

Company Information

Board of Directors

Krebs Biochemicals & Industries Limited

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Registered Office: Krebs Biochemicals & Industries Limited, Plot No. 34, 8-2-577, T. Madhav Reddy, Banjara Hills, Hyderabad - 500 034
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 Website: www.krebssci.com

21st Annual Report (01.04.2012-30.06.2013)



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Krebs Biochemicals & Industries Limited

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Company Information

Board of Directors

Dr. R. T. Ravi	-	Chairman & Managing Director
Mr. P. Nagaraju	-	Nominee Director-IDBI Bank Limited
Mr. K. Rajendra Prasad	-	Nominee Director-APIDC
Ms. Daya Chandradas	-	Nominee Director-EXIM Bank
Mr. R. Ch. Satyanarayana	-	Small Shareholders Director
Mr. G. V. L. Prasad	-	Independent Director
Mr. Avinash Ravi	-	Director & Chief Operating Officer

Bankers

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

Auditors

M/S Pavuluri & Co

Chartered Accountants

#105, 1st Block, 1st Floor

Divyashakti Complex

Ameerpet, Hyderabad - 500 016

Registered Office	Registrars & Transfer Agents
Krebs Biochemicals & Industries Ltd Plot No 34, 8-2-577/B, Mass Heights, Road No:8, Banjara Hills, Hyderabad - 500 034 Tel : +91-40-66037777 Fax : +91-40-66037755 Email : cskrebsbiochem@gmail.com Website : www.krebsbiochem.com	Karvy Computershare Pvt. Ltd. Plot No.17-24 , Vittalrao Nagar, Madhapur Hyderabad - 500 081. Tel : +91-40-44655276 Fax : +91-40-2343 1551 E.mail : einward.ris@karvy.com



Notice for the 21st Annual General Meeting of the Company

Notice is hereby given that the **21st Annual General Meeting of M/s. Krebs Biochemicals and Industries Limited will be held on 21st day of December, 2013 at 11.00 A.M. at 10-1-124, Ivory Room, Golconda Hotel, Masab Tank, Hyderabad- 500028** to transact the following business:

Ordinary Business:

1. To consider and if thought fit, to adopt the Audited Balance sheet as on 30th June, 2013 and Profit & Loss A/c for the year ended on that date along with the report of Directors and Auditors thereon.
2. To consider and appoint Mr. G. V. L. Prasad, Director who retires by rotation and being eligible offers himself for re appointment.
3. To consider and approve the appointment of Statutory auditors M/s. Pavuluri & Co, Chartered Accountants to hold office from the conclusion of 21st Annual General Meeting till the conclusion of next Annual General Meeting at such remuneration as may be fixed by the Board of Directors.

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will be closed from 18.12.2013 to 21.12.2013 (Both days inclusive).
3. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company/Depository Participant for admission to the meeting hall.
4. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e Electric /Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants.
5. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to send the same to the office of the Registrar and Transfer Agent of the Company.
6. Members are requested to hand over the enclosed Attendance Slip, duly signed in accordance with their specimen signature(s) registered with the Company for admission to the meeting hall. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for identification.
7. Corporate Members are requested to send to the Company's Registrar & Transfer Agent, a duly certified copy of the Board Resolution authorising their representative to attend and vote at the Annual General Meeting.
8. The Securities Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participant with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
9. As a measure of austerity, copies of the annual report will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copies of the Annual Report to the Meeting.
10. Members holding shares in the same name under different ledger folios are requested to apply for Consolidation of such folios and send the relevant share certificates to M/s. Karvy Computershare Pvt. Ltd, Share Transfer Agents of the Company for their doing the needful.
11. As part of Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA), Government of India vide its Circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Keeping in view shareholders are requested to update their E-Mail ID with their DP.

For and on behalf of the Board of
M/s. Krebs Biochemicals & Industries Limited
Sd/-

(Dr. R.T.Ravi)

Chairman & Managing Director

Place: Hyderabad
Date: 29.11.2013

Directors Report :

Dear Members,

Your Directors have pleasure in presenting the 21st Annual Report together with the Audited Accounts of your company for the period April 1, 2012 to June 30, 2013.

Financial Results :**Rs. in lacs**

Particulars	01.04.12-30.06.13	01.04.11 - 31.03.12
Net Sales	1,144.90	7,076.00
Other Income	614.17	275.33
Total Income	1,759.07	7,351.33
Expenditure	2,462.80	7,453.97
PBDIT	(703.73)	(102.64)
Loss on Sale of Assets	NIL	NIL
PBDIT (after Extra Ordinary Items)	(703.73)	(102.64)
Finance Charges	62.92	865.62
Depreciation	827.64	965.71
Profit / (Loss) before Tax	(1,594.29)	(1,933.97)
Deferred Tax Asset	74.02	190.16
Taxes of earlier years	NIL	NIL
Net Profit / (Loss) after Tax	(1,520.27)	(1,743.81)
Prior period adjustments	NIL	NIL
Profit after prior period adjustments	(1,520.27)	(1,743.81)
Add : Balance brought forward	(2,675.91)	(932.10)
Less : Transferred to General Reserve	NIL	NIL
Balance Carried to balance sheet	(4,196.18)	(2,675.91)

Overall Performance :

The total income of the company during the fifteen months period 01.04.12-30.06.13 is Rs.1,759.07 lacs compared to the previous year amounting to Rs. 7,351.33 lacs. There is a net loss of Rs.1,520.27 lacs for the current financial period 01.04.12-30.06.13 as against a net loss of Rs.1,743.81 lacs for the financial year 2011-12. The steep drop in income is attributed to discontinuing of Lovastatin manufacturing from April 2012 in Unit II. Starting from April 2012 the Power supply has been restricted for Industry by the Andhra Pradesh government making it unviable and impractical to run the manufacturing of Lovastatin. Further this also affected the manufacturing of Simvastatin for which Lovastatin is the key raw material. This unprecedented situation where the company started bleeding money and was forced to cut back operations. Unit II due to the power shortage became sick. Unit I which attained USFDA approval in the financial year started paying dividends by way of Contract manufacturing as can be seen by the increase in revenues from Rs 275.33 lacs to Rs 614.17 lacs. This most unfortunate situation that by the time Unit I started generating revenues,



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Unit II due to the above issues virtually came to a standstill. Though the market and the products and plants have come to maturity for generation of business, due to reasons beyond the control of the company it has resulted in the worsening of the performance and financial position of the company.

Dividend:

No Dividend is proposed to be declared for the financial period April 1, 2012 to June 30, 2013.

Taxation:

No Income Tax is applicable for the financial period under review. Deferred Tax Asset of Rs.74.02 lacs are adjusted in the current Financial period.

Equity Capital:

The equity capital remains unchanged during the period April 1, 2012 till June 30, 2013.

Board of Directors:

Mr. G.V.L. Prasad, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

Further it is informed to the Members that the APIDC nominated Mr. K. Rajendra Prasad as Director on the Board of your Company in place of Mr. M. Venkateswara Rao with effect from 18th August, 2012. Accordingly, your Board of Directors extend their sincere regards for the contribution of Mr. M. Venkateswara Rao during his tenure as the Nominee Director and wished him the best in his future endeavour.

Directors Responsibility Statement:

Your Directors confirm in terms of Sec 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 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 judgements 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, 2012 and of the results of operations 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 Pavuluri & Co, Chartered Accountants are the Statutory Auditors of the company and they retire at this Annual General Meeting and being eligible offer themselves for reappointment.

Directors Comments on Auditors Report:

Sl. No.	Basis for Qualified Opinion	Explanation by the Board
1.	Reference is invited to Note 15 of the financial statements; the Company's Non Current Assets consist of Long Term Trade Receivables of Rs. 2159.65 lacs. We are unable to ascertain whether such balances as at balance sheet date are fully recoverable. Accordingly, we are unable to ascertain the impact, if any, that may arise in case any of these receivables are subsequently determined to be doubtful of recovery. Had the Company provided provision for the same, the loss for the period would have been higher by Rs. 2,159.65 lacs.	Due to the prevailing recessionary trend in the industry in the last 4 to 5 years, significant portion of trade receivables remain uncollected. The management is of the opinion that no provision is necessary during the year against the above amount as the company is pursuing the matter. The management is putting efforts in collecting such overdue trade receivables over a period of time and hence no provision has been made.
2.	Reference is invited to Note 11 of the financial statements; the company has not provided the interest on Term Loans and Working Capital Loans with effect from 1st April 2012. Accordingly, the loss for the period would have been higher by Rs. 1,152.68 lacs.	Since the Banks have withdrawn from CDR package and sent the notices under SARFASEI Act, the company has not provided the interest on term loans and working capital loans w.e.f. April 1, 2012.
3.	The company has not provided the depreciation in respect of its Unit II (Vizag) with effect from 1st January 2013 since the assets are not put to use due to the closure of unit on account of labour strike. Accordingly, the loss for the period would have been higher by Rs. 170.73 lacs.	Due to the unfortunate situation where the products manufacturing could not happen due to the power shortage the employees at Unit II have been laid off as per law. Accordingly the depreciation on the assets of Unit II was not provided as these assets were not put to use.

Management Discussion and Analysis :

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

Corporate Governance and Shareholders' information:

A report on Corporate Governance is provided 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 the Board of Directors) Rules, 1988 is given in Annexure I attached and forms part of this Report.

