

Krebs Biochemicals & Industries Limited



**19th Annual Report
(2010-2011)**

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Company Information

Board of Directors

Dr. R.T.Ravi	Chairman & Managing Director
Mr.S.Ganesh	Nominee Director-IDBI Bank Limited
Mr.M.Venkateswara Rao	Nominee Director-APIDC
Ms.Daya Chandrahas	Nominee Director-EXIM Bank
Mr.R.Ch.Satyanarayana	Small Shareholders Director
Dr.T.Kuchroo	Independent Director
Mr.G.V.L.Prasad	Independent Director
Mr.Avinash Ravi	Director & Chief Operating Officer

Bankers

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

Auditors

M/S Pavuluri & Co

Chartered Accountants
#105, 1st Block, 1st Floor
Divyashakti Complex
Ameerpet, Hyderabad - 500 016

Registered Office	Registrars & Transfer Agents
<p>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 : +91-40-44707777 Fax : +91-40-44707755 E.mail : krebs@krebsbiochem.com Website : www.krebsbiochem.com</p>	<p>Sathguru Management Consultants Pvt. Ltd Plot No:15, Hindi Nagar, Panjagutta Hyderabad - 500 034 Tel : +91-40-30160225 Fax : +91-40-40040554 E.mail : sta@sathguru.com</p>

Notice for the 19th Annual General Meeting of the Company

Notice is hereby given that the 19th Annual General Meeting of the Company will be held on 29th day of September, 2011 at 11.00 A.M. at 10-1-124, Ivory Room, Golconda Hotel, Masab Tank, Hyderabad- 500028 to transact the following business:

Ordinary Business:

1. To consider and if thought fit, to adopt the Audited Balance sheet as on 31st March, 2011 and Profit & Loss A/c for the year ended on that date along with the report of Directors and Auditors thereon.
2. To Consider and appoint Mr.G.V.L.Prasad, Independent Director who retires by rotation and being eligible offers himself for re-appointment.
3. To consider and appoint Dr.R.T.Ravi, Director who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and approve the appointment of Statutory auditors M/s.Pavuluri & Co, Chartered Accountants to hold office from the conclusion of 19th Annual General Meeting till the conclusion of next Annual General Meeting at such remuneration as may be fixed by the Board of Directors.

Place: Hyderabad
Date: 09.08.2011

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

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 26-09-2011 to 29-09-2011.

Directors Report :

Dear Members,

Your Directors have pleasure in presenting the 19th Annual Report together with the Audited Accounts of your company for the year ended March 31, 2011.

Financial Results :

Rs. in lacs

Particulars	2010-11	2009-10
Net Sales	7,244.46	4,623.38
Other Income	701.84	2.91
Total Income	7,946.30	4,626.29
Expenditure	7,228.21	4,208.28
PBDIT	718.09	418.01
Loss on Sale of Assets	NIL	207.94
PBDIT (after Extra Ordinary Items)	718.09	210.07
Finance Charges	747.41	690.23
Depreciation	959.72	987.88
Profit / (Loss) before Tax	(989.04)	(1,468.04)
Deferred Tax Asset	331.48	901.25
Taxes of earlier years	10.66	NIL
Net Profit / (Loss) after Tax	(668.23)	(566.79)
Prior period adjustments	NIL	7.9
Profit after prior period adjustments	(668.23)	(574.69)
Add : Balance brought forward	(263.87)	(7,259.18)
Less : Transferred to General Reserve	NIL	7,570.00
Balance Carried to balance sheet	(932.1)	(263.87)

Overall Performance :

The Turnover of the company during the Financial year 2010-11 shown a growth of 71.06% over the previous financial year. The sales from Unit II have shown a healthy increase and small activity has started in Unit I through Contract Manufacturing. We see a PBDIT rise compared to the previous financial year but was not sufficient to turn the company to Profit. Only a higher capacity utilisation of Unit I will be able to drive the company in to profitability. Increased input costs coupled with lower finished product prices also have contributed to lower PBDIT than expected.

Dividend :

No Dividend is proposed to be declared for the financial year 2010-11.

Taxation :

No Income Tax is applicable for the financial year under review. Deffered Tax Asset of Rs.331.48 lacs is adjusted in the current Financial Year.

Equity Capital:

The equity capital remains unchanged during the Financial year 2010-11. The promoters have brought in Rs.130.00 lacs as per CDR guidelines and the same has been considered for the Allotment of Shares to the Promoters.

Board of Directors :

Dr R.T.Ravi, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

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

During the year under review, the Members have appointed Mr.R.Ch.Satyanarayana as Small Shareholders Director through Postal Ballot held on August 27th, 2010.

