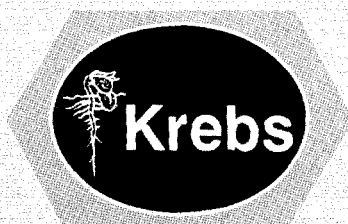


Krebs Biochemicals & Industries Ltd.



**17th Annual Report
(2008-2009)**

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KREBS OVER THE LAST SIX YEARS

(Rs in Lakhs)

PARTICULARS	2003 - 04	2004 - 05	2005 - 06	2006 - 07	2007 - 08	2008-09
Sales	10,124.00	7,575.00	3,189.00	4,880.95	5,069.46	5,119.78
Exports	4,447.00	4,942.00	1,352.00	1,588.94	1,151.55	1,918.80
Gross Profit	1,833.00	1,257.00	(1,538.00)	(852.71)	924.85	(2,803.76)
Profit after Tax	1,351.00	743.00	(1,424.00)	(767.01)	(1,017.04)	(4,262.80)
Dividend	480.00	180.00	-	-	-	-
Dividend %	80.00	30.00	-	-	-	-
E P S (Rs)	22.52	12.39	(23.74)	(12.78)	(14.43)	(47.10)
Share Capital	600.00	600.00	600.00	705.00	705.00	905.00
Gross Block	13,130.00	17,236.00	17,601.00	15,872.67	16,082.86	16,684.70
Net Block	10,063.00	13,341.00	12,677.00	9,912.67	9,048.68	8,703.32
Net Current Assets	8,582.00	9,521.00	7,323.00	8,459.38	8,461.88	5,212.60
Net Worth	9,709.00	10,247.00	8,842.00	8,619.52	8,605.06	4,672.31
Book Value per Share	161.82	170.78	147.37	122.26	122.05	51.63

Company Information

Board of Directors

Dr. R.T.Ravi	Chairman (wef 30 th July, 2009) & Managing Director
Mrs. Sangeetha Sharma	Nominee Director – Export Import Bank of India Ltd
Mr. S Ganesh	Nominee Director – Industrial Development Bank of India
Mr. M.Venkateswara Rao	Nominee Director - AP Industrial Development Corporation
Dr. Naresh Kumar	Nominee Director - Ranbaxy Laboratories Ltd
Dr. T.Kuchroo	Director
Mr. G.V.L.Prasad	Director
Mr. K.S.S.Prasad	Nominee Director-Small Shareholders
Mr. Avinash Ravi	Additional Director(wef 1 st Feb,2009) & Chief Operating Officer

Bankers :

Andhra Bank
The Jammu & Kashmir Bank Limited
United Bank of India
Industrial Development Bank of India
Export Import Bank of India Ltd
Syndicate Bank

Auditors :

M/s G.P.Associates,
Chartered Accountants,
105 ,1st Block,
Divya Shakthi Complex,
Ameerpet,
Hyderabad – 500 016

Registered Office :

Krebs Biochemicals& Industries Ltd
Door No. 8•2-277/A, 4A , 4th Floor,
Inwinex Towers, Plot no.130,
Road No.2, Banjara Hills,
Hyderabad -500034
Tel : 040 44707777/7766
Fax : 040 44707755
E mail : krebs@krebsbiochem.com
Website : <http://www.krebsbiochem.com>

Registrar & Share Transfer Agent:

M/s Sathguru Management Consultants Pvt Ltd
Plot No : 15 ,Hindi Nagar,
Panjagutta,
Hyderabad – 500034
Tel : 040 2335 6507 / 0586 / 6975
Fax : 040 40040554
E mail : sta@sathguru.com

Notice for the 17th Annual General Meeting of The Company

Notice is hereby given that the 17th Annual General Meeting(AGM) of the company will be held at Surana Udyog Auditorium, Federation Building,FAPCCI, Red Hills, Hyderabad – 500 004 on Monday, the 14th day of September, 2009 at 11.30 a.m. to transact the following business:

Ordinary Business:

1. To consider and if thought fit, to adopt the audited balance sheet of the company as on 31st March, 2009 and the Profit & Loss Account for the year ended on that date along with Report of the Board of Directors and Auditors thereon;
2. To consider and appoint Mr. G. V. L. Prasad who retires by rotation and being eligible offers himself for re appointment.
3. To consider and appoint Dr. Naresh Kumar who retires by rotation and being eligible offers himself for re appointment.
4. To consider and approve the appointment of M/s. Pavuluri & Co., Chartered Accountants as the Statutory Auditors of Company in the place of the outgoing auditors M/s. G. P. Associates, Chartered Accountants to hold office from the conclusion of the 17th Annual General Meeting till the conclusion of the 18th Annual General Meeting at such remuneration as may be fixed by the Board of Directors.

Special Business:

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

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956 subject to Regulation 102 of the Articles of Association Mr. Avinash Ravi be and is hereby appointed as a Director of the Company liable to retire by rotation."

"FURTHER RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII and Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be required from time to time Mr. Avinash Ravi be and is hereby appointed as the Whole Time Director of the company designated as Director and Chief Operating Officer for a period of 3 years from 01.02.2009.

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

"RESOLVED THAT pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be required from time to time Mr. Aditya Ravi be and is hereby appointed as Business Control Manager with a remuneration of Rs.30,000 per month for a period of three years with effect from 01.02.2009."

- 7 To Consider and if thought fit to pass the following resolution (s) with or without modifications as a Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 23 and other applicable provisions, if any, of the Sick Industrial Companies (Special Provisions) Act, 1985 and subject to such approvals as may be required from time to time from such authorities the members are requested to consider and to take a note of making a reference to the Board for Industrial Finance and Reconstruction (BIFR) consequent to the erosion of more than 50% in the networth of the Company."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to do all such things and execute all such deeds and documents as may be necessary for giving effect to the above resolution".

for and on behalf of the Board of Directors

Place :Hyderabad

Date : 30th July, 2009

Sd/-

(Dr.R.T.RAVI)

Chairman & Managing Director

Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item 5:

Mr. Avinash Ravi is working as Chief Operating Officer of the company and was appointed as Additional Director by the Board of Directors pursuant to the provisions of Section 260 of the Companies Act, 1956 with effect from 01.02.2009. He holds office upto the date of the ensuing Annual General Meeting.

The company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 signifying the intention to propose Mr.Avinash Ravi as a candidate for the office of Director of the Company. Mr.Avinash Ravi has given his consent to act as Director.Mr.Avinash Ravi is a Graduate in Bioprocess Engineering from the University of New South Wales , Australia.He is specially qualified and trained in production and purification of Biotechnology products.

Your Board is of the opinion that his experience and knowledge will be of immense to the growth and development of your Company. Save and Except Dr.R.T.Ravi none of the Directors are concerned or interested in the said resolution.

Item 6:

Mr. Aditya Ravi is a qualified Chemical Engineer from Australia and is capable of doing work required by the company in the field of pharmaceutical manufacturing. He is capable of managing both plants in view of reducing the wastages and increasing the efficiency. Your Board is of the opinion that the company would be benefited by appointing Mr. Aditya Ravi as Business Control Manager as your Company is venturing into R&D based Biotechnology products.

Save and Except Dr.R.T.Ravi none of the Directors are concerned or interested in the said resolution.

Item 7:

The net worth of the company as on March 31, 2009 is less than 50% of the peak net worth during the immediately preceding four financial years. As per the provisions of Section 23 and other applicable provisions, if any, of Sick Industrial Companies (Special Provisions) Act 1985 the details of the erosion has been reported to Board for Industrial & Financial Reconstruction (BIFR)

The reasons for such erosion are outlined in the report enclosed. The members are requested to consider the same by way of ordinary resolution as required under the provisions of Section 23 and other applicable provisions, if any, of Sick Industrial Companies (Special Provisions) Act 1985.

None of the Directors is concerned or interested in the said resolution.

for and on behalf of the Board of Directors

Sd/-

(Dr.R.T.RAVI)

Chairman & Managing Director

Place : Hyderabad

Date : 30th July, 2009

NOTE:

- A member entitled to attend and vote at the meeting can appoint a proxy to attend and vote on his behalf at the meeting. The proxy need not be a member of the company.
- The proxy form must be received by the company at its registered office at least 48 hours before the scheduled time of the meeting to be accepted.
- Transfer registers and register of members shall remain closed from 07-09-2009 to 14-09-2009 both days inclusive.

Director's Report

Dear members,

Your Directors are pleased to present the 17th Annual Report of your Company together with the Audited Accounts for the year ended 31st March 2009.

Financial Results:

PARTICULARS	(Rs. In Lakhs)	
	2008-09	2007-08
Net Sales	5,119.78	5,069.46
Other Income	3.82	0.54
Total Income	5,123.60	5,070.00
Expenditure	4,391.45	4,144.61
Obsolete Stock Written off	3,532.09	NIL
PBDIT	(2,799.94)	925.39
Finance Charges	599.81	997.86
Depreciation	954.10	1,074.28
Profit /(Loss) before Tax	(4,353.85)	(1,146.76)
Deferred Tax asset	93.36	132.77
Fringe Benefit Tax	2.31	3.05
Net Profit /(Loss) after Tax	(4,262.80)	(1,017.04)
Prior Period adjustments	1.46	1.92
Profit after prior period items	(4,264.26)	(1,018.96)
Add : Balance brought forward	(2,994.92)	(1,975.96)
Surplus Carried forward	(7,259.18)	(2,994.92)

Overall Performance:

The sales of the company during the Financial Year 2008-09 have remained around the same level as the previous year. The effect of the global financial crisis coupled with very little capacity utilization at the Nellore Plant resulting from Ranbaxy stopping operations due to its own problems with US FDA are the main reasons for this stagnation.

Dividend:

Considering the fact that your company is not profit making no dividend is proposed to be declared for the financial year 2008 – 2009.

Taxation:

In view of the net losses no provision for Income Tax has been made in this financial year under review. Deferred Tax Asset of Rs 93.36 Lakhs is adjusted in the financial year under review. Provision for Fringe Benefit Tax (FBT) for this year was Rs 2.31 Lakhs as against Rs 3.05 Lakhs during the last year.



Equity Capital:

During the year the company allotted 20,00,000 shares of Rs10 each on Preferential basis to the promoters and strategic investors on account of conversion of warrants into shares which had been issued during the financial year 2006-07. As a result the paid up equity capital of the company has increased by Rs 200 Lakhs to Rs 905 Lakhs. There has been an addition of Rs1286 Lakhs to Securities Premium Account on this account.

Board of Directors:

Mr. G. V. L. Prasad and Dr. Naresh Kumar retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re appointment. The Board recommends their re appointment.

Mr. Avinash Ravi was appointed as Additional Director in the Board Meeting held on 31.01.2009 with effect from 01.02.2009 and holds office till the date of Annual General Meeting. He was also appointed as the Whole Time Director designated as Director and Chief Operating Officer with effect from the same date which was approved by the remuneration committee. The position of Whole Time Director has to be approved by the members of the company.

Directors responsibilities Report:

Your Directors confirm in terms of section 217 (2AA) of the Companies Act 1956 on the basis of the documents and information available to them that:

- a) There has been no material departure from the accepted accounting standards in the preparation of financial statements presented to you.
- b) The Directors have chosen only accepted accounting policies and have applied them consistently. The judgments and estimates made by them are prudent and reasonable to give a true and fair view of the state of affairs of the Company as on 31st March 2009 and of the results of operation for the financial year.
- c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the requirements of the Companies Act 1956 and to safeguard the assets of the company and to prevent and detect any irregularities and frauds.
- d) The accounts presented are prepared on a going concern basis. The properties and assets of your company are adequately covered by insurance policies.

Auditors:

M/s. G.P. Associates, Chartered Accountants, are the statutory auditors to the company and they retire at this Annual General Meeting and in their place M/s Pavuluri & Co., Chartered Accountants have accorded their consent for appointment according to Section 224 of the Companies Act, 1956. The Board recommends their appointment.

Management Discussion and Analysis:

A report on Management Discussion and Analysis is provided as part of this Annual Report.

Corporate Governance And Share holder's Information:

A report on Corporate Governance is included as part of this Annual Report.