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Employee Relations:

The Directors are happy to report that the company has cordial relations with its employees. Due to the unfortunate situation where the products manufacturing could not happen due to the power shortage the employees at Unit II have been laid off as per law. Despite their huge contribution to the company the company was left with no choice but to take the above action. Also due to the financial problems of the company Unit I where the employees were illegally striking was locked out and all contract manufacturing activity also stopped from August 2013. Efforts are on for resolving the issues.

Human Resources:

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

Social Responsibility :

As a responsible partner of society your company continues to participate in social welfare activities in the villages with in the vicinity of its operating units. Primary Education, local health and eradication of Child Labour are the key areas that we support in this ongoing effort.

Acknowledgement:

We extend our appreciation and thanks to our customers, suppliers and investors for their support. We are also grateful for the continued cooperation extended by the Financial Institutions, Banks and Government Authorities 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 company despite the serious crisis faced by the company.

For and on behalf of the Board of
M/s. Krebs Biochemicals & Industries Limited
Sd/-

(Dr. R.T.Ravi)

Chairman & Managing Director

Place: Hyderabad
Date: 29.11.2013

Auditors:

Annexure - I

Information under section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the 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**

- 1) Using reverse osmosis water as make up water for cooling towers and boiler to minimum the water blow downs and to reduce the plant machineries scaling.
- 2) Implementation of MEES in ETP for Zero discharge purpose substantially reduces power & fuel.

Unit - II

- 1) Recover steam condensate in dedicated lines from numerous points through the plant and collecting in one sump. Reuse this water as top up feed for cooling towers.
- 2) Replacing AHU's using cooling water as energy source to more efficient energy source.

(b) Measures proposed for energy conservation :

Since Both Units are closed no proposals are made during this period. As when the operations resume a plan with proposals shall be worked out

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

The implementation of energy conservation measures completed during the period i.e. 01.04.2012 to 30.06.2013 resulted in substantial energy savings.

Unit - II

The implementation of energy conservation measures completed during the period i.e. 01.04.2012 to 30.06.2013 resulted in energy savings by way of lower coal per unit product.

	PARTICULARS	01.04.12-30.06.13	01.04.11-31.03.12
1.	Power		
a)	Purchased		
	Units	46,48,461	156,64,566
	Amount (Rs.in lacs)	302.15	787.70
	Rate per unit	6.50	5.03
b)	Own Generation		
i)	Units generated through DG Set	1,16,079	8,43,262
	Amount (Rs.in lacs)	18.57	123.00
	Rate per unit	16.00	14.59
ii)	Units generated through TG Set	NIL	40,74,800
	Amount (Rs.in lacs)	NA	311.37
	Rate per unit	NA	7.64
2.	Coal Consumption in MT's	2,964	22,696
	Amount (Rs.in lacs)	86.97	789.67
	Rate per M T Rs.	2,934.00	3,475.00
3	Furnace Oil Consumption in KL's	NIL	NIL
	Amount (Rs.in lacs)	NA	NA
	Rate per KL Rs.	NA	NA

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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 :

Specific areas in which R & D was carried out by the company	Process Development of Active Pharmaceutical Ingredients, Intermediates and Fine Chemicals.
Benefits derived from above R & D Efforts.	Developed new products and achieved cost and process efficiencies on existing products.
Future plan of action	To stabilise the process for new products and Intermediates after revival of operations.

Rs in Lacs

Expenditure on R & D	01.04.12-30.06.13	01.04.11-31.03.12
Capital Expenditure	NIL	NIL
Revenue Expenditure	25.24	83.03
Total Expenditure	25.24	83.03
Total R & D Expenditure as % of Turnover	2.20%	1.15%

B. Technology Absorption, Adoption and Innovation:

Efforts in brief towards technology absorption and adoption	The company has its own R&D operations working on process development and improvement for both New Products and its existing Products. The developments are implemented in its plants.
Benefits derived	The company is constantly executing process developments for its products range. Having expertise in Fermentation, Biocatalysis Synthetic Chemistry, Innovative routes of synthesis combining the above technologies are being developed that provide the benefits of low cost, lower waste generation, elimination of the use of hazardous chemicals and reactions.
Information with regard to import of technology during last 5 years	There is no import of technology in the last 5 years.



Form - C

Foreign Exchange Earnings and Outgoings :

Rs. in lacs

Particulars	01.04.12-30.06.13	01.04.11-31.03.12
a) Value of Imports on CIF Basis		
Import of Raw Materials	NIL	NIL
Stores & Spares	NIL	11.99
Capital Goods	NIL	NIL
b) Expenditure		
Travelling	2.07	1.98
Consultancy Fees	NIL	NIL
Product Development	1.81	73.05
c) Earnings in Foreign Exchange		
FOB Value of Exports	245.94	514.98
FOB Value of Plant & Machinery	NIL	NIL

For and on behalf of the Board of
M/s. Krebs Biochemicals & Industries Limited
Sd/-

Place: Hyderabad
Date: 29.11.2013

(Dr. R.T.Ravi)
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Economy :

The continuing global economic crisis is adding another layer of complexity to an already challenging market environment. India's economic growth began slowing because of a tight monetary policy, intended to address persistent inflation, and a decline in investment caused by investor pessimism about domestic economic reforms and the global situation.

Industry Structure and Developments:

Global Pharmaceutical Industry is expected to grow at 3-6% annually up to 2015 according to IMS Health estimates. Pharmaceutical industry is facing many challenges and uncertainties. This is putting pressure on the companies to focus on ways to increase the productivity and streamline the significant overheads. The industry continues to grow modestly, while adapting to unparalleled changes. A number of Big Generics based Pharmaceutical companies have emerged in India over the past decade and are driving the growth in the Pharmaceutical sector in India. India's own requirement of pharmaceuticals is seeing a steady and significantly higher than world average growth. This is the very reason large Pharma companies are eyeing the Indian market and trying to grab a slice of the pie by way of acquisitions and large marketing outlays.

The differentiation of Quality and Regulatory expertise is no longer valid in the Bulk Pharmaceuticals manufacturing. Only two differentiators are in force that can drive growth. Firstly Market outreach and ability to create partnerships and lastly technologies used in the manufacture of Bulk Pharmaceuticals.

We see that one of the above differentiators or a combination of the two will increasingly determine the sustainable growth and future of bulk pharmaceuticals manufacturing in India. High reliability on China for the Basic chemicals will be a significant risk in the short and medium term. We see that China is catching up on the Quality and Regulatory Aspects though the Intellectual Property worries are moving customers to India.

Strengths & Opportunities:

Our attempt to differentiate based on technology is seeing some success by way of attracting a good customer base which will lead to further business in the future. Our Infrastructure and Skill sets along with the Partnerships being built should put the company in growth mode. Moreover the successful completion of USFDA (United States of Food and Drug administration) audit and its approval for Unit-I is an added advantage for the Company to attract good customers.

The relatively smaller operations size allows us to be flexible with customer's changing requirements. We are one of the very few players having capabilities in Fermentation, Biocatalysis and Organic Synthesis allowing us to grab the opportunities requiring combination of these Skills.

Risks & Concerns:

The weak financial position of the Company coupled with adverse affect of Indian economy is a hurdle in delivering the timely completion of projects. Driving the company in success path by passing all the barricades is a major challenge for the Company in future years.

Company infrastructure:

Krebs operates from its Headquarters and Registered Office at Hyderabad. The company has two multi-purpose manufacturing facilities with all support infrastructures like Utilities, environment management and safety systems.

Product Wise Performance

During the year under review your company recorded a net turnover of Rs. 1,144.90 lacs compared to Rs.7,076.00 lacs in the previous Financial Year registering a reduction. Though Unit - I reported revenue of Rs.614.17 lacs during the period under review compared to Rs. 275.33 lacs during the previous year on account of contract manufacturing in the unit., the capacity utilisation was increased on account of USFDA approval. As mentioned earlier Lovastatin and Simvastatin manufacturing has stopped due to Power Shortage in Andhra Pradesh. Also both the plants are closed due to the financial crisis that the company is facing. A detailed strategy to revive the operations by way financial restructuring followed by a complete product strategy for both the plants is being worked out as part of the rescue package.

Internal Control Systems and their adequacy:

The company has 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 the 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. Further the Management is proactive in implementing the recommendations made by the independent Audit Committee.

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 Company's Act, 1956 and as per the Accounting Standards issued by the Institute of Chartered Accountants of India. All Incomes 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 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 of which issued, subscribed and paid up capital is Rs.9.51 crores divided in to 95,14,286 Equity shares of Rs. 10/- each. There is no other class of shares.

Reserves:

The reserves of the company decreased from Rs. 1,363.66 lacs to Rs.(156.63) lacs due to increased losses during the year.

Secured Loans:

The secured term loans have remained constant at Rs. 6,492.99 lacs compared to the previous financial year. The secured working capital loans have increased from Rs. 1,517.01 lacs to Rs. 1,872.99 lacs. At the end of the period the Secured Debt is Rs.8,365.98 lacs and an unsecured loan of Rs. 896.47 lacs comprising sales tax deferment.

Investments:

No investments were undertaken during the year under review.

Inventories :

The value of inventories as on 30.06.2013 is Rs. 3,082.44 lacs as against Rs. 3,048.57 lacs 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.

