

# 26<sup>th</sup> ANNUAL REPORT

## 2011 -2012



For COMBAT DRUGS LIMITED

Managing Director

# COMBAT DRUGS LIMITED

Regd. Office: 185,186, Yellampet, Medchal Mandal, R.R.District,  
Andhra Pradesh, INDIA

26<sup>th</sup>**Annual General Meeting**

Date : 29.09.2012  
Day : Saturday  
Time : 11:30 AM  
Venue : 185,186, Yellampet, Medchal Mandal,  
R.R.District, AP, INDIA

**A REQUEST**

SHAREHOLDERS ARE REQUESTED TO  
BRING THEIR COPY OF THE ANNUAL  
REPORT TO THE MEETING

**Contents:**

Notice	03
Directors Report	06
Management Discussion & Analysis	12
Corporate Governance Report	15
Auditors Report	26
Balance Sheet	32
Profit & Loss Account	33
Schedules / Notes	34
Proxy Form	45

No Gifts will be distributed at the meeting.

For COMBAT DRUGS LIMITED



Managing Director

**BOARD OF DIRECTORS**

**Sri SUCHIT MOHAN LAL**  
Managing Director

**Shri ANJANI KUMAR AGARWAL**  
**Shri SUSHANT MOHAN LAL**  
**Shri SANJAY AGARWAL**  
**Shri S.S.MARTI**  
**Shri B.N.GNANA PRAKASH**

**Auditors:**

**Anandam & Company**  
Chartered Accountants  
Secunderabad.  
Andhra Pradesh, India.

**Registered Office:**

185,186, Yallampet,  
Medchal Mandal,  
R.R.District  
Andhra Pradesh, India.

**Bankers**

**HDFC Bank Limited**  
Secunderabad.  
Andhra Pradesh, India

**Corporate Office:**

203, Kabra Complex,  
61, M.G.Road,Secunderabad-3

**Central Bank of India**  
Secunderabad.  
Andhra Pradesh, India

**Legal Advisors:**

**N. Rajeshekar Reddy**  
Advocates  
Flat No. 204, 2<sup>nd</sup> Floor  
HilinePratap Apartments  
Kachiguda 'X' Road, Hyderabad

**NOTICE**

Notice is hereby given that the Twenty Sixth Annual General Meeting of the members of Combat Drugs Limited will be held on **Saturday, 29th day of September, 2012 at 11:30 A.M.** at the Registered Office of the Company at 185/186, Yellampet, Medchal, R.R. District, A.P. to transact the following items of business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31<sup>st</sup> March, 2012 (for the 6 months period, 1<sup>st</sup> October 2011 to 31<sup>st</sup> March, 2012) and the Profit and Loss Account for the period ended as on that date and the Report of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri Anjani Kumar Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Sushanth Mohanlal, who retires by rotation and being eligible offers himself for re-appointment.
4. To re-appoint M/s **Anandam & Company**, the Statutory Auditors of the Company to hold the office from the conclusion of this Annual General Meeting till the conclusion of next Annual general Meeting and to authorize the Board of Directors to fix their remuneration.

By the Order of the Board

For **COMBAT DRUGS LIMITED**

Sd/-

**SUCHIT MOHAN LAL**  
**MANAGING DIRECTOR**

Place: Secunderabad  
Date: 07.09.2012

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books shall remain closed from 26<sup>th</sup> September, 2012 to 29<sup>th</sup> September, 2012 (both days inclusive).
3. Members / Proxies are requested to bring their copies of Annual Report with them to the Annual General Meeting and Attendance Slip duly filled in for attending the Meeting.
4. Members are requested to quote their Registered Folio No. on all correspondence(s) with the Company.
5. The information pursuant to Clause 49 of the Listing Agreement with respect to the details of the Directors seeking appointment / re-appointment in this Annual General Meeting is given under the head "Additional Information", which is annexed herewith.

By the Order of the Board

For **COMBAT DRUGS LIMITED**

Sd/-

**SUCHIT MOHAN LAL**  
MANAGING DIRECTOR

Place: Secunderabad  
Date: 07-09-2012

**ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT AT  
THE ENSUING ANNUAL GENERAL MEETING**

(Pursuant to Clause 49 IV (G) of the Listing Agreement)

**SRI ANJANI KUMAR AGARWAL:**

Sri Anjani Kumar Agarwal, S/o Sri Dayanand Agarwal aged about 36 years, is a resident of Plot No. 68, A.P. Text Book Colony, Gunrock, Karkhana, Secunderabad – 500 009. He completed his graduation in Management Studies. He has vast experience in the field of Logistics, Customer Relationship Management and Marketing as he is presently handling the Marketing activities of a multi faceted organization and has created Brands of repute in Logistics and education sectors.

He is also a Director on the boards of DRS Logistics Private Limited., DRS Education Private Limited, DRS Labs (India) Private Limited, and other companies.

Shareholding in the Company as on 31<sup>st</sup> March, 2012: **10,00,000 Equity Shares.**

**SHRI SUSHANT MOHAN LAL:**

Shri Sushant Mohan Lal s/o Shri Suchit Mohan Lal, aged about 33 years, is a resident of 126/2RT, Sanjeeva Reddy Nagar, Hyderabad – 500038.

He is an MBA from the Kansas University, U.S.A and possesses rich experience in marketing and Management.

He is not a member of any Committee(s) other than that of Combat Drugs Limited.

Shareholding in the Company as on 31<sup>st</sup> March 2012: **613828 Equity Shares**

DIRECTORS' REPORT

Dear Members,

Your Directors feel pleased to present before you the **Twenty Sixth Annual Report** of the Company for the financial year (06 months) ended 31<sup>st</sup> March, 2012.

**FINANCIAL RESULTS:**

(Rs. In Lakhs)

Particulars	(FY 2011-2012) (6 Months period ended 31 <sup>st</sup> March, 2012)	(FY 2010-2011) (18 Months period ended 30 <sup>th</sup> September, 2011)
Net Sales	92.56	156.65
Other Income (including sundry balances written back)	0.32	0.98
Total Expenditure (including depreciation)	134.27	154.65
Profit before Depreciation & Tax	(34.22)	10.29
Depreciation	7.17	7.31
Profit before Tax	(41.39)	2.98
Provision for Tax	-----	----
Provision for FBT	-----	----
Net Profit (After Tax)	(41.39)	2.98

**FINANCIAL YEAR:**

As you are aware, your Company has entered into a Scheme of Arrangement with its Creditors & its Members as sanctioned by the Hon'ble High Court of Andhra Pradesh. For effective implementation of the said Scheme, your company had to extend the Financial Year 2010-11 by a period of 6 months, i.e. upto 30th September, 2011. In order to bring the current Financial Year in tune with other Statutory Regulations, it has been resolved to close the current FY on 31<sup>st</sup> March, 2012.

In view of the aforesaid, the attached Accounts pertains to 6 months period (i.e. From 1<sup>st</sup> October, 2011 to 31<sup>st</sup> March, 2012)

**DIVIDEND:**

The Company has restructured its equity and is in the process of restructuring its business and reviving itself, which would help it turn the corner and yield results in the long run. In view of the above said, Your Directors do not recommend any dividend for the financial year (6 months) ended 31<sup>st</sup> March, 2012.

**OPERATIONS & PROSPECTS FOR THE FUTURE:**

During the year under review your company has successfully implemented Scheme of Arrangement sanctioned by the Hon'ble High Court of Andhra Pradesh by its order dated 26.07.2011. The said Scheme of Arrangement is implemented by the company in order to reconstruct the financial position of the Company.

