Krebs Biochemicals & Industries Limited

Krebs

18th Annual Report (2009-2010)

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Company Information

Board of Directors

Dr. R.T.Ravi	Chairman & Managing Director
Mrs. Sangeetha Sharma	Nominee Director - Export Import Bank of India
Mr. S.Ganesh	Nominee Director - IDBI Bank Limited
Mr. M.Venkateswara Rao	Nominee Director - A P I D C
Dr. Naresh Kumar	Nominee Director - Ranbaxy Laboratories Ltd
Dr. T.Kuchroo	Director
Mr. G.V.L.Prasad	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
Ameerper, Hyderabad - 500 016

Registered Office	Registrars & Transfer Agents
Krebs Biochemicals & Industries Ltd #8-2-277/A, 4A, 4th Floor Inwinex Towers, Plot No: 130 Road No:2, Banjara Hills Hyderabad - 500 034 Tel : 040-44707777 / 7766 Fax : 040-44707755 E.mail : Krebs@krebsbiochem.com Website : http://www.krebsbiochem.com	Sathguru Management Consultants Pvt. Ltd Plot No:15, Hindi Nagar, Panjagutta Hyderabad - 500 034 Tel : 040-23356507/0586/6975 Fax : 040-40040554 E.mail : sta@sathguru.com

Notice for the 18th Annual General Meeting of the Company

Notice is hereby given that the 18th Annual General Meeting of the Company will be held on Monday, the 16th day of August, 2010 at 11.30 a.m. at Surana Udyog Auditorium, Federation Building, FAPCCI, Red Hills, Hyderabad-500004 to transact the following business:

Ordinary Business

1. To consider and if thought fit, to adopt the audited Balance Sheet as on 31st March,2010 and Profit & Loss A/c for the year ended on that date along with the report of the Board of Directors and Auditors thereon;
2. To consider and appoint Mr.Avinash Ravi Director who retires by rotation and being eligible offers himself for re-appointment.
3. To consider and appoint Mr.T.Kuchroo, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and approve the appointment of Statutory auditors M/s. Pavaluri & Co, Chartered Accountants to hold office from the conclusion of 18th Annual General Meeting till the conclusion of next Annual General Meeting at such remuneration as may be fixed by the Board of Directors.

For and on behalf of the Board
Sd/-
(Dr. R.T.Ravi)
Chairman & Managing Director

Place: Hyderabad
Date: 21.07.2010

Notes:

- A Member entitled to attend and vote at the meeting can appoint a proxy to attend and vote on his behalf at the meeting. The proxy need not be a member of the company.
- The Proxy form must be received by the company at its registered office atleast 48 hours before the scheduled time of the meeting to be accepted.
- Transfer registers and register of members shall remain closed from 09-08-2010 to 16-08-2010

Directors Report :

Dear Members,

Your Directors have the pleasure in presenting the 18th Annual Report together with the Audited Accounts of your company for the year ended March 31, 2010.

Financial Results :

Rs. in lacs

Particulars	2009-10	2008-09
Net Sales	**4,623.38**	5,119.78
Other Income	**2.91**	3.82
Total Income	**4,626.29**	5,123.60
Expenditure	**4,208.28**	4,391.45
PBDIT	**418.01**	732.15
Obsolete Stocks Written off	**NIL**	3,532.09
Loss on Sale of Assets	**207.94**	NIL
PBDIT (after Extra Ordinary Items)	**210.07**	(2,799.94)
Finance Charges	**690.23**	599.81
Depreciation	**987.88**	954.10
Profit / (Loss) before Tax	**(1,468.04)**	(4,353.85)
Deferred Tax Asset	**901.25**	93.36
Fringe Benefit Tax	**NIL**	2.31
Net Profit / (Loss) after Tax	**(566.79)**	(4,262.80)
Prior period adjustments	**7.90**	1.46
Profit after prior period adjustments	**(574.69)**	(4,264.26)
Add : Balance brought forward	**(7,259.18)**	(2,994.92)
Balance Carried to balance sheet	**(7,833.87)**	(7,259.18)

Overall Performance :

The Turnover of the company during the Financial year 2009-10 has come down by 9.70% compared to previous year. This reduction is mainly on account of the fact that there were no revenues from Unit I combined with reduction in sales of Lovastatin. The bottom line i.e. gross contribution remained constant owing to cost control measures implemented during the year.

Dividend :

No Dividend is proposed to be declared for the financial year 2009-10.

Taxation :

No Income Tax is applicable for the financial year under review. There is no provision for Fringe Benefit Tax as it has since been withdrawn.

Equity Capital:

The equity capital remains unchanged during the Financial Year 2009-10.

Board of Directors :

Dr T Kuchroo Independent Director and Mr Avinash Ravi Whole time Directors retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Mr. K.S.S. Prasad, Nominee Director, Small Shareholders submitted his resignation as Director due to his personal reasons. The Board accepted the resignation after acknowledging and thanking him for his valuable contribution to the working of the Board and the Company.

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, 2010 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.

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.

Employee Relations:

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

Human Resources:

None of 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.The Board is most appreciative of the dedication and commitment extended by its employees at all levels and their contribution to the company.

For and on behalf of the Board of Directors
Sd/-
(Dr. R.T.RAVI)
Chairman & Managing Director

Place : Hyderabad
Date : 21.07.2010

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 (Nellore)

1) Installation of 125 KVA DG set
2) Installation of VFD System for cooling tower pumps.
3) Installation of electronic timer based switching device in street lights.

Unit - II (Anakapalli)

The energy conservation measures taken up during the year 2009-10 resulted in significant energy savings.

(b) Measures proposed for energy conservation :

Unit - I (Nellore)

1) Planning to provide VFD system for new process reactors thereby power consumption and process times will be reduced.
2) Capacitor banks will be installed to improve power factor.
3) Cold sumps and Brine distribution lines have to be modified to minimise the running hours of chillers.
4) Installation of 150 TR Voltas make green chiller, which consumes 25% less energy / TR of chilling.

Unit - II (Anakapalli)

1) Introduction of Oxygen analyser in the Flue gas path of high pressure boiler to conserve imported coal.
2) Chilled water, brine lines to be reinsulated with Nitrile rubber insulation to minimise the thermal energy losses.
3) Implementation of MEES(Multiple Effecting Evaporating System) in to operation.
4) Proposed to recover condensate from Steam Ejector Systems in all production blocks.
5) Introduction of additional capacitor banks at designated places to improve power factor.

(c) Impact of the above measures:.

Unit - I (Nellore)

The implementation of energy conservation measures taken up results in significant energy savings.

Unit - II (Anakapalli)

Estimated savings for the ensuing financial year 2010-11 will be around Rs.30.00 lacs

(d) The Total Energy Consumption :

		PARTICULARS	2009-10	2008-09
1)		Power		
	a)	Purchased		
		Units	**2,00,500**	10,25,488
		Amount (Rs.in lacs)	**12.50**	54.15
		Rate per unit	**6.23**	5.28
	b)	Own Generation		
	i)	Units generated through DG Set	**1,73,627**	2,32,832
		Amount (Rs.in lacs)	**19.45**	27.50
		Rate per unit	**11.20**	11.81
	ii)	Units generated through TG Set	**168,82,800**	193,45,400
		Amount (Rs.in lacs)	**880.18**	1,188.76
		Rate per unit	**5.21**	6.15
2)		Coal Consumption in MT's	**27,963**	32,258
		Amount (Rs.in lacs)	**847.59**	1,203.56
		Rate per M T Rs.	**3,031.11**	3,731.00
3)		Furnace Oil Consumption in KL's	**NIL**	18.70
		Amount (Rs.in lacs)	**NIL**	3.45
		Rate per KL Rs.	**N.A.**	18,446

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.

Rs in Lacs

Expenditure on R & D	**2009-10**	2008-09
Capital Expenditure	**NIL**	NIL
Revenue Expenditure	**6.97**	16.07
Total Expenditure	**6.97**	16.07
Total R & D Expenditure as % of Turnover	**0.15**	0.31

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 constantly executing process developments for its products range. Having expertise in Biotechnology we are implementing various green chemistry initiative reducing the use of hazardous chemicals and reactions. It also minimises waste generation reduces costs.
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	2009-10	2008-09
a) Value of Imports on CIF Basis		
Import of Raw Materials	---	NIL
Stores & Spares	7.92	2.50
Capital Goods	17.75	NIL
b) Expenditure		
Travelling	1.10	NIL
Consultancy Fees	2.31	NIL
Product Development	68.50	NIL
c) Earnings in Foreign Exchange		
FOB Value of Exports	254.14	226.52
FOB Value of Plant & Machinery	841.30	NIL

For and on behalf of the Board of Directors

Sd/-

Dr. R.T.RAVI

Chairman & Managing Director

Place : Hyderabad

Date : 21.07.2010

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments :

Global Pharmaceutical Industry is expected to grow at 4-6% according to IMS Health estimates. Other relevant industry segments such as fine chemicals, neutraceuticals, food ingredients etc are growing at 6-10% and this growth is expected to accelerate. The emerging markets comprise bulk of the growth increase in the pharmaceutical industry.