It is duly informed to the Members that Dr.Naresh Kumar, Nominee Director of Ranbaxy Laboratories Ltd has submitted resignation to the office of Director on 30.09.2010. Your Board of Directors considered the same and placed on record their appreciation for the services rendered by Dr.Naresh Kumar during his tenure as Director.

Further it is informed to the Members that the Export-Import Bank of India nominated Ms.Daya Chandrahas as Director on the Board of your Company in place of Ms.Sangeetha Sharma. Accordingly, your Board of Directors in their meeting held on 30th May, 2011 extended their warm regards for the active participation of Ms.Sangeetha Sharma in driving the Company and welcomed the new nominee Director Ms.Daya Chandrahas on the Board of your 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, 2011 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. Their patience and support throughout the restructuring and rebuilding period has greatly helped the management in executing the strategy and plans. They have proved themselves the model stakeholders. 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 to the company. The Board is most appreciative of the dedication and commitment extended by its employees at all levels and their contribution to the company.

For and on behalf of the Board of Directors

Sd/-

(Dr. R.T.RAVI)

Chairman & Managing Director

Place : Hyderabad

Date : 09.08.2011

Annexure - I

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

Form - A

Form for disclosure of particulars with respect to conservation of energy

(a) Measures Implemented:

Unit - I

- 1) Installation of VFD systems for process reactors.
- 2) Installation of Capacitor Banks.
- 3) Installation of 150TR Green Chiller by Voltas.

Unit - II

- 1) MEES(Multiple effect Evaporation System) was commissioned.
- 2) Additional capacitor banks introduced.
- 3) Condensate recovery from ejector systems implemented.

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

- 1) Chilled water and Brine lines to be reinsulated with Nitrile rubber insulation to minimize thermal energy losses.
- 2) Proposed to recover condensate from steam ejector systems to reduce boiler fuel consumption.

Unit - II

- 1) Introduction of magnetic separator for boiler bed material for separating iron which will improve the efficiency of the fluidised bed boiler.
- 2) Introduction of data loggers to monitor the fermentation parameters and thereby optimise the energy consumption.
- 3) Automate the feeding into the fermenters resulting in increase in yields thereby reducing the per unit product energy consumption.

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

The implementation of energy conservation measures completed during the financial year 2010-2011 resulted in substantial energy savings.

Unit - II

The implementation of energy conservation measures completed during the financial year 2010- 2011 resulted in substantial energy savings by way of lower coal per unit product.

	PARTICULARS	2010-11	2009-10
1)	Power		
a)	Purchased		
	Units	11,49,180	2,00,500
	Amount (Rs.in lacs)	93.60	12.50
	Rate per unit	8.14	6.23
b)	Own Generation		
i)	Units generated through DG Set	5,18,187	1,73,627
	Amount (Rs.in lacs)	72.70	19.45
	Rate per unit	14.02	11.20
ii)	Units generated through TG Set	189,61,600	168,82,800
	Amount (Rs.in lacs)	1032.00	880.18
	Rate per unit	5.44	5.21
2)	Coal Consumption in MT's	35,123	27,963
	Amount (Rs.in lacs)	1220.00	847.59
	Rate per M T Rs.	3,475.00	3,031.11
3)	Furnace Oil Consumption in KL's	12	NIL
	Amount (Rs.in lacs)	3.96	NIL
	Rate per KL Rs.	33.080	N.A

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	2010-11	2009-10
Capital Expenditure	NIL	NIL
Revenue Expenditure	67.36	47.80
Total Expenditure	67.36	47.80
Total R & D Expenditure as % of Turnover	0.93%	1.03%

B. Technology Absorption, Adoption and Innovation:

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

Form - C

Foreign Exchange Earnings and Outgoings :

Rs. in lacs

Particulars	2010-11	2009-10
a) Value of Imports on CIF Basis		
Import of Raw Materials	---	NIL
Stores & Spares	19.38	7.92
Capital Goods	NIL	17.75
b) Expenditure		
Travelling	4.22	1.10
Consultancy Fees	2.08	2.31
Product Development	69.04	68.50
c) Earnings in Foreign Exchange		
FOB Value of Exports	165.02	254.14
FOB Value of Plant & Machinery	NIL	841.30

For and on behalf of the Board of Directors
Sd/-Place : Hyderabad
Date : 09.08.2011**Dr. R.T.RAVI**
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments :

Global Pharmaceutical Industry is expected to grow at 5-7% in 2011 according to IMS Health estimates. Other relevant industry segments such as fine chemicals, nutraceuticals, Food Ingredients etc are growing at 6-10% and this growth is expected to accelerate. IMS Health is predicting an annual pharmaceutical market growth contribution of about 48% in 2013. This is possible only when the existing global pharma firms expand their access to health care and improve intellectual property and regulatory regimes. The emerging markets comprise bulk of the growth increase in the pharmaceutical industry which is even predicted by IMS that expects top 20 pharma world rankings to be taken by eight emerging markets.