**CORPORATE RESTRUCTURING:**

Your Directors are pleased to inform that the Scheme of Arrangement, contemplating, inter alia, the Reduction of Capital and issue of fresh shares to the Creditors and others, has been completed in all respects and Shares have been allotted & dispatched to the respective shareholders of the Company.

Considering the cumulative effect of the reduction of Capital and fresh allotment as per the Scheme of Arrangement, the Paid up Capital of the Company stands restructured at Rs.8 Crores, divided into 80,00,000 equity shares of Rs.10 each.

**DIRECTORS:**

In accordance with the provisions of the Companies Act, 1956, Shri Anjani Kumar Agarwal and Shri Sushant Mohan Lal, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

**FIXED DEPOSITS:**

The Company has neither accepted nor renewed any deposits falling within the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 from the public during the financial year.



**AUDITORS:**

The term of office of M/s Anandam & Co., Chartered Accountants, as Statutory Auditor of the Company expires at the conclusion of the ensuing Annual General Meeting. However, being eligible they offer themselves for reappointment.

The Company has received a declaration from M/s Anandam & Co., Chartered Accountants, stating that their re-appointment, if made for another term, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

**EXPLANATION TO AUDITORS OBSERVATIONS / REMARKS:**

With reference to clause ix(a) in the annexure to Auditors Report it may be noted that the reported delay in non payment of taxes occurred due to the contemporary liquidity crunch and the same shall be paid in due course of time.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 the Directors confirm that:

- i. The applicable accounting Standards have been followed in the preparation of Annual Accounts for the Financial Year (6 months) ended 31st March, 2012
- ii. The accounting policies selected were applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of 31st March, 2012 and of the Profit of the Company for year ended on that date;
- iii. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for the preventing and detecting fraud and other irregularities;
- iv. The annual accounts have been prepared on a going concern basis.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**

Management Discussion and Analysis Report, pursuant to Clause 49 of the Listing Agreement, forms part of this Report and is annexed hereto as "Annexure B".

**CORPORATE GOVERNANCE:**

The Company has implemented the procedures and adopted practices in conformity with the Code of Corporate Governance as laid under Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is annexed herewith, as a part of the Annual Report along with the Auditor's Certificate on its compliance as "Annexure C".

**LISTING & TRADING:**

The Equity Shares of the Company are listed at The Bombay Stock Exchange Limited, Mumbai. However, the trading in your Company's Shares has been suspended due to Procedural reasons, in view of the implementation of Scheme of Arrangement. In this regard, the Company has made an Application to the said Exchange to enlist the fresh equity shares issued by it along with the shares forming part of the reduced capital, as envisaged in the Scheme of Arrangement. The said Application is being processed by the Stock Exchange and In Principal Approval has been received from BSE subject to the confirmation of ISIN by NSDL & CDSL.

Your Directors are happy to inform you that the ISIN: INE643N01012 has been allotted to the company by CDSL and the approval from NSDL is awaited.

**PARTICULARS OF EMPLOYEES:**

There are no employees whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975, and as amended from time to time as remuneration of none of the employees is in excess of Rs.5,00,000/- per month, if employed for the part of year or Rs.60,00,000/- per annum during the financial year 2011-2012.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

The particulars as prescribed under sub section (1)(e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in the "Annexure A" to this Report.

**ACKNOWLEDGEMENTS:**

Your Directors wish to place on record their gratitude to the Company's shareholders, customers, vendors and bankers for their continued support to the Company's growth initiatives. Your Directors also appreciate the contribution made by the Employees at all levels through their competence, sincerity hard work and dedicated support.

For and on behalf of the Board

Place: Secunderabad  
Date: 07.09.2012

Sd/-  
SUCHIT MOHANLAL  
MANAGING DIRECTOR

Sd/-  
SUSHANT MOHAN LAL  
DIRECTOR

## Annexure – "A"

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY  
ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

## A). CONSERVATION OF ENERGY:

- a) Energy conservation measures taken: The Company is very careful in using the power to reduce the cost of maintenance and conserve the resources.
- b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy : Nil
- c) Impact of the clause (a) and (b) above for reduction of energy consumption and consequent impact on the production of goods : NA

## FORM A

## A. Power and Fuel consumption

1. Electricity	Current Year	Previous Year
a. Purchases		
Unit	56302	113235
Total amount (in Rs.)	361460	726969
Rate/unit (in Rs.)	6.42	6.42
b. Own generation		
i Through Diesel generation	N.A	N.A
Units per Units		
Units per ltr of Diesel Oil		
Cost / unit		
ii Through Steam Turbine/Generation	N.A	N.A
Units per Units		
Units per ltr of fuel oil / gas		
Cost / units		
2. Coal (specify quality and where used)		
Quantity		
Total Cost	N.A	N.A
Average Rate		
3. Furnace Oil		
Quantity	N.A	N.A
Total cost		
Average Rate		
4. Other internal generation	N.A	N.A
Quantity		
Total cost		
Rate/ unit		

**B. TECHNOLOGY ABSORPTION:****FORM B:**

(Disclosure of particulars with respect to Technology Absorption)

**RESEARCH AND DEVELOPMENT (R&D):**

- |                                                                 |       |
|-----------------------------------------------------------------|-------|
| 1. Specific areas in which R & D carried out by the Company     | : Nil |
| 2. Benefits derived as a result of the above R & D              | : Nil |
| 3. Future plan of action                                        | : Nil |
| 4. Expenditure on R & D                                         | : Nil |
| a) Capital                                                      | : Nil |
| b) Recurring                                                    | : Nil |
| c) Total                                                        | : Nil |
| d) Total Expenditure on R & D as a percentage of total turnover | : Nil |

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

- |                                                                                                                                                                  |       |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 1. Efforts, in brief, made towards technology absorption, adoption and innovation:                                                                               | Nil   |
| 2. Benefits derived as a result of the above efforts, Eg. Product Improvement, Cost Reduction, Product Development, Import Substitution etc.:                    | Nil   |
| 3. Import of Technology (Imported Technology during the last 5 years reckoned from the beginning of the financial year), following information may be furnished: |       |
| (a) Technology imported                                                                                                                                          | : Nil |
| (b) Year of import                                                                                                                                               | : Nil |
| (c) Has technology been fully absorbed                                                                                                                           | : Nil |
| (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action.                                                    | : Nil |

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans: Nil

Foreign Exchange inflow	: Nil
Outgo	: Nil

For and on behalf of the Board

Place: Secunderabad	Sd/-	Sd/-
Date: 07.09.2012	SUCHIT MOHANLAL MANAGING DIRECTOR	SUSHANT MOHAN LAL DIRECTOR

**MANAGEMENT DISCUSSION & ANALYSIS****A. INDUSTRY STRUCTURE & DEVELOPMENT :**

The Indian pharmaceutical Industry has witnessed a robust growth of around 14% since the beginning of the 11<sup>th</sup> Plan in 2007 from about Rs 71000 crores to over Rs 1 lac crores in 2009-10 comprising of Rs 62,055 crores of domestic market and exports of over Rs 42,154 crores. This also amounts around 20% of total volume of global generics. However, the Industry is quite fragmented and comprises of nearly 10,500 units with majority of them in unorganized sector. Of these, about 300-400 units are categorized as belonging to medium to large organized sector with the top 10 manufacturers accounting for 36.5% of the market share.

