 600 041

RESEARCH & DEVELOPMENT CENTRES

No. 1, 4th East Street, Kamaraj Nagar,
Thiruvanmiyur, Chennai – 600 041

AUDITORS

M/s. Pratapkaran Paul & Co.,
Chartered Accountants
New No. 7, Old No.4,
Karpagam Garden,
II Main Road,
Adyar, Chennai - 600 020

BANKERS

AXIS BANK LIMITED
Chennai Main Branch
Chennai - 600004

SECTION 1

CHAIRMAN'S MESSAGE

Dear Shareholders,

The year 2009-10 saw ABL reinventing itself and its business model, in line with the plans that the Company had unfurled, during the previous AGM. It was obvious that the advantages in the contract manufacturing business model that saw the Company grow during the last decade, had seriously turned to a disadvantage because the Company didn't have a single formulation facility of its own and was operating through eleven leased facilities. In addition, its dependence on the formulation manufacturing segment and the attendant issues of large working capital requirements, increasing credit in the market etc had taken the Company away from its core business of biotechnology research and technology development. It was therefore time that your Company re-examine its strengths and opportunities and do away with businesses that were not part of its core competence so that it could focus on targeted areas of growth and opportunity in the global market place.

In addition, it was crucial that the Company examine opportunities in acquisitions and mergers for accessing additional technologies and Patents, form partnerships for its various business verticals so as to focus its strengths and resources and build capabilities to substantially improve the Company's top and bottom lines, as also put its resources to optimal use.

OPPORTUNITIES IN BIOTECHNOLOGY:

The industry is expected to grow from present $2.51 billion (FY 2008-2009) to $5 billion by 2011. The Indian biotechnology sector is one of the fastest growing, knowledge-based sectors and is expected to play a key role in shaping India's rapidly developing economy.

An assessment of the Biotech sector worldwide clearly shows that opportunities continue to lie in Ag-Biotech, Pharma and Industrial Biotech.

ABL's research focus has therefore been restructured to cater to these three segments.

THE DHA PROJECT:

Your Company has finally received confirmation from the European Patent Office about the official clearance and publication of its patent on DHA. Patent Applications in the USA and India are still pending final approvals.

THE DAYS AHEAD:

In the time ahead, ABL will continue to reinvent its business model, examine opportunities in acquisitions and mergers for accessing additional technologies and Patents, form partnerships for its various business verticals so as to focus its strengths and resources and build capabilities to substantially improve the Company's top and bottom lines.

Let me take this opportunity to thank the Company's Bankers, employees, business partners, suppliers, contract manufacturers and customers for supporting ABL during the past year. Lets look forward to a period of great opportunity, in the days ahead.

K.O. ISAAC
Chairman

DIRECTORS' REPORT

To
All Members,

Your Directors present the 18th Annual Report, together with the Audited Accounts for the year ended March 31, 2010.

OPERATIONS

With your Company deciding to suspend its contract manufacturing business due to failing profitability and unviablility unless a formulation facility was acquired by the Company, sales during the last financial year was only around Rs 2.5 Crores. The low turnover during the year has resulted in an operational loss of Rs.4.5 Crores.

In view of the Government's decision to set up a Critical Thermal Power plant spread over 900 acres next to the Company's proposed DHA site, a Gas terminal and container. port being established on the seashore and the 9000 acre Rare Earth Facility of the Tata Group coming up close to the site, and since all the Fly-ash and Illimnite washings are being disposed alongside the site, the viability of the present site is questionable. While there is considerable intellectual property that has been generated, which may yield commercial value at a future date, the management thought it prudent to withdraw from this site. All movable R & D equipments have been relocated at a new site in Bangalore. The Board has therefore recommended that intangible expenditures relating to development of DHA and various other molecules and other capital assets valued at Rs.8.76 Crores be written off.