A number of Big Generics based Pharmaceutical companies have emerged in India over the past decade and are driving the growth in the Pharmaceutical sector in India. India's own requirement of pharmaceuticals is seeing a steady and significantly higher than world average growth. This is the very reason large Pharma companies are eyeing the Indian market and trying to grab a slice of the pie by way of acquisitions and large marketing outlays.

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

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

Strengths & Opportunities:

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

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

Risks & Concerns :

The weak financial position of the Company is a barricade in implementing potential projects where huge investment is involved. Also increasingly the company's ability to attract and retain talent will determine the success of the growth strategy.

Product Wise Performance

During the year under review your company recorded a net turnover of Rs.7,244.46 lacs compared to Rs.4,623.38 lacs in the previous Financial Year registering a growth of 56.70%. Though Unit - I reported marginal revenues in the year under review, we were able to receive

an amount of Rs. 153.29 lacs on account of contract manufacturing in the unit. The ensuing Financial year is expected to bear fruit for these efforts A net loss of Rs.668.23 lacs is reported taking in to account write off of certain bad debts and adjustment of the deferred tax liability.

As you can see from the product sales, both Lovastatin and Simvastatin sales registered a significant growth and the positive trend is expected to continue.

The operational loss has come down significantly and Unit-I non utilization and lower product prices coupled with higher raw materials prices have eroded the margins resulting in operational loss.

Internal Control Systems and their adequacy:

The company has well defined internal control system that is adequate and commensurate with the size and nature of its business. Adequate internal controls are established to ensure that all the assets are safeguarded and protected against loss from unauthorized use or disposition and all the transactions are authorized, recorded and reported correctly. The company monitors progress on the internal control audit reports and reviews progress through Audit committee Meetings regularly. Further the Management is proactive in implementing the recommendations made by the independent Audit Committee.

Discussion on Financial Performance with respect to Operational Performance:

The Financial statements are prepared under the Historical Cost Convention in accordance with Indian Generally Accepted Accounting Principles (GAAP) and the Provisions of the Company's Act, 1956 and as per the Accounting Standards issued by the Institute of Chartered Accountants of India. All Incomes and Expenditure having a material bearing on the financial statements are recognized on accrual basis. The management accepts responsibility for the integrity and other objectivity of these financial statements as well as various estimates and judgments used therein

Capital:

The Authorized Share Capital of the company is Rs10.00 crores divided in to One Crore equity shares of Rs.10.00 each of which issued, subscribed and paid up capital is Rs.9.05 crores divided in to 90,50,000 Equity shares of Rs.10/- each. There is no other class of shares.

Reserves:

The reserves remain same as previous Financial Year.

Secured Loans:

The secured term loans have increased from Rs6,057.33 lacs to Rs6,494.26 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.1,512.83 lacs. As per the CDR requirements, the promoters have completed infusion of Rs.130.00 lacs as Share Application Money. At the end of the year the Secured Debt is Rs. Rs.8,007.09 lacs and an unsecured loan of Rs.607.67 lacs comprising sales tax deferment.

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 31.03.2011 is Rs.2,940.05 lacs as against Rs.2,937.15 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 has been an increase in the debtors on account of improved sales and after writing off of bad debts amounting to Rs. 106.77 lacs. Sundry debtors outstanding for more than six months as on the balance sheet date were accumulated over a period and the recovery action was initiated.

Fixed Assets:

The additions made during the year under review, amounted to Rs.694.17 Lacs which takes the total gross block to Rs.16,187.90 lacs as on 31.03.2011 against Rs.15,493.73 lacs as on 31.03.2010.

Depreciation :

The Company has provided Rs.959.72 Lacs towards Depreciation as against Rs.987.88 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 through out 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. 747.41 lacs as against Rs.690.23 lacs during the previous year. This is consequent to funding of interest on term loans by the bankers during the financial year 2010-11 and also increased utilization of working capital facilities due to increased turnovers.

Overheads:

The manufacturing overheads are Rs.1,696.49 Lacs as against Rs.1,203.49 Lacs during the previous year. The increase was mainly on account of increased production levels and increase in prices of power & fuel. The behavior of the above expenditure is varying in nature depending upon the production levels. The Administration and selling expenses were increased to Rs.497.48 Lacs as against Rs.455.23 Lacs after excluding the extraordinary items like Bad Debts written off amounting Rs.106.77 lacs and loss on sale of Fixed Assets amounting to Rs.207.94 lacs during the years 2010-11 and 2009-10 respectively. The increase in the overheads are mainly on account of increased turnovers and commensurate with the levels of turnovers.