As regards the Bulk drugs component of the industry, the market is around Rs 42,000 crores giving it a share of around 50% of the total domestic market. This gives the Indian Bulk Drug industry a share of about 9% of the global bulk drug market. India is among the top 20 pharmaceutical exporting countries and the exports have grown very significantly at a CAGR of around 19% in the 11<sup>th</sup> plan period. Indian drugs are exported to around 200 countries in the world with highly regulated markets of USA, UK etc. The major therapeutic categories of export are anti infective, anti asthmatic and anti hypertensive.

**B. OPPORTUNITIES, THREATS, RISKS & CONCERNS :**

India with a population of over a billion is a largely untapped market. In fact the penetration of modern medicine is less than 30% in India. To put things in perspective, per capita expenditure on health care in India is US\$ 93 while the same for countries like Brazil is US\$ 453 and Malaysia US\$ 189. The growth of middle class in the country has resulted in fast changing lifestyles in urban and to some extent rural centers. This opens a huge market for lifestyle drugs, which has a very low contribution in the Indian markets. Indian manufacturers are one of the lowest cost producers of drugs in the world. With a scalable labor force, Indian manufacturers can produce drugs at 40% to 50% of the cost to the rest of the world. In some cases, this cost is as low as 90%.

It is often said that the pharma sector has no cyclical factor attached to it. Irrespective of whether the economy is in a downturn or in an upturn, the general belief is that demand for drugs is likely to grow steadily over the long-term.

The Indian pharma companies are marred by the price regulation. Over a period of time, this regulation has reduced the pricing ability of companies. The NPPA (National Pharma Pricing Authority), which is the authority to decide the various pricing parameters, sets prices of different drugs, which leads to lower profitability for the companies. The companies, which are lowest cost producers, are at

advantage while those who cannot produce have either to stop production or bear losses.

But, the migration into a product patent based regime is likely to transform industry fortunes in the long term. The new patent product regime will bring with it new innovative drugs. This will increase the profitability of MNC pharma companies and will force domestic pharma companies to focus more on R&D. This migration could result in consolidation as well. Very small players may not be able to cope up with the challenging environment and may succumb to giants.

#### **A. PRODUCT WISE PERFORMANCE:**

The Company has drawn up different strategies for Marketing the Products locally and also concentrate on the Exports of the products and this offers the Company the requisite flexibility in executing its plans.

The Company's strategy has been to leverage its existing strength as a low cost, world-class W.H.O.G.M.P organization and at the same time positioning itself as a low-cost manufacturer of various high class Finished dosage forms and therapeutic products. Towards this end, the Company has entered into Agreements with several organizations for Manufacturing their Formulations on Third party manufacturing basis and exporters for Exporting the Branded products of the Company which will enable the products and the company to establish itself in various countries which will yield high returns to the company in the years to come. Your company is also negotiating with established companies for manufacturing their products on Loan Licence basis besides Marketing their own Branded formulations. The Company products have been exported to various countries by Merchant Exporters successfully.

#### **B. COMPANY'S OUTLOOK & CONCERNS:**

Notwithstanding the earlier setbacks, with the completion of Scheme of Arrangement your company looks forward to a strong performance in the coming years. We believe that our core business will show robust revenue growth and consequently greater margin contribution.

In line with our stated philosophy and strategy, we will continue to pursue various options to achieve faster growth. Having set aggressive targets across geographies and businesses, we look forward to a profitable future.

#### **C. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

Your Company has adequate internal control systems commensurate with the size of its operations for the purpose of exercising adequate controls on day to day

operations. In addition to this, your Company has an efficient team of qualified and dedicated people for conducting the internal audit at regular intervals.

**A. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:**

The income from operations for the 6 months financial year October 2011 to 31<sup>st</sup> March 2012 stood at Rs. 92.56 Lakhs as against Rs.156.65 Lakhs for the 18 months Financial year ended 30.09.2011.

The details of the financial performance of the Company are comprised in the Balance Sheet, Profit and Loss Account and other financial statements which are annexed hereto along with the Directors and the Auditors Report for the financial year 2011-12.

**B. HUMAN RESOURCES:**

There is a conscious effort by the Company in recruiting personnel as per the restructured requirements with optimum effort to build diversity in the workforce, for rise in the share of women employees also.

**CORPORATE GOVERNANCE REPORT**

The following are the details furnished in the form as required under Clause 49 of the Listing Agreement:

**1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:**

The Company believes that the management is the trustee of all Investors' capital and is obligated to maximize Shareholders value over the long term, while preserving the interests of all its Stakeholders, such as Employees, Customers, Business Partners/Vendors and the Society at large. It is committed to transparency, high levels of ethics and integrity in all its business dealings through regular disclosures.

The Company's philosophy on Corporate Governance is thus connected with the ethics, values and morals of the Company and its Directors, who are expected to act in the best interests of the Company and remain accountable to Shareholders and other beneficiaries for their action.

**2. BOARD OF DIRECTORS:**

The Board of Directors of the Company has an optimum combination of Executive and Non-Executive Directors with Two Independent Non-Executive Directors.

Shri Battula Narasimha Gnana Prakash who was appointed as the Chairman of the meetings, continues to hold the said office.

The Board of Directors met five times during the financial year October 2011 to 31<sup>st</sup> March 2012 and the gap between two Board Meetings did not exceed 4 months. None of the Directors in the Board is a member in more than 10 Committees and none of them act as Chairman of more than 5 Committees across all Companies in which he is a Director.

The dates on which Board Meetings were held during the financial year 1<sup>st</sup> October 2011 to 31<sup>st</sup> March 2012 are as follows:

01.10.2011	14.11.2011	04.12.2011
19.01.2012	14.02.2012	

The attendance at the Board Meetings conducted during the 6 months period ended 31<sup>st</sup> March, 2012 and at the Annual General Meeting as also the number of Directorships and Committee Memberships (other than Combat Drugs Limited) are given below :



Sl. No.	Name	Category	Designation	No. of Board Meetings attended	Attendance at previous AGM	No. of Memberships in other Companies (Excl. Private Limited Companies)	
						Board	Committ ee
1.	Shri Suchit Mohan Lal	Promoter & Executive	Managing Director	5	Yes	Nil	Nil
2.	Shri S. S. Marthi	Independent & Non -Executive	Director	5	Yes	2	3
3.	Shri Sushant Mohan Lal	Promoter & Executive	Director	5	Yes	Nil	Nil
4.	Shri Anjani Kumar Agarwal	Promoter & Non-Executive	Director	5	Yes	Nil	Nil
5.	Shri Sanjay Kumar Agarwal	Promoter & Non-Executive	Director	5	Yes	Nil	Nil
6.	Shri Battula Narasimha Gnana Prakash	Independent & Non -Executive	Director	5	Yes	Nil	Nil

### 3. AUDIT COMMITTEE:

The Committee consists of two independent & Non-Executive Directors and one Executive Director, which provides assistance to the Board of Directors in fulfilling its oversight responsibilities. The Audit committee has been entrusted with the responsibilities as laid down under Clause 49 of the Listing Agreement to the extent applicable and required.

As on date, the Audit Committee comprises of the following members:

Shri Battula Narasimha Gnana Prakash	-	Chairman
Shri Sushant Mohan Lal	-	Member
Shri S S Marthi	-	Member

All the members of the Committee are financially literate and have relevant finance and/or audit exposure.

