

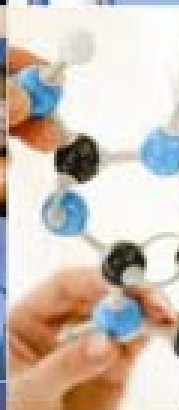
Leadership through focused Research

Innovation in support of Health Care

CELESTIAL BIOLABS LIMITED

ANNUAL REPORT
2012-2013

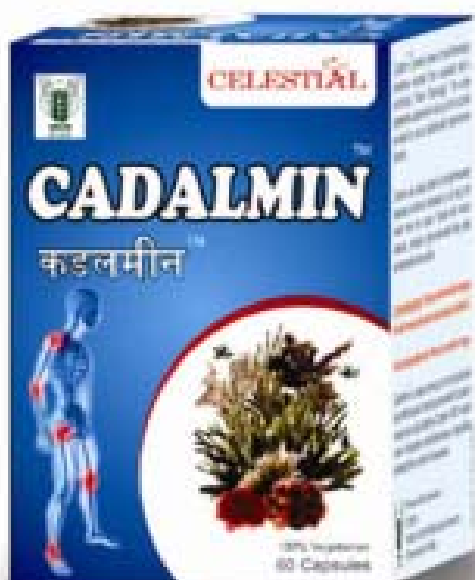
Introducing our new Research Product
CADALMIN[®]
(Green Algae extract (GAE))



Committed to provide affordable and innovative medicines for healthier life



A Break through research in the treatment of Joints pain
at "Central Marine Fisheries Research Institute (Govt of India)" Kochi.



CADALMINTM
कडलमिन

Green Algal extract (GAe)

Mother nature's
first ever Effective and Safe
Research molecule for all
kind of Joints Pain



Celestial Cadalmin™ GAe for Arthritis and Joints pain

This product has been developed at CMFRI (A prestigious ICAR Institute) and being manufactured and Marketed by Celestial Biolabs Ltd. Celestial Biolabs Ltd is an Hyderabad based public limited Biopharmaceutical company located at APIIC Tech Park, Nacharam. Cadalmin™ GAe contains 100% natural marine bioactive anti-inflammatory ingredients extracted from selected marine macro alga by a patented technology. The product is effective to combat arthritic pain and inflammatory diseases in human beings. The active principles in Cadalmin™ GAe competitively inhibit pro-inflammatory mediators, resulting in decreased production of inflammatory prostaglandins and leukotrienes, and its activity was found to be superior to some of the synthetic non steroidal anti-inflammatory drugs available in the market. Animal model experiments proved the efficacy and safety of this nutraceutical. Time dependent *in vivo* animal model studies on mammalian subjects revealed the inhibition of inflammatory response to the tune of 73-76% by Cadalmin™ GAe and its active components as compared to a maximum of 70% for the popular painkiller aspirin that was reported to induce an adverse effect on various human metabolic and physiological parameters. Cadalmin™ GAe suppresses the oedema produced by histamine, and exhibits its anti-inflammatory action by means of either inhibiting the synthesis, release or action of anti-inflammatory mediators. The mean lethal dose (LD₅₀) of Cadalmin™ GAe was found to be greater than 4000 mg/kg body weight of the mammalian subjects that indicate the safety of the product. As part of the further safety assessment of the extract, feeding of Cadalmin™ GAe even at a dose upto 2500 mg/kg body weight did not induce significant change in body weights, haematological indices, histo-pathological, and serum biochemical parameters between the control and treated groups indicating that it has no toxicity to the experimental animals.

Cadalmin™ GAe distributed to more than 400 patients suffering with chronic joint pain and arthritis. A questionnaire and clinical trial-based studies revealed that more than 98% of the respondents consumed Cadalmin™ GAe were satisfied with the product with about 70-85% relief in joint pain and arthritis. None of the respondents reported any side effects. The diagnostically useful autoantibody termed as Rheumatoid Factors (RFs), which are the most useful prognostic marker for rheumatoid arthritis significantly reduced from more than 300 IU/mL to less than 20-35 IU/mL within a period of two months of consuming the product.

Cadalmin™ GAe is a pure natural and 100% vegetarian product, with its therapeutic values, is an important substitute for synthetic drugs. Being a 100% natural product Cadalmin™ GAe has a promising consumer appeal, and market potential especially for the large vegetarian population in India and abroad. The unique biochemical engineering techniques adopted to retain the anti-inflammatory activities in the preparation of Cadalmin™ GAe assures higher shelf life. Detailed evaluation using laboratory animal models proved that Cadalmin™ GAe could be safely taken without any side effects, providing relief to people suffering from arthritis and joint pain. The hygienically processed active ingredients are housed in low moisture content 100% plant-based Nature caps capsules that meet the dietary or cultural needs of customers that follow a vegetarian lifestyle.

Ingredients : Per capsule : Cadalmin active principle 250 mg enriched with 100% natural ingredients.

Recommended Dosage: Two capsules twice daily after food for the first 3 months followed by a maintenance dose of two capsule per day.

List of Products

HERBAL Formulations

Biovita (Granuels)

Rhumacel (Oil & Lotion)

Gynocel (Syrup)

O-kof (Syrup)

Cel-Digest (Syrup)

Bioliv (Syrup)

Cadalmin (Capsules & Cream)

Healthone (Syrup)

Cel-Clear (Syrup)

Trem Plus (Cream)

C-Kaps (Capsules)

Chyawanprash (Enriched with Almonds)

Glucocel (Capsules)

Relifin (Capsules)

Touch (Rool on Balm)

Bio-Sleep (Tablets)

Biopower Gold (Capsules)

CONTENTS

Particulars	Page No
Corporate Information	6
Chairman's Address	7
Notice	8
Director's Report	17
Annexure to Director Report	19
Report on Corporate Governance	20
Corporate Governance Report - Auditor Certificate	25
CEO and CFO Certification	26
Management Discussion and Analysis	27
Auditor's Report	29
Financial - Balance Sheet,	31
Profit and Loss Account	32
Notes on Accounts	40
Cash Flow Statement	43

Corporate Information

BOARD OF DIRECTORS

Dr. A. N. Singh	Managing Director
Dr. Jeetainder Roy Gour	Director
Dr. B.Siva Kumar	Director
Mrs Padma Singh	Director

REGISTERED OFFICE :

Plot No. 59, Road No : 12,
APIIC Tech Park, IDA Nacharam
Hyderabad 500 076, A.P. India
Phones: +91 40 64565544, 65552697
Web : www.celestialbiolabs.com
e-mail : cs@celestialbiolabs.com
e-mail : investors@celestialbiolabs.com
e-mail: cadalmin@celestialbiolabs.com

STATUTORY AUDITORS

Lakshmi Purna & Associates
Chartered Accountants
Plot No 17-24, Bhagyanagar Colony,
Kukatpally,
Hyderabad 500 072

REGISTRAR SHARE TRANSFER AGENT

Karvy Computershare Pvt. Ltd
Plot No 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad – 500 081

BANKERS

State Bank of India
Industrial Finance Branch
Somajuguda,
Hyderabad

ICICI Bank
Jubilee Hills Branch
Plot No .1259, Road No.36
Jubilee Hills, Hyderabad

Chairman's Address

Dear Shareowners

Innovation is the key in biopharmaceuticals.. Biopharma product development is a process driven, time taking and expensive proposition. New and Innovative products shall always create demand and your company shall be benefitted. Ultimately, our R&D initiatives have given us two research products like Cadalmin and Biovita. 4 New molecules in peptide and two products in Enzymes are in advance stage of development. At this stage, when we have already invested substantial money on research and development activities, bringing further fund for R&D is difficult however, we would like to continue our product development effort with the support of Department of Science and Technology.

Performance

We have result oriented and proven products range in Herbal, and Bio- formulations. We are also upgrading our healthcare ERP products. Our Celsanjivani.com on line portal is going to be operational next month and shall be able to create a huge business volume. We are moving in synergy by improving our supply chain and also introducing new control measures. We are not satisfied with our financial performance but we shall overcome with all the problems very soon and move ahead with complete solidity in all respect.

Industry

Biopharmaceutical Industry has done relatively better but we are passing through a difficult phase and making all our effort to complete the capital project in order to streamline all our manufacturing under one umbrella. Pharma industry shall be able to keep the pace with the good quality products as there is always demand for such quality pharma products. Our most of the products are very effective and we are making every effort to meet the demand. We are struggling with production issues because of power shortages and once our facility at Biotech park is ready, the situation shall improve drastically as the Biotech park gets special status in terms of amenities like water and power supply that is missing in present situation.

The biopharmaceutical market is highly competitive. In order to have a competitive edge, our facility at Biotech park is an integrated clubbed with extremely good facility of R&D. We will continue to pursue our R&D initiative in peptide, Enzymes and protein and proceed with manufacturing of these range of products at new facility. Project at SEZ at Biotech park shall provide us an opportunity to market our products in Domestic and overseas market.

Strategy

Strengthening the manufacturing and improving marketing and distribution channel is our main focus. To reduce our Interest burden, we shall be submitting a bio project to technology Development board so that GMP/ WHO compliance can be met with that additional financial assistance. WHO stamping on the premier products, shall provide us an opportunity to market our products in African and south East Asian countries. On line portal, Celsanjeevani.com shall definitely improve the sales and quality personnel shall be employed to take the operational activities of the portal.. Reaching everywhere through C&F and distributors is an difficult proposition and online sales will take us at every corner of India.

Human Resource

Quality manpower and their retention is always an challenging task and addressing this task carefully shall increase the productivity. We have taken very careful steps to retain only quality, dedicated and efficient staff. We are going to reward shortly to all our dedicated staff and business associates by offering company shares at no cost to them. Training courses and sending them to various seminars and symposium shall also be our priority and thus we will ensure professional skill development

Collaboration

We are also developing collaborations with CSIR and ICAR institutions to develop the Biotech products. Collaborative research projects with these premier research organization shall provide an competitive edge and also increase our learning graph having association with very experienced Research scientists of these prominent institutions.. We are also installing software at each C&F in all the states to make our monitoring and control more effective. We are making every effort to complete the remaining work at city and Biotech park facility so that production, supply chain can be improved in order to increase the business volume. CMFRI Kochin association has given us Cadalmin, a great product. Cadalmin efficacy is so high that people suffering from arthritis are getting tremendous relief. Further we are moving to have an collaborative research with Osmania University of Hyderabad to develop molecule to treat diabetes

Value to the shareholders

We always keep shares holders interest on priority and would like to ensure all our shares holders that we will maximize their return on investment in another two years time. We have engaged reputed PR agencies to promote our company among the equity research analyst so that shares price can give true reflections. Increasing the investor wealth is our top priority and we will make rapid progress towards achieving our objective once our capital project is completed.

Corporate Social responsibility

We have distributed worth Rs12 lakhs of medicines free to poor people who did not afford to buy the medicines. This distribution is being done in villages through AWAKE RESEARCH and SERVICE FOUNDATION, a voluntary and social organization. We are also making effort to buy herbal raw material from farmers directly by giving value to farmers and also ensuring complete quality of raw material. There is very good response from farmers to work on contract farming to grow medicinal plants.

Acknowledgement

We thank all our shareholders, stake holders, staff and business associates for their continued support and look forward to your valuable advice to achieve our objective.

Dr A.N. Singh

NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the members of **CELESTIAL BIOLABS LIMITED** will be held on Thursday the 19th September 2013 at 10 a.m at the registered office of the Company at Plot # 59, Road # 12, APIIC Tech Park, IDA Nacharam, Hyderabad – 500076 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as on 31st March, 2013, the Profit & Loss Account for the year ended on that date together with the schedules and annexure thereto and the reports of the Auditors and Directors
2. To appoint a Director in place of Smt. Padma Singh who retires by rotation, and being eligible offers herself for reappointment.
3. To reappoint M/s. Lakshmi Purna & Associates, Chartered Accountants, retiring auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

Special Business

4. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311, 316, read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956, consent of the members be and is hereby accorded for the re-appointment of Dr A N Singh as the Chairman and Managing Director of the Company for a further period of three years, i.e from 01.10.2013 to 30.09.2016 at a remuneration as detailed hereunder:

Remuneration

Salary Rs.1200000 per annum

Perquisites

- A. Medical Expenses: Reimbursement of medical expenses for self and family subject to a ceiling of Rs.36,000/- p.a
- B. Car: Use of Company's car with driver.
- C. Telephone and other communication facilities: Use of telephone and other communication facilities at residence.

"RESOLVED FURTHER THAT the Salary and perquisites aforesaid be paid and allowed, as minimum remuneration to the Managing Director during the remaining period of his tenure, in the event of loss of inadequacy of profits in any financial year".

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as are necessary to give effect to the aforesaid resolution."

5. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT in accordance with the provisions of Section 16, 94 and other applicable provisions, if any, the Companies Act, 1956, the Authorised Capital of the Company be and is hereby increased from Rs 17,00,00,000/- (Rupees Seventeen Crores Only) divided into 1,70,00,000 Equity Shares of Re 10/- each to Rs 20,00,00,000 (Rupees Twenty Crores Only) divided into 2,00,00,000 Equity Shares of Re 10/- each by creation of additional 30,00,000 Equity Shares of Re 10/- each and in consequence thereof the existing Clause V of the Memorandum of Association the Company relating to share capital be substituted by the following clause :
V. "The Authorised Share Capital of the Company is Rs.20,00,00,000/- (Rupees Twenty Crores Only) divided into 2,00,00,000 (Two Crores) Equity Shares of Re 10/- (Rupees Ten) each with powers to increase or reduce the capital to divide the Capital for the time being into several classes and to attach thereto respectively such rights, privileges or conditions as may be determined by or in accordance with the regulations of the company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the regulations of the company and consolidate or subdivide the shares and issue shares to higher or lower denominations."
6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:
"RESOLVED THAT in supersession of all the earlier resolutions passed in regard to unallotted portion of the sweat equity shares eligible by Dr A N Singh consequent to transfer of ownership rights of the Intellectual Property Assets developed and owned by him to the Company and subject to the compliance of all the applicable laws and the terms and conditions of the said Sweat Equity Issue and pursuant to all applicable provisions of Section 79A,

81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including the rules and regulations there under and any statutory modification, amendments or re-enactment of the principal act or such rules and regulations for the time being in force) and in accordance with the provisions of the Articles of Association and the Memorandum of Association of the Company and such rules, guidelines and regulations, if any, as may be prescribed by the Securities and Exchange Board of India (“SEBI”) and/ or prescribed by the Listing Agreements entered into by the Company with the Stock Exchanges on which the Company's shares are listed or all other concerned and relevant authorities to the extent applicable, from time to time and subject to such approvals, consents, permissions and sanctions of all other appropriate authorities, financial institutions, banks, or bodies, as may be required and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions, the Board of Directors of the Company (the “Board”, which expression shall be deemed to include person(s) authorised or any committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) is hereby authorised, on behalf of the Company, to offer, issue and allot not exceeding 12,50,000 Equity Shares of Rs.10/- each of the Company as fully paid up equity shares to Dr. A. N. Singh, the Promoter of the Company, during the validity of this resolution within the financial year ending 31st March, 2014, in lieu of the compensation (part) for transfer of the ownership rights of the Intellectual Property Assets (Software Programmes) developed and owned by him to the Company, viz. Sweat Equity Shares, at such price as may be arrived at as per the Relevant Date (as determined in accordance with SEBI (ICDR) Regulations, 2009) and under the terms and conditions in terms of the applicable laws.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing resolutions the Board of Directors of the Company (the “Board”, which expression shall be deemed to include person(s) authorised or any committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) be and is hereby authorized and directed to execute such deeds, documents, and agreements and do all such acts, deeds, matters, or things as it in its sole discretion may deem necessary or desirable for such purpose without being required to seek any further consent or approval of the Company or otherwise to the extent that they shall be deemed to have given their approval hereto expressly by the authority of this resolution and with power on behalf of the Company to settle any question, difficulty, or doubt that may arise in this regard as it may in its absolute discretion deem fit and proper, including without limitation the power to agree to any amendment, alteration, or modification to the terms of the investment and the issue of the equity shares.”

7. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT in supersession of all the earlier resolutions passed in regard to unallotted portion of the sweat equity shares eligible by Dr A N Singh consequent to transfer of ownership rights of the Intellectual Property Assets developed and owned by him to the Company and subject to the compliance of all the applicable laws and the terms and conditions of the said Sweat Equity Issue and pursuant to all applicable provisions of Section 79A, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including the rules and regulations there under and any statutory modification, amendments or re-enactment of the principal act or such rules and regulations for the time being in force) and in accordance with the provisions of the Articles of Association and the Memorandum of Association of the Company and such rules, guidelines and regulations, if any, as may be prescribed by the Securities and Exchange Board of India (“SEBI”) and/ or prescribed by the Listing Agreements entered into by the Company with the Stock Exchanges on which the Company's shares are listed or all other concerned and relevant authorities to the extent applicable, from time to time and subject to such approvals, consents, permissions and sanctions of all other appropriate authorities, financial institutions, banks, or bodies, as may be required and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions, the Board of Directors of the Company (the “Board”, which expression shall be deemed to include person(s) authorised or any committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) is hereby authorised, on behalf of the Company, to offer, issue and allot not exceeding 12,05,350 Equity Shares of Rs.10/- each of the Company as fully paid up equity shares to Dr. A. N. Singh, the Promoter of the Company, on or after 01st April, 2014, during the validity of this resolution within the financial year ending 31st March, 2015, in lieu of the compensation (part) for transfer of the ownership rights of the Intellectual Property Assets (Software Programmes) developed and owned by him to the Company, viz. Sweat Equity Shares, at such price at such price as may be arrived at as per the Relevant Date (as determined in accordance with SEBI (ICDR) Regulations, 2009) and under the terms and conditions in terms of the applicable laws.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the foregoing resolutions the Board of Directors of the Company (the “Board”, which expression shall be deemed to include person(s) authorised or any committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) be and is hereby authorized and directed to execute such deeds, documents, and agreements and do all such acts, deeds, matters, or things as it in its sole discretion may deem necessary or desirable for such purpose without being required to seek any further consent or approval of the Company or otherwise to the extent that they

shall be deemed to have given their approval hereto expressly by the authority of this resolution and with power on behalf of the Company to settle any question, difficulty, or doubt that may arise in this regard as it may in its absolute discretion deem fit and proper, including without limitation the power to agree to any amendment, alteration, or modification to the terms of the investment and the issue of the equity shares.”

8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

“RESOLVED THAT in accordance with the provisions of Section 81 (1A) and all other applicable provisions, if any of the Companies Act, 1956 [including any statutory modification(s) or re-enactment thereof for the time being in force and relevant provisions of the Memorandum and Articles of Association of the Company, the Foreign Exchange Management Act, 1999 and the Issue of Foreign Currency Convertible Bonds, Global Depository Receipts and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, Guidelines prescribed by the Securities and Exchange Board of India (SEBI) and subject to such approval(s), consent(s), permission(s) and/or sanction of the Government of India, Reserve Bank of India and any other appropriate authorities, institutions or bodies, as may be necessary and subject to such terms, conditions, modifications and alterations as may be prescribed and specified by any of them in granting such approval, consent, permission or sanction, the consent, authority and approval of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the “Board” which term shall be deemed to include any committee thereof) to offer, issue and allot, in the course of offerings, in domestic and/or one or more foreign markets, any Securities including Equity Shares, Global Depository Receipts and/or American Depository Receipts, Foreign Currency Convertible Bonds, Convertible Bonds, Euro-convertible Bonds/Shares/Debentures, Preference Shares whether Cumulative/ Redeemable/ Partly convertible/ convertible at the option of the company and / or at the option of the holders of the Security(s), Securities partly or fully convertible into Equity shares and/or securities linked to Equity Shares and/or any instruments or securities with or without detachable warrants, secured or unsecured or such other types of securities representing either Equity Shares or Convertible Securities (hereinafter referred to as “Securities”) to Companies in the process of acquiring companies, either by way of swap of equity shares or by way of cash payments, or a mix of both swap and cash, to Foreign/Domestic Investors, Non-residents, Foreign Institutional Investors/ Foreign Companies/ NRI(s) / Foreign National(s)/Banks/Mutual Funds/Financial Institutions or such other entities or persons as may be decided by the Board, whether or not such persons/entities/investors are Members of the Company, through Prospectus, Offering Letter, Circular to the general public and/or through any other mode or on private placement basis as the case may be from time to time in one or more tranches as may be deemed appropriate by the Board on such terms and conditions as the Board may in its absolute discretion deem fit for an amount not exceeding Rs.20 Crores (Rupees Twenty Crores only) or equivalent thereof, including green shoe option on such terms and conditions, as the Board may in its sole discretion decide including pricing, the form and the persons to whom such securities may be issued and all other terms and conditions and matters connected therewith.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of underlying Equity Shares as may be required to be issued and allotted upon conversion of any such securities referred to above or as may be in accordance with the terms of the offering(s) and that the said Equity Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank in all respects *pari passu* with the existing Equity Shares of the Company.

RESOLVED FURTHER THAT such of these securities to be issued as are not subscribed may be disposed of by the Board to such person(s)/entity (ies) in such manner and on such terms as the Board in its absolute discretion thinks fit, in the best interest of the Company and as is permissible in law.

RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body for issue of Depository Receipts representing underlying equity Shares/ Preference Shares/ GDR's and other securities issued by the Company in registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international practices and regulations and under the forms and practices prevalent.

RESOLVED FURTHER THAT the securities issued in foreign markets shall be deemed to have been made abroad and/or in the market and/or at the place of issue of the securities in the international market and may be governed by applicable foreign laws.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Securities or instruments representing the same, the Board be and is hereby authorised to determine the form, terms and timing of the offering(s), including the class of investors to whom the Securities are to be allotted, number of Securities to be allotted in such tranche, issue price, face value, premium amount on issue/conversion of Securities, Exercise of Warrants/redemption of Securities, rate of interest, redemption period, listings on one or more stock exchanges as the Board in its absolute discretion deems fit and to make and accept any modification in the proposal as may be required by the authorities involved in such issues and on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without