In addition, in line with the Management's decision to wind up the operations of the Company's own brand marketing division, INVIA, in Kerala, Tamil Nadu, Andhra and Orissa, due to issues with viability and management bandwidth, all the receivables representing unsold stocks of the Company's own brands, lying with distributors, needed to be destroyed and consequently a sum of Rs5.3 Crores has been recommended to be written off.

Due to the above extraordinary items charged off to operations, the net result for the year has been severely hit leading to a net loss of Rs.20.60 crores

R&D DIVISION

Your Company's research efforts had seen deterioration due to working capital issues and loss of key people. Your Board has therefore taken a decision to relocate the entire Research Laboratory to an independent facility in Hosakote Industrial Area, Bangalore. This will allow the company to have greater interface with the Indian Institute of Sciences and other such organisations, to partner its research efforts. In addition, due to Bangalore being a renowned centre for Biotechnology research, access to suitable personnel, is improved.

INTELLECTUAL PROPERTY

Your Board is happy to inform you of the final acceptance by the European Patent Office of eleven claims in the Patent application filed by the Company leading to clearance of the patent application and publishing of the patent.

Efforts with the Company's application to the USPTO and the Indian Patent Office continues. It is hoped that these efforts will prove equally fruitful and the Company will get approvals for its patent applications filed.

The Company has also acquired 22 additional strains for a variety of Fatty Acids, 12 for Biofuels and 11 IPs, apart from technology for a new algal biofuel. With these, the Company underlines its focus to remain on Fatty Acids, Drug Discovery and Biofuels for the next decade.

However, in taking a prudent and cautious stand, the Management instead of foraying ahead on its own, believes that joint ventures and strategic alliances would be the model of choice for commercialising these technologies so as to share the risks intrinsic to new technology development.

Trading of Shares in the Stock Exchanges

The shares of the Company are listed in the Mumbai and Luxemburg stock exchanges. The shares of the Company are traded in the demat form.

CORPORATE GOVERNANCE

The Company continues to follow the code of Corporate Governance during the year under review.

DEPOSITS

Your Company has not accepted any deposits from public during the year under review.

DIRECTORS

Dr.G. Subramanian, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

AUDITORS

M/s. Pratapkaran Paul & Co., Chartered Accountants, Chennai, Auditors of the Company retire at the ensuing annual general meeting and a notice has been received under section 224(1B) of the Companies Act, 1956 from them confirming their eligibility for reappointment

EMPLOYEES

Your Directors place on record their appreciation of the sincere and dedicated services rendered by all the employees during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed.
- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2008 and of the Profit and Loss of the Company for that period.
- Proper and sufficient care has been taken 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.
- the annual accounts are prepared on a going concern basis

ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 regarding conservation of energy, Technology absorption and Foreign Exchange earnings and outgo are given below:

CONSERVATION OF ENERGY

Energy conservation is not applicable to the biotechnology industry.

RESEARCH AND DEVELOPMENT

Your Company has, during the year, been continuing its Research and Development activities of extracting bioactive compounds from microbes as well as development of formulations for nutrition and pharmaceuticals.

FOREIGN EXCHANGE EARNINGS

There was no foreign exchange earning during the year. (Previous Year: Nil)

FOREIGN EXCHANGE OUTGO

On account of import of goods - Nil.

Foreign Travel - Nil.

ACKNOWLEDGEMENT

The Board of Directors wishes to place on record its gratitude to Axis Bank Limited and the Department of Science and Technology, Department of Bio-Technology and the other Institutions / Organizations / Agencies who have supported the company during the year.

For and on behalf of the Board of Directors

Date: 7-9-2010
Place: Chennai

K. O. Isaac
Chairman and Managing Director

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

The Company is committed to the principles of good Corporate Governance. The Company is also committed to report financial information transparently and adequately. A judicious and continuous process of empowerment and accountability based on trust, faith and transparency forms the foundation of its growth.