Sundry Debtors:

During the year under review, as the recovery from the debtors was improved in spite of no material change in the turnover and the same was reflected as reduction from Rs. 2,914.26 lacs to Rs. 2,251.42 lacs. 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:

The additions made during the year under review, amounted to Rs. 43.48 lacs which takes the total gross block to Rs. 16,430.50 lacs as on 30.06.2013 against Rs. 16,387.02 lacs as on 31.03.2012.

Depreciation:

The Company has provided Rs. 827.64 lacs towards Depreciation as against Rs. 965.71 lacs in the previous year, on the assets, which is in accordance with the stated accounting policy of the Company. The company has not provided depreciation from 1st January 2013 amounting to Rs.170.73 lacs on the assets of its Anakapalli Unit due to the closure of the unit on account of labour strike. There is no change in the depreciation policy of the Company.

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 strives to maintain a minimum stock as required for production through efficient budgetary planning of production.

Finance Charges:

The Financial Charges during this period amounted to Rs. 62.92 lacs as against Rs. 865.62 lacs during the previous year. The company has not provided interest on term loans and working capital loans from 1st April 2012 amounting to Rs. 887.62 lacs and Rs.265.06 lacs respectively since the banks have issued notices under SARFAESI Act.



Overheads:

The Other Overheads are Rs. 1,015.27 lacs as against Rs. 2,523.11 lacs during the previous year. The decrease was mainly on account of decreased expenditure on account of power & fuels and lower capacity utilisation. However a reduction in other overheads was seen by way of cost reduction measures taken up by the company.

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 available in the industry.

Safety and Environment:

The operations of the company's plants are in conformity with good industrial safety practices. Regular Hazards and Risks Analysis are conducted at both the plants as part of the ongoing Safety Policy. The management takes into consideration the welfare of the employees and also effect on the surrounding community at large. Norms and Standards for effluents treatment and disposal are prescribed by the Pollution Control Board and 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, finished goods prices, raw materials availability and prices, cyclical demand and pricing in the Company's markets, 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 perspective depending upon such developments and their possible effect on the Company's operations and activities.

For and on behalf of the Board of
M/s. Krebs Biochemicals & Industries Limited
Sd/-

Place: Hyderabad
Date: 29.11.2013

(Dr. R.T.Ravi)
Chairman & Managing Director

**Report on Corporate Governance for the period
01.04.2012 to 30.06.2013
(Annexure to the Directors Report)**

1. Company's philosophy on Corporate Governance

Fairness, accountability, disclosures and transparency form the four pillars of your Company's philosophy of Corporate Governance. Your Company strongly believes that for attaining sustainable growth in this competitive corporate world, Corporate Governance is a pre-requisite. The governance practices followed by your Company have played a vital role in its journey of continued success. Our endeavor over the years has been to strengthen the governance processes and systems attributing to constant improvisations, sustainability, profitable growth and creating long-term value for the stakeholders.

The governance practices followed by your Company are continuously reviewed and the same are benchmarked to the best governed companies.

Your Company has complied with all the regulations stipulated by the Securities Exchange Board of India (SEBI) in the Listing Agreement.

2. Board of Directors:

The Board of Directors has been implementing the principles of Corporate Governance as envisaged in Clause 49 of the Equity Listing Agreement. Your Company's Corporate Governance framework is based on an effective, independent Board, separation of the supervisory role of the Board from the executive management team and proper constitution of Committees of the Board. The Board functions either as a full Board or through various Committees constituted to oversee specific operational areas.

2.1 Composition and Category of Directors

The Company has an Executive Chairman. The Board comprised of seven directors, two of whom are Executive and remaining are non-executive independent directors, which is in conformity with clause 49 of the listing agreement. The following is the composition of the Board of Directors:

Name of the Director	Designation	Category
Mr. Dr. R. T. Ravi	Chairman & Managing Director	Promoter & Executive Director
Mrs. Daya Chandahas	Nominee Director-Export Import Bank of India Ltd	Non-executive and Independent Director
Mr. P. Nagaraju	Nominee Director-IDBI	Non-executive and Independent Director
Mr. K. Rajendra Prasad	Nominee Director-APIDC	Non-executive and Independent Director
Mr. G. V. L. Prasad	Director	Non-executive and Independent Director
Mr. Avinash Ravi	Director and Chief Operating officer	Promoter & Executive Director
Mr. R.Ch.Satyanarayana	Nominee Director-Small Shareholders	Non-executive and Independent Director



2.2 Number & Dates of Board Meetings held during the year.

During the period under review, the Board has met 5 times i.e. on 17-05-2012, 14-08-2012, 12-11-2012, 12-02-2013 and 15-05-2013. Director's attendance at the Board and General Meetings held during the said period and number of other Directorship and Chairmanship/Membership of Committees of each Director in various companies is as follows:

Sl. No	Name	No of Board Meetings during the period 2012-13		Whether attended last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
01	Mr. P. Nagaraju (IDBI Nominee)	5	4	---	1	1	---
02	Mr. K. Rajendra Prasad (APIDC Nominee)	5	3	---	---	02	---
03	Mrs. Daya Chandrasah (EXIM Bank Nominee Director)	5	5	---	---	---	---
04	Mr. G. V. L. Prasad	5	5	Yes	01	03	03
05	Mr.R.Ch.Satyanarayana Small Shareholders Director	5	5	---	01	03	---
06	Dr. R. T. Ravi Managing Director	5	5	Yes	01	02	---
07	Mr. Avinash Ravi - Director & COO	5	5	Yes	01	---	---

No of Meetings	Designation	Name	Attendance of the members	
			Held	Attended
5	Chairman	Mr. G. V. L. Prasad	5	5
5	Member	Dr. R. T. Ravi	5	5
5	Member	Mr. R. Ch. Satyanarayana	5	5
5	Member	Mr. P. Nagaraju	5	5

No Director holds Membership of more than 10 Committees of the Board nor is a Chairman of more than 5 Committees of the Board of all the companies in which he is a Director.

In addition to items which are required to be placed before the Board for their noting and/ or approval, the following information is also being provided to the Board:

1. Annual operating plans/ budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results of your Company and its operating divisions or business segments.
4. Minutes of meetings of the Audit Committee and other Committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment/ removal of the Chief Financial Officer and the Company Secretary.
6. Show-cause, demand, prosecution and penalty notices, which are materially important.
7. Fatal or serious accidents, dangerous occurrences, etc.
8. Any material default in financial obligations to and by the Company.
9. Any issue which involves possible public or product liability claims of substantial nature.
10. Details of any joint venture or collaboration agreement.
11. Any significant development in Human Resources.
12. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

3. COMMITTEES OF BOARD

3.1 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 Committee comprising of four independent directors and one executive Director met 5 times during the period i.e. on 17-05-2012, 14-08-2012, 12-11-2012, 12-02-2013 and 15-05-2013.

Attendance of the members:

Name	Designation	No of Meetings	
		Held	Attended
Mr. G. V. L. Prasad	Chairman	5	5
Dr. R. T. Ravi	Member	5	3
Mr. R.Ch.Satyanarayana	Member	5	5
Mr. P. Nagaraju	Member	5	5



The meetings of the Audit Committee were also attended by the Executive Director, Chief operating officer and statutory Auditor of the Company. The primary objectives of the Audit Committee are:

- Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report including quarterly / half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing on:
 1. Any changes in accounting policies and practices;
 2. Qualification in draft audit report;
 3. Significant adjustments arising out of audit;
 4. The going concern concept;
 5. Compliance with accounting standards;
 6. Compliance with stock exchange and legal requirements concerning financial statements;
 7. Any related party transactions
- Reviewing the company's financial and risk management's policies.
- Disclosure of contingent liabilities.
- Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Reviewing compliances as regards the Company's Whistle Blower Policy.

3.2. Remuneration Committee:

The purpose of the Remuneration Committee shall be to discharge the Board's responsibilities relating to remuneration of the Company's Executive Directors. The Committee has overall responsibility for approving and evaluating and recommending plans, policies and programs relating to remuneration of Executive Directors of the Company.

Details of Remuneration to Directors**Executive Directors**

Name	Salary	PF	Perks	Total (Rs)
Dr. R. T. Ravi	15,00,000	----	562,500	20,62,500
Mr. Avinash Ravi	13,99,200	----	79,200	14,78,400

Non-Executive Directors

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. The details of sitting fees paid to them during the period are as follows:

Name	Designation	No of Shares held	Sitting Fees paid (Rs)
Mrs. Daya Chandrahas (EXIM)	Director	----	25,000/-
Mr. P. Nagaraju (IDBI)	Director	----	30,000/-
Mr. K Rajendra Prasad (APIDC)	Director	----	15,000/-
Mr. M. Venkateswara Rao	Director	----	15,000/-
Mr. G. V. L. Prasad	Director	100,000	50,000/-
Mr. R. Ch. Satyanarayana	Director	250	50,000/-

Terms of reference of the RCC:

The main term of reference of the Committee is to approve the fixation/revision of remuneration of the Managing Director/Whole Time Director or other key employees of the Company and while approving:

- To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
- To bring out objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.