The terms of reference as per Clause 49 of the Listing Agreement are as follows:

- a. To review the results and announcement and the report and accounts at the end of a quarter, half year and the full year before submission to the Board, focusing particularly on:
  - (i) Any changes in accounting policies and practices.
  - (ii) Compliance with accepted accounting standards.
  - (iii) Compliance with the Listing and other Legal requirements
  - (iii) Major Judgmental Decisions; etc.
- b. To consider appointment of Statutory Auditors, the Audit Fee, and any matter of resignation and dismissal.
- c. To discuss with the Statutory Auditor, before the audit commences, the nature and scope of the Audit.
- d. To discuss problems and reservations arising from the statutory audit and any matters the statutory auditor may wish to discuss.
- e. To consider other matters as may be delegated by the Board from time to time.

**Powers of Audit Committee:**

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

During the 6 months financial year ended 31st March 2012, the Audit Committee met three times, viz., 14.11.2011, 04.12.2011 and 14.02.2012:

Directors Name & Committee position	Meetings attended
Shri Battula Narasimha Gnana Prakash (Chairman)	2
Shri Sushant Mohan Lal (Member)	2
Shri S S Marthi (Member)	2

**4. REMUNERATION COMMITTEE:****Terms of Reference:**

The terms of reference as per Clause 49 of the Listing Agreement is to determine and review the remuneration, performance and related bonuses of Executive Director(s), if any.

**Composition**

The reconstituted Remuneration Committee of the Company consists of following non-executive Directors, which is as follows:

Shri S.S.Marathi	-	Chairman
Shri Battula Narasimha Gnana Prakash	--	Member
Shri Anjani Kumar Agarwal	--	Member

**Remuneration Policy:**

The Company's remuneration policy is driven by the success and performance of the individual employee. While reviewing the remuneration of management personnel, the committee takes into account the following:

- Financial position of the Company
- Trends in the Company
- Appointees qualification and experience
- Past performance
- Past remuneration etc.

During the 6 months financial year ended 31st March 2012, the Remuneration Committee met one time on 04.12.2011 .

All the 3 members of the Committee attended the Meeting.

**Details of Remuneration:**

The details of Remuneration paid to the Directors are as follows:

	Name of the Director	Total (in Rs.)
1	Shri Suchit Mohan Lal	1,20,000/-
2	Shri S S Marthi	Nil
3	Shri Sushant Mohan Lal	1,20,000/-
4	Shri Anjani Kumar Agarwal	Nil
5	Shri Sanjay Kumar Agarwal	Nil
6	Shri Battula Narasimha Gnana Prakash	Nil

**Shareholding of Non-Executive Director:**

As on 31<sup>st</sup> March, 2012 Mr. B.N.Gnana Prakash and Mr. S.S.Marti, Non-Executive Directors of the Company do not hold any shares in the Company.

**4. SHAREHOLDER'S GRIEVANCES COMMITTEE:**

The Board constituted an exclusive committee to resolve the grievances of shareholders with regard to matters such as Transfer/ Transmission/ Transposition of shares, non receipt of Annual Report, non - receipt of Dividend, and other related issues.

The Committee focuses on shareholders' grievances and strengthening of investor relations.

**Composition**

The Committee comprises of the following members:

Shri Battula Narasimha Gnana Prakash	-	Chairman
Shri S.S.Marathi	--	Member
Shri Anjani Kumar Agarwal	--	Member

Mr. Kiran Kumar Kotagiri, Manager is the Compliance Officer of the Company.

The Committee met **1 time** during the 6 months period ended 31<sup>st</sup> March, 2012. Shareholders Grievances during the 6 months financial year ended 31st March' 2012

Nature of Queries/ Complaints	Received during the Year	Redressed during the Year	Pending as on 31st March 2012
Nil	Nil	Nil	Nil

No Complaints were pending at the end of the 6 months financial period ended 31<sup>st</sup> March' 2012.

**5. SHARE TRANSFER COMMITTEE:**

The process of Share transfers is entrusted with the Registrars and Share Transfer Agents of the Company M/s. Big Share Services (P) Ltd who attends to the said tasks as and when required.

The Share Transfer Committee consists of the following Directors:

▪ Shri Suchit Mohan Lal	-	Chairman
▪ Shri S S Marthi, and	-	Member
▪ Shri Anjani Kumar Agarwal	-	Member

During the financial year ended 31<sup>st</sup> March 2012, Committee met 2 times, as follows:

14.11.2011	10.02.2012
------------	------------

**6. MANAGEMENT DISCUSSION & ANALYSIS REPORT:**

A report of the Management Discussion & Analysis Report is attached elsewhere as part of the Annual Report as Annexure "B".

**7. GENERAL BODY MEETINGS :**

Date, Time and Location of the last 3 Annual General Meetings are:

AGM	Date	Location	Time
25 <sup>th</sup>	31.12.2011 Saturday	185,186, Yellampet, Medchal Mandal, R.R. District, (AP)	11.00 A. M.
24 <sup>th</sup>	30.09.2010 Thursday	185,186, Yellampet, Medchal Mandal, R.R. District, (AP)	11.00 A. M.
23 <sup>rd</sup>	30.09.2009 Wednesday	185,186, Yellampet, Medchal Mandal, R.R. District, (AP)	11.00 A. M.

**No Special Resolution was passed in the previous 3 AGMS.**

**Postal Ballot:**

No Special Resolution was passed during the previous year, through Postal Ballot process.

As on date no Postal Ballot process is under progress or proposal.

**8. DISCLOSURES :**

There are no materially significant related party transactions i.e., transactions material in nature, with its Promoters, the Directors or the Management, their Subsidiaries or Relatives, etc., having potential conflict with the interests of Company at large.

**Details of non-compliance**

There were no penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, over the last three years.

**Details of compliance with mandatory requirements and adoption of non-mandatory requirements of the clause**

Pursuant to sub-clause VII of clause 49 of the listing agreement, the Company confirms that it has complied with all mandatory requirements prescribed.

As regards non-mandatory requirements, a Remuneration committee has been formed to evaluate remuneration packages for Directors.

**C.E.O. Certification:**

The C.E.O. (Managing Director) certified to the Board on the prescribed matters as required under Clause 49 of the Listing Agreement and the said Certificate was considered by the Board at its meeting held on 07.09.2012.

**10. MEANS OF COMMUNICATION:**

[www.combatdrugs.in](http://www.combatdrugs.in) is the website of the company, wherein all the official news releases and the developments in relation to the Company are updated and displayed.

**Quarterly Results:**

The Quarterly results of the company are generally published in "Business Standard" and "Andhra Prabha". The Results are displayed on the website of the Stock Exchange shortly after its submission.

**11. GENERAL SHAREHOLDER INFORMATION:**

Annual General Meeting	: 29 <sup>th</sup> September, 2012 at 11.30 A.M. at the registered office of the Company at 185/186, Yellampet, Medchal, R.R. District, A.P.
Financial Year	: 1 <sup>st</sup> October 2011 to 31 <sup>st</sup> March, 2012
Dates of Book Closure	: 26.09.2012 (Wednesday) to 29.09.2012 (Saturday)
Listing	: The Bombay Stock Exchange Ltd.
Stock Code	: 524752
Registrar & Transfer Agents	: M/s Bigshare Services Private Limited, G-10, Left Wing, Amrutha Ville, Opp. Yashoda Hospital, Somajiguda, Rajbhavan Road, Hyderabad – 500 082
Share Transfer System	: The share transfers are affected within one month from the date of the lodgment for transfer, transmission,

sub-division, etc. and the Share Certificates are delivered to the Shareholders immediately.

Dematerialization of shares : The company was allotted ISIN INE643N01012 by CDSL and application is pending with NSDL for its approval.