Along with migration of the manufacturing of generic bulk API's and Intermediates we are seeing the Finished Dosage manufacturing also moving to low cost destinations mainly India and China. This trend is expected to continue and provide a significant opportunity for Bulk manufacturers as they can be the preferred suppliers to the Finished Dosage manufacturing that will move to India.

We are seeing a lot of consolidations by Large Pharmaceutical companies trying to protect their top line and bottom lines by acquiring generic businesses and also companies with good presence in the Emerging markets where we are seeing high growth rates.

We are seeing the different strategies being adopted by the industry leaders to maintain the growth and bridge the gap from revenues lost after patent expiry. The strategies that will prove successful over the next few years will shape the Industry in the coming years. The Global economy has not managed to pull itself out of the dip and we are seeing a lot of cautionary government spending driving the need for low cost medicines in the Regulated markets. Overall India is definitely poised to take further advantage of its standing in being able to provide Quality and Cost effective medicines to the world. This advantage also expected to spill over to other similar industry segments.

Strengths & Opportunities :

Our infrastructure and skill set combines fermentation, chemical synthesis and biocatalysis. This is a rare combination and allows us to access opportunities requiring the different technologies as well as a combination of them. Proven regulatory capabilities complying with Quality standards and a strong Intellectual property protection track record are some of the key capabilities that will give confidence to potential partners.

Risks & Concerns :

The weak financial position of the company slows the implementation of potential projects where investment is involved. The mergers and acquisitions in the Pharmaceutical Industry are realigning supply chains and there is the risk of existing customers sourcing elsewhere.

Product Wise Performance :

During the year under review your company recorded a net turnover of Rs.4,623.38 lacs compared to Rs.5,119.78 lacs in the previous Financial Year. This translates to reduction of around 9.70%. Unit - I reported no sales in the year under review and we are trying to find opportunities for contract manufacturing in the unit. The ensuing Financial Year is expected to bear fruit for these efforts. A net loss of Rs.566.79 lacs is reported taking in to account the loss on sale of Plant & Machinery of Food division and adjustment of the deferred tax liability.

As you can see from the product sales, Simvastatin sales have almost doubled and the positive trend is expected to continue. However, due to non off take from regular customers of Lovastatin, there has been a dip in Lovastatin Sales. We are trying to take care of this by having more number of customers.

The product wise Sales of the company during the year 2009-10 are as below:

Sl No	Particulars	Current Year 2009-10		Previous Year 2008-09	
		Quantity MTS	VALUE Rs Lacs	Quantity MTS	VALUE Rs Lacs
i)	Psedohedrine HCL	----	----	8.045	237.40
ii)	Lovastatin	46.634	1,866.02	66.152	2,893.81
iii)	Simvastatin	19.356	2,914.77	10.890	1,763.93
iv)	Others	---	11.30	---	564.57
	TOTAL		4,792.09		5,459.71

Performance and Operations Review :

(Rs. in Lacs)

Particulars	2009-10	2008-09
Net Sales	4,623.38	5,119.78
Other Income	2.91	3.82
Total Income	4,626.29	5,123.60
Expenditure	4,208.28	4,391.45
PBDIT	418.01	732.15
Loss on Sale of Assets (Food Div)	207.94	NIL
Obsolete Stocks Written Off	NIL	3,532.09
PBDIT (after extra Ordinary Items)	210.07	(2,799.94)
Finance Charges	690.23	599.81
Depreciation	987.88	954.10
Profit before Tax	(1,468.04)	(4,353.85)
Tax Provision(FBT- Liability&Deferred Tax)	901.25	91.05
Profit after Tax	(566.79)	(4,262.80)

The reduction of operational Profit during the year under consideration was mainly on account of no operations at Unit - I compared to the corresponding previous year and reduction in lower turnover of Lovastatin in Unit - II.

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 un authorized use or disposition and all the transactions are authorized, recorded and reported correctly.

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 basins. 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 Rs10.00 crores divided in to One Crore equity shares of Rs.10.00 each of which issued, subscribed and paid up is 90,50,000 Equity shares of Rs.10/- each. There is no other class of shares.

Reserves:

As the current Financial Year ended up with a loss, there was no addition to the reserves and the reserves remain same as previous Financial Year.

Secured Loans:

The secured term loans have increased from Rs5,579.81 lacs to Rs6,057.33 lacs on account of funding of interest on these term loans during the financial year. The secured working capital loans have remained constant at Rs.1,510.00 lacs. At the end of the year the Secured Debt is Rs. Rs.7,566.97 lacs and an unsecured loan of Rs.1,105.36 lacs including sales tax deferment and loan from promoters as per CDR Requirement.

Investments:

No investments were undertaken during the year under review. All internal accruals have been put back in to the business operations which is very much required at this stage of operations.

Inventories :

The value of inventories as on 31.03.2010 is Rs.2,937.15 lacs as against Rs.2,129.85 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, there was a decline in debtors due to change in the credit policy compared to previous year and efforts in realizing from the debtors. Sundry debtors outstanding for more than six months as on the balance sheet date were accumulated over a period and the recovery action was initiated .

Fixed Assets:

PARTICULARS	As at 31st March 2010	As at 31st March 2009	Growth %
Land	18,834,470	18,834,470	0
Wells	2,313,786	2,172,318	6.51
Buildings			
- Factory	179,,205,075	178,448,702	0.42
- Non-Factory	13,204,667	13,204,667	0
Plant & Machinery	1,076,217,060	1,199,153,451	(10.25)
Boilers	9,747,146	9,747,146	0
Electrical Installations	64,544,817	64,520,817	0.04
D.G.Set	35,093,145	34,998,084	0.27
Effluent Treatment Plant	63,775,739	62,133,044	2.64
Factory Equipment	15,122,890	15,114,310	0.05
Lab Equipment	35,640,058	35,591,200	0.14
Research&Development Equip.	10,415,413	10,415,413	0
Office Equipment	4,608,595	4,431,615	3.99
Computers	5,870,360	5,870,360	0
Vehicles	10,023,936	9,110,442	10.02
Furniture	4,756,260	4,724,271	10.68
Gross Block	1,549,373,416	1,668,470,309	(7.14)
Less :Accumulated Depreciation	861,495,643	798,138,557	7.94
Net Block	687,877,773	870,331,752	(20.96)
Add :Capital Works in progress	36,861,156	34,964,959	5.42
Net Fixed Assets	724,738,929	905,296,711	(19.94)
Depreciation charge for the year	98,787,929	95,410,370	3.54
Depreciation as a % of turnover	21.36%	18.62%	
Accumulated Depreciation as a % of gross block	55.60%	47.84%	

The additions made during the year under review, amounted to Rs.177.88 Lacs and since the total consideration as agreed was invoiced during the current Financial Year in respect of the sale of Food Division Plant & Machinery having Gross Block of Rs. 1,368.85 lacs the same was adjusted in the Gross Block along with the appropriate depreciation provided earlier on the same. After the said adjustments the total Gross Block takes to Rs. 15,493.73 lacs compared to 16,684.70 lacs during the previous year.

Depreciation :

The Company has provided Rs987.88 Lacs towards Depreciation as against Rs954.10 Lacs in the previous year, on the assets, which is in accordance with the stated accounting policy of the Company. There is no change in the depreciation policy of the Company.

Raw Material:

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

Finance Charges :

The Financial Charges during the year amounted to Rs. 690.23 lacs as against Rs.599.81 lacs during the previous year. This is consequent to restructuring the loans by reducing the interest rates and funding of interest on the loans with the approval of CDR during 2008-09.

Overheads:

The manufacturing overheads are Rs1,162.66 Lacs as against Rs1,537.34 Lacs during the previous year. The reduction was mainly on account of cost effectiveness specially in imported coal, and reduced operations in Unit - I. The behavior of the above expenditure is varying in nature depending upon the production level etc.,. The Administration and selling expenses was increased to Rs 704.01 Lacs from Rs 348.38 Lacs when compared to previous year on two points. Firstly the extra ordinary item of loss on sale of Food Division Machinery, and secondly the accounting of the final assessment orders of the Sales Tax pending with the courts.

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. As on 31st March 2010 there are 563 employees were employed by the Company.