3.3. Share Holders Committee:**A. Composition, meetings and the attendance during the year:**

The Details of composition of the Committee and attendance of the members at the meetings are given below:

Name	Designation	Category
Mr. G. V. L. Prasad	Chairman	NED (I)
Dr. R. T. Ravi	Member	PE
Mr. R. Ch. Satyanarayana	Member	NED (I)

NED (I): Non Executive Independent Director

PE: Professional Executive Director



B) Powers:

The committee has been delegated with the following powers:

The Details of composition of the Committee and attendance of the members at the meetings are given below:

- To redress shareholders and investor complaints relating to transfer of shares, dematerialization of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- To approve, transfer, transmission, and issue of duplicate/ fresh share certificate(s).
- Consolidate and sub-division of share certificate etc.
- To redress, approve and dispose off any, other complaints, transactions and requests etc. received from any shareholder of the company and investor in general.

The Board has delegated the power to process the transfer and transmission of shares to the Registrar and share Transfer Agents, who process share transfers within a week of lodgment in the case of shares held in physical form.

The Board has designated Mr. Avinash Ravi, Director and COO as the Compliance Officer.

The Company has designated an exclusive e-mail ID cskrebsbiochem@gmail.com for redressal of shareholders' complaints/grievances.

Complaints received and redressed by the Company during the financial year:

During the year no complaints were received.

Sl. No	Particulars	Remarks
1.	At the beginning of the year	NIL
2.	Received during the year	NIL
3.	At the end of the year	NIL

4. General Body Meetings

Details of previous three Annual General Meetings:

AGM	Year	Venue	Date & Time	Special Resolutions Passed
20th	2011-12	10-1-124, Ivory Room, Golconda Hotel, Masab Tank, Hyderabad- 500028	26.09.2012 11.30 A.M	Yes- Alteration of Articles of Association allowing participation of members and directors in meetings through video conferencing mode.
19th	2010-11	10-1-124, Ivory Room, Golconda Hotel, Masab Tank, Hyderabad- 500028	29.09.2011 11.30 A.M	Nil
18th	2009-10	Surana Udyog, Auditorium, Federation Building, FAPCCI, Red Hills, Hyderabad-500004	16.08.2010 11.30 A.M	Nil

POSTAL BALLOT

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

5. Disclosures

i. Disclosures on material Significant Related Party Transactions

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.

ii. Cases of Non-Compliances / Penalties

NSE revocation of Suspension: As per the procedure, before revocation of suspension, NSE has placed your company under observation to ensure compliance in all respects. The Company is awaiting response from NSE.

iii. Risk Management

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

6. 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.

7. General Share Holder Information:

Annual General Meeting	Day: Saturday Date: 21st December, 2013 Time: 11.00 A.M.
Venue	10-1-124, Golconda hotel, Masab Tank, Hyderabad-500028.
Financial Year	1st April, 2012 to 30th June, 2013
Book Closure Date	18.12.2013 to 21.12.2013
Dividend Payment Date	Not applicable as no dividend is declared
Listing on Stock Exchanges	a. Bombay Stock Exchange Ltd b. National stock Exchange Ltd
Stock Code	BSE - 524518 NSE - Krebsbio
ISIN No	INE268B01013

8. Stock price data:

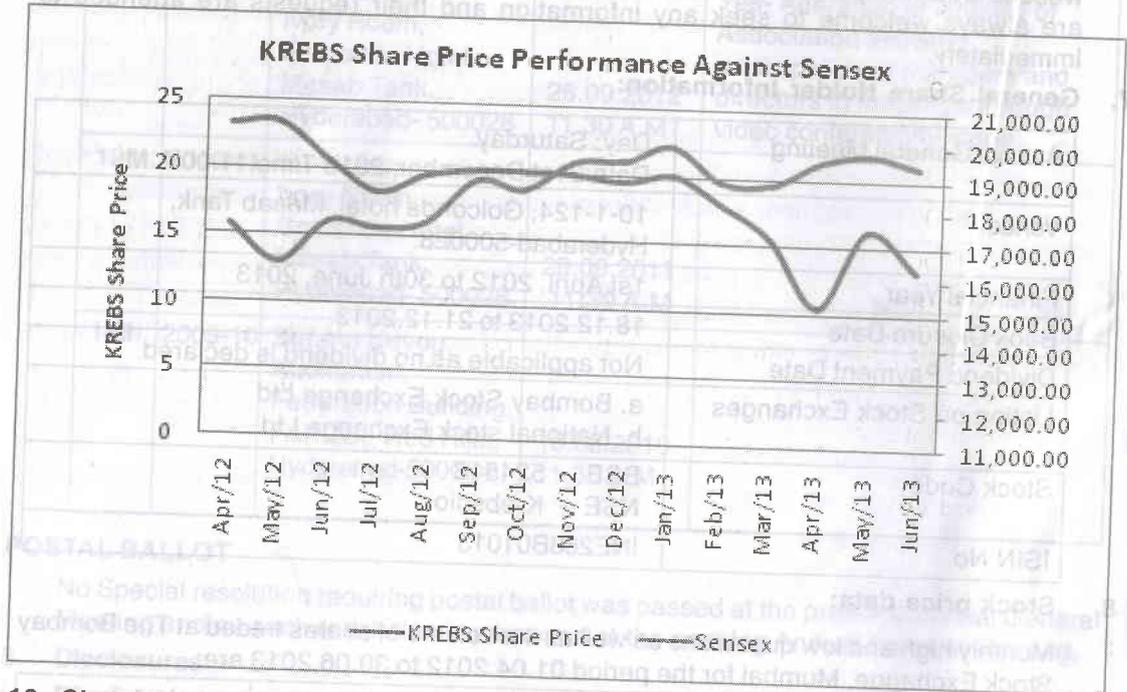
Monthly high and low quotations as well as the volume of shares traded at The Bombay Stock Exchange, Mumbai for the period 01.04.2012 to 30.06.2013 are:

Month	High Price	Low Price	Volume
Apr 12	24.25	21.00	11,321
May 12	24.95	21.50	12,375
Jun 12	23.45	20.40	14,180
Jul 12	22.40	18.15	14,328
Aug 12	21.80	17.25	9,897
Sep 12	20.70	18.25	26,113
Oct 12	22.15	19.05	50,795
Nov 12	21.15	19.20	8,338
Dec 12	20.85	18.60	16,102
Jan 13	22.40	18.50	26,341
Feb 13	19.55	16.15	8,821
Mar 13	18.95	14.00	8,192
Apr 13	16.75	10.40	13,193
May 13	17.09	9.50	1,64,448
Jun 13	17.05	12.65	3,091



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.

11. Shareholding pattern:

Category	30 th June, 2013			31 st March, 2012		
	No of share holders	No of Shares held	Voting Strength %	No of share holders	No of Shares held	Voting Strength %
Individuals	6634	2989412	31.41	6871	2895171	30.43
Companies	189	1774912	18.66	196	1672680	17.58
FIs/fIs/Banks	4	1822	0.02	7	200795	2.11
Promoters & their relatives	12	4748140	49.91	12	4745640	49.88
Totals	6839	9514286	100.00	7086	9514286	100

12. Distribution of Share holding at the end of 30th June 2013:

Sl.No	Category	Cases	% of Cases	Amount	% Amount
1	upto 1 - 5000	6068	88.73	8518090.00	8.95
2	5001 - 10000	412	6.02	3240820.00	3.41
3	10001 - 20000	166	2.43	2454730.00	2.58
4	20001 - 30000	74	1.08	1874500.00	1.97
5	30001 - 40000	26	0.38	927710.00	0.98
6	40001 - 50000	22	0.32	1060950.00	1.12
7	50001 - 100000	33	0.48	2370920.00	2.49
8	100001 & ABOVE	38	0.56	74695140.00	78.51
	Total:	6839	100.00	95142860.00	100.00

13. Dematerialization of Shares and Liquidity as on 30-06-2013:

Total shares dematerialized as on 30th June 2013 is 71,67,570 amounting to 75.34 percent of total shares.

Mode of Holding	Shares	
	Total	%
PHYSICAL	23,46,716	24.66
DEMAT		
- NSDL	51,35,704	53.98
- CDSL	20,31,866	21.36
Total :	95,14,286	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

Sd/-
Dr. R.T.Ravi
Chairman & Managing Director

Sd/-
Avinash Ravi
Director & COO

For Krebs Biochemicals & Industries Ltd

Place
Date : 29.11.2013



16. Correspondence Address:
Krebs Biochemicals & Industries Ltd,
 Plot No 34, 8-2-577/B, Mass Heights,
 Road No:8, Banjara Hills,
 Hyderabad - 500 034
 Tel : +91-40-66037777
 Fax: 040 - 6603 7755
 Email: cskrebsbiochem@gmail.com

17. Registrars and Transfer Agents:
 Karvy Computershare Pvt. Ltd.
 Plot No.17-24 , Vittalrao Nagar, Madhapur
 Hyderabad - 500 081.
 Tel : +91-40-44655276
 Fax : +91-40-2343 1551

E.mail : einward.ris@karvy.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
 M/s. Krebs Biochemicals & Industries Limited
 Sd/-
(Dr. R.T.Ravi)
 Chairman & Managing Director

Place: Hyderabad
 Date: 29.11.2013

Category	No. of shares	Value	%
Individuals	4288	214292	14.10
Companies	391	218777	14.81
Fiduciary Banks	4	224	0.03
Promoters & their relatives	12	474514	31.99
Total	4695	945227	63.93

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE FROM CHAIRMAN 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 period ended 30th June, 2013 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 period ended 30th June, 2013 are fraudulent, illegal or volatile 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

Sd/-

Dr. R.T.Ravi

Chairman & Managing Director

Sd/-

Avinash Ravi

Director & COO

Place : Hyderabad

Date : 29.11.2013



Auditor's 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 fifteen months ended on 30th June 2013, 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 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 PAVULURI & Co.