Nomination Facility : Shareholders, holding shares in physical form and desirous of making/changing a nomination in respect of their shareholding in the Company as permitted under Section 109A of the Companies Act 1956 are requested to submit to the Compliance Officer in the prescribed form 2B for this purpose, which can be furnished by the Company on request.

Outstanding GDR's/ ADR's/  
Warrant or any convertible  
instruments, conversion date  
and likely impact on equity : Nil

**Address for Correspondence:**

Registered Office  
& Works Office : 185, 186, Yellampet, Medchal Mandal,  
R.R. District, Andhra Pradesh

Corporate Office : 203, Kabra Complex, 61, M.G. Road,  
Secunderabad – 500 003

## 12. DISTRIBUTION OF SHAREHOLDING :

Distribution of Shareholding as on 31st March , 2012

Shareholding of Nominal value of (Rs.)	Shareholders		Shareholding	
	Number	% of Total	Amount	% of Total
(1)	(2)	(3)	(4)	(5)
Upto - 5000	11840	99.18	2362600	2.95
5001 - 10000	37	0.31	272550	0.34
10001 - 20000	14	0.12	207200	0.26
20001 - 30000	1	0.01	21700	0.03
30001 - 40000	1	0.01	31600	0.04
40001 - 50000	0	0.00	0	0.00
50001 - 100000	2	0.02	154360	0.19
100001 and above	42	0.35	76949990	96.19
<b>TOTAL</b>	<b>11,937</b>	<b>100</b>	<b>80000000</b>	<b>100</b>



9. SHAREHOLDING PATTERN FOR THE QUARTER ENDED 31<sup>ST</sup> MARCH, 2012

Sl. No.	Category	No. of Shares held	Percentage of Shareholding
<b>A</b>	<b>Promoter's Holding</b>		
	<u>Indian Promoters:</u>		
1	Individuals/HUFs	3215928	40.20%
	Bodies Corporate	2080000	26.00%
2	<u>Foreign Promoters:</u>	NIL	NIL
	Sub-Total	5295928	66.20%
<b>B</b>	<b>Non-promoters Holding</b>		
3	<u>Institutional investors</u>		
A	Mutual Funds and UTI (Govt. Financial Institutions)	NIL	NIL
B	Banking, Financial Institutions/Insurance Companies(Central/State Government Institutions/Non-Government Institutions)	300	0.00
C	FII's	NIL	NIL
	Sub-Total	300	0.00%
4	<u>Others</u>		
a.	Private corporate Bodies	494968	6.19%
b.	Indian Public	2208804	27.61%
c.	NRIs/OCBs	NIL	NIL
d.	Any other (Please Specify) Directors & Relatives	NIL	NIL
	Sub-Total	2703772	33.80%
	Grand Total	8000000	100.00%

By the Order of the Board

Place: Hyderabad  
Date: 07.09.2012Sd/-  
SUCHIT MOHANLAL  
MANAGING DIRECTOR

**DECLARATION OF COMPLIANCE OF CODE OF CONDUCT  
UNDER CLAUSE 49 OF THE LISTING AGREEMENTS**

COMBAT DRUGS LIMITED has adopted a Code of Business Conduct & Ethics (the Code) which applies to all the Employees and Directors of the Company. Under the code, it is the responsibility of all the Employees and Directors to familiarize themselves with the code and comply with its standards.

I hereby certify that the Board Members and Senior Management Personnel of the Company have affirmed compliance with the code of conduct of the Company for the 6 months period ended 31<sup>st</sup> March 2012.

By the Order of the Board  
For **COMBAT DRUGS LIMITED**

Sd/-

**SUCHIT MOHANLAL**  
MANAGING DIRECTOR

Place : Secunderabad  
Date : 07.09.2012

## AUDITORS' REPORT

To

The Members of Combat Drugs Limited

1. We have audited the attached Balance Sheet of **Combat Drugs Limited** ('the Company') for the period 1<sup>st</sup> October 2011 to 31<sup>st</sup> March 2012 and also the Statement of Profit and Loss 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.
2. 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.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
  - b) 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;
  - c) 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.
  - d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with requirements of the accounting standards referred to in Sub-section (3C) of section 211 of the Companies Act, 1956
  - e) The Balance Sheet, Statement of Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account;
  - f) On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified from being appointed as a director of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- a) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and notes thereon 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 31<sup>st</sup> March 2012;
  - ii. In the case of the Statement of Profit and Loss, of the Loss of the company for the year ended on that date; and
  - iii. In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For M. Anandam & Co.,  
Chartered Accountants  
(Firm Regn.No.000125S)

Sd/-

A.V. SADASIVA

Partner

M.No: 18404

Place: Secunderabad

Date: 7<sup>th</sup> Sep 2012

## Annexure to Auditors' Report

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

- xvii. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Fixed assets have been physically verified by the management during the year. No material Discrepancies were noticed on such physical verification.
- (c) The Company has not disposed off any substantial part of its fixed assets during the year.
- xviii. (a) As per the information and explanations given to us, physical verification of inventories is carried out by the Company at regular intervals during the year. In our opinion the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The Company is maintaining proper records of inventory. As informed by the management, the discrepancies noticed on verification between the physical stocks and the book records were not material.
- xix. (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 which are not prejudicial to the company.
- (b) The company has taken an interest free loan from one party covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year is Rs 3.54 Lakhs and the year-end balance is Rs. 2.88 Lakhs.
- (c) The company is regular in repaying the principal amounts as stipulated.
- xx. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- xxi. (a) According to the information and explanations given to us, we are of the opinion that the transactions 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 explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act 1956, exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- ix. The Company has not accepted deposits from the public within the meaning of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under. We are informed that no order has been passed by the Company Law Board or National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunal.
- x. In our opinion, the Company has an internal audit system which is commensurate with the size and nature of its business.
- xi. Maintenance of cost records by the company has not been prescribed by the Central Government of India under Section 209(1) (d) of the Companies Act, 1956.
- xii. (a) According to the information and explanations given to us, and on the basis of our examination of books of account, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, employee state insurance, sales tax, customs duty, wealth tax, service tax, Excise duty, Cess and other statutory dues applicable to it. According to the information and explanations given to us, the company has not remitted Tax deduction at source Rs. 4,26,740/- and Professional Tax Rs. 35,590/- to the appropriate authorities.
- (b) According to the information and explanations given to us, there are no disputed statutory dues pending as on 31<sup>st</sup> March, 2012.
- xiii. The company has appropriated an amount of Rs. 2,24,40,000/- under a Scheme of Arrangement towards reduction of share capital sanctioned by the Hon'ble High Court of A.P. vide its order no. 97 of 2011 dated 26<sup>th</sup> July 2011 and henceforth the accumulated losses have been set off. Therefore the Company does not have any accumulated losses as at 31<sup>st</sup> March 2012.
- xiv. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xv. According to the information and explanation given to us and based on the documents and records produced to us, the company has not granted loans and advances on the basis of securities by way of pledges of shares, debentures and other securities.
- xvi. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

- i. In our opinion and according to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4 (xiv) of the companies (Auditor's report) order, 2003 are not applicable to the company.
- ii. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of Clause 4 (xv) of the companies (Auditor's report) order, 2003 are not applicable to the company.
- iii. The company has not taken any term loans; hence this clause is not applicable.
- iv. 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 were applied for long-term investment.
- v. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in register maintained under section 301 of the Companies Act, 1956 and hence this clause is not applicable.
- vi. According to the information and explanations given to us, there were no debentures issued by the company during the period. Accordingly, Clause 4 (xix) of Companies (Auditor's Report) Order, 2003 is not applicable.
- vii. According to the information and explanations given to us, the Company has not raised any funds on public issue and hence disclosure on the end use of money raised by the public issue is not applicable to the Company.
- viii. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For M. Anandam & Co.,  
Chartered Accountants  
(Firm Regn.No.000125S)

Sd/-  
A.V. SADASIVA  
Partner

Place: Secunderabad  
Date: 7<sup>th</sup> Sep 2012

M.No: 18404

**AUDITORS' REPORT ON CORPORATE GOVERNANCE**

To  
The Board of Directors  
Combat Drugs Limited

We have examined the compliance of conditions of Corporate Governance by Combat Drugs Limited for the period ended 31<sup>st</sup> March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of condition of Corporate Governance is the responsibility of 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 statements 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 Agreement.