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 2011 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/-

Dr. R.T.RAVI

Chairman & Managing Director

Place : Hyderabad

Date : 09.08.2011

Report on Corporate Governance for the year 2010-2011 (Annexure to the Directors Report)

1. Company's philosophy on Corporate Governance

At Krebs, We firmly believe that sound corporate governance is critical to enhance and retain investor trust. Accordingly, we always seek to attain our performance rules with integrity. The Board extends its fiduciary responsibilities in the widest sense of the term. Our disclosures always seek to attain the best practices in international corporate governance. We also endeavour to enhance long term shareholder value and respect minority rights in all our business decisions. Your Company is committed to building long-term shareholder value with full emphasis on transparency and better financial reporting through Corporate Governance. In achieving this overriding objective, the Company has always endeavoured to operate as a responsible and law-abiding corporate citizen.

Governance Philosophy

The Company consciously follows the best governance practices to make it acceptable and respectable in the society in which it functions. The management is proactive in meeting mandated standards and practicing Corporate Governance in spirit and not just the letter of law. 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.

Your Company's philosophy on Corporate Governance is based on following principles:

- 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.

DATE OF REPORT

The information provided in the Corporate Governance report for the purpose of unanimity is as on March 31, 2011. The report is updated as on the date of the report wherever applicable.

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 eight 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 30th June, 2011 is as follows:

Name of the Director	Designation	Category
Dr.R.T.Ravi	Chairman & Managing Director	Promoter & Executive Director
Mrs.Daya Chandrahas	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.T.Kuchroo	Director	Non-executive and Independent Director
Mr.G.V.L.Prasad	Director	Non-executive and Independent Director
Mr.Avinash Ravi	Director and Chief Operating officer	Promoter & Executive Director
Mr.R.Ch.Satyanarayana	Nominee Director-Small Shareholders	Non-executive and Independent Director

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

During the Financial Year under review, the Board has met 6 times i.e. on 24-05-2010, 21-07-2010, 28-10-2010, 10-12-2010, 02-02-2011 and 31-03-2011. Director's attendance at the Board and General Meetings held during the financial year 2010-11 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 2010-11		Whether attended last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
		He Id	Attende d				
01	S.Ganesh	06	05	---	1	---	---
02	Mr.M.Venkateswara Rao	06	05	---	---	02	---
03	Mrs.Sangeetha Sharma (up to 30-05.2011)	06	04	---	03	---	---
04	Mr. Naresh Kumar (Up to 30-09-2010)	06	-----	---	01	---	01
05	Dr.T.Kuchroo	06	-----	---	01	---	---
06	Mr.G.V.L.Prasad	06	06	Yes	02	03	03
07	Mr.R.Ch.Satyanarayana (w.e.f.15-09-2010)	06	04	---	01	03	---
08	Dr.R.T.Ravi	06	06	Yes	-----	02	---
09	Avinash Ravi	06	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. Dr.R.T.Ravi- Director

Dr.R.T.Ravi is the chief promoter of the Company and is a technocrat entrepreneur. He is a Post-Graduate in science with specialisation in Biochemistry from Baroda University and also a Doctorate in Biochemistry with over 13 years of experience in industrial management and consultancy. After a brief two years stint as an Assistant Professor in Food Technology and fermentation at Gujarat Agricultural University, Anand, Dr.R.T.Ravi worked with companies like Alembic Chemicals, Jagatjit Industries Limited and EID Parry Limited in Research & Development Division. Later he worked as Project Development Manager, with an IFC assisted organization founded by Aga Khan Foundation viz. Industrial Promotion Services Fertilizers, a sick partnership firm. By arranging a manufacturing contract with EID Parry Limited, he successfully restored the unit to profitability. In June 1992, the manufacturing contract with EID Parry Ltd. expired and the operations of the plant were terminated. After getting experience in Applied Biochemical Research and industrial experience, he ventured in to the establishment of this company. He was appointed as Managing Director of the company, on 16th July, 1997 and later reappointed for a period of five years in the Annual General Meeting held on 28.09.2002.