Chartered Accountants

Firm Regn No.012194S

(CA N RAJESH)

PARTNER

M.No.223169

Place: Hyderabad

Date: 26.08.2013

Sd/-
Avinash Ravi
Director & COO

Sd/-
Dr. R.T.Ravi
Chairman & Managing Director

Place: Hyderabad
Date: 28.11.2013

**INDEPENDENT AUDITOR'S REPORT**

To
The Members of
KREBS BIOCHEMICALS & INDUSTRIES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of M/s. KREBS BIOCHEMICALS & INDUSTRIES LTD, which comprise the Balance Sheet as at June 30, 2013, the Statement of Profit and Loss and Cash Flow Statement for the fifteen months period ended on that date and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- (1) Reference is invited to Note 15 of the financial statements; the Company's Non Current Assets consist of Long Term Trade Receivables of Rs 2159.65 lacs. We are unable to ascertain whether such balances as at balance sheet date are fully recoverable. Accordingly, we are unable to ascertain the impact, if any, that may arise in case any of these receivables are subsequently determined to be doubtful of recovery. Had the Company provided provision for the same, the loss for the period would have been higher by Rs. 2,159.65 lacs.
- (2) Reference is invited to Note 11 of the financial statements; the company has not provided the interest on Term Loans and Working Capital Loans with effect from 1st April 2012. Accordingly, the loss for the period would have been higher by Rs. 1,152.68 lacs.



- (3) The company has not provided the depreciation in respect of its Unit II (Vizag) with effect from 1st January 2013 since the assets are not put to use due to the closure of unit on account of labour strike. Accordingly, the loss for the period would have been higher by Rs. 170.73 lacs.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2013;
- b) In the case of the Statement of Profit and Loss, of the loss for the fifteen months period ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the fifteen months period ended on that date.

Report on Other Legal and Regulatory Requirements:

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by section 227(3) of the Act, 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 account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. Except for the effects of the matters described in the Basis for Qualified Opinion paragraph, In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in section 211(3C) of the Act;
 - e. On the basis of written representations received from the directors as on June 30, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. Since the Central Government has neither issued any notification as to the rate at which the cess is to be paid under Section 441A of the Act nor has it issued any Rules under the said Section prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For PAVULURI & Co.
Chartered Accountants
Firm's Reg. No. : 012194S

Sd/-
(CA N RAJESH)
PARTNER
M.No : 223169

Place: Hyderabad
Date: 26.08.2013

**ANNEXURE TO AUDITORS' REPORT**

(Referred to in paragraph 1 of report on other legal and regulatory requirements of the auditors' report of even date to the members of Company on the financial statements for the year ended 30th June, 2013)

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 program 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 not disposed of a substantial part of its fixed assets during the year.
2. (a) The inventories have not been physically verified by the management during the year due to closure of the plants.
(b) Since the inventories have not been physically verified by the management during the year, the points relating to reasonableness of physical verification procedures and discrepancies noticed on physical verification are not applicable.
3. 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. Therefore, the provisions of clause 4(iii) (b), (c) & (d) of the Companies (Auditor's Report) order, 2003 are not applicable to the company.
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 and according to the information and explanation given to us, 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 and according to the information and explanation given to us, 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.

21st Annual Report



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 30th June, 2013 for a period exceeding six months from the date they became payable.

Sr No	Nature of undisputed statutory Dues	Amount in Rs
1	Provident Fund Payable	20,496,245
2	ESI Payable	1,614,741
3	Professional Tax Payable	721,140
4	TDS Payable	4,378,753
5	Service Tax Payable	51,499
6	Duty Payable	1,773,230
7	Provision for tax on distributed profits	1,735,443
	Total	30,771,051

- (b) Disputed Service Tax, Income Tax & Sales Tax not deposited, has been disclosed in note no: 32 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
AP VAT Act	Sales Tax	77,84,419	Nil	ADC Guntur
Income Tax Act	Income Tax	3,15,52,734	Nil	AP High Court

10. The company's accumulated losses at the end of the financial year are less than fifty per cent of its networth. However it has incurred cash loss during the fifteen months period 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 defaulted in repayment of its dues to banks and financial institutions. The amounts and the period of default could not be ascertained as the banks have withdrawn from CDR and the company does not have sufficient information to quantify the defaulted amounts.
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.

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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, during the financial period the company has not made a preferential allotment of shares.
19. No debentures have been issued by the company and hence, the question of creating securities in respect thereof 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 PAVULURI & Co.
 Chartered Accountants
 Firm's Reg. No. : 012194S
Sd/-
(CA N RAJESH)
 PARTNER
 M.No.223169

Place : Hyderabad
 Date : 26.08.2013

As per our report of even date attached
 For PAVULURI & Co.
 Chartered Accountants
 Firm's Reg. No. : 012194S
Sd/-
CA N RAJESH
 Partner
 M.No. : 223169
 Place : Hyderabad
 Date : 26.08.2013

Chairman and Managing Director
DR. R. RAMMOHA
Sd/-
CA N RAJESH
 Partner
 Director & Co-Partner
 M.No. : 223169
 Place : Hyderabad
 Date : 26.08.2013

KREBS BIOCHEMICALS & INDUSTRIES LTD

BALANCE SHEET AS AT 30TH JUNE, 2013

(Rs. in Lacs)

PARTICULARS	Note No.	As at 30.06.2013	As at 31.03.2012
I. EQUITY AND LIABILITIES			
(1) Shareholder's funds:			
Share capital	4	951.43	951.43
Reserves and surplus	5	(156.63)	1,363.66
		794.80	2,315.09
(2) Non-current liabilities			
Long-term borrowings	6	5,704.58	6,469.41
Long-term provisions	8	199.52	174.21
		5,904.10	6,643.62
(3) Current liabilities			
Short-term borrowings	9	1,872.99	1,517.01
Trade payables	10	1,974.87	2,733.80
Other current liabilities	11	3,192.06	1,632.38
Short-term provisions	12	23.57	16.34
TOTAL		13,762.39	14,858.24
II. ASSETS			
(1) Non-current assets			
Fixed assets			
(i) Tangible assets			
	13A	5,063.20	5,847.36
(ii) Intangible assets under development			
	13B	712.61	695.54
Deferred Tax asset (Net)	7	171.29	97.27
Long-term loans and advances	14	1,813.13	1,775.74
Other Non-current assets	15	2,159.65	2,140.73
		9,919.88	10,556.64
(2) Current assets			
Inventories	16	3,082.44	3,048.57
Trade receivables	17	91.77	773.53
Cash and cash equivalents	18	32.85	43.16
Short-term loans and advances	19	633.69	433.08
Other current assets	20	1.76	3.26
TOTAL		13,762.39	14,858.24
Notes forming part of financial statements	1-43		

As per our report of even date attached

For PAVULURI & Co.,

Chartered Accountants

Firm's Reg. No. : 012194S

Sd/-

CA N. RAJESH

Partner

M.No : 223169

Place : Hyderabad

Date : 26.08.2013

for and on behalf of the Board of Directors

Sd/-

DR. R.T. RAVI

Chairman and Managing Director

Sd/-

AVINASH RAVI

Director & COO



KREBS BIOCHEMICALS & INDUSTRIES LTD

STATEMENT OF PROFIT & LOSS FOR THE FIFTEEN MONTHS ENDED 30TH JUNE, 2013 (Rs. in Lacs)

PARTICULARS	Note No.	15 months ended 30.06.2013		12 months ended 31.03.2012	
INCOME					
Revenue from operations	21		1,144.90		7,076.00
Other income	22		614.17		275.33
I Total Revenue			1,759.07		7,351.33
II EXPENDITURE :					
Cost of material consumed	23		598.97		4,040.72
Changes in inventories of finished goods	24		(59.58)		13.55
Employee benefits expense	25		908.14		876.58
Finance costs	26		62.92		865.62
Depreciation	13		827.64		965.71
Other expenses	27		1,015.27		2,523.11
Total Expenses			3,353.36		9,285.29
III Profit before tax (I - II)			(1,594.29)		(1,933.96)
IV Tax expenses:					
Current tax			-		-
Deferred tax			(74.02)	(190.16)	(190.16)
V Profit/(Loss) for the period (III-IV)			(1,520.27)		(1,743.80)
VI Earnings per equity share of par value Rs 10/- each					
Basic			(15.98)		(18.33)
Diluted			(15.98)		(18.33)
VII No. of shares used in computing earnings per share					
Basic			9,514,286		9,514,286
Diluted			9,514,286		9,514,286
Notes forming part of financial statements	1-43				

As per our report of even date attached

For PAVULURI & Co.,

Chartered Accountants

Firm's Reg. No. : 012194S

Sd/-

CAN. RAJESH

Partner

M.No : 223169

Place : Hyderabad

Date : 26.08.2013

for and on behalf of the Board of Directors

Sd/-

DR. R.T. RAVI

Chairman and Managing Director

Sd/-

AVINASH RAVI

Director & COO



KREBS BIOCHEMICALS & INDUSTRIES LTD

Cash Flow Statement for the fifteen months ended 30.06.2013

(Rs in lacs)