We state that in respect of investor grievances received during the period ended 31<sup>st</sup> March, 2012, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M. Anandam & Co.,  
Chartered Accountants  
(Firm Regn. No. 000125S)

Sd/-  
A.V. SADASIVA  
Partner  
M.No. 18404

Place: Secunderabad  
Date: 7<sup>th</sup> Sep, 2012



<b>COMBAT DRUGS LIMITED</b>		<b>Balance Sheet as at March 31, 2012</b>		
PARTICULARS		NOTES	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>EQUITY AND LIABILITIES</b>				
1. Shareholders' Funds				
a) Share capital	2		8,00,00,000	32,31,400
b) Reserves and Surplus	3		22,147	(1,83,04,856)
			8,00,22,147	(1,50,73,456)
2. Share Application Money				
	4		-	9,92,08,600
3. Non-current Liabilities				
a) Long term borrowings	5		2,88,163	3,54,185
c) Other long-term liabilities			-	-
d) Long term provisions			-	-
			2,88,163	3,54,185
4. Current Liabilities				
a) Short term borrowings	6		3,10,359	3,10,359
b) Trade payables	7		62,85,435	82,97,588
c) Other current liabilities	8		36,86,767	15,89,002
d) Short term provisions			-	-
			1,02,82,561	1,01,96,949
<b>TOTAL EQUITY AND LIABILITIES</b>			<b>9,05,92,871</b>	<b>9,46,86,278</b>
<b>B - ASSETS</b>				
1. Non-Current Assets				
a) Fixed Assets	9		4,47,56,701	4,54,73,499
b) Non-current investments	10		-	50,000
c) Long term loans and advances	11		2,21,65,388	2,21,65,388
d) Other non current assets			-	-
			6,69,22,089	6,76,88,887
2. Current Assets				
a) Inventories	12		1,03,49,869	1,23,67,176
b) Trade Receivables	13		72,59,752	60,29,633
c) Cash and bank balances	14		10,29,698	21,21,476
d) Short term loans and advances	15		50,31,463	64,79,106
e) Other current assets			-	-
			2,36,70,782	2,69,97,391
<b>TOTAL ASSETS</b>			<b>9,05,92,871</b>	<b>9,46,86,278</b>

**TOTAL ASSETS****Significant Accounting Policies:**

The notes referred to above and the statement on significant accounting policies form an integral part of the Balance sheet in terms of our report attached.

For M. Anandam & Co.,

Chartered Accountants (Firm Regn. No. 000125S)

Sd/-

A.V. SADASIVA  
Partner - M.No. 18404  
Place: Secunderabad

Date: 07.09.2012

For and on behalf of the Board

Sd/-

SUCHIT MOHANLAL  
MANAGING DIRECTOR

Sd/-

SUSHANT MOHAN LAL  
DIRECTOR

**COMBAT DRUGS LIMITED****Profit & Loss account for the year ended March 31, 2012**

PARTICULARS	NOTES	31.03.2012	30.09.2011
		(6 Months)	(18 Months)
<b>INCOME</b>			
Revenue from operations	16	92,56,053	1,56,64,917
Other income	17	31,851	97,809
<b>TOTAL INCOME</b>		<b>92,87,904</b>	<b>1,57,62,726</b>
<b>EXPENDITURE</b>			
Consumption of raw material	18	91,80,690	71,76,590
Employee Benefits	19	18,89,325	39,56,276
Other expenditure	20	16,40,188	36,01,291
Depreciation	9	7,16,798	7,30,548
<b>TOTAL</b>		<b>1,34,27,001</b>	<b>1,54,64,705</b>
Profit Before Tax		(41,39,097)	2,98,021
Current tax		-	-
Deferred tax		-	-
Profit after tax		(41,39,097)	2,98,021

**Significant Accounting Policies:**

1

The notes referred to above and the statement on significant accounting policies form an integral part of the Balance sheet in terms of our report attached.

For M. Anandam & Co.,  
Chartered Accountants  
(Firm Regn. No. 0001255)

For and on behalf of the Board

Sd/-

Sd/-

Sd/-

A.V. SADASIVA  
Partner - M.No. 18404  
Place: Secunderabad  
Date: 07.09.2012

SUCHIT MOHANLAL  
MANAGING DIRECTOR

SUSHANT MOHAN LAL  
DIRECTOR

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

**Note 1: Significant Accounting policies****a) Basis of preparation**

The financial statements have been prepared in accordance with the applicable accounting standards and are based on historical cost convention.

**b) Fixed Assets**

The fixed assets are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation.

**c) Depreciation**

Depreciation on fixed assets is provided on Straint Line Method on pro-rata basis at the rates prescribed in schedule XIV of the Companies Act, 1956 as amended from time to time on the original cost of all the Assets including the existing assets.

**d) Deferred tax liability / Asset**

To provide and recognize Deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.

**e) Inventories**

Inventories are valued at lower of the cost or net realizable value.

**f) Revenue Recognition**

Sale of goods is recognized at the point of despatch of finished goods to the customers. Sales are inclusive.

**g) Miscellaneous expenditure**

To ammortize preliminary expenses equally over a period of 10 years.

**h) Public Issue expense**

To write off public issue expenses in ten equal installments from the year following the year of Public Issue

**i) Investments**

Quoted and unquoted long term and current investments are stated at cost. Provision for diminution in value of long term investments is made only if such a decline is other than temporary in the opinion of the management.

**h) Public Issue expense**

To write off public issue expenses in ten equal installments from the year following the year of Public Issue

**NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2012****Note 2: Share Capital**

PARTICULARS	31.03.12	30.09.11
<b>AUTHORISED</b>	8,00,00,000	8,00,00,000
80,00,000 Equity Shares of Rs.10/- Each		

**ISSUED & SUBSCRIBED**

80,00,000 Equity Shares of Rs.10/- Each	8,00,00,000	3,23,14,000
(Previous year 32,31,400 Equity Shares of Rs.10/- Each)		

**PAID UP**

80,00,000 Equity Shares of Rs.10/- Each	8,00,00,000	32,31,400
(Previous year 32,31,400 Equity Shares of Rs.10/- Each)		

**The details of Shareholders Holding more than 5% Equity Shares**

Name of Share Holder	As on 31.03.12		As on 30.9.11	
	No. of Shares	%	No. of Shares	%
1. Sushant Mohan Lal	6,13,828	7.67	24,880	7.70
2. Anjani Kumar Agarwal	10,00,000	12.50	-	-
3. Sanjay Kumar Agarwal	10,00,000	12.50	-	-
4. DRS Labs (I) Pvt Ltd	20,80,000	26.00	-	-