Conservation of Energy , Technology Absorption and Foreign Exchange:

Particulars required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors)Rules, 1988 is given in Annexure I attached and forms part of this report.

Employee Relations:

The Directors are happy to report that the company has cordial relations with its employees. In spite of many difficulties, the employees have been cooperating with the management and enthusiastically offering their services as required by the management. Your directors extend thanks to all of them.

Human Resources:

None of persons employed during the financial year under review is required to be furnished under Section 217(2A) of the Companies of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Social Responsibility:

As a responsible partner of society your company participates in social welfare activities in the villages within the vicinity of its operating units. Financial support is offered to welfare activities like Education, Public Health and Eradication of child labor. The company contributes to provide for qualified teachers in village schools thus improving the quality of primary education in neighborhood schools.

Acknowledgement:

We extend our appreciation and thanks to our customers, suppliers and investors for their continued support. We are also grateful for the continued co-operation extended by the Government Authorities, Financial Institutions and Banks to the company. The Board is most appreciative of the dedication and commitment extended by its employees at all levels and their contribution to the progress of the company.

for and on behalf of the Board of Directors

Place :Hyderabad

Date : 30th July, 2009

**Sd/-
(Dr.R.T.RAVI)**

Chairman & Managing Director

**Annexure I**

Information under section 217(1)(e) of the companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of Directors' Report:

Form – A

Form for disclosure of particulars with respect to conservation of energy

(a) Measures implemented:**Unit-I (Nellore)**

Manufacturing capacity of the plant is little utilized so the power demand from AP Trasco grid was derated to enable lower power costs.

Unit –II (Vizag)

The implementation of energy conservation measures completed during the financial year 2008-09 resulted in significant energy savings

(b) Measures proposed for energy conservation:**Unit-I (Nellore)**

- 1) Installation of 125 KVA D.G set to maintain limited load period to save fuel.
- 2) Installation of V.F.D systems for cooling tower pumps to conserve Energy.
- 3) Installation of electronic timer based switching device in street lights on/off modes to conserve Energy.

Unit-II (Vizag)

- 1) Chillers, Hot sumps, Cold Sumps and Brine distribution lines have to be modified to minimize the running hours of Chillers.
- 2) Condensate recovery system has to be implemented at the following sections.
 - (a). Steam Header lines.
 - (b). Fermenters and Broth Tanks.
- 3) Manometers provision to High Pressure Boiler Secondary and Turbulent Air for tuning to improve boiler efficiency.

(c) Impact of the above measures:**Unit –I (Nellore)**

The implementation of Energy conservation measures completed during the financial year 2008 - 09 resulted in substantial energy savings.

Unit-II (Vizag)

Estimated savings for the year 2008-09 will be around Rs. 21.44 Lakhs

(d) The total energy Consumption:

		PARTICULARS	2008-09	2007-08
1)	a)	Power Purchased		
		Units	1025488	835485
		Amount (Rs.in Lakhs)	54.15	42.98
		Rate per unit Rs.	5.28	5.14
	b)	Own Generation		
	i)	Units generated through DG set	232832	520916
		Amount (Rs.in lakhs)	27.50	57.38
		Rate per unit Rs.	11.81	11.02
	ii)	Units generated through TG set	19345400	17415300
		Amount (Rs.in lakhs)	1188.76	685.39
		Rate per unit Rs.	6.15	3.93
2)		Coal consumption in MTs	32258	27692
		Amount (Rs.In lakhs)	1203.56	704.56
		Rate per MT Rs.	3731	2544
3)		Furnace Oil-consumption in KL	18.70	2.25
		Amount (Rs.In lakhs)	3.45	0.44
		Rate per KL Rs.	18446	19560

Consumption per unit of Production :

Since the Company manufactures different types of active pharmaceutical ingredients and intermediates, it is not practicable to give consumption per unit of production.

FORM - B

Form for disclosure of particulars with respect to technology absorption.

A. Research and Development:

1. Specific areas in which R & D was carried out by the Company	Process Development for Active Pharmaceutical Ingredients, Intermediates and Fine Chemicals
2. Benefits derived from the above R & D efforts	Developed new products and achieved cost and process efficiencies on existing products.
3. Future Plan of action	To develop processes for newer products and intermediates

4. Expenditure on R & D

(Rs. in Lakhs)

Particulars	2008-09	2007-08
Capital Expenditure	NIL	NIL
Revenue Expenditure	16.07	12.50
Total Expenditure	16.07	12.50
Total R & D expenditure as % of turnover	0.31	0.24

B. Technology Absorption, Adaptation and Innovation:

a) Efforts in brief towards technology absorption and adoption :	The company inability to utilize its R & D due to the financial conditions prevailing Pharmaceutical and drug ingredients are absorbing by way of outsourcing, purchasing etc.,
b) Benefits Derived	The company constantly has been executing process developments for its products range.Process optimization has been achieved in production which resulted in lower cost of production.
c) Information regards import of technology during the last 5 years	Not applicable.

FORM -C

Foreign Exchange Earnings and Out Goings : (Rs. In lakhs)

Particulars	For the Year 2008 - 09	For the Year 2007 - 08
(a) Value of imports on CIF basis:		
- Import of Raw material	----	----
- Stores & Spares	2.50	16.64
- Capital Goods	----	33.71
(b) Expenditure :		
- Travelling	----	2.55
(c) Earnings in foreign exchange: FOB value of exports	226.52	959.09

for and on behalf of the Board of Directors

Place :Hyderabad
Date : 30th July, 2009

Sd/-
(Dr.R.T.RAVI)
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENTS:

Increasing competition, a changing market scenario and customer profile, increasing awareness amongst end-users, the Indian pharmaceutical industry is surely undergoing a metamorphosis.

Industry structure and Developments:

A major shift in the Global Pharmaceutical market is on the horizon. New Product approvals and launches are seeing an all time low in US, Europe and Japan and there is tremendous pressure on the growth prospects of Big pharma. This has led to a significant amount of restructuring in the Global Pharmaceutical Industry, with smaller companies unable to compete and bigger companies merging with each other. Big Pharma is also foraying into generic industry in emerging markets.

Overall industry growth is seen in two distinct bands. Firstly developed markets like the US, EU and Japan are seeing slow growth rates or even a contraction. However the emerging economies forecast a healthy growth in double digits. Food ingredients, Agrochemicals and Fine chemicals are also seeing a steady growth forecast.

The market will face the uncertainty of the Global economic environment and also a shift in growth from developed to emerging countries. All the key players are reexamining their strategies in the changing scenario and new niches and specialist driven products will play the differentiator in the coming years.

SWOT Analysis:

Strengths:

The unique infrastructure and skill sets that include a combination of fermentation and organic synthesis put the company in an interesting position to avail business opportunities. Regulatory approvals and plant certifications are already in place and provide much needed confidence to potential customers. Strong respect for intellectual property and track record of working with original innovators opens opportunities with large corporation enabling long term relationships.

Weakness:

Ultimate dependence on customers for end market leaves us vulnerable to changes in market conditions which cannot be forecast. Company's financial situation restricts risk taking abilities and investment into development of new products.

Opportunities:

The Global Financial turmoil has led to a strategy change among major pharmaceuticals and chemical businesses. Low cost manufacturing and no risk with capital outflow will be the focus. Our infrastructure and expertise can take advantage of this. Building relationship with innovator companies allows for additional collaborations.

Threats:

Projects are on hold due to the Global Financial crisis and risk being abandoned leaving us to look for alternatives. Inability to invest in Research and Development and new facilities will slow potential projects.

Product Wise Performance

During the year under review your company recorded a net turnover of Rs.5119.78 Lakhs compared to Rs.5069.46 Lakhs thus registering a growth of about 1%. It resulted in a net loss Rs.4262.80 Lakhs compared to Rs.1017.04 Lakhs. The main reason for the increased loss during this year is due to the fact of writing off of obsolete stocks to the tune of Rs.3532.10 Lakhs.

Major effect would be seen in the sales of Simvastatin. During the year 2008-09, the sale of 10.89 MT could fetch Rs.1763.93 Lakhs compared to sale of 10.101 MT could fetch only Rs.1499.81 Lakhs. The improvement could be observed which effected the increased turnover and reduced losses in spite of the fact that Unit I was not in operation for full year for the products manufactured by Ranbaxy Laboratories Limited with USFDA.

The product wise Sales of the company during the year 2008-09 are as below:

Sl No	Particulars	Current Year 2008-09		Previous Year 2007-08	
		Quantity MTS	VALUE Rs Lakhs	Quantity MTS	VALUE Rs Lakhs
i)	PsedohedrineHCL	8.045	237.40	8.79	231.12
ii)	Lova Statin	66.152	2893.81	65.420	3098.18
iii)	Simva Statin	10.890	1763.93	10.101	1499.81
iv)	Potato Chips	—	—	—	25.00
v)	Others	—	564.57	—	710.89
	TOTAL		5459.71		5565.00

Performance and operations Review :

(Rs.in Lakhs)

Particulars	2008-09	2007-08
Net Sales	5,119.78	5,069.46
Other Income	3.82	0.54
Total Income	5,123.60	5,070.00
Expenditure	4,391.45	4,144.62
Obsolete Stocks Written Off	3,532.09	NIL
PBDIT	(2,799.94)	925.38
Finance Charges	599.81	997.86
Depreciation	954.10	1,074.28
Profit before Tax	(4,353.85)	(1,146.76)
Tax Provision(FBT- Liability&Deferred Tax)	91.05	129.72
Profit after Tax	(4,262.80)	(1,017.04)

The reduction in PBDIT is mainly due to the extraordinary item of Obsolete stocks written off.

Internal Control Systems and Their Adequacy :

The Company has a well-defined internal control system that is adequate and commensurate with the size and nature of its business. Adequate internal controls are established to ensure that all assets are safeguarded, and protected against loss from unauthorized use or disposition, and all the transactions are authorized, recorded and reported correctly. The Company monitors progress on the internal control audit reports and reviews progress through Audit Committee Meetings regularly.

Discussion on Financial Performance with Respect to Operational Performance:

The Financial statements are prepared under the Historical Cost convention, in accordance with Indian Generally Accepted Accounting Principles (GAAP) and the provisions of the Companies Act, 1956 and as per the Accounting Standards issued by the Institute of Chartered Accountants of India. All income and expenditure, having a material bearing on the Financial Statements, are recognized on accrual basis. The Management accepts responsibility for the integrity and other objectivity of these financial statements, as well as for various estimates and judgments used therein.

Capital:

The Authorized Share Capital of the company is Rs.10.00 crores divided in to One Crore equity shares of Rs.10.00 each. There is no other class of shares. 1,00,00,000 Equity shares of Rs.10/- each of which issued, subscribed and paid up is 90,50,000 Equity shares of Rs.10/- each. Out of this the company has converted the share warrants of 20.00 Lakhs allotted in 2006-07 @Rs.74.30 (including Premium of Rs.64.30) to the promoters and select investors of the company.

Reserves:

During the year there has been an increase in the reserves of the company from Rs. 10239.98 Lakhs in 2007-08 to Rs. 11525.98 Lakhs due to share premium of Rs.1286.00 Lakhs on 20.00 Lakhs share warrants converted in to equity capital. Because of the loss incurred during the year, there was no addition to reserves and no dividend is proposed for the year under review.

Secured Loans:

There was a small amount of reduction in secured loans amounting to Rs.17.79 Lakhs on account of restructuring of the secured loans by funding of the interest on term loans and repayment of the Short Term Loan to Syndicate Bank and Andhra Bank – Food Division loans as per the CDR approval. At the end of the year the Secured Debt is Rs. Rs.7187.47 Lakhs and an unsecured loan of Rs.1080.18 including sales tax deferment.

Investments:

As a matter of policy, the company did not resort to outside investments. The internal accruals are always ploughed back thereby reducing dependence on working capital loans and reducing the cost of capital to the company.