In the Board meeting held on 27-02-2007 the Directors approved his appointment for a further period of five years from 1st October, 2007 on the same terms and conditions given to him earlier. His versatile experience and deep involvement in the growth of the company recommends his re-appointment.

ii. Sri G.V.L.Prasad-Independent Director

Sri G.V.L.Prasad is a B.com and B.L. graduate from Andhra University. He is a fellow member of the Institute of Chartered Accountants of India. He is associated with various Engineering and Pharma companies in various capacities. He has total 25 years of experience in the Corporate Sector. He has been associated as a Director and Chairman of the Audit committee as well as the Remuneration committee of the company. He has been serving the company for the last few years in financial area. His rich experience in finance and Accounts is useful to monitor the financial growth of the company hence recommended for re-appointment.

3. COMMITTEES OF BOARD

3.1 Audit Committee:

As required under section 292 A of the Companies Act 1956 and clause 49 of the Stock Exchange listing agreement, the Board constituted an audit committee. The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The Committee comprising of four independent directors and one executive Director met 4 times during the year i.e on 24-05-2010, 21-07-2010, 28-10-2010 and 02-02-2011.

Attendance of the members:

Name	Designation	No of Meetings	
		Held	Attended
Mr.G.V.L.Prasad	Chairman	4	4
Mr.M.Venkateswara Rao	Member	4	4
Dr.R.T.Ravi	Member	4	4
Mr.R.Ch.Satyanarayana(w.e.f.29.10.2010)	Member	4	1
Mr.S.Ganesh(w.e.f.21.07.2010)	Member	4	3

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. The primary objectives of the Audit Committee are:

- 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 details of sitting fees paid to them during the year 2010-11 is as follows:

Name	Designation	No of Shares held	Sitting Fees paid (Rs)
Mrs. Sangeetha Sharma(EXIM)	Director	----	20000
Mr. S Ganesh(IDBI)	Director	----	40000
Mr. M. Venkateswara Rao	Director	----	40000
Dr Naresh Kumar	Director	----	-----
Dr. T. Kuchroo	Director	50700	----
Mr. G .V. L. Prasad	Director	100000	50000
Mr. R.Ch.Satyanarayana	Director	250	25000

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. R.Ch.Satyanarayana. The compliance officer is A.Naga Vasudha, who is the Company Secretary of the company.

Investor Grievances redressed during the financial year 2010-11

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

4. General Body Meetings

Details of previous three Annual General Meetings:

AGM	Year	Venue	Date & Time	Special Resolutions Passed
18th	2009-10	Surana Udyog, Auditorium, Federation Building, FAPCCI, Red Hills, Hyderabad-500004	16.08.2010 11.30 A.M	Nil
17th	2008-09		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)

POSTAL BALLOT

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

However during the year under review, the Company had obtained the approval of the Members through Postal Ballot for the following items:

1. Appointment of Small Shareholders Director:

Salient features of the resolution:

- a. As Mr.K.S.S.Prasad, small Shareholders Director has resigned, the Board of Directors in their meeting held on 21st July, 2010 has recommended the appointment of Sri R.Ch.Satyanarayana as Small Shareholders director and appointed Mr.DSM.Ram, Practising Company Secretary as the scrutinizer for the Postal Ballot process.
- b. Notice along with the Postal Ballot form and pre-paid self addressed envelope was dispatched to the members.
- c. The last date of receipt of postal ballot forms was closing hours of August 25th, 2010.
- d. The Scrutinizer, after verification of postal ballots, submitted his report to the chairman of the company on August 26th, 2010.
- e. Based on the scrutinizer's report, the results were declared on August 27th, 2010 at the registered office of the Company.
- f. The Special resolution referred to above was passed by overwhelming majority.

2. Allotment of equity shares under Preferential Allotment

Salient features of the resolution:

- a. As per the CDR scheme, the promoters of your Company are required to infuse an amount of Rs.1,30,00,000/- with an option to convert this amount in to equity capital including premium. The promoters have already brought in an amount of Rs.100,00,000/-(One Crore) and agreed to bring in remaining amount of Rs.30,00,000(Thirty Lakhs) prior to allotment of equity shares. Hence it is proposed to allot 4,64,286 equity shares at a price of Rs.28/- per share (face value of Rs.10/- each with a premium of Rs.18/- per share) amounting to Rs.130,00,00,008/-(One Crore Thirty Lakh eight rupees only) in favour of Mr.Avinash Ravi from promoter group.
- b. Notice along with the Postal Ballot form and pre-paid self addressed envelope was dispatched to the members.
- c. The last date of receipt of postal ballot forms was closing hours of March 28th, 2011.
- d. The Scrutinizer, after verification of postal ballots, submitted his report to the chairman of the company on March 29th, 2011.
- e. Based on the scrutinizer's report, the results were declared on March 29th, 2011 at the registered office of the Company.
- f. The Special resolution referred to above was passed by overwhelming majority.