**Note 3: Reserves & Surplus**

PARTICULARS	31.03.12 (6 Months)	30.09.11 (18 Months)
<b>Surplus</b>		
Opening balance	(1,80,69,956)	(4,74,50,577)
Add: Net profit transferred from Profit & Loss account	(41,39,097)	2,98,021
	<b>(2,22,09,053)</b>	<b>(4,71,52,556)</b>
Less: Appropriated under "Scheme of Arrangement" towards reduction of share capital	2,24,40,000	2,90,82,600
Closing Balance	<b>2,30,947</b>	<b>(1,80,69,956)</b>
Preliminary expenses	(2,08,800)	(2,34,900)
<b>TOTAL</b>	<b>22,147</b>	<b>(1,83,04,856)</b>

**Note 4: Share Application Money**

	31.3.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
- towards Equity	-	7,67,68,600
- towards Premium	-	2,24,40,000
<b>TOTAL</b>		<b>9,92,08,600</b>

**Note 5: Long Term Borrowings**

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
From Directors	2,88,163	3,54,185
<b>TOTAL</b>	<b>2,88,163</b>	<b>3,54,185</b>

5.1 Note: Deferred tax liability has not been provided

**Note 6: Short Term Borrowings**

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
Sales tax deferrment	3,10,359	3,10,359
<b>TOTAL</b>	<b>3,10,359</b>	<b>3,10,359</b>

**Note 7: Trade Payables**

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
Dues to MSMED	-	-
Others	62,85,435	82,97,588
<b>TOTAL</b>	<b>62,85,435</b>	<b>82,97,588</b>

**Note 8: Other Current Liabilites**

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
Advances from Customers	-	-
Statutory Liabilities	4,26,740	3,53,264
Expenses payable	32,60,027	12,35,738
<b>TOTAL</b>	<b>36,86,767</b>	<b>15,89,002</b>

**COMBAT DRUGS LIMITED**  
 Notes to the Financial statements for the year ended March 31, 2012  
 Note - 9: FIXED ASSETS

Sl. No.	Name of the Asset	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		As At 30.09.11	Additions	Deletions Adjustments	As At 31.03.12	As On 30.09.11	For the Year	Deletions Adjustments	As On 31.03.12	As At 31.03.12	As At 30.09.11
1	Leased Building	15,14,135	2,37,53,939	-	3,12,68,074	1,93,213	3,59,262	-	52,475	3,07,16,559	13,30,522
2	Furniture	4,54,723	-	-	4,54,723	4,47,307	5,815	-	4,54,722	1	6,816
3	Computers	92,700	4,00,000	-	4,92,700	39,396	23,339	-	62,735	4,29,965	53,304
4	Plant & Machinery	78,11,122	93,10,287	-	1,71,21,409	58,46,291	2,79,057	-	61,65,358	1,09,56,051	19,64,831
5	Lab Equipment	2,21,814	8,11,057	-	10,32,871	1,29,724	16,652	-	1,46,376	8,86,535	92,030
6	Office Equipment	2,91,815	-	-	2,91,815	2,09,853	4,873	-	2,14,726	77,089	81,552
7	Electrical Filings	-	16,78,251	-	16,78,251	-	26,790	-	26,790	16,51,461	-
8	Software	4,00,000	-	-	4,00,000	-	-	4,00,000	4,00,000	-	4,00,000
<b>WORK IN PROGRESS:</b>											
1	Lab Equipment	8,11,097	-	-	8,11,097	-	-	-	8,11,097	-	8,11,097
2	Plant & Machinery	93,10,287	-	-	93,10,287	-	-	-	93,10,287	-	93,10,287
3	Electrical Filings	16,78,251	-	-	16,78,251	-	-	-	16,78,251	-	16,78,251
4	Partitions & Wood Works	57,79,082	-	-	57,79,082	-	-	-	57,79,082	-	57,79,082
5	Civil Works	2,39,74,857	-	-	2,39,74,857	-	-	-	2,39,74,857	-	2,39,74,857
	<b>Total Rs.</b>	<b>5,23,95,883</b>	<b>4,19,53,574</b>	<b>-</b>	<b>9,43,49,457</b>	<b>58,66,984</b>	<b>7,18,788</b>	<b>4,18,83,574</b>	<b>4,85,36,756</b>	<b>4,47,56,701</b>	<b>4,54,73,495</b>
	Previous Year	2,99,56,362	1,28,31,931	-	4,27,88,293	55,49,968	4,85,848	-	61,35,836	3,66,52,457	2,43,06,374

Page 37 of 37

## Note 10: Non-Current Investments

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
20,000 Equity Shares of Rs.10/- each of Zental Drugs Limited - partly paid - At Cost		50,000
<b>TOTAL</b>	-	50,000

## Note 11: Long Term Loans and Advances

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
Deposits	2,21,65,388	2,21,65,388
<b>TOTAL</b>	<b>2,21,65,388</b>	<b>2,21,65,388</b>

## Note 12: Inventories

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
Inventories RM / PM & Finished Formulations	1,03,49,869	1,23,67,176
<b>TOTAL</b>	<b>1,03,49,869</b>	<b>1,23,67,176</b>

## Note 13: Trade Receivables

	2012 (6 Months)	2011 (18 Months)
<b>PARTICULARS</b>		
<b>Over 6 months</b>		
Secured, considered good	-	-
Unsecured, considered good	21,34,478	39,48,939
Doubtful	-	-
<b>- Others</b>		
Secured, considered good	42,85,312	-
Unsecured, considered good	8,39,962	20,80,694
Doubtful	-	-
<b>TOTAL</b>	<b>72,59,752</b>	<b>60,29,633</b>

## Note 14: Cash and Bank balances

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
A. Cash on Hand	1,89,295	6,19,763
B. Balances with Scheduled Banks	8,40,156	15,01,713
<b>TOTAL</b>	<b>10,29,451</b>	<b>21,21,476</b>

**Note 15: Short Term Loans and Advances**

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
Advances to staff	1,00,000	2,49,700
Advances to Suppliers for Capital Works	23,32,098	44,78,881
Advances to Suppliers for other works	11,96,000	1,12,835
Advance with Govt, Departments	14,03,365	16,37,690
<b>TOTAL</b>	<b>50,31,463</b>	<b>64,79,106</b>

**Note 16: SALES**

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
Pharma Sales	1,14,02,807	7,56,64,917
Less: Sales returns	21,46,754	
<b>Net sales</b>	<b>92,56,053</b>	<b>1,56,64,917</b>

**Note 17: Other Income**

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
Miscellaneous Income	31,851	97,809
<b>TOTAL</b>	<b>31,851</b>	<b>97,809</b>

**Note 18: Raw Material Consumed**

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
Opening stock	1,23,67,176	37,75,140
Add: Purchases	71,63,383	57,68,626
Total	1,95,30,559	1,95,43,766
Less: Closing stock	1,03,49,869	1,23,67,176
<b>Raw material consumption</b>	<b>91,80,690</b>	<b>71,76,590</b>

**Note 19: Employee Benefits**

	31.03.2012 (6 Months)	30.09.2011 (18 Months)
<b>PARTICULARS</b>		
Directors' Remuneration	2,40,000	7,20,000
Employer's Contribution - ESI	24,785	84,762
Salaries - Others	16,12,833	28,85,028
Staff Welfare	11,707	1,10,970
Wages		1,55,516
<b>TOTAL</b>	<b>18,89,325</b>	<b>39,56,276</b>