Safety and Environment:

The operations of the company's plants are in conformity with good industrial safety practices. A safety manual is in vogue from the beginning. The management takes into consideration the welfare of the employees and also effect on the surrounding community at large. Norms for effluents prescribed by the Pollution Control Board are complied with.

Cautionary Statement :

In addition to historical information, this annual report contains certain "forward looking statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global economy, global and Indian demand-supply conditions, increased installed capacity by competitors, 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 prospective depending upon such developments and their possible effect on the Company's operations and activities.

For and on behalf of the Board of Directors

Sd/-

Place : Hyderabad — **Dr. R.T.RAVI**

Date : 21.07.2010 — Chairman & Managing Director

Corporate Governance

1. Company's philosophy on Corporate Governance

The company consciously follows the best governance practices to make it acceptable and respectable in the society in which it functions. The management is conscious of Its responsibility to the society while striving to enhance the shareholder value simultaneously. Realizing that the company is a perpetual organization, the management tries to enhance the long-term value for shareholders without ignoring their short-term expectations

The principles guiding the governance of the company are :

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

2. Board of Directors:

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

2.1 Composition and Category of Directors

The Company has an Executive Chairman. The Board comprised of nine 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 category of Directors as on 31st March, 2010 is as follows:

Name of the Director	Designation	Category
Dr. R .T. Ravi	Chairman & Managing Director	Promoter and Executive Director.
Mrs. Sangeetha Sharma	Nominee Director - Export Import Bank of India Ltd	Non-Executive and independent Director
Mr. S. Ganesh	Nominee Director – IDBI	Non-Executive and independent Director
Mr. M. Venkateswara Rao	Nominee Director – APIDC	Non-Executive and independent Director
Dr Naresh Kumar	Nominee Director -Ranbaxy Laboratories Ltd	Non-Executive and independent Director
Dr. T. Kuchroo	Director	Non-Executive and independent Director
Mr. G .V. L. Prasad	Director	Non-Executive and independent Director
Mr. Avinash Ravi	Director & Chief operating officer	Executive Director
Mr. K. S. S. Prasad	Nominee Director – Small shareholders	Non-Executive and independent Director

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

During the Financial Year under review the Board has met 4 times i.e. on 29-05-2009, 30-07-2009, 26-10-2009 and 27-01-2010. Director's attendance at the Board and General Meetings held during the financial year 2009-10 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 year 2009-10		Whether attended last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
01	S.Ganesh (IDBI Nominee)	04	02	---	---	---	---
02	Mr.M.Venkateswara Rao (APIDC Nominee)	04	04	---	---	02	---
03	Mrs.Sangeetha Sharma (EXIM Bank Nominee)	04	03	---	03	---	---
04	Mr. Naresh Kumar (Ranbaxy Nominee)	04	02	---	01	---	01
05	Dr.T.Kuchroo	04	---	---	01	---	---
06	Mr.G.V.L.Prasad	04	04	Yes	01	03	03
07	Mr.K.S.S.Prasad Small Shareholders Director	04		---	01	03	---
08	Dr.R.T.Ravi Managing Director	04	03	Yes	01	02	---
09	Avinash Ravi – Director& COO	04	04	Yes	01	---	---

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.

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

i. Mr.Avinash Ravi

Mr. Avinash Ravi is a Bio process Engineer from the University of New Southwales, Australia. He is specially qualified in Production and purification of Biotechnology products Monoclonal Anti Bodies, R-DNA Products etc and has got Board experience in Fermentation based API (Active pharmaceutical Ingredients) and fine chemicals. With his hard work and dedication, he has been serving the company for the last few years by occupying key positions such as Vice president (Planning and Development), and Chief Operating Officer. His rich experience and knowledge is useful for successful operation of the Company and hence propose to be re-appointed.

ii. Dr.T.Kuchroo

Dr.T.Kuchroo is a PhD Scholar in Dairying and Food Technology and has got rich

experience in the quality management and in setting up of radical projects and providing technical as well as managerial assistance to various manufacturing industries in the field of Dairy, food, pharmaceutical and speciality chemicals. With his intimate knowledge, Management skills and commitment to the cause of good corporate governance and quality management in formulating and implementing plans and objectives of the organization, his continued guidance is desirable and therefore propose to be re-appointed

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 three independent directors met 4 times during the year i.e on 29-05-2009, 30-07-2009, 26-10-2009 and 27-01-2010.

Attendance of the members:

Name	Designation	No of Meetings	
		Held	Attended
Mr.GVL.Prasad	Chairman	4	4
Mr.M.Venkateswara Rao	Member	4	4
Mr.K.S.S.Prasad	Member	4	4

The Company Secretary acts as Secretary to the Committee. The Chairman of the Committee attended the Annual General Meeting. The meetings of the Audit Committee were also attended by the Executive Director, Chief operating officer and statutory Auditor of the Company.

Terms of Reference :

i. To Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

ii. To recommend the appointment and re-appointment of the statutory auditor and the fixation of their remuneration

iii. To review with the management, the annual financial statements before submission to the board with particular reference to:

a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;

b. Changes, if any, in accounting policies and practices and reasons for the same;

c. Major accounting entries involving estimates based on the exercise of judgment by management;

d. Significant adjustments made in the financial statements arising out of audit findings;

e. Compliance with listing and other legal requirements relating to financial statements;

f. Disclosure of any related party transactions; and;

g. Qualifications in the draft audit report.

iv. To review the quarterly and half yearly financial results and the annual financial statements before they are submitted to board.

v. To review, with the management, performance of statutory and internal auditor, adequacy of the internal control systems, the internal audit reports relating to internal control weaknesses and letters of internal control weaknesses issued by the statutory auditors;

vi. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

vii. To review, if necessary, the findings of any internal investigations by the internal auditors into 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;

viii. To discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern;

ix. To look into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any;

x. To review the management discussion and analysis of financial condition and results of operations;

xi. To review the statement of significant related party transactions, submitted by management.

xii. To monitor the use of issue proceeds and

xiii. Such other matters as may be required from time to time by any statutory, contractual or other regulatory requirements to be attended to by such committee

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	12,00,000	----	4,50,000	16,50,000
Mr. Avinash Ravi	11,19,360	----	79,200	11,98,560

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 detail of sitting fees paid to them during the year 2009-10 is as follows:

Name	Designation	No of Shares held	Sitting Fees paid (Rs)
Mrs. Sangeetha Sharma(EXIM)	Director	---	15000
Mr. S Ganesh(IDBI)	Director	---	10000
Mr. M. Venkateswara Rao (APIDC)	Director	---	40000
Dr Naresh Kumar	Director	---	15000
Dr. T. Kuchroo	Director	50700	---
Mr. G .V. L. Prasad	Director	100000	40000
Mr. K. S. S. Prasad	Director	200	---

3.3. Share Holders Committee:

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

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

Investor Grievances redressed during the financial year 2009-10

Sl. No.	Nature of Letters	Opening Balance	Received	Replied	Closing Balance
1	Change of address	0	3	3	0
2	Revalidation and issue of duplicate dividend warrants	1	5	5	1
3	Change of bank mandate	0	1	1	0
4	Dematerialization of Shares	0	1	1	0
5	Rematerialization of Shares	0	2	2	0
6	Loss of Share certificate & issue of duplicate share certificates	0	4	4	0
7	Miscellaneous	0	7	7	0
8	Complaints received from Members, Stock Exchanges / SEBI etc	0	1	1	0

4. General Body Meetings

Details of previous three Annual General Meetings:

AGM	Year	Venue	Date & Time	Special Resolutions Passed
17th	2008-09	Surana Udyog, Auditorium, Federation Building, FAPCCI, Red Hills, Hyderabad-500004	14.09.2009 11.30 A.M	1. Appointment of Mr.Avinash Ravi as Whole Time Director designated as Director & COO 2. Appointment of Mr.Aditya Ravi as Business Control Manager u/sec 314.
16th	2007-08		24.09.2008 11.00 A.M	Sale of Potato Chips manufacturing unit u/sec 293(1)(a)
15th	2006-07		27.09.2007 11.00 A.M	1. Appointment of Mr.Naresh Kumar as Director u/sec 255 2. Appointment of Mr.K.S.S.Prasad as Small Shareholders Director 3. Appointment of Mr R.T.Ravi as Managing Director u/sec 269

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 / Penalities

The application for Revocation of Suspended trading was made with NSE. That is in final stage to resume trading of our company shares in 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. 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	Date:16th August, 2010 Time:11.30 A.M.
Venue	Surana Udyog Auditorium, Federation Building, FAPCCI, Red Hills, Hyderabad-500004
Financial Year	1st April, 2010 to 31St March, 2011
Book Closure Date	9th August, 2010 to 16th August, 2010
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:

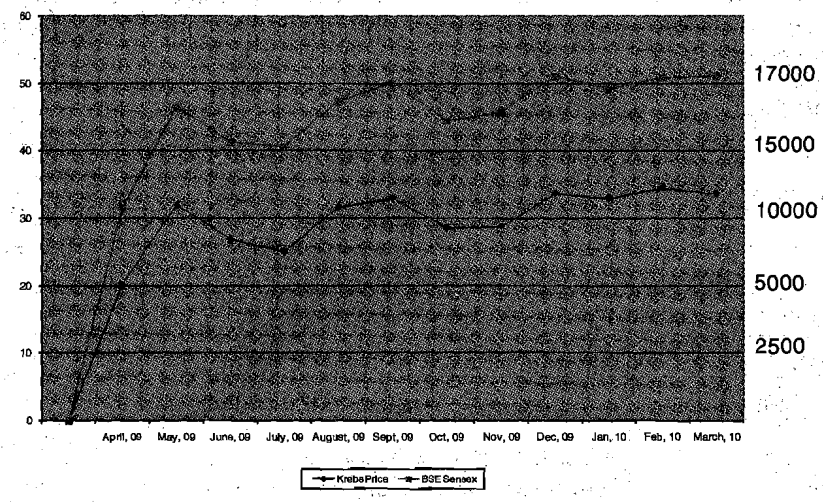
Monthly high and low quotations as well as the volume of shares traded at The Bombay Stock Exchange, Mumbai for the financial year 2009-10 are:

Month	High Price	Low Price	Volume
April 2009	25.70	17.00	52924
May 2009	35.30	19.00	62621
June 2009	38.40	25.30	49898
July 2009	29.40	23.90	29739
August 2009	33.93	23.05	84328
September 2009	35.95	27.75	132741
October 2009	38.00	28.55	102835
November 2009	32.50	25.75	51182
December 2009	35.00	28.03	49622
January 2010	41.00	30.50	95874
February 2010	37.50	31.70	96846
March 2010	40.45	32.15	164064

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/approved and returned within the statutory period from the date of receipt if the documents are clear and complete in all respects.

11. Shareholding pattern:

Category	31ST March, 2010			31ST March, 2009		
	No of share holders	No of Shares held	Voting Strength %	No of share holders	No of Shares held	Voting Strength %
Individuals	7595	2749302	30.37	8023	2787597	30.81
Companies	232	1757249	19.42	232	1447401	15.99
FIIs/fIs/Banks	7	200795	2.22	8	450795	04.98
Promotors & their relatives	36	4342654	47.99	39	4364207	48.22
Totals	7870	9050000	100	8302	9050000	100

12. Distribution of Share holding at the end of 31st March 2010:

Category			No. of Members		No. of shares	
			Total	%	Total	%
1	to	5000	7046	89.53	9996950	11.05
5001	to	10000	450	5.72	3556640	3.93
10001	to	20000	180	2.29	2686100	2.97
20001	to	30000	69	0.88	1759960	1.94
30001	to	40000	32	0.41	1137410	1.26
40001	to	50000	29	0.37	1377030	1.52
50001	to	100000	30	0.38	2094040	2.31
100001	to	Above	34	0.43	67891870	75.02
	TOTAL		7870	100	9050000	100

13. Dematerialization of Shares and Liquidity as on 31-03-2010:

Total shares dematerialized as on 31st March 2010 is 56,06,645 amounting to 61.95 percent of total shares.

Mode of Holding	Holdings		Shares	
	Total	%	Total	%
PHYSICAL	941	11.96	3443355	38.05
DEMAT				
- NSDL	5037	64.00	5107457	56.44
- CDSL	1892	24.04	499188	5.51
Total :	7870	100	9050000	100

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

15. Plant Locations:

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

16. Correspondence Address:

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

17. Registrars and Transfer Agents:

M/s. Sathguru Management Consultants (P) ltd,
Plot No. 15, Hindi Nagar,
Panjagutta,
Hyderabad - 500034
Phone Nos. 23356507, 23350586, 23356975,
Fax No.040-40040554
Email : sta@sathguru.com

They are the Registrars and Transfer Agents for both the physical and dematerialized shares.

Note: Shareholders holding shares in electronic mode should address all their correspondence (with regard to change of address, correction of name, bank details etc.) to their respective depository participant.

For and on behalf of the Board of Directors

Hyderabad
Date: 21.07.2010

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

CERITIFICATE 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 year ended 31st March, 2010 and to the best of our knowledge and belief.
   a) These statements do not contain any materially untrue statements or omit Sny material fact or contain statements that might be misleading.
   b) These statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting standard, applicable laws and regulations.
2. To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2010 are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been, disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee
   a) There has not been any significant change in internal control over financial reporting during the year under reference;
   b) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
   c) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role In the Company's internal control system over financial reporting.

For Krebs Biochemicals & Industries Ltd

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

Place : Hyderabad
Date : 21.07.2010

Auditors' Certificate on Corporate Governance

To
The members of
KREBS BIO CHEMICALS & INDUSTRIES LIMITED

We have examined the compliance of conditions of Corporate Governance by Krebs Biochemicals & Industries Limited, (the Company) for the year ended on 31st March 2010, 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's Reg. No. : 012194S

Place: Hyderabad
Date: 21.07.2010

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

AUDITORS' REPORT

To
The Members of
KREBS BIOCHEMICALS & INDUSTRIES LIMITED

We have audited the attached Balance Sheet of KREBS BIOCHEMICALS & INDUSTRIES LIMITED as at 31.03.2010 and also the Profit and Loss Account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies' (Auditor's Report) Order, 2003, issued by the Central Government of India, in terms of Section 227(4A) of the Companies Act'1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.

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

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
b) In our opinion, proper books of accounts as required by law have been kept by the company so for as it appears from our examination of those books.
c) The Balance Sheet, Profit & Loss account and the Cash Flow statement dealt with by this report are in agreement with the books of account.
d) In our opinion, the Balance Sheet, Profit and Loss account and the Cash Flow statement dealt with by this report comply with the mandatory Accounting Standards referred to in Sub-Section 3(C) of Section 211 of the Companies Act'1956.
e) On the basis of the written representations received from the directors, as on 31st March '2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March '2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act'1956.
f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,
i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March'2010;
ii) In the case of the Profit and Loss Account, of the Loss of the Company for the year ended on that date; and
iii) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For PAVULURI & Co.
Chartered Accountants
Firm's Reg. No. : 012194S
Sd/-
(CA P.A.RAMAIAH)
PARTNER
M.No.203300

Place: Hyderabad
Date: 24.05.2010

ANNEXURE TO AUDITORS' REPORT

KREBS BIOCHEMICALS & INDUSTRIES LIMITED
Referred to in paragraph 3 of our report of even date,

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such physical verification.

   (c) According to the information and explanations furnished to us, the Company has disposed of Plant and Machinery of Food Division during the year.

2. (a) The inventories have been physically verified by the management during the year at reasonable intervals.

   (b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) The company has maintained proper records of inventories and discrepancies noticedon physical verification of inventories as compared to book records were not material.

3. (a) The Company has taken loan from two parties covered in the Register, maintained under Section 301 of the Companies Act, 1956; The Maximum amount involved during the year was Rs.20,00,000/- and the year -end balance of loan taken from such parties was Rs.20,00,000/- The company has not granted any loans to companies, firms or other parties covered under section 301 of the Companies Act, 1956.

   (b) In our opinion, the rate of interest and other terms and conditions in respect of unsecured loans given by the company to its employees and others, are in our opinion, prima facie not prejudicial to the interest of the Company;

   (c) In respect of such loans given by the Company, where stipulations have been made, they have generally repaid the principal amounts as stipulated and have been regular in payment of interest, where applicable;

   (d) In respect of such loans given by the Company, there are no overdue amounts more than Rs.1,00,000/-.

4. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods.

5. (a) According to the information and explanation given to us we are of the opinion, that the 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.have been so entered.

(b) In our opinion and according to the information and explanation given to us, the transaction of purchase of goods 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 one party has been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

6. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits as defined under section 58A of the Companies Act 1956.

7. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.

8. We have broadly reviewed the Books of Account maintained by the Company as prescribed by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the accounts and records.

9. (a) According to the books and records of the company, the company is not regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Corporate dividend Tax and other Statutory dues with appropriate authorities. According to the information and explanations given to us, there are undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2010 for a period exceeding six months from the date they became payable.