During the financial year 2009-10 five (5) Board Meetings were held on 30.04.2009, 31.07.2009, 31.10.2009, 27.11.2009 and 30.01.2010. The Annual General Meeting (AGM) was held on 28th December, 2009.

The composition and membership on other Boards, Committees of Directors and attendance of Directors at the Board of Directors meetings held during the financial year 2009-10 and the last AGM held on 28.12.2009 are given in this report.

2. BOARD OF DIRECTORS

The Composition and category of Directors as on March 31st, 2010 is as follows:

Name of the Director	Category	Attendance Particulars		Number of other Directorships and Committee Members /Chairmanships		
		Board Meetings	Last AGM	Other Director-Ships	Committee Member-Ships (other than in ABL)	Committee Chairman-Ships (other than in ABL)
K. O. Isaac	Chairman and Managing Director - Executive Director	5	Yes	3	Nil	Nil
G. Subramanian	Non-Executive - Independent Director	5	Yes	Nil	Nil	Nil
Mr. V M Sankaran Nampoothiri	-Non-Executive Independent Director	5	Yes	1	Nil	Nil

Thus the Board comprising of two independent directors out of the present strength of three Directors is in conformity with Clause 49 of the Listing Agreement.

3. BOARD COMMITTEES

A) AUDIT COMMITTEE:

The Primary Objective of the Audit Committee of the Company is to monitor and provide effective supervision of the Management's financial reporting process, with a view to ensure accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting.

The Company derived immense benefit from the deliberations of the Audit Committee comprising of the following Directors of the Company.

Mr. V M Sankaran Nampoothiri Chairman Dr. G. Subramanian Member

The major terms of reference of this committee are as under:-

- Reviewing the financial statements with the Management before submission of the same to the Board.
- Overseeing of Company's financial reporting process and disclosures of its financial information.
- Reviewing the adequacy of the internal audit function.
- Recommendation for appointment and removal of Statutory Auditors and fixation of audit fees.
- Reviewing the reports furnished by the internal auditors and statutory auditors and ensuring suitable follow up thereon.

Meetings and attendance of the Audit Committee:

During the financial year two Audit Committee meetings were held on 31.07.2009 and 30.10.2009. The terms of reference of the Audit Committee are as per the guidelines set out in the Listing Agreement with the stock exchanges.

The Attendance of Directors at the Audit Committee Meetings held during the year 2009-10 is given below: Name of the Director	Category of Membership	Attendance Particulars	
		Meetings Held	Meetings Attended
Mr. V M Sankaran Nampoothiri	Chairman	2	2
Dr. G. Subramanian	Member	2	2

b) Remuneration Committee:

The Remuneration Committee comprises of two non-executive Directors:

Name of the Director	Category of Membership
Dr. G. Subramanian	Chairman
Mr. V M Sankaran Nampoothiri	Member

No meeting of the Remuneration Committee was held during the year.

c) Shareholders / Investors' Grievance and Share Transfer Committee:

The Shareholders / Investors' Grievance and Share Transfer Committee comprises

Name of the Director	Category of Membership
Dr. G. Subramanian	Chairman
Mr. V M Sankaran Nampoothiri	Member

The terms of reference of this committee are as under:

The Shareholders / Investor Grievance Committee specifically looks into redressal of shareholders' and investors' complaints such as transfer of shares, non-receipt of shares, conversion of shares and to ensure expeditious share transfers.

Meeting and Attendance of the Committee:

The Committee oversees the performance of share transfer agents and recommends measures to improve the shareholders'/investors' services. The said Committee met 4 times during the year 2009-2010. The Managing Director is the compliance officer.

Shareholders queries received and replied in 2009-10.

During the Financial Year 2009-10, no complaints were received from shareholders. There are no complaints pending as on the date of this report. There were no share transfers pending registration as on 31st March, 2010.

4. General Body Meetings

The particulars of the Annual General Meetings held during the last three years are as under: