



TRANSGENE BIOTEK LIMITED

NOTICE

Notice is hereby given that the Twenty First Annual General Meeting of the Members of M/S TRANSGESNE BIOTEK LIMITED will be held on Friday, the 30th September, 2011 at 11.00 A.M. at 68, 69 & 70, Anrich Industrial Area, Bollaram, Medak District, to transact the following business.

ORDINARY BUSINESS

1. ADOPTION OF AUDITED ACCOUNTS AND REPORTS

To receive, consider and adopt the Balance Sheet as at 31st March, 2011, the Profit and Loss Account for the year ended as on that date, Directors' Report and Auditors' Report thereon.

2. RE-APPOINTMENT OF DIRECTOR

To appoint a Director in place of Sri S S Marthi who retires by rotation and being eligible offers himself for reappointment.

3. RE-APPOINTMENT OF DIRECTOR

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

4. APPOINTMENT OF AUDITORS

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

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

SPECIAL BUSINESS

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

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

REMUNERATION

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

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

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

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

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

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

By the Order Of the Board

For **TRANSGENE BIOTEK LIMITED**

PLACE: HYDERABAD
DATE: 05-09-2011

Dr. K. KOTESWARA RAO
CHAIRMAN &
MANAGING DIRECTOR

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

ITEM NO. 5

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

ITEM NO. 6

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

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

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

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

The Directors recommend the resolution for approval of the shareholders.

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

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

PLACE: HYDERABAD
DATE: 05-09-2011

Dr. K. KOTESWARA RAO
CHAIRMAN & MANAGING DIRECTOR



TRANSGENE BIOTEK LIMITED

DIRECTORS' REPORT 2010-11

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

FINANCIAL RESULTS

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

OPERATIONS

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

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

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

API division

- Tacrolimus
- DHA
- Orlistat

R&D division

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

APIs and commercial production:

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

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

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

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

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

R&D

RNAi drugs

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

mAb drugs

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

BeeCell technology

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

Intellectual property and patents

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

Expansion of scientific staff

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

DIVIDEND

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

GROWTH PLANS AND OUTLOOK

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



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

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

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

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

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

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

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

Marillion Pharmaceuticals Inc

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

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

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

EMPLOYEES STOCK OPTION SCHEME

The employee stock option scheme is still under implementation.

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DIRECTORS

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

ISSUE OF GDRs

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

FIXED DEPOSITS

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

AUDITORS

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (a) That in the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- (b) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (c) That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

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

CORPORATE GOVERNANCE

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

EMPLOYEE RELATIONS

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

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

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

There is no employee whose particulars are to be furnished pursuant to the provisions under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Amendment) Act, 1988.

CONSERVATION OF ENERGY, ENVIRONMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

A. Conservation of Energy, Power and Environment :

We are committed to minimising the impact of our



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

B. Research & Development :

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

C. Foreign Exchange Earnings : Nil

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

ACKNOWLEDGEMENTS

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

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

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

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

Place: Hyderabad
Date: 05-09-2011

Dr. K. Koteswara Rao
Chairman & Managing Director

MANAGEMENT DISCUSSION & ANALYSIS

A. INDUSTRY STRUCTURE AND DEVELOPMENT

A sea change in the sector

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

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

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

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

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

Emerging-market countries will contribute 30% of growth

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

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

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

Transgene's unique market position

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

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

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

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

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

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

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

- **Blockbuster Drug Potential**

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

B. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

C. DEVELOPMENT OF HUMAN RESOURCES AND INDUSTRIAL RELATIONS

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

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

D. NOTE OF CAUTION

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



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CORPORATE GOVERNANCE REPORT

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

The constitution of the Board is given below:

NAME OF THE DIRECTOR	STATUS	NO. OF OTHER PUBLIC DIRECTORSHIPS (*)	NO. OF MEMBERSHIPS ON BOARD COMMITTEES
DR.K. KOTESWARA RAO	CHAIRMAN & MANAGING DIRECTOR, PROMOTER	NIL	2
SRI P NARAYANA MURTHY	EXECUTIVE	NIL	2
SRI S S MARTHI	INDEPENDENT	3	2
DR PK GHOSH	INDEPENDENT	2	1

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

3. AUDIT COMMITTEE

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

TERMS OF REFERENCE

The terms of reference of the Audit Committee include :

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

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

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

4. SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprising of Dr K Koteswara Rao, Mr P Narayana Murthy, and Mr S S Marthi have been assigned the work for redressal of investor / Shareholder complaints along with approval of share transfer,

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sub-division/consolidation of shares, etc. The Committee oversees the performance of Registrar and Share Transfer Agents and recommends measures for overall improvement of the quality of investor services. The Share Transfers/ Transmissions approved by the committee are placed at the Board Meeting from time to time.

COMPLIANCE OFFICER

Mr Ch Ramakrishna, Finance Manager is the Compliance Officer of the company.

5. REMUNERATION OF DIRECTORS

The details of remuneration paid to Directors are given below :

NAME OF THE DIRECTOR	RELATIONSHIP WITH OTHER DIRECTORS	SITTING FEE & INCIDENTAL EXPENSES (Rs)	SALARY & PERK (Rs)	TOTAL (Rs)
DR K KOTESWARA RAO	None	-	8,40,000/-	8,40,000/-
SRI S S MARTHI	None	6000/-	—	6,000/-
SRI P NARAYANA MURTHY	None	2000/-	6,09,360/-	6,11,360/-
Dr P K Ghosh	None	2000/-	—	2,000/-

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

The Board of Directors of the company met 8(EIGHT) times during the last financial year i.e., 27th April 2010, 31st July 2010, 4th September 2010, 30th September 2010, 10th November 2010, 12th February 2011, 18th February 2011 and 22nd February 2011. The company placed before the Board the annual operating plans and budgets and performance of the company from time to time. Information, which is materially important were placed before the Board Meeting as and when the same takes place.

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

NAME OF THE DIRECTOR	ATTENDANCE AT BOARD MEETINGS	ATTENDANCE AT ANNUAL GENERAL MEETING
DR K KOTESWARA RAO	8	YES
SRI S S MARTHI	8	YES
SRI P NARYANA MURTHY	8	YES
DR P K GHOSH	1	NO

7. DISCLOSURES

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

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

8. MEANS OF COMMUNICATION

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

The company has a website www.transgenebiotek.com where all the official news releases and the developments that are taking place in relation to the company are updated and displayed.

9. AUDITORS CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

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