Particulars	15 months ended 30th June 2013	12 months ended 31st March 2013
Net Profit before tax and extraordinary items	(1594.29)	(1933.97)
Adjustments for:		
Depreciation	827.64	965.71
Financial Charges	62.92	865.62
Interest received /Other Income	(614.17)	(275.33)
Operating Profit before Working Capital Changes	(1,317.90)	(377.97)
Changes in Working Capital		
(Increase)/Decrease in Trade Receivables	662.84	485.76
(Increase)/Decrease in Inventories	(33.87)	(108.52)
(increase)/Decrease in Long Term Loans & Advances	(26.39)	(86.20)
(increase)/Decrease in Short Term Loans & Advances	(200.61)	74.78
(increase)/Decrease in Other Current Assets	1.50	(3.26)
Increase/(Decrease) in Long Term Provisions	25.30	21.32
Increase/(Decrease) in Short Term Provisions	7.23	(16.15)
Increase/(Decrease) in Trade Payables	(758.94)	635.59
Increase/(Decrease) in Other Current Liabilities	1,559.68	978.44
Cash generated from Operations	1,236.74	1,981.76
Financial Charges paid	(62.92)	(865.62)
Direct Taxes paid	(10.99)	(6.12)
Net Cash provided/(Used) from operating activities	(60.56)	(395.16)
(Increase) / Decrease of Fixed Assets	-	-
(Increase) / Decrease of Capital Work-in-Progress	-	-
Interest Received/Other Income	614.17	275.33
Net Cash used in Investing Activities	553.61	(119.83)
Proceeds from long term borrowings	(764.82)	(609.77)
Increase/(Decrease) in Utilisation of Working Capital Loans	355.99	4.18
Increase/(Decrease) in Share Capital	-	46.43
Increase/(Decrease) in Share Premium	-	83.57
Increase/(Decrease) in Share Warrants	-	(130.00)
Net Cash provided/(Used) from financing activities	(408.84)	(605.59)
Net Increase in Cash and Cash equivalents	(10.30)	6.63
Cash and Cash equivalents as at the commencement of the year	43.16	36.53
Cash and Cash equivalents as at the close of the year	32.86	43.16

As per our report of even date attached

For PAVULURI & Co.,

Chartered Accountants

Firm's Reg. No. : 012194S

Sd/-

CA N. RAJESH

Partner

M.No : 223169

Place : Hyderabad

Date : 26.08.2013

for and on behalf of the Board of Directors

Sd/-

DR. R.T. RAVI

Chairman and Managing Director

Sd/-

AVINASH RAVI

Director & COO

NOTES to the Financial Statements for the year ended 31st March 2012**1 Corporate information**

Krebs Biochemicals & Industries Ltd has been incorporated on 2nd December 1991. At present the company is engaged in the business of manufacture of active pharmaceutical ingredients. The company has two manufacturing facilities one at Regadichelaka, Nellore (Dist) and another one at Kothapalli Village, Kasimkota Mandal, Vishakapatnam (Dist)

2 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous years.

3 Significant accounting policies**3.1 Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialised.

3.2 Inventories

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

3.3 Depreciation and amortisation

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

3.4 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.

3.5 Expenditure

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

3.6 Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Machinery spares which can be used only in connection with an item of fixed asset and whose use is expected to be



irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till commissioning of the project.

Fixed assets acquired in full or part exchange for another asset are recorded at the fair market value or the net book value of the asset given up, adjusted for any balancing cash consideration. Fair market value is determined either for the assets acquired or asset given up, whichever is more clearly evident. Fixed assets acquired in exchange for securities of the Company are recorded at the fair market value of the assets or the fair market value of the securities issued, whichever is more clearly evident.

Capital work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

3.7 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.

3.8 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 are restated at the Foreign Currency Rates 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 and foreign currency debtors which are doubtful at the end of the year are not restated at the foreign currency rates prevailing at the end of the year.

3.9 Borrowing costs :

Borrowing costs include interest, amortisation of ancillary costs incurred to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

3.10 Earnings per share :

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

3.11 Taxes on Income :

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company. Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

Current and deferred tax relating to items directly recognised in equity are recognised in equity and not in the Statement of Profit and Loss.

3.12 Impairment of assets :

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting

the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

3.13 Provisions and contingencies :

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

3.14 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.

3.15 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.

3.16 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.

Note 4.

Share Capital

(All the figures are in lacs unless otherwise stated)

	As at 30.06.2013		As at 31.03.2012	
	No. of Shares	Amount	No. of Shares	Amount
I. Authorised:				
Equity shares of Rs 10 each with voting rights	100.00	1,000.00	100.00	1,000.00
II. Issued, Subscribed and Paid up:				
Equity shares of Rs 10 each with voting rights	95.14	951.43	95.14	951.43
	95.14	951.43	95.14	951.43

a) Terms/ rights attached to equity shares

The company has only one class of equity shares having a face value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share. The dividends recommended by the Board of Directors, if any are subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the equity share holders are entitled to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to the number of shares held.

b) Reconciliation of shares outstanding at the end of the reporting period

	As at 30th June, 2013		As at 31st March, 2012	
	No. of Shares	Amount	No. of Shares	Amount
Equity shares with voting rights:-				
Opening Balance	95.14	951.43	90.50	905.00
Preferential Allotment (*)	-	-	4.64	46.43
Closing Balance	95.14	951.43	95.14	951.43

c) Details of shares held by each shareholder holding more than 5% shares:

Sr No	Class of shares / Name of shareholder	As at 30th June, 2013		As at 31st March, 2012	
		No. of Shares held	% holding	No. of Shares held	% holding
	Equity shares with voting rights				
1.	Avinash Ravi	16.98	17.85%	16.98	17.85%
2.	Aditya Ravi	12.68	13.33%	12.68	13.33%
3.	Hemalatha Ravi	8.94	9.40%	8.94	9.40%
4.	Ajay Ravi	6.33	6.65%	6.33	6.65%
5.	Ranbaxy Laboratories Ltd	10.50	11.04%	10.50	11.04%
		55.44	58.27%	55.44	58.27%

Note - 5

Reserves and Surplus

(Rs. in Lacs)

	As at 30th June, 2013	As at 31st March, 2012
Share Premium Account		
As at Commencement of the Year	4,000.17	3,916.60
Add : Received on further issue of shares	-	83.57
State Subsidy	4,000.17	4,000.17
As at Commencement of the Year	39.38	39.38
Add : Additions during the year	-	-
Profit and Loss Account	39.38	39.38
As at Commencement of the Year	(2,675.90)	(932.09)
Add: Transferred from Profit & Loss Account	(1,520.27)	(1,743.81)
	(4,196.18)	(2,675.90)
	(156.63)	1,363.66

Note - 6

(Rs. in Lacs)

Long Term Borrowings

	As at 30th June, 2013	As at 31st March, 2012
A) Secured Loans		
Long Term Loans - From Banks		
(i) Industrial Development Bank of India	1,525.41	1,850.84
(ii) Syndicate Bank	496.53	602.46
(iii) Export and Import Bank of India	1,340.22	1,626.13
(iv) United Bank of India	251.82	305.54
(v) Andhra Bank	752.15	912.60
(vi) The Jammu & Kashmir Bank Limited	503.61	611.05
	4,869.74	5,908.62
B) Unsecured Loans		
Long Term Loans - Others		
(vii) Cholamandalam DBS Finance Ltd	-	3.48
(viii) Artemis Biotech	70.00	70.00
(ix) Sainor Labs Pvt. Ltd - ICD	310.00	-
(x) HDFC Bank	-	1.78
(xi) Interest Free Sales Tax Loan	454.84	485.52
	834.84	560.79
Total Long Term Borrowings	5,704.58	6,469.41
Current maturities (Shown under Current liabilities)		
Secured Loans		
(i) Industrial Development Bank of India	508.47	183.05
(ii) Syndicate Bank	165.51	59.58
(iii) Export and Import Bank of India	446.74	160.83
(iv) United Bank of India	83.94	30.22
(v) Andhra Bank	250.72	90.26
(vi) The Jammu & Kashmir Bank Limited	167.87	60.43
	1,623.25	584.37
Unsecured Loans		
(vii) Cholamandalam DBS Finance Ltd	3.48	3.55
(x) HDFC Bank	1.43	2.68
(xi) Interest Free Sales Tax Loan	56.72	26.03
	61.63	32.27
Total current maturities of		
Long Term Borrowings	1,684.87	616.64

- a) All the installments falling due within 12 months from the date of Balance Sheet have been classified as current liabilities, the aggregate of which is shown as 'current maturities of long-term borrowings' under Note - 11, 'Other Current Liabilities'.
- b) Term Loans from IDBI, Exim Bank, Syndicate Bank are secured by first charge on all movable and immovable fixed assets both present and future of the Company 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.
- c) The bankers have sent a letter to the company that they have withdrawn from CDR with effect from 26.04.2013 due to failure of CDR package. The company has also received notices under SARFAESI Act from the respective banks for payment of outstanding dues.