## NOTE 20: Other Expenditure

PARTICULARS	31.03.2012 (6 Months)	30.09.2011 (18 Months)
Accounting Services	-	25,000
Advertisement & Business Promotion	9,139	43,668
Audit Fees	1,00,000	27,575
Bank & Service Charges	4,943	8,240
Carriage Inward	1,22,889	82,699
Communication Expenses	21,251	1,13,060
Computer Maintenance	-	2,644
Consumables	8,508	-
Consultancy Charges	5,950	-
Conveyance & Vehicle Maintenance	61,097	3,07,819
Excise Duty	-	2,97,147
Factory Expenses	57,849	83,142
Fuel, Power & Light	3,61,460	7,90,592
Insurance	-	537
Lab Chemicals	-	1,21,996
Legal Expenses	1,60,000	-
Listing Fees	-	82,825
Membership & Subscription	-	17,170
Office Expenses	50,575	91,457
Postage & Telegrams	1,60,886	1,34,430
Preliminary expenses written off	26,100	26,100
Printing & Stationery	1,32,515	2,52,377
Professional Charges	1,02,355	3,49,718
Rent	43,328	1,28,857
Rates & Taxes	16,395	1,24,785
Repairs & Maintenance	62,999	56,961
Sundry Debts Written Off	50,000	91
Travelling - Directors & Others	81,949	1,10,747
VAT/Central Sales Tax	-	3,21,654
<b>TOTAL</b>	<b>16,40,188</b>	<b>36,01,291</b>

**CONSOLIDATED STATEMENT OF FORMULATIONS**  
FROM : 01/10/2011 TO 31/03/2012

Category	Opening Balance		Production		Total		Sales		Closing Balance	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Tablets	2.00	3.08	167.00	40.25	169.00	43.33	90.97	31.00	78.03	12.33
Capsules	2.00	3.25	197.23	6.25	199.23	9.50	113.83	5.77	85.40	3.73
Liquids	0.02	0.72	3.95	59.13	3.97	59.85	3.75	55.77	0.22	4.08

**CONSOLIDATED STATEMENT OF FORMULATIONS**  
FROM : 01/10/2011 TO 31/03/2012

ITEM	OPENING STOCK	PURCH	CONSUME	CLOSIG STOCK
RM / PM	116.62	58.84	91.81	83.35

: 41 :

**COMBAT DRUGS LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012**

Particulars	31st March 2012		30th September 2011	
	6 Months		18 Months	
	Rs	Rs	Rs	Rs
<b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net Profit before Tax	-41,39,097		2,98,021	
Adjustment for :				
Add: Depreciation	7,16,798		7,30,548	
Add: Sundry Debtors W/off	50,000			
Add: Preliminary expenses written off	26,100		26,100	
Operating Profit Before Working Capital Changes	-33,46,199		10,54,669	
<b>Changes in Working Capital</b>				
(Increase)/Decrease in Trade and other Receivables	22,34,831		-3,95,78,751	
Increase/(Decrease) in trade payables and other liabilities	85,612		-1,31,14,741	
<b>Cash Generated from Operations</b>	-10,25,756		-5,18,38,823	
Direct taxes paid	0			
<b>Net Cash Flow from Operating Activities</b>		-10,25,756		-5,16,38,823
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>				
(Increase) / Decrease in Fixed Assets	4,19,53,574		-95,51,590	
(Increase) / Decrease in Capital work In Progress	-4,19,53,574		0	
Preliminary Expenses	0		-2,61,000	
<b>Net Cash Flow from Investing Activities</b>		0		-98,12,590
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>				
Inflow / (Outflow)				
Share Capital/ Application Money	0		6,67,40,538	
Proceeds / (Repayment) of Other Loans	-66,022		-48,45,615	
Proceeds from Long Term Borrowing				
Increase / (Decrease ) in Cash Credit Utilisation				
(Repayment) / Proceeds from Unsecured Loans				
Dividend Paid				
Interest Paid				
<b>Net Cash Flow from Financing Activities</b>		-66,022		6,20,94,721
<b>D) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS:</b>				
Cash and Cash Equivalents at the beginning of the year		-10,91,778		6,43,308
Cash and Cash Equivalents at the close of the year		21,21,476		14,78,168
		10,29,698		21,21,476

For M. Anandam & Co.,  
Chartered Accountants  
(Firm Regn. No. 0001255)

Sd/-

A.V. SADASIVA  
Partner - M.No. 18404  
Place: Secunderabad  
Date: 07.09.2012

For and on behalf of the Board

Sd/-

SUCHIT MOHANLAL  
MANAGING DIRECTOR

Sd/-

SUSHANT MOHAN LAL  
DIRECTOR

**AUDITORS CERTIFICATE**

We have verified the above Cash Flow Statements of COMBAT DRUGS LIMITED derived from the Audited Financial Statements for the year ended 31.03.2012 and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the Listing agreements with the Stock Exchanges

For M. Anandam & Co.,  
Chartered Accountants  
(Firm Regn. No. 000125S)

Place: Secunderabad  
Date: 7<sup>th</sup> Sep, 2012

Sd/-  
A.V. SADASIVA  
Partner  
M.No. 18404

**COMBAT DRUGS LIMITED**

(Regd. Office: 185/186 Yellampet, MedchalMandal, R.R. District, A.P.-501401)

**PROXY FORM**

Ledger Folio No.: \_\_\_\_\_ No. of Shares held: \_\_\_\_\_

I/We \_\_\_\_\_

of \_\_\_\_\_ in the

District of \_\_\_\_\_ being

a Member(s) of the above Company hereby appoint \_\_\_\_\_

of \_\_\_\_\_ in the

District of \_\_\_\_\_ as

my/our Proxy to attend and to vote for me/us on my/our behalf at the 26<sup>th</sup> Annual General Meeting of the Company to be held on the 29<sup>th</sup> September, 2012 at 11.30 A.M. at the Registered Office of the Company at 186, 186, Yellampet, MedchalMandal, R.R. District, Andhra Pradesh and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ Two Thousand and Twelve Affix: Revenue Stamp

Note: This Proxy Form duly completed should be deposited at the Registered Office of the Company not less than 48 (Forty Eight) hours before the time fixed for holding the meeting.

**COMBAT DRUGS LIMITED**

(185/186 Yellampet, MedchalMandal, RR District, Andhra Pradesh-501401)

**ATTENDANCE SLIP**

(Please present this slip at the Meeting Venue)

**26<sup>TH</sup> ANNUAL GENERAL MEETING - 29<sup>TH</sup> SEPTEMBER, 2012**

Regd. Folio No.: \_\_\_\_\_ No. of Shares held: \_\_\_\_\_

I hereby record my presence at the 26<sup>TH</sup> ANNUAL GENERAL MEETING of the Members of the Company held on 29<sup>th</sup> September, 2012 at 11.30 A.M at the Registered Office of the Company at 185/186 Yellampet, MedchalMandal, RR District, Andhra Pradesh-501401.

Signed this: \_\_\_\_\_

Name of the Shareholder: \_\_\_\_\_

Name of the Proxy \_\_\_\_\_

Signature of the Member/Proxy \_\_\_\_\_

For COMBAT DRUGS LIMITED

Managing Director

PRINTED MATTER

BOOK POST

If Undelivered please return to:

**COMBAT DRUGS LIMITED**

Regd. Office: 185,186, Yellampet, Medchal Mandal,  
R.R.District, Andhra Pradesh, INDIA

Corp. Office: 203, Kabra Complex, 61, M.G. Road,  
Secunderabad-500003