5. Disclosures

i. Disclosures on material Significant Related Party Transactions

There have not been any materially significant related party transactions i.e. transactions of the company of materialistic nature with its Promoters, the Directors or the Management, their subsidiaries or relatives etc... that may have potential conflict with the interests of the company at large.

ii. Cases of Non-Compliances / Penalties

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

iii. Risk Management

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

6. Means of Communication

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

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

7. General Share Holder Information:

Annual General Meeting	Date:29th September, 2011 Time:11.00 A.M.
Venue	10-1-124, Ivory Room, Golconda Hotel, Masab Tank, Hyderabad-500028.
Financial Year	1st April, 2010 to 31st March, 2011
Book Closure Date	23rd September, 2011 to 29th September, 2011
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

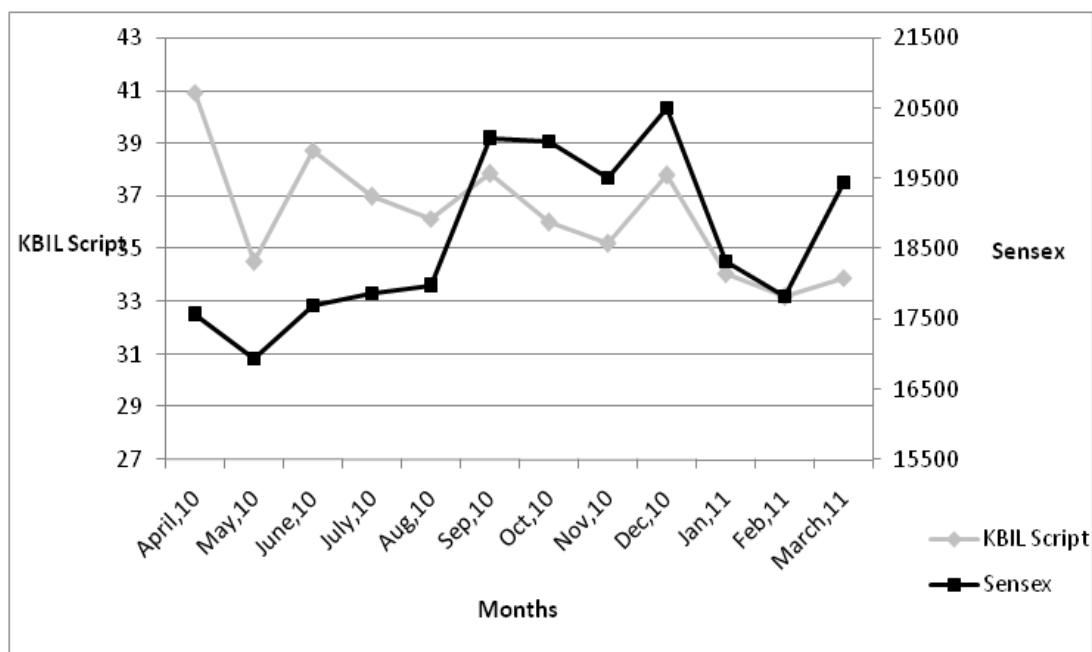
8. Stock price data:

Monthly high and low quotations as well as the volume of shares traded at The Bombay Stock Exchange, Mumbai for the financial year 2010-11 are:

Month	High Price	Low Price	Volume
April 2010	48.70	32.70	2,05,774
May 2010	41.70	28.00	71,222
June 2010	39.00	33.10	54,340
July 2010	42.50	32.30	67,194
August 2010	40.75	35.20	73,388
September 2010	48.75	35.65	1,91,783
October 2010	39.50	36.00	54,681
November 2010	45.00	31.05	1,57,092
December 2010	40.00	28.25	40,434
January 2011	41.90	33.65	31,097
February 2011	38.00	32.00	74,563
March 2011	40.00	32.25	34,919

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

- 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.
- BSE Sensex Vs Krebs Price



10. Share Transfer System:

Share transfers and dematerialization request will be registered/approval and returned with the statutory period from the date of receipt if the documents are clear and complete in all respects. The total number of shares transferred during the year 2010-101 was 600.