NOTE - 7**Net Deferred Tax Liability / (Asset)****(Rs. in Lacs)**

	As at 30th June, 2013	As at 31st March, 2012
On Depreciation (Difference of as per Books & as Per Income Tax Act)	(112.25)	(43.53)
On Accrued compensation to employees	(59.04)	(53.74)
	(171.29)	(97.27)

NOTE - 8**Long Term Provisions****(Rs. in Lacs)**

	As at 30th June, 2013	As at 31st March, 2012
Provision for employee benefits		
- Provision for gratuity (net)	199.52	174.21
	199.52	174.21

NOTE - 9**Short Term Borrowings****(Rs. in Lacs)**

	As at 30th June, 2013	As at 31st March, 2012
Secured Loans		
Working capital loans - From Banks		
Andhra Bank	953.57	755.71
The Jammu & Kashmir Bank Limited	571.48	504.46
United Bank of India	347.94	256.84
	1,872.99	1,517.01

Note : 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.

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NOTE - 10

Trade Payables

(Rs. in Lacs)

	As at 30th June, 2013	As at 31st March, 2012
Dues to Other than Micro and Small Enterprises		
Creditors for Materials	1,911.38	2,575.48
Creditors for Services	63.48	158.32
	1,974.87	2,733.80
	1,974.87	2,733.80

NOTE - 11

Other Current Liabilities

(Rs. in Lacs)

	As at 30th June, 2013	As at 31st March, 2012
(i) Interest accrued and due on borrowings	144.28	144.28
(ii) Other payables		
Current maturities of long term borrowings (Refer Note 5)	1,684.87	616.64
Statutory remittances	307.71	247.06
Payables on purchase of fixed assets	52.61	74.19
Payables for expenses	404.41	338.79
Salaries Payable	554.10	174.87
Audit Fees Payable	11.07	7.80
Directors Remuneration Payable	15.33	11.08
Advance from customers	17.68	17.68
	3,192.06	1,632.38

Note : The interest accrued and due for borrowings include interest dues upto March 2012 for Term Loans. Since the banks have withdrawn from CDR package and sent the notices under SARFASEI Act, the company has not provided interest on Term Loans and Working Capital Loans with effect from 1st April 2012. The total interest on term loans not provided in the books from 1st April 2012 to 30th June 2013 is Rs 887.62 lacs and total interest on working capital loans not provided in the books from 1st April 2012 to 30th June 2013 is Rs 265.06 lacs. These interests have been calculated as per CDR package.

NOTE - 12

Short Term Provisions :

(Rs. in Lacs)

	As at 30th June, 2013	As at 31st March, 2012
Provision for employee benefits		
Provision for bonus	23.57	16.34
	23.57	16.34

NOTE - 14

Long-Term Loans and advances

(Rs. in Lacs)

	As at 30th June, 2013	As at 31st March, 2012
Unsecured, Considered Good :		
Capital advances	1,088.14	1,071.21
Electricity Deposits	120.61	106.34
Rent Deposits	5.67	10.48
Telephone Deposits	0.80	0.80
Advance Income Taxes	36.26	25.27
Other Loans and advances	561.65	561.65
	1,813.13	1,775.74

NOTE - 15

Other Non Current Assets

(Rs. in Lacs)

	As at 30th June, 2013	As at 31st March, 2012
Long Term Trade Recievables		
Unsecured, Considered Good :		
	2,159.65	2,140.73
	2,159.65	2,140.73

Note : The recovery of above Long Term Trade Receivables of Rs.2,159.65 Lakhs is doubtful. However, the management is of the opinion that no provision is necessary during the year against the above amount as the company is pursuing the matter and the amount may be recovered.

NOTE- 16

Inventories

(Rs. In Lacs)

	As at 30th June, 2013	As at 31st March, 2012
Raw Material and Packing Material	943.54	959.33
Work-in-Progress	1,961.36	1,906.41
Finished Goods	63.93	59.31
Stores and Spares	113.60	123.52
	3,082.44	3,048.57



NOTE- 17

Trade Receivables

(Rs. in Lacs)

	As at 30th June, 2013	As at 31st March, 2012
Unsecured, Considered good		
Debtors outstanding for a period exceeding six months	57.89	29.16
Other Debtors	33.88	744.37
	91.77	773.53

NOTE- 18

Cash & Bank Balances

(Rs. in Lacs)

	As at 30th June, 2013	As at 31st March, 2012
Cash in Hand	0.38	0.13
Balance with noted Banks :		
In Current Accounts	0.87	1.21
In Margin Money Accounts	31.60	41.60
In EEFC accounts	-	0.22
	32.85	43.16

NOTE- 19

Short-term Loans & Advances

(Rs. in Lacs)

	As at 30th June, 2013	As at 31st March, 2012
Unsecured Advances - Considered good		
(i) Loans and advances to employees	223.60	8.17
(ii) Prepaid Expenses	1.31	23.27
(iii) Balances with Govt Authorities		
- CENVAT credit receivable	24.59	23.62
- VAT credit receivable	93.22	79.53
- Service Tax credit receivable	23.57	18.47
(iv) Others		
- Advance for Materials	258.86	274.13
- Other advances	8.53	5.90
	633.69	433.08

NOTE - 20

Other Current Assets

(Rs. in Lacs)

	As at 30th June, 2013	As at 31st March, 2012
Interest accrued on deposits	1.76	3.26
	1.76	3.26



NOTE- 21

Revenue from Operations

(Rs. in Lacs)

	15 months ended 30.06.2013		12 months ended 31.03.2012	
Exports	516.07		1,618.61	
Domestic	693.27		5,983.49	
	1,209.34		7,602.10	
Less : Excise Duty	64.44	1,144.90	526.10	7,076.00
		1,144.90		7,076.00

NOTE - 22

Other Incomes

(Rs. in Lacs)

	15 months ended 30.06.2013	12 months ended 31.03.2012
Interest Received	2.22	3.84
Conversion Charges	597.77	235.03
Miscellaneous Income	0.57	7.95
Foreign Exchange Gain	13.61	28.51
	614.17	275.33

NOTE - 23

Cost of Materials Consumed

(Rs. in Lacs)

	15 months ended 30.06.2013	12 months ended 31.03.2012
A) Raw Material Consumed		
Opening Stock	959.33	884.93
Purchases		
Raw Material	505.53	3,930.85
Packing Material	13.80	27.47
	1,478.66	4,843.24
Less:: Closing Stock	943.54	959.33
Raw Material Consumed	535.12	3,883.92
B) Stores and Spares and Consumables		
Opening Stock	69.21	61.91
Purchases	53.01	164.10
	122.22	226.01
Less : Closing Stock	58.37	69.21
Consumption	63.85	156.80
Total Cost of Material Consumed	598.97	4,040.72

NOTE- 24**Changes in Inventory****(Rs. in Lacs)**

	15 months ended 30.06.2013	12 months ended 31.03.2012
Closing Stock of :		
Work-in-Progress	1,961.36	1,906.41
Finished Goods	63.93	59.31
Total (A)	2,025.30	1,965.72
Opening Stock of :		
Work-in-Progress	1,906.41	1,911.41
Finished Goods	59.31	67.86
Total (B)	1,965.72	1,979.27
Increase/(Decrease) in Stock (A-B)	59.58	(13.55)

NOTE- 25**Employee Benefit expense****(Rs. in Lacs)**

	15 months ended 30.06.2013	12 months ended 31.03.2012
Salary, Wages, Allowances & other Benefits	795.99	757.53
Gratuity	28.42	23.24
P. F. Contribution	26.80	31.43
Staff Welfare Expenses	56.93	64.38
	908.14	876.58

NOTE- 26**Financial Cost****(Rs. in Lacs)**

	15 months ended 30.06.2013	12 months ended 31.03.2012
Bank Charges	6.10	10.98
Interest on :		
Term Loans	-	593.42
Working Capital Loans	56.82	249.06
Processing Charges	-	12.15
	62.92	865.62

Interest Free Sales Tax :

- (i) During the year the company has availed interest free sales tax loan of Rs. Nil (provisional) for its pharma division unit at Kothapalli. The interest free sales tax loan availed by the unit so far stood at Rs. 451.78 lakhs (previous Year Rs. 451.78 lakhs).
- (ii) During the year the company has paid interest free sales tax loan of Rs. Nil for its pharma division unit at Regadicheika. The interest free sales tax loan outstanding is Rs. 59.80 lakhs (previous Year Rs. 59.80 lakhs).

NOTE- 27

Other Expenses

(Rs. in Lacs)

	15 months ended 30.06.2013	12 months ended 31.03.2012
A) Selling & Distribution Expenses		
Business Promotion Expenses	4.21	2.52
Clearing, Forwarding & Freight	10.35	41.90
B) Operating, Administrative & Other Expenses		
Rent	26.22	23.34
Rates & Taxes	12.79	10.76
Insurance	14.06	12.40
Printing & Stationary	6.09	7.45
Postage, Telegrams & Telephones	13.86	14.00
Consultancy & Legal Exp.	11.73	11.39
General Expenses	72.79	54.08
Directors Sitting fees	1.85	1.80
Directors Remuneration	35.41	28.49
Group Insurance	1.03	0.88
Auditors Remuneration		
For Statutory Audit	1.00	1.00
For Tax Audit	1.00	1.00
For Certification and Other Services	0.50	0.50
	2.50	2.50
Cost Auditors Remuneration	0.83	0.83
Travelling & Conveyance	30.12	44.27
Directors Travelling	9.37	9.32
Office Maintenance	18.50	14.90
Sales Tax	14.46	186.65
Donations	4.05	3.79
Carriage Inward	9.40	17.74
Power and Fuel	624.42	1,878.98
Lab Expenditure	25.24	83.03
Repairs & Maintenance	61.53	52.28
Prior Period Expenses	1.92	-
Effluent Treatment Plant Maintenance	2.54	19.81
	1,015.27	2,523.11
Purchases		
Less: Closing Stock		
Consumption		
Total Cost of Material Consumed		

NOTE- 28

In the opinion of the management, the Current Assets, Loans and Advances are expected to realise at least the amount at which they are stated, if realised in the ordinary course of business and provision for all known liabilities have been adequately made in the accounts.