Inventories :

The value of Inventories as on 31.03.2009 is Rs.2129.85 Lakhs as against Rs.4834.90 Lakhs during the previous year. The Raw Materials, Stores and spares are valued at cost



and related inward transport and handling charges. Work in progress is valued at cost incurred up to the stage of manufacture. Cost of finished Goods includes all direct costs and an appropriate portion of overheads as per accepted principles of accounting. The company also has identified the obsolete stocks at various levels and written off to the tune of Rs.3532.09 Lakhs during the year.

Sundry Debtors:

During the year under review, there has been increase in the debtors due to the improved sales during the last two quarters of 2008 – 09 and also slight increase in the credit period. Sundry debtors outstanding for more than six months as on the balance sheet date were accumulated over a period and the recovery action was initiated.

Fixed Assets:

PARTICULARS	As at 31st March 2009	As at 31st March 2008	Growth %
Land	18,834,470	18,834,470	0%
Wells	2,172,318	1,747,598	24%
Buildings			
- Factory	178,448,702	178,191,763	0%
- Non-Factory	13,204,667	13,204,667	0%
Plant & machinery	1,199,153,451	1,139,694,181	5%
Boilers	9,747,146	9,747,146	0%
Electrical Installations	64,520,817	64,259,515	0%
D.G.Set	34,998,084	34,998,084	0%
Effluent Treatment Plant	62,133,044	62,133,044	0%
Factory Equipment	15,114,310	14,959,989	1%
Lab Equipment	35,591,200	35,591,199	0%
Research&Development Equip.	10,415,413	10,415,413	0%
Office Equipment	4,431,615	4,344,385	2%
Computers	5,870,360	5,754,434	2%
Vehicles	9,110,442	9,712,202	-6%
Furniture	4,724,271	4,698,475	1%
Gross Block	1,668,470,309	1,608,286,566	4%
Less :Accumulated Depreciation	798,138,557	703,427,820	13%
Net Block	870,331,752	904,858,746	-4%
Add :Capital Works in progress	34,964,959	58,317,199	-40%
Net Fixed Assets	905,296,711	963,175,945	-6%
Depreciation charge for the year	95,410,370	107,428,035	-11%
Depreciation as a % of turnover	18.62%	21.19%	
Accumulated Depreciation as a % of gross block	47.84%	43.74%	

The additions made during the year under review, amounting to Rs.607.86 Lakhs which takes the total Gross Block to Rs.16684.70 Lakhs as at 31-03-2009 against Rs.16082.87 Lakhs as at 31-03-2008. The advance of Rs. 329.78 Lakhs received for sale of Food Division Plant and machinery having a gross Block of Rs. 1650.45 Lakhs will be adjusted in the Gross Block of the Assets after receiving the balance consideration of Rs.483.71 Lakhs.

Depreciation :

The Company has provided Rs. 954.10 Lakhs towards Depreciation as against Rs. 1074.28 Lakhs in the previous year, on the assets, which is in accordance with the stated accounting policy of the Company. There is no change in the depreciation policy of the Company as compared to the previous year.

Raw Material:

The supply position of raw material throughout the year was smooth and comfortable. There was no interruption or stoppage of production due to the shortage or non-availability of raw materials. The Company always maintains a minimum stock as required for production through efficient budgetary planning of production.

Finance Charges :

The Financial Charges during the year amounted to Rs. 599.81 Lakhs as against Rs.997.85 Lakhs during the previous year. This is on account of the company's restructuring the loans by reducing the interest rates with the approval of CDR.

Overheads:

The manufacturing overheads are Rs.1,537.34 Lakhs as against Rs.1100.83 Lakhs during the previous year. The increase is due to general cost escalations specially in imported coal. The behavior of the above expenditure is varying in nature depending upon the production level etc.,. The Administration and selling expenses was decreased to Rs.348.38 Lakhs from Rs.430.75 Lakhs when compared to previous year.

Dividend:

In view of the accumulated losses no provision is made for dividend.

Human Resources:

The Company very well recognizes the importance of the employee work force and provides excellent growth opportunities, training and development and competitive compensation packages to attract and retain with the Company the best talents in available in the industry. As on 31st March 2009 there are 531 employees were employed by the Company.

Safety and Environment :

The operations of company's plants are in conformity with the good industrial safety practices. A safety manual is in vogue from the beginning. The management takes into consideration the welfare of the employees and also the effect on the surrounding



community at large. Norms for effluents prescribed by the Pollution Control Board are complied with.

Cautionary Statement:

In addition to historical information, this annual report contains certain "forward looking statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global economy, global and Indian demand-supply conditions, increased installed capacity by competitors, cyclical demand and pricing in the market of finished goods, availability and prices of Raw material and changes in government regulations, tax regimes, besides other factors, such as litigations and labour negotiations.

The estimates and expectations are based on the historical facts and perception of future possibility as envisaged by the management. As known to everyone, the entire business environment is never static. Unexpected changes and unforeseen developments are not rare. The global trend is now prevalent and any incidents in the world market will have an effect on the operations of your company. While taking all precautions to be realistic and practical in making presumptions for the future, the management would like to advise that the statements may be read in proper prospective depending upon such developments and their possible effect on the company's operations and activities.

for and on behalf of the Board of Directors

Place : Hyderabad
Date : 30th July, 2009

Sd/-
(Dr.R.T.RAVI)
Chairman & Managing Director

Corporate Governance

The principles guiding the governance of the company are :

1. To make continuous effort to develop the organization as a research based manufacturer-applying innovations in Biotechnology to attain global recognition.
2. To become a leading manufacturer of Pharmaceuticals, Agro Products, Process Intermediates and Fine Chemicals based on biotechnology and enhance the shareholder value.
3. To uphold ethical values in day-to-day management and conduct the business of the company with transparency and integrity.
4. To safeguard the interests of all stakeholders and also serve the society at large to the extent possible within its limits.
5. To protect environment for its own benefit and the benefit of the members of the society at large.
6. To emphasize on research to find new products and processes to keep the company as a front-runner in technological applications.

The company consciously follows the best governance practices to make it acceptable and respectable in the society in which it functions

The management is conscious of its responsibility to the society while striving to enhance the shareholder value simultaneously. Realizing that the company is a perpetual organization, the management tries to enhance the long-term value for shareholders without ignoring their short-term expectations.

Board of Directors:

Composition and Category of Directors

Name of the Director	Position	Category
Mr. M. Venkataratnam Retd. IAS	Chairman (upto 24-09-2008)	Non-Executive and Independent Director
Dr. R.T. Ravi	Chairman (wef 30-07-2009) and Managing Director	Promoter and Executive Director.
Mrs. Sangeetha Sharma	Nominee Director - Export Import Bank of India Ltd	Non-Executive and Independent Director
Mr. S Ganesh	Nominee Director - Industrial Development Bank of India Ltd	Non-Executive and Independent Director
Mr. M. Venkateswara Rao	Nominee Director - Andhra Pradesh Industrial Development Corporation	Non-Executive and Independent Director
Dr. Naresh Kumar	Nominee Director - Ranbaxy Laboratories Ltd	Non-Executive and Independent Director
Dr. T. Kuchroo	Director	Non-Executive and independent Director
Mr. G.V.L. Prasad	Director	Non-Executive and independent Director
Mr. K. S. S. Prasad	Nominee Director - Small Shareholders	Non-Executive and independent Director
Mr. Avinash Ravi	Additional Director (wef 01-02-2009)	Executive Director

At present the board consists of experienced members devoting their time and knowledge to strengthen company in all respects. We have to appreciate the services of nominee directors who do not confine their involvement to the interests of the institutions nominating them. They are actively involved in the management process and advise the board with their wide experience.

Mr. Venkataratnam, Retd. IAS, had a year ago expressed his inability to continue as the Chairman of the company due to personal reasons, he has since retired from the post from the date of the last AGM. There has been a vacancy in that position. Considering the vast professional and managerial experience of the Dr. R. T. Ravi, the Board of Directors have considered and approved Dr. R. T. Ravi as the Chairman of the Board at their meeting held on 30.07.2009.

Dates of Board Meetings and attendance:

During the Financial Year under review the Board has met 5 times ie on 29-04-2008,25-07-2008,24-09-2008,31-10-2008,31-01-2009

Attendance of Directors at the Board Meetings and the last AGM & Directorships, Membership of committees of each director in various companies is as follows :

Sl. No	Name	No of Board attended Meetings during the year 2008-09		Whether At AGM held on 24-09-08	Other Directorships	Member-ship of Committees	Chairman of Committee
		Held	Attended				
01	Dr.M.Venkataratnam Retd. IAS (upto 24-09-2008)	05	03	Yes	02	03	03
02	IDBI Nominee S.Ganesh	05	—	—	—	—	—
03	APIDC Nominee : Mr.M.Venkateswara Rao	05	03	Yes	—	02	—
04	EXIMBANK Nominee Mrs.Sangeetha Sharma	05	01	—	03	—	—
05	Ranbaxy Nominee Mr.Naresh Kumar	05	02	—	01	—	01
06	Dr.T.Kuchroo	05	—	—	01	—	—
07	Mr.G.V.L.Prasad	05	05	Yes	01	03	03
08	Mr.K.S.S.Prasad Small ShareHolders Director	05	04	Yes	01	03	—
09	Dr.R.T.Ravi Managing Director	05	02	—	01	02	—
10	Avinash Ravi Director & COO (wef 01-02-2009)	05	NA	NA	01	—	—

No Director holds Membership of more than 10 Committees of the Boards nor is a Chairman of more than 5 Committees of the Boards.

Brief resume of Directors being Appointed / Re-appointed at ensuing Annual General Meeting:

Mr. G.V.L Prasad aged 52 years; received his B.Com., and B.L. from Andhra University .He is a fellow member of the Institute of Chartered Accountants of India. He is associated with various Engineering and Pharma companies in various capacities. He has total 25 years of experience in the Corporate Sector. He has been associated as a Director and Chairman of the Audit committee as well as Remuneration committee of the company. He has been serving the company for the last few years in financial area. He is also a director of M/s Visakha Foods Pvt Ltd.

Dr.Naresh Kumar aged 56 years; Doctorate holder by profession has been associated with the company as a Nominee Director of M/s Ranbaxy Laboratories Ltd. Upon becoming as a strategic investor in the Company M/s Ranbaxy Laboratories Ltd suggested appointment of a technical expert also as a Director and proposed Dr.Naresh Kumar ,Vice president of that company. He has been serving the company for the last few years in managing the plants . He is also the Vice Chairman in Nimbua Greenfields (punjab) Ltd.

Mr. Avinash Ravi aged 31 years; Bio process Engineer from the university of New Southwales,Australia .He has done his project work in Fermentation and Laboratory Control from Suntroy Brewary, Queens Land, Australia and done his student Exchange Programme from University of Alberta ,Canada. He is specially qualified in Production and purification of Biotechnology products Monoclonal Anti Bodies, R-DNA Products etc. He has stood 2nd Place in National Medical Quiz Competetion. He has been associated with the company as a Additional Director. He has been serving the company for the last few years in various positions such as Vice president (Planning and Development),Chief Operating Officer. He is also a Director of M/s Visakha Foods Pvt Ltd.

Audit Committee:

As required under section 292 A of the Companies Act 1956 and clause 49 of the Stock Exchange listing agreement, the Board constituted an audit committee. The primary objective of the Audit Committee 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 transparency, integrity and quality of financial reporting. The quarterly and yearly financial statements were scrutinized by the committee before submitting to the Board and approved for publication.

Meetings during the year:

The Audit committee met 4 times during the year 2008-09 on the following dates 29-04-2008, 25-07-2008, 31-10-2008 and 31-01-2009.

The Audit Committee and the Attendance of the members:

Name	Position	Applicable Meetings	Attended
Dr. M.Venkata Ratnam	Chairman (upto 24 -09 -2008)	2	2
Mr. G.V.L.Prasad	Chairman (wef 31-10 -2008)	4	4
Mr. M.Venkateshwara Rao	Member	3	—
Mr. K.S.S.Prasad	Member (wef 31-10 -2008)	2	2

Dr. M. Venkataratnam ceased to be director with effect from 24-09-2008. Consequently, the Audit Committee has been reconstituted by the Board in the meeting held on 31-10-2008 by appointing Mr. K. S. S. Prasad as a member of the committee. Mr. G. V. L. Prasad and Mr. K. S. S. Prasad, both Chartered Accountants, are Independent Directors. Mr. M. Venkateshwara Rao is a nominee Director of APIDC where he serves as Company Secretary.

Remuneration Committee:

As required according to the provisions of the Companies Act 1956 and clause 49 of the Stock Exchange listing agreement, the Board constituted a Remuneration committee.

Meetings during the year:

The Remuneration committee met once during 2008-09 on 31st January, 2009.

The Remuneration committee and the Attendance of the members:

Name	Position	Applicable Meetings	Attended
Dr. M. Venkataratnam	Chairman (upto 24 -09 -2008)	—	—
Mr. G. V. L. Prasad	Chairman (wef 31-10 -2008)	1	1
Mr. M. Venkateshwara Rao	Member	1	—
Mr. K. S. S. Prasad	Member (wef 31-10 -2008)	1	1

Dr. M. Venkataratnam ceased to be director with effect from 24-09-2008. Consequently, the Remuneration Committee has been reconstituted by the Board in the meeting held on 31-10-2008 by appointing Mr. K. S. S. Prasad as a member of the committee. Mr. G. V. L. Prasad and Mr. K. S. S. Prasad, both Chartered Accountants, are Independent Directors. Mr. M. Venkateshwara Rao is a nominee Director of APIDC where he serves as a Company Secretary.

Remuneration to Directors:

The company pays remuneration to Managing Director and the Executive Director.

Executive Directors	Salary	PF	Perks	Total (Rs)
Dr. R. T. Ravi	12,00,000	—	4,50,000	16,50,000
Mr. Avinash Ravi (wef 1.02.2009)	1,99,760	10,560	—	2,10,320

The company has no policy of stock options as incentives. The non-executive directors are remunerated by paying sitting fees within the limits prescribed by the Central Government. They are paid separately for professional services as and when the company avails the same. Non Executive Directors hold the shares in their individual capacities

Non Executive Directors	Designation	No of Shares held as on 31.03.09	Sitting Fees paid during 2008-09 (Rs)
Mr. M. Venkataratnam Retd. IAS	Chairman (Upto 24.09.2008)	—	50000
Mrs. Sangeetha Sharma	Director	—	10000
Mr. S Ganesh	Director	—	—
Mr. M. Venkateswara Rao	Director	—	30000
Dr. Naresh Kumar	Director	—	15000
Dr. T. Kuchroo	Director	50700	—
Mr. G. V. L. Prasad	Director	100000	80000
Mr. K. S. S. Prasad	Director	200	50000

Share Holders Committee:

Share Holders Committee is entrusted with the responsibility to consider applications for transfer and transmission of shares without delay. Requests on splitting, consolidation of shares, re-materialization of certificates etc... are also considered by the committee. Most of the grievances usually arise in connection with delay or objections in approval of transfers and issue of duplicate certificates. The committee is authorized to redress all such grievances within the parameters fixed by the Stock Exchange and SEBI. The Committee has resolved in time all the complaints received during this financial year. The committee meets time to time for resolving the pending issues.

The committee is constituted by Mr. G. V. L. Prasad, an independent director, who is also the Chairman of the Committee. Others include Dr. R. T. Ravi and Mr. K.S.S. Prasad. The compliance officer is S. Pratap Kumar, who is the Company Secretary of the company

Investor Grievances redressed during the financial year 2008-09

Sl. No	Nature of Letters	Opening Balance	Received	Replied	Closing Balance
1	Change of address	0	4	4	0
2	Revalidation and issue of duplicate dividend warrants	0	1	0	1
3	Sub-division of shares	0	0	0	0
4	Share transfers	0	12	12	0
5	Transmission of shares	0	3	3	0
6	Split of shares	0	0	0	0
7	Stop transfer	0	0	0	0
8	Power of attorney registration	0	0	0	0
9	Change of bank mandate	0	0	0	0
10	Correction of name	0	0	0	0
11	Dematerialization of Shares	0	42	42	0
12	Rematerialization of Shares	0	1	1	0
13	Issue of duplicate share certificates	0	0	0	0
14	Letters & emails received from Shareholders	0	0	0	0
15	Complaints received from Members, Stock Exchanges / SEBI etc	0	1	1	0

General Body Meetings

Details of previous three AGMs:

No. of AGM	Year	Address	Date & Time
14th AGM	2005 – 2006	Madhra Gokul hall Lak-di ka pool. Hyd.	29-09-2006 at 11.00 A.M.
15th AGM	2006 -- 2007	FAPCII Bldg, Red hills, Hyderabad.	27-09-2007 at 11.00 A.M.
16th AGM	2007 – 2008	FAPCII Bldg, Red hills, Hyderabad.	24-09-2008 at 11.00 A.M.

No resolution requiring postal ballot was passed at the previous Annual General Meeting and no such resolution is proposed at the ensuing Annual General Meeting.

In the 14th Annual General Meeting held on 29th September, 2006 the following special resolutions were passed:

1. Appointment of Mr. Ajay Ravi as Manager Marketing under the provisions of Section 314 of the Companies Act, 1956
2. Issue of Equity Shares on Preferential basis to the promoters and strategic investors.
3. Appointment of Mr. Avinash Ravi as Chief Operating Officer under the provisions of Section 314 of the Companies Act, 1956.

Disclosures

- a) There have not been any materially significant related party transactions i.e. transactions of the company of materialistic 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.
- b) Details if any of non-compliance by the company, penalties, and strictures imposed on the company by stock exchanges or SEBI or any other statutory authority on any matter related to capital markets during the last three years are presented below.

In the year 2001-02 a transfer of 20,400 shares belonging to Dr.R.T.Ravi was under dispute and the matter is under consideration of the Additional Chief Judge, City Civil Court, Hyderabad. Consequently the National Stock Exchange suspended trading in the shares of the company on 9th April 2002. Finally, City Civil Court, Hyderabad has given its final judgement in favour of Dr. R. T. Ravi.

After submission of the above judgement of City Civil Court with The National Stock Exchange. In response to that The National Stock Exchange lodged a consequential complaint with the SEBI. As a result SEBI initiated prosecution before the Economic Offences Court, Hyderabad. After legal procedures, the case was heard by the Special Judge for Economic Offences and the judgment has been pronounced and penalty was paid and there is no further objection in this regard.

The application for Revocation of Suspended trading was made with NSE. That is being followed up to enable trading of our company shares in NSE.

- c) The committee is entitled to seek records and information from all the employees in the company and also to receive complaints in confidence.

Means of Communication

Regarding dissemination of information to shareholders the company adopts an open policy. In addition to attending to complaints and grievances immediately, the company also supplies any information sought by members without delay. Opportunity is also given to members to seek information at the time of general meetings. The information revealed to the public and investors is fully detailed in the regulations made by SEBI and stock exchanges. The same is being complied with scrupulously.

The company publishes the unaudited results quarterly as prescribed under the rules in the press and also on the website. They are also sent to the stock exchanges where the shares of the company are listed. The audited accounts are sent to all the stock exchanges and kept on the company website www.krebsbiochem.com. The company website is currently under renovation and will be operational soon. In addition, members are always welcome to seek any information and their requests are attended to immediately.

General Share Holder Information:

1. Annual General Meeting:

Date : September 14th 2009
 Time : 11.30 A.M
 Venue : Surana Udyog Auditorium, FAPCCI, Red Hills, Hyderabad

2. Financial Calendar (provisional) for Unaudited results :

For the quarter ended 30th June, 2009 : Last week of July 2009
 For the quarter ending 30th September, 2009 : Last week of October 2009
 For the quarter ending 31st December, 2009 : Last week of January 2010
 For the quarter ending 31st March 201 : Last week of April 2010

3. Date of Book Closure : From 07-09-2009 to 14-09-2008 (both days inclusive)

4. Dividend Payment Date : Not applicable as dividend is not being declared.

5. Listing of Stock Exchanges : Bombay stock exchange Ltd.
 National Stock Exchange Ltd.

6. Stock Code : BSE - 524518
 NSE - Krebsbio

7. The ISIN of Dematerialized shares of the company: INE268B01013

8. Stock price data:

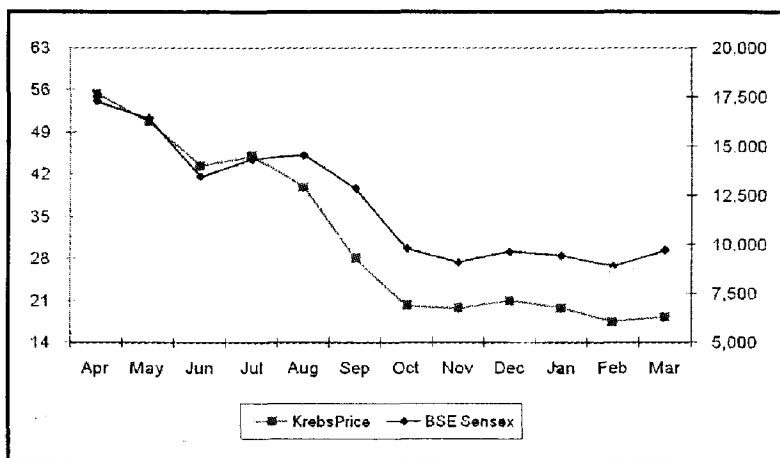
Monthly high and low quotations as well as the volume of shares traded at the Bombay Stock Exchange, Mumbai for the financial year 2008-09 are:

Month	High Price	Low Price	Volume
April 2008	68.90	40.85	158611
May 2008	56.85	48.90	35508
June 2008	59.75	43.45	178276
July 2008	48.55	38.20	63513
August 2008	46.60	38.50	41347
September 2008	43.90	26.80	55221
October 2008	31.70	17.75	39386
November 2008	23.50	15.75	21084
December 2008	25.40	18.05	46839
January 2009	23.25	17.20	26020
February 2009	21.30	16.75	36730
March 2009	20.90	15.45	65662

9. Performance in comparison with BSE Sensex and NSE Nifty:

a) There were no quotations pertaining to the National Stock Exchange as the Exchange suspended trading in the shares because of pending of an application of Revocation of Suspended Trading with NSE.

b) BSE Sensex Vs Krebs Price



10. Share Transfer System:

Share transfers and dematerialization request will be registered/approval and returned with the statutory period from the date of receipt if the documents are clear and complete in all respects. The total number of shares transferred during the year 2008-09 was 83,000 (68100 during 2007-2008).

11. Shareholding pattern:

Category	<u>31ST March, 2009</u>			<u>31ST March, 2008</u>		
	No of Share holders	No of Shares held	Voting Strength%	No of Share holders	No of Shares held	Voting Strength%
Individuals	8023	2787597	30.81	8040	2382709	33.80
Companies	232	1447401	15.99	271	1493042	21.18
FII's/fis/Banks	8	450795	04.98	8	450795	06.39
Promoters & their relatives	39	4364207	48.22	43	2723454	38.63
Totals	8302	9050000	100.00	8362	7050000	100.00

12. Distribution of Share holding at the end of 31st March 2009:

Category	<u>No. of Members</u>		<u>No. of shares</u>	
	Total	%	Total	%
1 to 5000	7454	89.79	1054762	11.65
5001 to 10000	479	5.77	378507	4.18
10001 to 20000	181	2.18	273558	3.02
20001 to 30000	68	0.82	174342	1.93
30001 to 40000	27	0.33	94785	1.05
40001 to 50000	30	0.36	142491	1.57
50001 to 100000	25	0.30	183850	2.03
100001 to Above	38	0.45	6747705	74.55
TOTAL	8302	100.00	9050000	100.00

13. Dematerialization of Shares and Liquidity as on 31-03-2009:

Total shares dematerialized as on 31st March 2009 is 56,03,135 amounting to 61.91 percent of total shares.

Mode of Holding	<u>Holdings</u>		<u>Shares</u>	
	Total	%	Total	%
PHYSICAL	966	11.64	3446865	38.09
DEMAT				
- NSDL	5415	65.23	5097086	56.32
- CDSL	1921	23.13	506049	5.59
Total :	8302	100.00	9050000	100.00



14. There are no Outstanding DGRs/ADRs/Warrants or any convertible instruments .Hence there is no conversion date and there is no impact on equity .