(b) Disputed Service Tax, Income Tax & Sales Tax not deposited, has been disclosed in point No.5 of Schedule 18(B) as 'Contingent Liabilities not provided for'.

Name of the Statute	Nature of the Dues	Amount (Rs.)	Deposit Amount(Rs)	Forum where dispute is pending
The Central Excise Act'1944	Service Tax	3,33,650	Nil	Central Excise and Service Tax Appellate Tribunal, Bangalore
AP VAT Act	Sales Tax	7,84,419	Nil	ADC Guntur
Income Tax Act	Income Tax	3,15,52,734	Nil	AP High Court

10. In our opinion, the accumulated losses of the company are more than fifty percent of its net worth. The company has incurred cash loss during the financial year covered by our audit and has incurred cash loss in the immediately preceding financial year.

11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of its dues to banks and financial institutions.

12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.

13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) order, 2003 are not applicable to the company.

14. In our opinion, the Company is not dealing or trading in shares, securities, debentures or other investments and hence, the requirements of clause 4(xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.

15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks, and financial institutions.

16. In our opinion, the term loans have been applied for the purpose for which they were raised.

17. In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investments. No long-term funds have been used to finance short-term assets except permanent working capital.

18. According to the information and explanation given to us, the company has not made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Act.

19. No debentures have been issued by the company and hence, the question of creating securities in respect there of does not arise.

20. The company has not raised any money by way of public issues during the year.

21. On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the Company, has been noticed or reported during the year.

For PAVULURI&Co.
Charted Accountants
Firm's Reg. No. : 012194S
Sd/-
(CA P.A.RAMAIAH)
PARTNER
M.No.203300

Place : Hyderabad
Date : 24.05.2010

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Through Biochemistry

KREBS BIOCHEMICALS & INDUSTRIES LTD

BALANCE SHEET AS AT 31st MARCH, 2010

Amount in Rs.

PARTICULARS	Schedule	As at 31.03.2010	As at 31.03.2009
SOURCE OF FUNDS			
SHAREHOLDERS FUNDS			
SHARE CAPITAL	1	**90,500,000**	90,500,000
RESERVES & SURPLUS	2	**1,152,598,010**	1,152,598,010
LOAN FUNDS			
SECURED LOANS	3	**756,697,260**	718,747,447
UN-SECURED LOANS	4	**110,535,726**	108,017,536
DEFERRED TAX LIABILITY		**42,436,437**	132,561,302
TOTAL		**2,152,767,433**	**2,202,424,295**
APPLICATION OF FUNDS			
FIXED ASSETS	5		
GROSS BLOCK		**1,549,373,416**	1,668,470,309
LESS:DEPRECIATION		**861,495,643**	798,138,557
NET BLOCK		**687,877,773**	870,331,752
CAPITAL WORKS-IN-PROGRESS	6	**36,861,156**	34,964,959
CURRENT ASSETS, LOANS & ADVANCES	7	**803,306,373**	761,880,181
Less: CURRENT LIABILITIES & PROVISIONS	8	**208,614,724**	240,620,778
NET CURRENT ASSETS		**594,691,649**	521,259,403
MISC. EXPENDITURE (to the extent not written off or adjusted)	9	**833,336,855**	775,868,182
TOTAL		**2,152,767,433**	**2,202,424,295**
Notes on Accounts	18		

As per our report of even date attached
PAVULURI & Co.,
Chartered Accountants
Firm's Reg. No. : 012194S
Sd/-
CA P. A. RAMAIAH
Partner
M.No. 203300

Place : Hyderabad
Date : 24.05.2010

for and on behalf of the Board of Director
Sd/-
DR. R.T. RAVI
Chairman and Managing Director

Sd/-
S. PRATHAPKUMAR
Company Secretary

Sd/-
AVINASH RAVI
Director & COO

KREBS BIOCHEMICALS & INDUSTRIES LTD

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

Amount in Rs.

PARTICULARS	Schedule	As at 31.03.2010	As at 31.03.2009
INCOME			
NET SALES	10	**462,338,135**	511,978,162
OTHER INCOME	11	**291,178**	381,976
INCREASE IN STOCKS	12	**66,456,356**	91,717,602
TOTAL		**529,085,669**	**604,077,740**
EXPENDITURE			
RAW MATERIALS CONSUMED	13	**255,169,181**	278,024,960
OTHER MFG.EXPENSES	14	**116,265,743**	153,734,342
PAYMENTS AND BENEFITS TO EMPLOYEES	15	**66,242,846**	64,265,102
ADMN.& SELLING EXPENSES	16	**70,400,810**	34,837,855
FINANCIAL CHARGES	17	**69,022,842**	59,981,056
OBSOLETE STOCKS WRITTEN OFF		**-**	353,209,466
DEPRECIATION	5	**98,787,929**	95,410,370
TOTAL		**675,889,351**	**1,039,463,152**
LOSS FOR THE PERIOD		**146,803,681**	435,385,412
ADD:DEFERRED TAX (LIABILITY)/ASSET		**90,124,865**	9,336,153
LESS: CURRENT YEAR - FBT		**-**	230,841
LOSS AFTER TAX		**56,678,816**	426,280,100
PRIOR PERIOD ADJUSTMENT		**789,856**	145,954
ADD:BALANCE B/F FROM EARLIER YEARS		**725,917,848**	(299,491,794)
BALANCE LOSS CARRIED TO BALANCE SHEET		**783,386,520**	**725,917,848**
Notes on Accounts 18			

As per our report of even date attached
PAVULURI & Co.,
Chartered Accountants
Firm's Reg. No. : 012194S

Sd/-
CA P. A. RAMAIAH
Partner
M.No. 203300

Place : Hyderabad
Date : 24.05.2010

for and on behalf of the Board of Director

Sd/-
DR. R.T. RAVI
Chairman and Managing Director

Sd/-
S. PRATHAPKUMAR
Company Secretary

Sd/-
AVINASH RAVI
Director & COO

KREBS BIOCHEMICALS & INDUSTRIES LTD

SCHEDULES FORMING PART OF BALANCE SHEET

Amount in Rs.

PARTICULARS	As at 31.03.2010	As at 31.03.2009
SCHEDULE 1: SHARE CAPITAL		
Authorised Share Capital		
10,000,000 Equity shares of Rs.10/- each	**100,000,000**	100,000,000
Issued, Subscribed & Paid up		
90,50,000 Equity Shares of Rs.10/- each fully paid-up	**90,500,000**	90,500,000
TOTAL	**90,500,000**	**90,500,000**
SCHEDULE 2: RESERVES & SURPLUS		
Share Premium	**391,660,000**	391,660,000
State Subsidy	**3,938,010**	3,938,010
General Reserve	**757,000,000**	757,000,000
TOTAL	**1,152,598,010**	**1,152,598,010**
SCHEDULE 3: SECURED LOANS		
Term Loans from:		
Industrial Development Bank of India	**150,000,000**	150,000,000
Industrial Development Bank of India (FITL)	**39,733,999**	25,214,428
Syndicate Bank	**50,000,000**	50,000,000
Syndicate Bank - FITL	**11,920,463**	6,752,418
Export and Import Bank of India -LTWC	**121,712,625**	121,712,625
Export and Import Bank of India - FITL	**45,137,017**	32,930,043
United Bank - WCTL	**25,000,000**	25,000,000
United Bank - FITL	**6,057,949**	3,393,883
Andhra Bank - WCTL	**75,000,000**	75,000,000
Andhra Bank - FITL	**18,536,770**	10,786,500
The Jammu & Kashmir Bank Limited - WCTL	**50,000,000**	50,000,000
The Jammu & Kashmir Bank Limited - FITL	**12,633,719**	7,190,998
Working Capital Loan from:		
Andhra Bank	**75,385,326**	84,823,041
The Jammu & Kashmir Bank Limited	**50,387,088**	50,950,819
United Bank of India	**25,192,304**	24,992,691
TOTAL	**756,697,260**	**718,747,447**
SCHEDULE 4: UN-SECURED LOANS		
Interest Free Sales Tax Loan	**51,718,076**	50,611,277
ICICI Bank Ltd	**-**	241,867
HDFC Bank Limited	**907,556**	592,249
Wacker Chemie AG	**55,910,094**	56,572,143
Loan from Promoters	**2,000,000**	-
TOTAL	**110,535,726**	**108,017,536**

KREBS BIOCHEMICALS & INDUSTRIES LTD

SCHEDULE 5: FIXED ASSETS

Amount in Rs.

Particulars	Gross block				Depreciation Block				Net Block	
	As at 01.04.09	Additions during the period	Deletions during the period	As at 31.03.10	As at 01.04.09	For the period	Adjustment	As at 31.03.10	As at 31.03.10	As at 31.03.09
Land	18,834,470	-	-	18,834,470	-	-	-	-	18,834,470	18,834,470
Wells	2,172,318	141,468	-	2,313,786	-	-	-	-	2,313,786	2,172,318
Buildings										
-Factory	178,448,702	756,373	-	179,205,075	42,584,238	5,400,187	-	47,984,425	131,220,650	135,864,464
-Non Factory	13,204,667	-	-	13,204,667	1,515,935	175,666	-	1,691,601	11,513,066	11,688,732
Plant&Machinery	1,199,153,451	13,949,020	136,885,411	1,076,217,060	596,106,866	77,970,232	35,430,843	638,646,255	437,570,805	603,046,585
Boilers	9,747,146	-	-	9,747,146	8,344,278	426,658	-	8,770,936	976,210	1,402,868
Electrical Installations	64,520,817	24,000	-	64,544,817	25,479,337	2,823,469	-	28,302,806	36,242,011	39,041,480
D.G.Set	34,998,084	95,061	-	35,093,145	26,256,933	1,954,575	-	28,211,508	6,881,637	8,741,151
Effluent Treatment Plant	62,133,044	1,642,695	-	63,775,739	45,444,989	4,615,281	-	50,060,270	13,715,469	16,688,055
Factory Equipment	15,114,310	8,580	-	15,122,890	9,813,787	1,054,624	-	10,868,411	4,254,479	5,300,523
Lab Equipment	35,591,200	48,858	-	35,640,058	20,535,497	2,487,210	-	23,022,707	12,617,351	15,055,703
Research&Dev.Equipment	10,415,413	-	-	10,415,413	5,506,287	772,824	-	6,279,111	4,136,302	4,909,126
Office Equipment	4,431,615	176,980	-	4,608,595	2,685,093	323,920	-	3,009,013	1,599,582	1,746,522
Computers	5,870,360	-	-	5,870,360	5,646,739	29,079	-	5,675,818	194,542	223,621
Vehicles	9,110,442	913,494	-	10,023,936	5,583,196	457,257	-	6,040,453	3,983,483	3,527,246
Furniture	4,724,271	31,989	-	4,756,260	2,635,382	296,947	-	2,932,329	1,823,931	2,088,889
Total	1,668,470,309	17,788,518	136,885,411	1,549,373,416	798,138,557	98,787,929	35,430,843	861,495,643	687,877,773	870,331,752
Previous year Totals	1,608,286,564	60,785,505	601,760	1,668,470,309	703,427,820	95,410,370	699,633	798,138,557	870,331,752	904,858,744

KREBS BIOCHEMICALS & INDUSTRIES LTD

SCHEDULES FORMING PART OF BALANCE SHEET

Amount in Rs.

PARTICULARS	As at 31.03.2010	As at 31.03.2009
SCHEDULE: 6 CAPITAL WORKS-IN-PROGRESS		
L-Cystine Project	36,861,156	34,964,959
TOTAL	36,861,156	34,964,959
SCHEDULE 7: CURRENT ASSETS, LOANS & ADVANCES		
A) CURRENT ASSETS		
1. INVENTORIES		
(as valued and Certified by Management)		
I. Raw Materials, Packing Materials, Fuels, Stores&Spares	87,396,958	73,123,176
II. Work in Progress	198,613,978	133,540,864
III. Finished Goods	7,703,921	6,320,679
	293,714,857	212,984,719
2. SUNDRY DEBTORS (Unsecured, Considered good)		
Debts outstanding for a period exceeding 6 Months	214,930,094	197,452,424
Others	67,739,128	99,302,608
	282,669,222	296,755,032
3. CASH AT BANK (with scheduled banks)		
- in current accounts	2,346,879	3,960,564
- in Margin Money accounts	2,665,000	165,000
	5,011,879	4,125,564
4. CASH ON HAND	83,212	96,837
TOTAL (A)	581,479,170	513,962,151
B) LOANS & ADVANCES		
(Unsecured, considered good recoverable in cash or kind for value to be received)		
Advances for Capital Expenditure	10,911,879	10,350,634
Advances for Materials	59,350,296	56,690,663
Other Advances	128,233,630	148,099,948
Advance Taxes	13,714,343	13,694,212
Deposits	9,617,055	19,082,574
TOTAL (B)	221,827,203	247,918,030
TOTAL (A+B)	803,306,373	761,880,181

KREBS BIOCHEMICALS & INDUSTRIES LTD

SCHEDULES FORMING PART OF BALANCE SHEET

Amount in Rs.

PARTICULARS	As at 31.03.2010	As at 31.03.2009
SCHEDULE 8: CURRENT LIABILITIES & PROVISIONS		
A) CURRENT LIABILITIES		
Creditors for Capital Works	9,100,715	11,083,860
Creditors for Materials	133,690,711	108,226,786
Creditors for Expenses	14,333,728	8,067,051
Other Current Liabilities	38,628,225	66,421,838
Advance Received for Chips Plant Machinery	-	32,978,496
TOTAL (A)	**195,753,379**	**226,778,031**
B) PROVISIONS		
Provision for Tax on Distributed Profits	2,524,500	2,524,500
Provision for Taxation	10,336,845	10,336,845
Provision for Fringe Benefit Tax	-	981,402
TOTAL (B)	**12,861,345**	**13,842,747**
TOTAL (A+B)	**208,614,724**	**240,620,778**
SCHEDULE 9: MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Product Development Expenses	49,950,334	49,950,333
Profit & Loss Account	783,386,520	725,917,849
TOTAL	**833,336,855**	**775,868,182**

KREBS BIOCHEMICALS & INDUSTRIES LTD

SCHEDULES TO PROFIT AND LOSS ACCOUNT

Amount in Rs.

PARTICULARS	As at 31.03.2010	As at 31.03.2009
SHEDULE 10: SALES		
Exports	103,389,989	191,879,984
Domestic	375,819,152	354,091,160
	479,209,141	545,971,144
Less: Excise Duty	16,871,006	33,992,982
TOTAL	**462,338,135**	**511,978,162**
SCHEDULE 11: OTHER INCOME		
Interest Received	283,041	159,666
Misc. Income	8,137	222,310
TOTAL	**291,178**	**381,976**

KREBS BIOCHEMICALS & INDUSTRIES LTD

SCHEDULES TO PROFIT AND LOSS ACCOUNT

Amount in Rs.

PARTICULARS	As at 31.03.2010	As at 31.03.2009
SCHEDULE 12: INCREASE IN INVENTORIES		
a) Work in Process		
Opening Stock	**133,540,864**	356,518,889
Less:Obsolete Stock Written Off	**-**	318,285,750
	133,540,864	38,233,139
Closing Stock	**198,613,978**	133,540,864
Increase/(Decrease)	**65,073,114**	**95,307,725**
b) Finished Goods		
Opening Stock	**6,320,679**	14,985,302
Less:Obsolete Stock Written Off	**-**	5,074,500
	6,320,679	9,910,802
Closing Stock	**7,703,921**	6,320,679
Increase/(Decrease)	**1,383,242**	**(3,590,123)**
TOTAL - Increase/(Decrease)	**66,456,356**	**91,717,602**
SCHEDULE 13: RAWMATERIALS CONSUMED		
Opening Stock	**68,653,724**	98,244,410
Less:Obsolete Stock Written Off	**-**	26,849,216
Add : Purchases		
Raw Materials	**266,326,019**	272,177,016
Packing Materials	**2,231,676**	3,106,475
	337,211,419	346,678,684
Less: Closing Stocks	**82,042,238**	68,653,724
Total Raw Materials Consumed	**255,169,181**	**278,024,960**
SCHEDULE 14: OTHER MANUFACTURING EXPENSES		
Carriage Inward	**2,686,834**	2,437,424
Power and Fuel	**91,937,541**	122,819,639
Stores and Spares	**12,142,231**	17,241,687
Lab Expenditure	**696,960**	1,607,370
Repairs & Maintenance	**6,192,028**	8,537,641
ETP Maintanance	**2,610,149**	1,090,582
TOTAL	**116,265,743**	**153,734,342**
SCHDULE 15: PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries & Wages	**58,033,454**	55,974,004
Staff Welfare expenses	**8,209,392**	8,291,098
TOTAL	**66,242,846**	**64,265,102**

KREBS BIOCHEMICALS & INDUSTRIES LTD

SCHEDULES TO PROFIT AND LOSS ACCOUNT

Amount in Rs.