NOTE- 29

- i) Disclosure of Sundry Creditors under Trade Payables is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006" and relied upon by the Auditors.

(Rs. in Lacs)

	15 months ended 30.06.2013	12 months ended 31.03.2012
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	1465	1699
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the period of delay in making payment	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

NOTE- 30

Fixed Deposit Receipts for Rs.31.60 lakhs (previous year Rs. 41.60 lakhs) are in lien with Bankers towards margin money for Letters of Credit & Bank Guarantees issued by them.

NOTE- 31**Interest Free Sales Tax :**

- (i) During the year the company has availed interest free sales tax Loan of Rs. NIL (provisional) for its pharma division unit at Kothapalli. The interest free sales tax loan availed by the unit so far stood at Rs. 451.76 lakhs (previous Year Rs. 451.76 lakhs).
- (ii) During the year the company has paid interest free sales tax Loan of Rs. Nil for its pharma division unit at Regadichelika. The interest free sales tax loan outstanding is Rs. 59.80 lakhs (previous Year Rs. 59.80 lakhs).

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NOTE- 32

Contingent Liabilities :

The following contingent liabilities are not provided for.

- (i) On account of Letters of Credit and Bank Guarantees (net of margin monies) amounting to Rs. Nil (Previous year Rs.394.02 lakhs)
- (ii) Sales Tax: There are various demands raised by the sales tax authorities amounting to Rs.7.84 lakhs (Previous year Rs. 7.84 lakhs) 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 NIL).
- (iii) Excise Duty: There are various demands raised by the Excise authorities amounting to Rs.3.34 lakhs (Previous Year Rs.3.34 lakhs) 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 NIL) based on interim directions.
- (iv) Income Tax: There are various demands raised by the Income Tax authorities amounting to Rs.315.53 lakhs for which the company preferred appeals with Hon'ble High Court of A.P.

NOTE- 33

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.

NOTE- 34

Managerial Remuneration :

(Rs. in Lacs)

	For the Period 30th June, 2013	For the Year 31st March, 2012
Managing Director		
Remuneration	15.00	12.00
Perquisites –(HRA)	5.63	4.50
Director		
Remuneration	13.99	11.19
LTA	0.79	0.79
Total	35.41	28.48

Due to inadequate profits during the Financial year, the company has paid only the minimum remuneration by way of Salary & Perquisites to Managing Director.



NOTE- 35

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 period 2012-13:

(Rs. in Lacs)

Particulars	Associates	Key Management	Relatives of Key Management	Total
Remuneration	-	29.78	-	29.78
Rent	-	-	5.63	5.63
Total	-	29.78	5.63	35.41

NOTE- 36

As per Accounting Standard 22 "Accounting for Taxes on income" issued by the Institute of Chartered Accountants of India Rs.126.78 lakhs (Previous year Rs 190.16 lakhs) of deferred tax asset arising during the financial year has been credited to the current year's Profit and Loss account.

NOTE- 37

Calculation of earnings per share :

	15 months ended 30th June, 2013	12 months ended 31st March, 2012
Profit attributable to Share Holders	(1,520.27)	(1,743.80)
No. of Equity Shares Outstanding	9,514,286	9,514,286
Weighted No. of Equity Shares	9,514,286	9,514,286
Nominal Value of Equity Share	10.00	10.00
Basic and diluted EPS	(15.98)	(18.33)

NOTE- 38

Segment Information : The company is operating in only one segment business of pharma and there is no geographical segment to be reported.

Signed this _____ day of _____ 2013
 Note : **AVINASH RAVI**
 Director

- The Profit and Loss account is prepared under the provisions of the Companies Act, 1956.
- A Profit and Loss account is prepared for each of the financial years.
- Applicable for the financial year.

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NOTE- 39

Value of Imported and Indigenous Materials Consumed and their Percentage to total consumption: (Rs. in Lacs)

Particulars	As at 30th June, 2013		As at 31st March, 2012	
	Value	%	Value	%
Imported	-	-	-	-
Indigeneous	535.12	100%	3,883.92	100%
Total	535.12	100%	3,883.92	100%

NOTE- 40

Foreign Currency / Exchange Transactions : (Rs. in Lacs)

Sr No.	Particulars	15 months ended 30th June, 2013	12 months ended 31st March, 2012
A)	Value of Imports on CIF Basis		
	Import of Raw Materials	-	-
	Stores & Spares	-	11.99
	Capital Goods	-	-
B)	Expenditure		
	Travelling	2.14	1.98
	Consultancy Fees	3.03	-
	Product Development	1.81	73.05
C)	Earnings in Foreign Exchange		
	FOB Value of Exports	245.94	514.98
	FOB Value of Plant & Machinery	-	-

NOTE- 41

Debtors, other advances and creditors are subject to confirmations.

NOTE- 42

During the year, the company has not made provision for gratuity on actuarial valuation.

(1,743.80)	(1,520.57)	
9,574,288	9,574,288	
9,574,288	9,574,288	
4730.00	10.00	
(18.98)	(18.98)	

As per our report of even date attached

For PAVULURI & Co.,
Chartered Accountants

Firm's Reg. No. : 012194S

Sd/-

CA.N. Rajesh
Partner

M.No : 223169

Place : Hyderabad

Date : 26.08.2013

for and on behalf of the Board of Directors

Sd/-

DR. R.T. RAVI

Chairman and Managing Director

Sd/-

AVINASH RAVI
Director & COO



Krebs Biochemicals & Industries Ltd

Plot No 34, 8-2-577/B, Mass Heights, Road No: 8,
Banjara Hills, Hyderabad - 500 034

**21st Annual General Meeting on Saturday, the 21st day of December 2013
at 11.00 A.M at 10-1-124, Ivory Room, Golconda Hotel,
Masab Tank, Hyderabad- 500028**

ADMISSION SLIP

Folio No.

Shares Held

Please tick whether Member / Joint holder / Proxy

Member's or Proxy's Signature

- 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.



Krebs Biochemicals & Industries Ltd

Plot No 34, 8-2-577/B, Mass Heights, Road No: 8,
Banjara Hills, Hyderabad - 500 034

PROXY FORM

D.P. ID*	
Client ID *	

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

I/We, _____ of _____ in the district of _____ being member / members of Krebs Biochemicals & Industries Ltd. hereby appoint _____ of _____ in the district of _____ or failing him _____ of _____ in the district of _____

as my/our proxy to vote for me/us on my/our behalf at the 21st Annual General Meeting of the Company to be held on Saturday, the 21st day of December 2013 at 11.00 A.M at 10-1-124, Ivory Room, Golconda Hotel, Masab Tank, Hyderabad- 500028 and at any adjournment(s) thereof.

Signed this _____ day of _____, 2013

Affix
1 Rupee
Revenue
Stamp

Note :

- The Proxy form duly completed must reach the Registered Office of the Company at Hyderabad not less than 48 hours before the time of the meeting.
- A Proxy need not be a member.
- *Applicable for Investors holding shares in electronic form.

Krebs Biochemicals & Industries Ltd

**BOOK-POST
UNDER CERTIFICATE OF POSTING**

21st Annual General Meeting on Saturday, the 21st day of December 2013
at 11:00 A.M. at 10-1-124, Ivory Room, Golconda Hotel,
Masab Tank, Hyderabad - 500028

ADMISSION SLIP

Please fill in whether Member / Joint holder / Proxy
Shareholder

2. Application for investors holding shares in electronic form.
Please fill in the admission slip and hand it over at the entrance of the hall.

21st Annual General Meeting on Saturday, the 21st day of December 2013
at 11:00 A.M. at 10-1-124, Ivory Room, Golconda Hotel,
Masab Tank, Hyderabad - 500028

Krebs Biochemicals & Industries Ltd

Plot No 34, 8-2-577/B, Mass Heights, Road No: 8, Banjara Hills,
Banjara Hills, Hyderabad - 500 034

PROXY FORM

Regd. Office: Banjara Hills,
Hyderabad - 500 034

Product Development

Earnings in Foreign Exchange

Trade of Value BOF

Trade of Plant & Machinery

being member / Joint holder / Proxy holder of the company in the district of
Deliverables for advances are subject to conditions and provisions of the
of Krebs Biochemicals & Industries Ltd. hereby appoint

of the company for the year ending 31st March 2014 and for the year ending 31st March 2015

in the district of

in the district of

as my proxy to vote for me on my behalf at the 21st Annual General Meeting of
the company to be held on Saturday, the 21st day of December 2013 at 11:00 A.M. at
10-1-124, Ivory Room, Golconda Hotel, Masab Tank, Hyderabad - 500028 and at any
adjournment(s) thereof.

If undelivered please return to :
Krebs Biochemicals & Industries Ltd.
Plot No 34, 8-2-577/B, Mass Heights,
Road No:8, Banjara Hills,
Hyderabad - 500 034

Note: 1. The Proxy form only completed must reach the Registered Office of the company
not less than 48 hours before the time of the meeting.
2. Proxy need not be a member.
3. Application for investors holding shares in electronic form.