15.Plant Locations:

1. Unit -I
Regadichelika
Talamanchi Panchayat,
Racharlapadu Post,
Nellore Dist., 524316.
2. Unit -II
Kothpalli Village,
Verdruparthy post,
Kasimkota Mandal,
Visakhapatnam Dist. 531031

16. Correspondence Address:

S.PRATHAP KUMAR,
Company Secretary & Compliance Officer,
Krebs Biochemicals & Industries Ltd ,
8-2-277/A, Plot no. 130,
4A, 4th Floor, Inwinex Towers,
Road no.2, Banjara Hills,
Hyderabad – 500034.
Phone: 040 4470 7777 / 7766
Fax : 040 4470 7755
Email : com_sec@krebsbiochem.com

16.Registrars and Transfer Agents:

M/s. Sathguru Management consultants (P) Ltd,
Plot no. 15, Hindi Nagar,
Panjagutta,
Hyderabad – 500034
Phone : 040 23356507, 23350586, 23356975,
Fax : 040 40040554
Email : sta@sathguru.com

They are the Registrars and Transfer Agents for both the physical and dematerialized shares. Note : Shareholders holding shares in electronic mode should address all their correspondence (with regard to change of address, correction of name, bank details etc.) to their respective depository participant.

for and on behalf of the Board of Directors

Place : Hyderabad
Date : 30th July, 2009

Sd/-
(Dr.R.T.RAVI)
Chairman & Managing Director

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE FROM CEO AND COO:**To the Board of Directors of Krebs Biochemicals & Industries Ltd.**

We , **Dr. R. T. RAVI**, Chairman, and **AVINASH RAVI**, Director & COO, responsible for the finance function certify that :

1. We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2009 and to the best of our knowledge and belief.
 - a) These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.
 - b) These statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting standard, applicable laws and regulations.
2. To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2009 are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee
 - a. There has not been any significant change in internal control over financial reporting during the year under reference;
 - b) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - c) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

For Krebs Biochemicals & Industries Ltd

Place : Hyderabad

Date : 30th July, 2009

Sd/-

Dr. R.T.Ravi

Chairman & Managing Director

Sd/-

Avinash Ravi

Director & COO



Auditors' Certificate on Corporate Governance

To the members of Krebs Bio chemicals & Industries Limited

We have examined the compliance of conditions of Corporate Governance by Krebs Biochemicals & Industries Limited, (the Company) for the year ended on 31st March 2009, as stipulated in Clause 49 of the listing agreements entered by the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreements as applicable to the Company.

We state that no investor grievances are pending for a period exceeding one month against the company as per records maintained by the company.

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 G.P.ASSOCIATES
CHARTERED ACCOUNTANTS

Place : Hyderabad
Date : 30th July, 2009

Sd/-
(P.A.RAMAI AH)
PARTNER
M.No.203300

AUDITORS' REPORT

To
The Members of
KREBS BIOCHEMICALS & INDUSTRIES LIMITED

We have audited the attached Balance Sheet of KREBS BIOCHEMICALS & INDUSTRIES LIMITED as at 31.03.2009 and also the Profit and Loss Account and the Cash Flow statement for the year ended on that date annexed thereto. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.

Further to our comments in the annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books.
- c) The Balance Sheet, Profit & Loss account and the Cash Flow statement dealt with by this report are in agree-ment with the books of account.
- d) In our opinion, the Balance Sheet, Profit and Loss account and the Cash Flow statement dealt with by this report comply with the mandatory Accounting Standards referred to in Sub-Section 3(C) of Section 211 of the Companies Act'1956.
- e) On the basis of the 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.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the schedule annexed



there on , give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
- ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
- iii) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For **G.P. ASSOCIATES**
CHARTERED ACCOUNTANTS

Place: Hyderabad
Date: 29th May, 2009

Sd/-
(P.A.RAMIAH)
PARTNER
M.No.203300

ANNEXURE TO AUDITORS' REPORT**KREBS BIOCHEMICALS & INDUSTRIES LIMITED**

Referred to in paragraph 3 of our report of even date,

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such physical verification.
(c) According to the information and explanations furnished to us, the Company has entered into an agreement to dispose of Plant and Machinery of Food Division during the year.
2. (a) The inventories have been physically verified by the management during the year at reasonable intervals.
(b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material.
3. (a) In our opinion, the Company has neither granted nor taken any loans to/from companies, firms or other parties covered in the Register, maintained under Section 301 of the Companies Act, 1956;
(b) In our opinion, the rate of interest and other terms and conditions in respect of unsecured loans given by the company to its employees and others, are in our opinion, prima facie not prejudicial to the interest of the Company;
(c) In respect of such loans given by the Company, where stipulations have been made, they have generally repaid the principal amounts as stipulated and have been regular in payment of interest, where applicable;
(d) In respect of such loans given by the Company, there are no overdue amounts more than Rs.1,00,000/-.
4. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods.
5. (a) In our opinion, there are no transactions made in pursuance of contracts or

arrangements, that need to be entered into the register maintained under section 301 of the Companies Act, 1956.

- (b) In our opinion, there are no transactions of purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- or more in respect of each party.
6. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits as defined under section 58A of the Companies Act'1956.
7. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the Books of Account maintained by the Company as prescribed by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the accounts and records.
9. (a) According to the books and records of the company, the company is not regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Corporate dividend Tax and other Statutory dues with appropriate authorities. According to the information and explanations given to us, there are undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2009 for a period exceeding six months from the date they became payable.
- (b) Disputed Service Tax, Income Tax & Sales Tax not deposited, has been disclosed in point No.5 of Schedule 18(B) as 'Contingent Liabilities not provided for'.

Name of the Statute	Nature of the Dues	Amount (Rs.)	Deposit Amount(Rs)	Forum where dispute is pending
The Central Excise Act'1944	Service Tax	3,33,650	Nil	Central Excise and Service Tax Appellate Tribunal, Bangalore
CST Act	Sales Tax	1,89,63,106	95,99,263	AP High Court
APGST Act	Sales Tax	3,23,410	2,37,839	AP High Court
Income Tax Act	Income Tax	3,15,52,734	Nil	Commissioner of Income Tax (Appeals)- III, Hyderabad

10. In our opinion, the accumulated losses of the company are more than fifty percent of its net worth. The company has incurred cash loss during the financial year covered by our audit and has incurred cash loss in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of its dues to banks and financial institutions.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
13. In our opinion, the company is not a chit fund or a 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.
14. In our opinion, the Company is not dealing or trading in shares, securities, debentures or other investments and hence, the requirements of clause 4(xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks, and financial institutions.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investments. No long-term funds have been used to finance short-term assets except permanent working capital.
18. According to the information and explanation given to us, the company has not made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Act.
19. No debentures have been issued by the company and hence, the question of creating securities in respect there of does not arise.
20. The company has not raised any money by way of public issues during the year.
21. On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the Company, has been noticed or reported during the year.

For **G.P. ASSOCIATES**
CHARTERED ACCOUNTANTS

Place : Hyderabad
Date : 29th May, 2009

Sd/-
(P.A.RAMAIAH)
PARTNER
M.No.203300



KREBS BIOCHEMICALS & INDUSTRIES LTD

BALANCE SHEET AS AT 31st MARCH, 2009

PARTICULARS	Schedule	As at 31.03.2009 Amount in Rs.	As at 31.03.2008 Amount in Rs.
SOURCE OF FUNDS			
SHAREHOLDERS FUNDS			
SHARE CAPITAL	1	90,500,000	185,950,000
RESERVES & SURPLUS	2	1,152,598,010	1,023,998,010
LOAN FUNDS			
SECURED LOANS	3	718,747,447	720,526,407
UN-SECURED LOANS	4	108,017,536	86,434,051
DEFERRED TAX LIABILITY		132,561,302	141,897,455
TOTAL		<u>2,202,424,295</u>	<u>2,158,805,923</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
GROSS BLOCK	5	1,668,470,309	1,608,286,566
LESS: DEPRECIATION		<u>798,138,557</u>	<u>703,427,820</u>
NET BLOCK		870,331,752	904,858,746
CAPITAL WORKS-IN-PROGRESS	6	34,964,959	58,317,199
CURRENT ASSETS,			
LOANS & ADVANCES	7	761,880,180	990,547,121
Less: CURRENT LIABILITIES & PROVISIONS	8	<u>240,620,778</u>	<u>144,359,270</u>
NET CURRENT ASSETS		521,259,402	846,187,851
MISC. EXPENDITURE (to the extent not written off or adjusted)	9	775,868,182	349,442,127
TOTAL		<u>2,202,424,295</u>	<u>2,158,805,923</u>
NOTES ON ACCOUNTS	18		

As per our report of even date attached

for **G P ASSOCIATES**

Chartered Accountants

Sd/-

CA P.A.RAMIAH

Partner

M.No.203300

Place : Hyderabad

Date : 29th May, 2009

for and on behalf of the Board of Directors

Sd/-

Dr. R.T.RAVI

Chairman and Managing Director

Sd/-

S.PRATHAP KUMAR

Company Secretary

Sd/-

AVINASH RAVI

Director & COO

KREBS BIOCHEMICALS & INDUSTRIES LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	Schedule	Year Ended 31.03.2009 Amount in Rs.	Year Ended 31.03.2008 Amount in Rs.
INCOME			
NET SALES	10	511,978,162	506,946,400
OTHER INCOME	11	381,976	53,544
INCREASE IN STOCKS	12	91,717,602	2,359,221
TOTAL		<u>604,077,740</u>	<u>509,359,165</u>
EXPENDITURE			
RAW MATERIALS CONSUMED	13	278,024,961	202,697,961
OTHER MFG. EXPENSES	14	153,734,343	110,083,263
PAYMENTS AND BENEFITS TO EMPLOYEES	15	64,265,102	60,965,239
ADMN. & SELLING EXPENSES	16	34,837,855	43,075,010
FINANCIAL CHARGES	17	59,981,056	99,785,649
OBSOLETE STOCKS WRITTEN OFF		353,209,466	-
DEPRECIATION	5	95,410,370	107,428,035
TOTAL		<u>1,039,463,153</u>	<u>624,035,157</u>
LOSS FOR THE PERIOD		435,385,413	114,675,992
ADD : DEFERRED TAX (LIABILITY) / ASSET		9,336,153	13,276,716
LESS: PROVISION FOR TAXATION		-	-
CURRENT YEAR - FBT		230,841	304,469
LOSS AFTER TAX		426,280,101	101,703,745
PRIOR PERIOD ADJUSTMENT		145,954	192,454
ADD: BALANCE B/F FROM EARLIER YEARS		299,491,794	(197,595,595)
BALANCE LOSS CARRIED TO BALANCE SHEET		<u>725,917,849</u>	<u>299,491,794</u>
NOTES & ACCOUNTS	18		