PARTICULARS	As at 31.03.2010	As at 31.03.2009
SCHEDULE 16: ADMN. & SELLING EXPENSES		
Rent	1,968,936	1,818,868
Rates & Taxes	1,491,200	1,149,219
Insurance	1,237,521	1,431,918
Printing & Stationary	593,831	770,605
Postage, Telegrams & Telephones	1,277,823	1,232,673
Consultancy & Legal Exp.	7,830,005	1,678,896
Bank Charges	473,665	641,149
General Expenses	3,412,018	4,600,873
Directors Sitting fees	111,000	237,000
Directors Remuneration	2,848,560	1,836,560
Auditors Remuneration		
Statutory Audit Fee	100,000	100,000
Tax Audit Fee	100,000	-
Travelling & Conveyance	2,748,597	2,547,190
Directors Travelling	1,008,841	595,678
Office Maintenance	1,149,659	1,257,382
Carriage Outward	1,585,051	1,403,464
Sales Promotion Expenditure	1,276,014	2,195,959
Loss on Sale of Asset	20,794,308	242,935
Bad Debts Written Off	-	214,350
Sales Tax	20,047,682	10,601,934
Donations	346,100	281,202
TOTAL	70,400,810	34,837,855
SCHEDULE 17: FINANCIAL CHARGES		
Interest On Term Loans	51,195,456	56,408,951
Interest On Working Capital	16,067,177	2,514,603
Financial Charges	1,700,000	839,441
Foreign Exchange Fluctuation	60,209	218,061
TOTAL	69,022,842	59,981,056

TD

Amount in Rs. As at 31.03.2009
1,818,868
1,149,219
1,431,918
770,605
1,232,673
1,678,896
641,149
4,600,873
237,000
1,836,560
100,000
-
2,547,190
595,678
1,257,382
1,403,464
2,195,959
242,935
214,350
10,601,934
281,202
34,837,855
56,408,951
2,514,603
839,441
218,061
59,981,056

NOTES TO ACCOUNTS

SCHEDULE: 18

A. Significant Accounting Policies

a) Basis for preparation of financial statements:

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

b) Revenue Recognition:

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

c) Expenditure:

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

d) Fixed Assets:

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

e) Depreciation :

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

f) Interest Free Sales Tax Loan:

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

g) Inventories:

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

h) 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.

i) Miscellaneous Expenditure:

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

j) 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.

k) 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.

l) Excise Duty:

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

B. Notes

1. Fixed Deposit Receipts for Rs.26,65,000/- (previous year Rs. Rs.1,65,000/-) are in lien with Bankers towards margin money for Bank Guarantees issued by them.

2. Secured Loans

a) Term Loans :

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

b) Working Capital Loans :

The working capital facilities from Andhra Bank, The Jammu & Kashmir Bank Ltd and United Bank of India are secured by first Charge on the stocks of Raw-materials, Work-in-Progress, Finished Goods, Stores and Spares and book debts of the Pharma Division and pari passu second charge on fixed assets of the Pharma Division. The loans are further secured by irrevocable and unconditional personal guarantees of the Promoters namely, Dr. R.T. Ravi and Smt. Hemalata Ravi.

3. During the year the company has availed interest free sales tax Loan of Rs. 13,34,721/- (provisional) for its pharma division unit at Kothapalli. The interest free

sales tax loan availed by the unit so far stood at Rs. 4,21,84,916/- (previous Year Rs. 3,96,06,972/-).

4. During the year the company has paid interest free sales tax Loan of Rs. 15,41,763/- for its pharma division unit at Regadichelika. The interest free sales tax loan outstanding is Rs. 95,33,160/- (previous Year Rs. 1,10,04,305/-).

5. 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. NIL/-)

   ii. Sales Tax: There are various demands raised by the sales tax authorities amounting to Rs.7,84,419/- (Previous year Rs. 192,86,516/-) for which the company preferred appeals with higher authorities. Pending disposal of appeals, the company has deposited an amount of Rs NIL (Previous Year Rs 98,37,102/-).

   iii. Excise Duty: There are various demands raised by the Excise authorities amounting to Rs.3,33,650/- (Previous Year Rs.3,33,650/-) 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.3,15,52,734/- for which the company preferred appeals with Hon'ble High Court of A.P.

6. The Expenditure Incurred on N V R Co-Operative Sugar Factory towards the Development of Factory and Cane Development Expenses etc, has been treated as Advance recoverable since the company is claiming the same from Government of Andhra Pradesh.

7. The Company has not received information from vendor regarding the status under the Micro Act, and hence disclosures relating to amounts unpaid as at end of the year together with interest/payable under the Act have not given.

8. Managerial Remuneration : (In Rupees)

Particulars	For the Year 2009 – 10	For the year 2008 – 09
Managing Director		
Remuneration	**12,00,000**	12,00,000
Perquisites –(HRA)	**4,50,000**	4,50,000
Director		
Remuneration	**11,19,360**	1,86,560
LTA	**79,200**	10,560
TOTAL	**28,48,560**	18,47,120

Due to Inadequate of profits during the Financial year, the company has paid only the minimum remuneration by way of Salary & Perquisites to Managing Director. Remuneration to Director Sri Avinash Ravi is for Twelve Months.

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

10. Payment to Auditors:

(In Rupees)

Particulars	For the Year 2009 – 10	For the year 2008 – 09
Statutory Audit Fee	**70,000**	70,000
Certification Fee	**19,000**	19,000
For Other Services	**11,000**	11,000
Tax Audit Fee	**1,00,000**	NIL
TOTAL	**2,00,000**	1,00,000

11. Related Party Disclosures:

a) Name of the related parties:

Associate Companies : Visakha Foods Pvt. Ltd

Key Management Personnel : Dr.R.T.Ravi, Managing Director.
Mr. Avinash Ravi, Whole Time Director

Relatives of Key Management Personnel : Mrs. Hemalata Ravi W/O Dr.R.T.Ravi

b) Aggregated Related party disclosures for the year 2009-10.

	Associates	Key Management Personnel	Relatives of Key Management personnel	Total
Remuneration	NIL	23.98	NIL	23.98
Rent	NIL	NIL	4.50	4.50
Loans & Advances	NIL	NIL	NIL	28.48

12. As per Accounting Standard 22 "Accounting for Taxes on income" issued by the Institute of Chartered Accountants of India Rs.9,01,24,865/-(Previous year Rs.93,36,153/-) of deferred tax asset arising during the financial year has been credited to the current year's Profit and Loss account.

13. Sundry Debtors amounting to Rs.28.27 Crores includes Rs.19.74 Crores, the recovery of which 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.

14. Calculation of Earnings per Share:

Particulars	For the Year 2009 – 10	For the year 2008 –09
Profit attributable to Share Holders	**(5,66,78,816)**	(42,62,80,101)
No. of Equity Shares Outstanding	**90,50,000**	90,50,000
Weighted No. of Equity Shares	**90,50,000**	81,13,000
Nominal Value of Equity Share	**10**	10
Basic and diluted EPS	**(6.26)**	(52.54)

15. Segment Information :

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

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

Particulars	Current Year 2009 – 10		Previous Year 2008 – 09	
	Value(Rs.)	%	Value(Rs.)	%
Imported	NIL	NIL	NIL	NIL
Indigenous	25,51,69,181	100	27,80,24,960	100
TOTAL	25,51,69,181	100.00	27,80,24,960	100.00

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

a) Details of Capacity, Production :

Particulars	Current Year 2009 – 2010			Previous Year 2008 – 2009		
	Licensed Capacity	Installed Capacity	Actual Production	Licensed Capacity	Installed Capacity	Actual Production
Pseudoephedrine HCl	60.000	60.000	-------	60.000	60.000	6.300
Lovastatin	60.000	60.000	47.139	60.000	60.000	66.150
Simvastatin	30.000	30.000	19.327	30.000	30.000	10.900
Vitamin – C	1200.00	1200.00	-------	1200.00	1200.00	-------

b) Turnover:

Particulars	Current Year 2009 – 2010		Previous Year 2008 – 2009	
	Quantity (MTs)	Value (Rs.lacs)	Quantity (MTs)	Value (Rs.lacs)
Pseudoephedrine HCL	-----	-----	10.045	237.40
Lovastatin	46.634	1,866.02	66.152	2,893.81
Simvastatin	19.356	2,914.77	10.890	1,763.93
Potato Chips	----	----	----	----
Others	----	11.30	----	564.57
TOTAL		4,792.09		5,459.71

c) Closing Stock :

Particulars	Current Year 2009 – 2010		Previous Year 2008 – 2009	
	Quantity (MTs)	Value (Rs.lacs)	Quantity (MTs)	Value (Rs.lacs)
Pseudoephedrine HCL	0.085	2.34	0.085	2.29
Ephedrine HCL	NIL	NIL	NIL	NIL
Sucrolose	NIL	NIL	NIL	NIL
Lovastatin	0.505	18.66	NIL	NIL
Simvastatin	0.024	3.76	0.053	8.51
Others	----	52.28	----	52.41
TOTAL		77.04		63.21

d) Details of Raw Material Consumed:

Particulars	Current Year 2009 – 2010		Previous Year 2008 – 2009	
	Quantity (MTs)	Value (Rs.lacs)	Quantity (MTs)	Value (Rs.lacs)
Toluene	**466.149**	**225.99**	591.544	333.51
N-Butyllithim (Nos)	**622**	**547.47**	348	293.36
Milk Powder	**259.105**	**335.24**	281.797	361.10
Methanol	**159.583**	**36.63**	138.819	24.09
Maize starch	**1661.530**	**294.22**	2452.457	367.02
Pyrolidine	**34.860**	**259.63**	19.220	164.33
Tetrahydro furane	**68.758**	**122.19**	24.686	28.94
Nitrogen liquid	**1048.189**	**99.07**	622.461	85.28
IPA	**99.840**	**65.44**	111.281	85.27
Refined glycerin	**167.935**	**69.71**	124.673	49.64
Sodium Bicorbanate	**27.860**	**7.20**	69.480	18.01
Caustic soda flakes	**98.602**	**30.91**	85.240	26.79
Others		**457.99**		942.91
TOTAL		**2551.69**		2,780.25

e) Foreign Currency / Exchange Transactions

(Rs.in lacs)

Particulars	For the Year 2009 – 10	For the Year 2008 – 09
a) Value of Imports on CIF Basis		
Import of Raw Materials	---	NIL
Stores & Spares	**7.92**	2.50
Capital Goods	**17.75**	NIL
b) Expenditure		
Travelling	**1.10**	NIL
Consultancy Fees	**2.31**	NIL
Product Development	**68.50**	NIL
c) Earnings in Foreign Exchange		
FOB Value of Exports	**254.14**	226.52
FOB Value of Plant & Machinery	**841.30**	NIL

18. Debtors, Other Advances & Creditors are subject to confirmations.
19. Previous years figures are re-grouped wherever necessary to conform to the classification adopted for the current year and figures are rounded off to the nearest Rupee.
20. The Schedules referred to above form part of the Accounts.

Signatures for Schedules 1 to 20

As per our report of even date attached
PAVULURI & Co.,
Chartered Accountants
Firm's Reg. No. : 012194S
Sd/-
CA P. A. RAMAIAH
Partner
M.No. 203300

Place : Hyderabad
Date : 24.05.2010

for and on behalf of the Board of Director
Sd/-
DR. R.T. RAVI
Chairman and Managing Director

Sd/-
S. PRATHAP KUMAR
Company Secretary

Sd/-
AVINASH RAVI
Director & COO

KREBS BIOCHEMICALS & INDUSTRIES LTD

Cash Flow Statement for the year ending 31.03.2010

(Rs in lacs)

Particulars	2009-10	2008-09
Net Profit before tax and extraordinary items	**(1475.94)**	(4355.31)
Adjustments for:		
Depreciation	**633.57**	954.10
Financial Charges	**690.23**	599.81
Interest received /Other Income	**(2.91)**	(3.82)
Operating Profit before Working Capital Changes	**(155.05)**	(2,805.22)
Changes in Working Capital		
(Increase)/Decrease in Sundry Debtors	**140.86**	(352.46)
(Increase)/Decrease in Inventories	**(807.30)**	2,705.05
(increase)/Decrease in Loans & Advances	**261.11**	(81.40)
Increase/(Decrease) in Current Liabilities	**(300.23)**	980.97
Cash generated from Operations	**(705.56)**	3,252.16
Financial Charges paid	**(690.23)**	(820.15)
Direct Taxes paid	**(0.20)**	(9.56)
Net Cash provided/(Used) from operating activities	**(1,551.04)**	(382.76)
(Increase) / Decrease of Fixed Assets	**1,190.97**	(608.84)
(Increase) / Decrease of Capital Work-in-Progress	**(18.96)**	233.52
Interest Received/Other Income	**2.91**	3.82
(Increase)/Decrease in Adv for Cap Goods	**-**	0.00
Increase/(Decrease) in Creditors for Capital Goods	**(19.83)**	(3.21)
(Increase)/Decrease in Misc Exp	**-**	-
Net Cash used in Investing Activities	**1,155.09**	(374.70)
Proceeds from long term borrowings	**502.70**	1,904.92
Increase/(Decrease) in Utilisation of Working Capital Loans	**(98.02)**	(1,504.00)
Dividend & Tax on Dividend	**-**	-
Increase/(Decrease) in Share Capital	**-**	(954.50)
Increase/(Decrease) in Share Premium	**-**	1,286.00
Net Cash provided/(Used) from financing activities	**404.68**	732.42
Net Increase in Cash and Cash equivalents	**8.73**	(25.04)
Cash and Cash equivalents as at the commencement of the year	**42.22**	67.26
Cash and Cash equivalents as at the close of the year	**50.95**	42.22

As per our report of even date attached
PAVULURI & Co.,
Chartered Accountants
Firm's Reg. No. : 012194S

for and on behalf of the Board of Director
Sd/-
DR. R.T. RAVI
Chairman and Managing Director

Sd/-
CA P. A. RAMAIAH
Partner
M.No. 203300

Sd/-
S. PRATHAP KUMAR
Company Secretary

Sd/-
AVINASH RAVI
Director & COO

Place : Hyderabad
Date : 24.05.2010

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

i)	**Registration Details**	
	Registration No.	01-13511
	State Code	01
	Balance Sheet Date	31.03.2010
ii)	**Capital raised during the year**	
	(Amount in Rs.000's)	
	Public Issue	-
	Rights Issue	-
	Bonus Issue	-
	Preferential Issue(On conversion of Warrants)	-
iii)	**Position of Mobilisation and Deployment of Funds**	
	Total Liabilities	2,15,27,67
	Total Assets	2,15,27,67
	a) Source of Funds	
	Paid - up Capital	9,05,00
	Reserves & Surplus	1,15,25,98
	Secured Loans	75,66,97
	Unsecured Loans	11,05,36
	Deferred Tax Liability	4,24,36
	b) Application of funds	
	Net Fixed Assets	72,47,39
	(Including Capital Work In Progress)	
	Investments	---
	Net Current Assets	59,46,92
	Misc. Expenditure	4,99,50
	Accumulated Losses	78,33,86
iv)	Performance of Company	
	Turnover/Total Income	46,23,38
	Total Expenditure	90,91,42
	Profit (Loss) before Tax	(14,68,04)
	Profit (Loss) after Tax	5,66,79
	Earning per Share (in Rs.)	(6.26)
	Dividend (Rate %)	–
v)	Generic Names of Three principal products/ Services of the Company (As per monetary terms)	
	Item Code	29420090
	Product Description	Lovastatin
	Item Code	29420090
	Product Description	Simvastatin
	Item Code	29394200
	Product Description	Pseudo ephedrine

As per our report of even date attached
PAVULURI & Co.,
Chartered Accountants
Firm's Reg. No. : 012194S
Sd/-
CA P. A. RAMAIAH
Partner
M.No. 203300

for and on behalf of the Board of Director
Sd/-
DR. R.T. RAVI
Chairman and Managing Director

Sd/-
S. PRATHAP KUMAR
Company Secretary

Sd/-
AVINASH RAVI
Director & COO

Place : Hyderabad
Date : 24.05.2010

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Krebs Biochemicals & Industries Ltd

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

18th Annual General Meeting at 11.30 A.M. on August 16, 2010 at SURANA UDYOG Auditorium, FAPCCI Building, 11-6-841, Red Hills, Hyderabad - 500 034.

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

Registered Office : #8-2-277/A, 4A, 4th Floor, Inwinex Towers,
Plot No: 130,Road No:2, 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

ofKrebs 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 18th Annual General Meeting of the Company to be held on August 16, 2010 at **SURANA UDYOG Auditorium, FAPCCI Building, 11-6-841, Red Hills, Hyderabad - 500 034.**and at any adjournment(s) thereof.

Signed this _____ day of _____, 2010

Affix
1 Rupee
Revenue
Stamp

Note :

1. 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.
2. A Proxy need not be a member.
3. *Applicable for Investors holding shares in electronic form.

BOOK-POST
UNDER CERTIFICATE OF POSTING

If undelivered please return to:
Krebs Biochemicals & Industries Ltd.
Door No. 8-2-277/A, 4A, 4th Floor,
Inwinex Towers, Plot No. 130,
Road No. 2, Banjara Hills,
Hyderabad - 500 034.