11. Shareholding pattern:

Category	31ST March, 2011			31ST March, 2010		
	No of share holders	No of Shares held	Voting Strength %	No of share holders	No of Shares held	Voting Strength %
Individuals	7151	2823981	31.21	7595	2749302	30.37
Companies	198	1683570	18.60	232	1757249	19.42
FIs/fls/Banks	7	200795	2.22	7	200795	2.22
Promoters & their relatives	36	4341654	47.97	36	4342654	47.99
Totals	7392	9050000	100	7870	9050000	100

12. Distribution of Share holding at the end of 31st March 2011:

Category	No. of Members		No. of shares	
	Total	%	Total	%
1 to 5000	6574	88.93	927582	10.25
5001 to 10000	443	5.99	347725	3.84
10001 to 20000	181	2.45	268913	2.97
20001 to 30000	72	0.97	183698	2.03
30001 to 40000	28	0.38	99689	1.10
40001 to 50000	27	0.37	130032	1.44
50001 to 100000	30	0.41	215124	2.38
100001 to Above	37	0.50	6877237	75.99
TOTAL	7392	100	9050000	100

13. Dematerialization of Shares and Liquidity as on 31st March, 2011:

Total shares dematerialized as on 31st March 2011 is 56,09,652 amounting to 61.99 percent of total shares.

Mode of Holding	Holdings		Shares	
	Total	%	Total	%
PHYSICAL	898	12.11	3434726	37.95
DEMAT				
- NSDL	4675	63.25	5101877	56.37
- CDSL	1819	24.64	511507	5.65
Total :	7392	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: +91-40 - 4470 7777
Fax: +91-40 - 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 : +91 40 30160225/30160333
Fax : +91-40-40040554
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: 09.08.2011

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

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE FROM CHAIRMAN AND COO

To

The Board of Directors of
KREBS BIOCHEMICALS & INDUSTRIES LTD.

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

1. We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2011 and to the best of our knowledge and belief.
 - a) These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.
 - b) These statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting standard, applicable laws and regulations.
2. To-the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2011 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/-
Dr. R.T.Ravi
Chairman & Managing Director

Sd/-
Avinash Ravi
Director & COO

Place : Hyderabad
Date : 09.08.2011

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 2011, 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: 09.08.2011

Sd/-
(CA P.A.RAMIAH)
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 31.03.2011 and also the Profit and Loss Account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. As required by the Companies' (Auditor's Report) Order, 2003, issued by the Central Government of India, in terms of Section 227(4A) of the Companies Act'1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.

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

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books.
- c) The Balance Sheet, Profit & Loss account and the Cash Flow statement dealt with by this report are in 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 '2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March '2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act'1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the schedule annexed 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 st March' 2011;
- 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.RAMIAH)
PARTNER
M.No.203300

Place: Hyderabad
Date: 30.05.2011

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.
2. (a) The inventories have been physically verified by the management during the year at reasonable intervals.
(b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material.
3. In our opinion, the Company has neither granted nor taken any loans to/from companies, firms or other parties covered in the Register, maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (b), (c) & (d) of the Companies (Auditor's Report) order, 2003 are not applicable to the company.
4. In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods.
5. (a) In our opinion and according to the information and explanation given to us, there are no transactions made in pursuance of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
(b) In our opinion and according to the information and explanation given to us, there are no transactions of purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- or more in respect of each party.
6. In our opinion and according to the information and explanation given to us, the company has not accepted any deposits as defined under section 58A of the Companies Act'1956.
7. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the Books of Account maintained by the Company as prescribed by the Central Government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained.

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, 2011 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. 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.

19th Annual Report

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.
Chartered Accountants
Firm's Reg. No. : 012194S

Sd/-

(CA P.A.RAMIAH)

PARTNER

M.No.203300

Place : Hyderabad
Date : 30.05.2011

KREBS BIOCHEMICALS & INDUSTRIES LTD**BALANCE SHEET AS AT 31st MARCH, 2011****Amount in Rs.**

PARTICULARS	Schedule	As at 31.03.2011	As at 31.03.2010
<u>SOURCE OF FUNDS</u>			
<u>SHAREHOLDERS FUNDS</u>			
SHARE CAPITAL	1	90,500,000	90,500,000
SHARE APPLICATION MONEY		13,000,000	-
RESERVES & SURPLUS	2	395,598,010	395,598,010
<u>LOAN FUNDS</u>			
SECURED LOANS	3	800,708,984	756,697,260
UN-SECURED LOANS	4	60,767,085	110,535,726
DEFERRED TAX LIABILITY		9,288,835	42,436,437
TOTAL		1,369,862,914	1,395,767,433
<u>APPLICATION OF FUNDS</u>			
<u>FIXED ASSETS</u>	5		
GROSS BLOCK		1,618,789,592	1,549,373,416
LESS: DEPRECIATION		957,395,290	861,495,643
NET BLOCK		661,394,302	687,877,773
CAPITAL WORKS-IN-PROGRESS		-	36,861,156
CURRENT ASSETS, LOANS & ADVANCES	6	856,787,996	803,306,372
Less: CURRENT LIABILITIES & PROVISIONS	7	291,479,319	208,614,724
NET CURRENT ASSETS		565,308,676	594,691,648
MISC. EXPENDITURE	8	143,159,936	76,336,856
(to the extent not written off or adjusted)			
TOTAL		1,369,862,914	1,395,767,433
Notes on Accounts	17		

The Schedule referred to above and Statement on Significant Accounting Policies form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date

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

Sd/-

A. NAGA VASUDHA

Company Secretary

Sd/-

AVINASH RAVI

Director & COO

for and on behalf of the Board of Director

Sd/-

DR. R.T. RAVI

Chairman and Managing Director

Place : Hyderabad

Date : 30.05.2011

KREBS BIOCHEMICALS & INDUSTRIES LTD
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011
Amount in Rs.