As per our report of even date attached

for and on behalf of the Board of Directors

for **G P ASSOCIATES**

Chartered Accountants

Sd/-

CA P.A. RAMAIAH

Partner

M.No.203300

Place : Hyderabad

Date : 29.05.2009

Sd/-

Dr. R.T.RAVI

Chairman and Managing Director

Sd/-

S.PRATHAP KUMAR

Company Secretary

Sd/-

AVINASH RAVI

Director & COO

KREBS BIOCHEMICALS & INDUSTRIES LTD

SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	As at 31.03.2009 Amount in Rs.	As at 31.03.2008 Amount in Rs.
SCHEDULE 1: SHARE CAPITAL		
Authorised Share Capital 10,000,000 Equity shares of Rs.10/- each	100,000,000	100,000,000
Issued, Subscribed & Paid up 90,50,000 Equity Shares of Rs.10/- each fully paid-up (Previous Year 70,50,000 equity Shares)	90,500,000	70,500,000
Application Money (Previous Year on 20,00,000/- Share Warrants)	-	115,450,000
TOTAL	90,500,000	185,950,000
SCHEDULE 2: RESERVES & SURPLUS		
Share Premium	391,660,000	263,060,000
State Subsidy	3,938,010	3,938,010
General Reserve	757,000,000	757,000,000
TOTAL	1,152,598,010	1,023,998,010
SCHEDULE 3: SECURED LOANS		
<u>Term Loans from:</u>		
Industrial Development Bank of India	150,000,000	150,000,000
Industrial Development Bank of India (FITL)	25,214,428	5,271,412
Syndicate Bank	50,000,000	52,505,426
Syndicate Bank - FITL	6,752,418	-
Export and Import Bank of India -LTWC	121,712,625	134,561,250
Export and Import Bank of India - FITL	32,930,043	11,502,499
Syndicate Bank - Short Term Loan	-	25,719,256
Andhra Bank - Food Division	-	9,512,500
Interest Accrued & Due	-	20,287,782
United Bank - WCTL	25,000,000	-
United Bank - FITL	3,393,883	-
Andhra Bank - WCTL	75,000,000	-
Andhra Bank - FITL	10,786,500	-
The Jammu & Kashmir Bank Limited - WCTL	50,000,000	-
The Jammu & Kashmir Bank Limited - FITL	7,190,998	-
<u>Working Capital Loan from:</u>		
Andhra Bank	84,823,043	163,141,410
The Jammu & Kashmir Bank Limited	50,950,819	100,512,191
United Bank of India	24,992,691	47,512,681
TOTAL	718,747,447	720,526,407
SCHEDULE 4: UN-SECURED LOANS		
Interest Free Sales Tax Loan	50,611,277	49,033,139
ICICI Bank Ltd	241,867	608,518
HDFC Bank Limited	592,249	1,410,144
Wacker Chemie AG	56,572,143	31,732,250
Ranbaxy Laboratories Ltd	-	3,650,000
TOTAL	108,017,536	86,434,051

KREBS BIOCHEMICALS & INDUSTRIES LTD

SCHEDULE 5 : FIXED ASSETS

(Amount in 'Rs')

Particulars	Gross block			Depreciation Block				Net Block	
	As at 01.04.08	Additions/ Deletions during the year	As at 31.03.09	As at 01.04.08	For the period	Adjust- ment	As at 31.03.09	As at 31.03.09	As at 31.03.08
Land	18,834,470	-	18,834,470	-	-	-	-	18,834,470	18,834,470
Wells	1,747,598	424,720	2,172,318	-	-	-	-	2,172,318	1,747,598
Buildings									
-Factory	178,191,763	256,940	178,448,702	37,193,648	5,390,590	-	42,584,238	135,864,464	140,998,115
-Non Factory	13,204,667	-	13,204,667	1,340,269	175,666	-	1,515,935	11,688,732	11,864,398
Plant&Machinery	1,139,694,181	59,459,270	1,199,153,451	522,578,959	73,527,907	-	596,106,866	603,046,585	617,115,222
Boilers	9,747,146	-	9,747,146	7,642,481	701,797	-	8,344,278	1,402,868	2,104,665
Electrical Installations	64,259,515	261,302	64,520,817	22,668,293	2,811,044	-	25,479,337	39,041,480	41,591,222
D.G.Set	34,998,084	-	34,998,084	23,844,606	2,412,327	-	26,256,933	8,741,151	11,153,478
Effluent Treatment	62,133,044	-	62,133,044	40,834,717	4,610,272	-	45,444,989	16,688,055	21,298,327
Factory Equipment	14,959,989	154,321	15,114,310	8,770,608	1,043,179	-	9,813,787	5,300,523	6,189,381
Lab Equipment	35,591,199	-	35,591,200	18,048,436	2,487,061	-	20,535,497	15,055,703	17,542,763
Research&Dev.Equip	10,415,413	-	10,415,413	4,733,463	772,824	-	5,506,287	4,909,126	5,681,950
Office Equipment	4,344,385	87,230	4,431,615	2,368,168	316,925	-	2,685,093	1,746,522	1,976,217
Computers	5,754,434	115,226	5,870,360	6,117,496	51	470,808	5,646,739	223,621	(363,062)
Vehicles	9,712,202	(601,760)	9,110,442	4,946,529	865,492	228,825	5,583,196	3,527,246	4,765,673
Furniture	4,698,475	25,796	4,724,271	2,340,147	295,235	-	2,635,382	2,088,889	2,358,328
Total	1,608,286,566	60,785,505	1,668,470,309	703,427,820	95,410,370	699,633	798,138,557	870,331,752	904,858,746
Previous year Totals	1,587,267,044	21,019,521	1,608,286,566	595,999,785	107,428,035	-	703,427,820	904,858,745	991,267,259

KREBS BIOCHEMICALS & INDUSTRIES LTD
SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	As at 31.03.2009 Amount in Rs.	As at 31.03.2008 Amount in Rs.
SCHEDULE: 6 CAPITAL WORKS-IN-PROGRESS		
L-Cystine Project	34,964,959	7,191,519
Plant, Machinery and Other Equipment	-	51,125,680
TOTAL	<u>34,964,959</u>	<u>58,317,199</u>
SCHEDULE 7: CURRENT ASSETS, LOANS & ADVANCES		
A) CURRENT ASSETS		
1. INVENTORIES		
(as valued and Certified by Management)		
I. Raw Material, Packing Material,		
Fuels, Stores & Spares	73,123,176	111,985,678
II. Work in Progress	133,540,864	356,518,889
III. Finished Goods	6,320,679	14,985,302
	<u>212,984,719</u>	<u>483,489,869</u>
2. SUNDRY DEBTORS (Unsecured, Considered good)		
Debts outstanding for a period exceeding 6 Months	197,452,424	186,438,865
Others	99,302,608	75,069,962
	<u>296,755,032</u>	<u>261,508,827</u>
3. CASH AT BANK (with scheduled banks)		
In Current accounts	3,960,564	5,956,290
In Margin Money accounts	165,000	719,470
	<u>4,125,564</u>	<u>6,675,760</u>
4. CASH ON HAND		
	96,836	50,260
TOTAL (A)	<u>513,962,151</u>	<u>751,724,715</u>
B) LOANS & ADVANCES		
(Unsecured, considered good recoverable in cash or kind for value to be received)		
Advances for Capital Expenditure	10,350,633	11,367,465
Advances for Materials	56,690,663	47,220,786
Other Advances	143,907,628	144,396,521
Advance Taxes	13,694,212	12,738,572
Deposits	23,274,893	23,099,062
TOTAL (B)	<u>247,918,029</u>	<u>238,822,406</u>
TOTAL (A+B)	<u>761,880,180</u>	<u>990,547,121</u>

KREBS BIOCHEMICALS & INDUSTRIES LTD
SCHEDULES FORMING PART OF BALANCE SHEET

PARTICULARS	As at 31.03.2009 Amount in Rs.	As at 31.03.2008 Amount in Rs.
SCHEDULE 8: CURRENT LIABILITIES & PROVISIONS		
A) CURRENT LIABILITIES		
Creditors for Capital Works	11,083,860	11,404,410
Creditors for Materials	108,226,786	48,991,885
Creditors for Expenses	8,067,051	4,403,658
Other Current Liabilities	66,421,838	64,201,353
Advance Received for Chips Plant Machinery	32,978,496	-
Interest Accrued but not Due	-	1,746,058
TOTAL (A)	<u>226,778,031</u>	<u>130,747,364</u>
B) PROVISIONS		
Provision for Tax on Distributed Profits	2,524,500	2,524,500
Provision for Taxation	10,336,845	10,336,845
Provision for Fringe Benefit Tax	981,402	750,561
TOTAL (B)	<u>13,842,747</u>	<u>13,611,906</u>
TOTAL (A+B)	<u>240,620,778</u>	<u>144,359,270</u>
SCHEDULE 9: MISCELLANEOUS EXPENDITURE		
Product Development Expenses	49,950,333	49,950,333
Profit & Loss Account	725,917,849	299,491,794
TOTAL	<u>775,868,182</u>	<u>349,442,127</u>
SCHEDULES TO PROFIT AND LOSS ACCOUNT		
PARTICULARS	Year Ended 31.03.2009 Amount in Rs.	Year Ended 31.03.2008 Amount in Rs.
SCHEDULE 10: SALES		
Exports	191,879,984	115,155,865
Domestic	354,091,160	441,344,416
	<u>545,971,144</u>	<u>556,500,281</u>
Less : Excise Duty	33,992,982	49,553,881
TOTAL	<u>511,978,162</u>	<u>506,946,400</u>
SCHEDULE 11: OTHER INCOME		
Interest Received	159,666	52,569
Misc. Income	222,310	975
TOTAL	<u>381,976</u>	<u>53,544</u>

KREBS BIOCHEMICALS & INDUSTRIES LTD
SCHEDULES TO PROFIT AND LOSS ACCOUNT

PARTICULARS	Year Ended 31.03.2009 Amount in Rs.	Year Ended 31.03.2008 Amount in Rs.
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SCHEDULE 12: INCREASE IN INVENTORIES

a) Work in Process		
Opening Stock	356,518,889	345,021,058
Less: Obsolete Stock Written Off	318,285,750	-
	<u>38,233,139</u>	<u>345,021,058</u>
Closing Stock	133,540,864	356,518,889
Increase/(Decrease)	<u>95,307,725</u>	<u>11,497,831</u>
b) Finished Goods		
Opening Stock	14,985,302	24,123,912
Less: Obsolete Stock Written Off	5,074,500	-
	<u>9,910,802</u>	<u>24,123,912</u>
Closing Stock	6,320,679	14,985,302
Increase/(Decrease)	<u>(3,590,123)</u>	<u>(9,138,610)</u>
TOTAL - Increase/(Decrease)	<u>91,717,602</u>	<u>2,359,221</u>

SCHEDULE 13: RAW MATERIALS CONSUMED

Opening Stock	98,244,410	84,070,769
Less: Obsolete Stock Written Off	26,849,216	--
Add : Purchases		
Raw Materials	272,177,016	213,199,249
Packing Materials	3,106,475	3,672,353
	<u>346,678,685</u>	<u>300,942,371</u>
Less: Closing Stocks	68,653,724	98,244,410
Total Raw Materials Consumed	<u>278,024,961</u>	<u>202,697,961</u>

SCHEDULE 14: OTHER MANUFACTURING EXPENSES

Carriage Inward	2,437,423	2,467,589
Power and Fuel	122,819,640	84,456,734
Stores and Spares	17,241,687	12,142,836
Expenditure on Research & Dev.	1,607,370	1,250,488
Repairs & Maintenance	8,537,641	9,199,509
ETP Maintenance	1,090,582	566,107
TOTAL	<u>153,734,343</u>	<u>110,083,263</u>

SCHEDULE 15: PAYMENTS AND BENEFITS TO EMPLOYEES

Salaries & Wages	55,974,004	54,069,143
Staff Welfare expenses	8,291,098	6,896,098
TOTAL	<u>64,265,102</u>	<u>60,965,240</u>

KREBS BIOCHEMICALS & INDUSTRIES LTD
SCHEDULES TO PROFIT AND LOSS ACCOUNT

PARTICULARS	Year Ended 31.03.2009 Amount in Rs.	Year Ended 31.03.2008 Amount in Rs.
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SCHEDULE 16: ADMN. & SELLING EXPENSES

Rent, Rates & Taxes	2,968,087	3,928,004
Insurance	1,431,918	3,102,954
Printing & Stationary	770,605	827,637
Postage, Telegrams & Telephones	1,232,673	1,307,763
Consultancy & Legal Exp.	1,678,896	1,324,050
Bank Charges	641,149	1,078,537
General Expenses	4,600,873	3,901,297
Directors Sitting fees	237,000	372,000
Directors Remuneration	1,836,560	1,650,000
Auditors Remuneration	100,000	100,000
Travelling & Conveyance	2,547,190	3,422,205
Directors Travelling	595,678	358,376
Office Maintenance	1,257,382	1,316,090
Carriage Outward	1,403,464	3,216,223
Sales Promotion Expenditure	2,195,959	4,106,310
Bad Debts Written Off	-	-
Loss on Sale of Asset	242,935	-
Bad Debts Written Off	214,350	-
Sales Tax	10,601,934	12,786,140
Donations	281,202	277,425
Prior quarter adjustments		
TOTAL	<u>34,837,855</u>	<u>43,075,009</u>

SCHEDULE 17: FINANCIAL CHARGES

Interest On Term Loans	56,408,951	40,480,591
Interest On Working Capital	2,514,603	55,605,577
Financial Charges	839,441	-
Foreign Exchange Fluctuation	218,061	3,699,481
TOTAL	<u>59,981,056</u>	<u>99,785,649</u>

NOTES TO ACCOUNTS

SCHEDULE: 18

A .Significant Accounting Policies

a) Basis for preparation of financial statements:

The financial statements have been prepared under the historical cost conventions in accordance with the Accounting Standards issued by the Institute of chartered Accountants of India and the provisions of the Companies Act, 1956 as adopted consistently by the Company. All income and expenditure having a material bearing on the financial statements are recognised on accrual basis.

b) Revenue Recognition:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. This coincides with the passing of possession to the buyer.

c) Expenditure:

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

d) Fixed Assets:

Fixed Assets are shown at cost less depreciation. Cost comprises the Purchase Price and other attributable expenses and expenditure during construction period.

e) Depreciation:

Depreciation has been provided on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956.

f) Interest Free Sales Tax Loan:

The sales tax collected on domestic sales of Company's products is treated as interest free sales tax loan from the AP State Government in accordance with the State Government incentive scheme. The amount credited to the loan account is based on the amounts collected as sales tax. Final amount of loan will be arrived at only on completion of sales tax assessments.

g) Inventories:

Raw Materials & Work-In-Progress are valued at cost and Finished Goods are valued at lower of the cost or net realisable value.

h) Export Incentives:

The Export incentives arising out of Export sales under DEPB scheme, forming part of the Sales income, are accounted on accrual basis during the year.

i) Foreign Exchange Transaction:

All the Foreign Exchange transactions entered into during the current financial year are accounted at the exchange rate prevailing on the date of documentation/invoicing. Foreign Exchange Fluctuation on transactions entered into during the current

financial year and received/paid during the year are accounted in the current financial year. The outstanding foreign currency debtors and foreign currency loans at the end of the year are restated at the Foreign Currency Rate prevailing at the end of the year and the Foreign Exchange Fluctuation on the same is also recognised at the end of the year in conformity with the revised Accounting Standard 11.

j) **Miscellaneous Expenditure :**

During the year under review the company has not incurred any expenditure of nature which can be deferred and capitalised.

k) **R & D Expenditure:**

Expenditure in the nature of capital items is debited to respective fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and Loss Account of the year in which they are incurred.

l) **Dividends :**

Provision shall be made in the accounts for the dividends payable by the company as and when recommended by the Board of Directors, pending approval of the share holders at the Annual General Meeting.

m) **Excise Duty:**

Excise Duty on closing stock of Finished Goods has been provided in the accounts and corresponding increase in closing stock valuation has been given effect.

B. Notes

1. Fixed Deposit Receipts for Rs.1,65,000/- (previous year Rs. Rs.7,19,470/-) are in lien with Bankers towards margin money for Letters of Credit and Bank Guarantees issued by them.

2. **Secured Loans**

Term Loans :

Term Loans from IDBI, Exim Bank, Syndicate Bank and the WCT Loans from Andhra Bank, The Jammu & Kashmir Bank & United bank of India are secured by first charge on all movable and immovable fixed assets both present and future of the Company (Subject to prior charges on specified movables created/ to be created in favour of Company's bankers by way of security for borrowings of working capital) and pari passu second charge on the stocks of Raw-materials, Work-in-Progress, Finished Goods, Stores and Spares and book debts both present and future of the company. The loans are further secured by irrevocable and unconditional personal guarantees of the Promoters namely, Dr.R.T.Ravi and Smt. Hemalata Ravi.

Working Capital Loans

The working capital facilities from Andhra Bank, The Jammu & Kashmir Bank Ltd and United Bank of India are secured by first Charge on the stocks of Raw-materials,

Work-in-Progress, Finished Goods, Stores and Spares and book debts of the Pharma Division and pari passu second charge on fixed assets of the Pharma Division. The loans are further secured by irrevocable and unconditional personal guarantees of the Promoters namely, Dr. R.T. Ravi and Smt. Hemalata Ravi.

3. During the year the company has availed interest free sales tax Loan of Rs. 18,31,744/- (provisional) for its pharma division unit at Kothapalli. The interest free sales tax loan availed by the unit so far stood at Rs. 3,96,06,972/- (previous Year Rs. 3,77,75,228/-).
4. During the year the company has paid interest free sales tax Loan of Rs.2,53,606/- for its pharma division unit at Regadichelika. The interest free sales tax loan outstanding is Rs. 1,10,04,305/- (previous Year Rs. 1,12,57,911/-).
5. Contingent Liabilities:
The Following contingent liabilities are not provided for:
 - ◆ On account of Letters of Credit and Bank Guarantees (net of margin monies) amounting to Rs. NIL (Previous year Rs 1,39,44,516/-)
 - ◆ Sales Tax: There are various demands raised by the sales tax authorities amounting to Rs.1,92,86,516/- (Previous year Rs. 192,86,516) for which the company preferred appeals with higher authorities. Pending disposal of appeals, the company has deposited an amount of Rs 98,37,102/- (Previous Year Rs 90,95,058-) based on interim directions.
 - ◆ Excise Duty: There are various demands raised by the Excise authorities amounting to Rs.3,33,650/- (Previous Year Rs.103,047) for which the company preferred appeals with higher authorities. Pending disposal of appeals, the company has deposited an amount of Rs NIL (Previous Year Rs 103,047/-) based on interim directions.
 - ◆ Income Tax: There are various demands raised by the Income Tax authorities amounting to Rs.3,15,52,734/- for which the company preferred appeals for Rs. 315,52,734/- with Tax authorities.
6. The Expenditure Incurred on N V R Co-Operative Sugar Factory towards the Development of Factory and Cane Development Expenses etc, has been treated as Advance recoverable since the company is claiming the same from Government of Andhra Pradesh.
7. The Company has not received information from vendor regarding the status under the Micro Act, and hence disclosures relating to amounts unpaid as at end of the year together with interest/payable under the Act have not given.

8. Managerial Remuneration :

		(In Rupees)
Particulars	For the Year 2008 – 09	For the year 2007 – 08
Managing Director		
Remuneration	12,00,000	12,00,000
Perquisites	4,50,000	4,50,000
Director		
Remuneration	1,86,560	NIL
Perquisites	10,560	NIL
TOTAL	18,47,120	16,50,000

Due to inadequate of profits during the Financial year, the company has paid only the minimum remuneration by way of Salary & Perquisites to Managing Director. Remuneration to Director Sri Avinash Ravi is for Two Months i.e., from the date of appointment as Director.

9. The company is providing gratuity on accrual basis, based on actuarial valuation.

10. Payment to Auditors:

Particulars	For the Year 2008 – 09	(In Rupees) For the year 2007 – 08
Statutory Audit Fee	70,000	70,000
Certification Fee	19,000	19,000
For Other Services	11,000	23,360
TOTAL	1,00,000	1,12,360

11. Related Party Disclosures:**a) Name of the related parties**

Associate Companies	: Visakha Foods Pvt. Ltd
Key Management Personnel	: Dr.R.T.Ravi, Managing Director. Mr. Avinash Ravi, Whole Time Director
Relatives of Key Management Personnel	: Mrs. Hemalata Ravi W/O Dr.R.T.Ravi

b) Aggregated Related party disclosures for the year 2008-09.

Particulars	Associates	Key Management Personnel	Relatives of Key Management personnel	Total
Remuneration	NIL	13.97	NIL	13.97
Rent	NIL	NIL	4.50	4.50
Loans & Advances	137.47	NIL	NIL	137.47

12. As per Accounting Standard 22 "Accounting for Taxes on income" issued by the Institute of Chartered Accountants of India Rs. 93,36,153/- (Previous year Rs.132,76,716/-) of deferred tax asset arising during the financial year has been credited to the current year's Profit and Loss account.
13. Sundry Debtors includes an amount of Rs.19.74 Crores, which is long pending against which the company has initiated recovery action. As the management is confident of the same, no provision has been made during the year.
14. Calculation of Earnings per Share:

Particulars	For the Year 2008 – 09	For the year 2007 –08
Profit attributable to Share Holders (Rs)	(42,62,80,101)	(10,17,03,745)
No. of Equity Shares Outstanding	90,50,000	70,50,000
Weighted No. of Equity Shares	81,13,000	70,50,000
Diluted No. of Equity Shares	81,13,000	90,50,000
Nominal Value of Equity Share (Rs)	10	10
Basic EPS (Rs)	(52.54)	(14.43)
Diluted EPS (Rs)	(52.54)	(11.24)

15. Segment Information:

The company has identified two reportable segments viz., Active Pharmaceutical Ingredients and Food Division. Segments have been identified and reported taking into account nature of products and services, the differing risks and returns and the internal business reporting systems. The accounting policies adopted for segment reporting are in line with the accounting policy of the company with following additional policies for segment reporting.

Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to enterprise as a whole and are not allocable to a segment on reasonable basis have been disclosed as "unallocable".

Segment assets and segment liabilities represent assets and liabilities in respect to segments. Investments, tax related assets and other assets and liabilities that can not be allocated to a segment on reasonable basis have been disclosed as "unallocable".

(Rs. In Lakhs)

Particulars	Active Pharmaceutical Ingredients	Food	Total
Sales	5,119.78 (5,018.07)	— (51.90)	5,119.78 (5,069.97)
Export Benefits	— (—)	— (—)	— (—)
Other Income	3.82 (0.54)	— (—)	3.82 (0.54)
Segment Revenue	5,123.60 (5018.61)	— (51.90)	5,123.60 (5,070.51)
Segment Results/ Profit before tax	(4,353.85) (-958.42)	— (-188.34)	(4,353.85) (-1,146.76)
Provision for Taxes	— (—)	— (—)	2.31 (3.04)
Deferred Tax expense	— (—)	— (—)	93.36 (132.76)
Profit after Tax	— (—)	— (—)	(4,262.81) (1,017.03)
Segment Assets	16264.00 (17,046.83)	1463.82 17727.82	(1,464.93) (18,511.76)
Segment Liabilities	2073.08 (10,072.58)	333.12 (52.03)	2406.20 (10,124.61)

(Previous year figures are given in brackets)

16. Value of Imported and Indigenous Materials Consumed and their Percentage to Total Consumption:

Particulars	<u>Current Year</u> 2008 - 09		<u>Previous Year</u> 2007-08	
	Value(Rs.)	%	Value(Rs.)	%
Imported	NIL	NIL	NIL	NIL
Indigenous	27,80,24,960	100	20,26,97,961	100
TOTAL	<u>27,80,24,960</u>	<u>100</u>	<u>20,26,97,961</u>	<u>100</u>

17. Additional information pursuant to the provisions of paragraph 3, 4C and 4D of part II of Schedule VI of the Companies Act, 1956.

a) Details of Capacity, Production :
(Qty in Metric Tonnes)

Particulars	<u>Current Year 2008 – 2009</u>			<u>Previous Year 2007 – 2008</u>		
	Licensed Capacity	Installed Capacity	Actual Production	Licensed Capacity	Installed Capacity	Actual Production
Pseudoephedrine HCL	60.000	60.000	6.300	60.000	60.000	10.865
Lovastatin	60.000	60.000	66.150	60.000	60.000	65.255
Simvastatin	30.000	30.000	10.900	30.000	30.000	10.086

b) Turnover:

Particulars	<u>Current Year 2008 – 2009</u>		<u>Previous Year 2007 –2008</u>	
	Quantity(MTs)	Value (Rs.Lakhs)	Quantity(MTs)	Value(Rs.Lakhs)
Pseudoephedrine				
HCL	10.045	237.40	8.79	231.12
Lovastatin	66.152	2,893.81	65.420	3,098.18
Simvastatin	10.890	1,763.93	10.101	1,499.81
Potato Chips	—	—	—	25.00
Others	—	564.57	—	710.89
TOTAL		<u>5,459.71</u>		<u>5,565.00</u>

c) Closing Stock

Particulars	<u>Current Year 2008 – 2009</u>		<u>Previous Year 2007 –2008</u>	
	Quantity(MTs)	Value (Rs.Lakhs)	Quantity(MTs)	Value(Rs.Lakhs)
Pseudoephedrine				
HCL	0.85	2.29	0.030	0.48
Ephedrine HCL	NIL	NIL	0.908	10.23
Sucrolose	NIL	NIL	0.206	41.19
Lovastatin	\$0.000	NIL	0.035	3.94
Simvastatin	*0.053	8.51	0.052	21.75
Others		52.41		72.26
TOTAL		<u>63.21</u>		<u>149.85</u>

\$ Net of Captive Consumption 0.033MT

* Net of Captive Consumption 0.010 MT

d) Details of Raw Materials Consumed

Particulars	<u>Current Year 2008 – 2009</u>		<u>Previous Year 2007 –2008</u>	
	Quantity(MTs)	Value (Rs.Lakhs)	Quantity(MTs)	Value(Rs.Lakhs)
Methyl Iodide		—	1.101	139.07
Aceto Nitrile		—	1.669	—
Toluene	591.544	333.51	429.904	—
2 KGA	—	—	2.377	42.07
N-Butyllithim (Nos)	348	293.36	304.000	246.54
Milk Powder	281.797	361.10	217.328	282.59
Methanol	138.819	24.09	91.190	18.67
Maize starch	2452.457	367.02	2217.625	316.01
Pyrolidine	19.220	164.33	16.691	102.85
Tetrahydro furane	24.686	28.94	56.920	75.68
Nitrogen liquid	622.461	85.28	565.490	65.03
IPA	111.281	85.27	10633584	66.99
Refined glycerin	124.673	49.64	82.071	66.88
Sodium Bicorbanate	69.480	18.01	213.227	39.76
Cyclo prpylamine	0.600	8.00	0.480	3.21
Caustic soda flakes	85.240	26.79	80.812	17.37
Caustic chloride	—	—	5.137	19.51
Others	—	934.91	—	524.74
TOTAL		<u>2780.25</u>		<u>2,026.97</u>

e) During the year the company has valued its stocks by an independent valuer and they found that the obsolete stock of Rs.35.32 Crores and the same was charged to P & L Account.

f) Foreign Currency / Exchange Transactions

Particulars	(Rs.in Lakhs)	
	For the Year <u>2008 – 09</u>	For the Year <u>2007 – 08</u>
a) Value of Imports on CIF Basis	---	1.16
Import of Raw Materials	2.50	16.64
Stores & Spares	--	33.71
Capital Goods		
b) Expenditure Travelling	NIL	2.55
c) Earnings in Foreign Exchange		
FOB Value of Exports	226.52	959.09

18. Debtors, Other Advances & Creditors are subject to confirmations.

19. Previous years figures are re-grouped wherever necessary to conform to the classification adopted for the current year and figures are rounded off to the nearest Rupee.

20. The Schedules referred to above form part of the Accounts.

Signatures for Schedules 1 to 18

As per our report of even date attached

for and on behalf of the Board of Directors

for **G P ASSOCIATES**

Chartered Accountants

Sd/-

Dr. R.T.RAVI

Chairman and Managing Director

Sd/-

CA P.A.RAMIAH

Partner

M.No.203300

Sd/-

S.PRATHAP KUMAR

Company Secretary

Sd/-

AVINASH RAVI

Director & COO

Place : Hyderabad

Date : 29th May, 2009

KREBS BIOCHEMICALS & INDUSTRIES LIMITED
Cash Flow Statement for the year ended 31.03.2009

(Rs in lacs)

Particulars	2008-09	2007-08
Net Profit before tax and extraordinary items	(4355.31)	(1148.68)
Adjustments for:		
Depreciation	954.10	1074.28
Financial Charges	599.81	997.86
Interest received /Other Income	(3.82)	(0.54)
Operating Profit before Working Capital Changes	(2,805.22)	922.92
Changes in Working Capital		
(Increase)/ Decrease in Sundry Debtors	(352.46)	388.03
(Increase)/Decrease in Inventories	2,705.05	(119.80)
(increase)/Decrease in Loans & Advances	(81.40)	79.05
Increase/(Decrease) in Current Liabilities	980.97	(505.44)
Cash generated from Operations	3,252.16	(158.16)
Financial Charges paid	(820.15)	(871.62)
Direct Taxes paid	(9.56)	(8.06)
Net Cash provided/(Used) from operating activities	(382.76)	(114.92)
(Increase) / Decrease of Fixed Assets	(608.84)	(210.20)
(Increase) / Decrease of Capital Work-in-Progress	233.52	(44.90)
Interest Received/Other Income	3.82	0.54
(Increase)/Decrease in Adv for Cap Goods	-	20.00
Increase/(Decrease) in Creditors for Capital Goods	(3.21)	114.01
(Increase)/Decrease in Misc Exp	-	-
Net Cash used in Investing Activities	(374.70)	(120.51)
Proceeds from long term borrowings	1,904.92	(206.18)
Increase/(Decrease) in Utilisation of Working Capital Loans	(1,504.00)	(591.29)
Dividend & Tax on Dividend	-	-
Increase/(Decrease) in Share Capital	(954.50)	1,004.50
Increase/(Decrease) in Share Premium	1,286.00	-
Net Cash provided/(Used) from financing activities	732.42	207.03
Net Increase in Cash and Cash equivalents	(25.04)	(28.40)
Cash and Cash equivalents as at the beginning of the year	67.26	95.66
Cash and Cash equivalents as at the close of the year	42.22	67.26

As per our report of even date attached
for G P ASSOCIATES

Chartered Accountants

Sd/-

CA P.A.RAMIAH

Partner

M.No.203300

Place : Hyderabad

Date : 29th May, 2009

for and on behalf of the Board of Directors

Sd/-

Dr. R.T.RAVI

Chairman and Managing Director

Sd/-

S.PRATHAPKUMAR

Company Secretary

Sd/-

AVINASH RAVI

Director & COO



ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 IS GIVEN BELOW:

i)	Registration Details	
	Registration No.	01 - 13511
	State Code	01
ii)	Balance Sheet Date	31.03.2009
	Capital raised during the year	
	(Amount in Rs.000's)	
	Public Issue	—
	Rights Issue	—
	Bonus Issue	—
iii)	Preferential Issue(On conversion of Warrants)	2,00,00
	Position of Mobilisation and Deployment of Funds	
	Total Liabilities	2,20,24,24
	Total Assets	2,20,24,24
	a)Source of Funds	
	Paid - up Capital	9,05,00
	Reserves & Surplus	1,15,25,98
	Secured Loans	71,87,47
	Unsecured Loans	10,80,18
	Deferred Tax Liability	13,25,61
	b) Application of funds	
	Net Fixed Assets	90,52,96
	(Including Capital Work In Progress)	
	Investments	—
	Net Current Assets	52,12,60
	Misc. Expenditure	4,99,50
	Accumulated Losses	72,59,18
iv)	Performance of Company	
	Turnover/Total Income	51,19,78
	Total Expenditure	94,73,63
	Profit (Loss) before Tax	(43,53,85)
	Profit (Loss) after Tax	42,62,80
	Earning per Share (in Rs.)	(47.10)
v)	Dividend (Rate %)	—
	Generic Names of Three principal products/ Services of the Company (As per monetary terms)	
	Item Code	29420090
	Product Description	Lovastatin
	Item Code	29420090
	Product Description	Simvastatin
	Item Code	29394200
	Product Description	Pseudo ephedrine

As per our report of even date attached
for **G P ASSOCIATES**

Chartered Accountants
Sd/-

CA P.A.RAMAJAH

Partner

M.No.203300

Place : Hyderabad

Date : 30th July, 2009

for and on behalf of the Board of Directors
Sd/-

Dr. R.T.RAVI

Chairman and Managing Director

Sd/-

S.PRATHAP KUMAR

Company Secretary

Sd/-

AVINASH RAVI

Director & COO



Krebs

KREBS BIOCHEMICALS & INDUSTRIES LIMITED

Regd. Office: 8-2-277/A, 4A, 4th Floor, Inwinex Towers, Plot No.130,
Road No.2, Banjara Hills, Hyderabad - 500 034.

D.P.Id*	
Client Id*	

Regd. Folio No.	
-----------------	--

PROXY FORM

I/We..... of
being a member / members of **KREBS BIOCHEMICALS & INDUSTRIES LIMITED**, hereby appoint
..... of or
failing him of or failing
him of as my/ our
Proxy to attend and vote for me/us and on my/our behalf at the 17th ANNUAL GENERAL MEETING
of the said Company to be held at 11.30 A.M at SURANA UDYOG Auditorium, FAPCCI Building, 11 - 6
- 841, Red Hills, Hyderabad - 500 004 on September 14th, 2009 and at any adjournment thereof.

Signed this.....day of.....2009.

Signature(s) of the Shareholder(s).....

No. of Shares.....

Distinctive Nos.....

Affix 1
Rupee
Revenue

- Note: 1. This Proxy form must be deposited at the Registered Office of the Company not
later than 48 hours before the time for holding the meeting.
2. A PROXY NEED NOT BE A MEMBER.
3. *Applicable for investors holding shares in electronic form.

KREBS BIOCHEMICALS & INDUSTRIES LIMITED

Regd. Office: 8-2-277/A, 4A, 4th Floor, Inwinex Towers, Plot No.130,
Road No.2, Banjara Hills, Hyderabad - 500 034.

D.P.Id*	
Client Id*	

Regd. Folio No.	
No. of Shares	

ATTENDANCE SLIP

I hereby certify that I am registered shareholder / Proxy for the registered shareholder of the
Company. I hereby record my presence for the 17th ANNUAL GENERAL MEETING of the said
Company to be held at 11.30A.M at SURANA UDYOG Auditorium, FAPCCI Building, 11 - 6 - 841, Red
Hills, Hyderabad - 500 004 on September 14th, 2009.

--

Name of the Shareholder(s) (In Block Letters)

--

Name of the Proxy or Company Representative (In Block Letters)

--

Signature of Member/Proxy

- Note: 1. Please fill this admission slip and hand it over at the entrance of the hall.
2. * Applicable for investors holding shares in electronic form.

REPORT ON EROSION OF 50% NET WORTH

The net worth of the company as on March 31, 2009 is less than 50% of the peak net worth during the immediately preceding four financial years. As per the provisions of Section 23 and other applicable provisions, if any, of Sick Industrial Companies (Special Provisions) Act 1985 the details of the erosion has been reported to Board for Industrial & Financial Reconstruction (BIFR)

The major reasons leading to such erosion are the following

1. The products manufactured in Nellore plant were withdrawn from the OTC Market in US by order of Government of USA in mid 2004. As a result all our major customers have discontinued their dosage product almost immediately leaving us with a huge drop in sales and made the plant idle for the last four years. This has resulted in significant losses. The global financial recession over the past one year has further delayed the capacity utilization at Nellore Plant.
2. Looking at the demand for the food products, the company's potato chip manufacturing unit as part of diversification plan could not take off as anticipated as a result the unit created a dent in the performance of the company. It was decided to discontinue the food division and to sell off the assets to avoid further losses.
3. The company acquired a sugar factory in Jampani from Govt. of A.P in a bid. The possession of the unit was challenged by the farmers and based on the orders of the Hon'ble High court of AP the possession was taken back by the Govt. of A.P. This has resulted in incurring losses.
4. Obsolete stocks were identified based on the report of stock valuation done by an independent auditor in the units and the same were written off during the financial year under review.

All these points together have contributed to the accumulated losses over the past four years and resulted in the erosion of net worth below 50% of peak net worth in the preceding four financial years.

for and on behalf of the Board of Directors

Place: Hyderabad
Date: 30th July, 2009

Sd/-
(Dr.R.T.RAVI)
Chairman & Managing Director

Book-Post

To,

**If undelivered please return to
Registered Office :**

Krebs Biochemicals & Industries Ltd

Door No. 8-2-277/A, 4A , 4th Floor,
Inwinex Towers, Plot no.130,
Road No.2, Banjara Hills,
Hyderabad -500034

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