PARTICULARS	Schedule	As at 31.03.2011	As at 31.03.2010
INCOME			
NET SALES	9	724,446,159	462,338,135
OTHER INCOME	10	70,183,721	291,178
INCREASE/(DECREASE)IN STOCKS	11	(8,390,483)	66,456,356
TOTAL		786,239,397	529,085,669
EXPENDITURE			
RAW MATERIALS CONSUMED	12	401,510,434	255,169,181
OTHER MFG.EXPENSES	13	169,649,460	120,349,075
PAYMENTS AND BENEFITS TO EMPLOYEES	14	82,845,742	66,242,846
ADMN.& SELLING EXPENSES	15	60,425,510	66,317,478
FINANCIAL CHARGES	16	74,740,733	69,022,842
DEPRECIATION	5	95,971,880	98,787,929
TOTAL		885,143,758	675,889,352
LOSS FOR THE PERIOD		98,904,361	146,803,682
ADD:DEFERRED TAX (LIABILITY)/ASSET		33,147,602	90,124,865
LESS: PREVIOUSYEAR TAXES		1,066,322	-
LOSS AFTER TAX		66,823,081	56,678,817
PRIOR PERIOD ADJUSTMENTS		-	789,856
ADD:BALANCE B/F FROM EARLIER YEARS		26,386,521	725,917,848
LESS : GENERAL RESERVE		-	757,000,000
BALANCE LOSS CARRIED TO BALANCE SHEET		93,209,602	26,386,521
Notes on Accounts	17		

The Schedule referred to above and Statement on Significant Accounting Policies form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date
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 : 30.05.2011

Sd/-

A. NAGA VASUDHA

Company Secretary

Sd/-

AVINASH RAVI

Director & COO

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

DR. R.T. RAVI

Chairman and Managing Director

KREBS BIOCHEMICALS & INDUSTRIES LTD
SCHEDULES FORMING PART OF BALANCE SHEET

Amount in Rs.

PARTICULARS	As at 31.03.2011	As at 31.03.2010
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
Share Application Money	13,000,000	-
TOTAL	103,500,000	90,500,000
SCHEDULE 2: RESERVES & SURPLUS		
Share Premium	391,660,000	391,660,000
State Subsidy	3,938,010	3,938,010
TOTAL	395,598,010	395,598,010
SCHEDULE 3: SECURED LOANS		
Term Loans from:		
Industrial Development Bank of India	203,388,568	189,733,999
Syndicate Bank	66,204,371	61,920,463
Export and Import Bank of India	178,695,803	166,849,642
United Bank of India	33,702,610	31,057,949
Andhra Bank	100,286,224	93,536,770
The Jammu & Kashmir Bank Limited	67,148,260	62,633,719
Working Capital Loan from:		
Andhra Bank	75,909,939	75,385,326
The Jammu & Kashmir Bank Limited	50,129,078	50,387,087
United Bank of India	25,244,131	25,192,304
TOTAL	800,708,984	756,697,260
SCHEDULE 4: UN-SECURED LOANS		
Interest Free Sales Tax Loan	52,807,867	51,718,076
Loan from Directors	-	2,000,000
Loan from others	7,959,218	56,817,650
TOTAL	60,767,085	110,535,726

KREBS BIOCHEMICALS & INDUSTRIES LTD
SCHEDULE 5: FIXED ASSETS

Amount in Rs.

Particulars	Gross block			Depreciation Block				Net Block	
	As at 01.04.10	Additions during the period	Deletions during the period	As at 31.03.11	As at 01.04.10	For the period	Adjustment	As at 31.03.11	As at 31.03.10
Land	18,834,470	-	-	18,834,470	-	-	-	18,834,470	18,834,470
Wells	2,313,786	24,100	-	2,337,886	-	-	-	2,337,886	2,313,786
Buildings									
-Factory	179,205,075	2,534,815	-	181,739,890	47,984,425	5,468,899	-	128,286,566	131,220,650
-Non Factory	13,204,667	(0)	-	13,204,667	1,691,601	175,666	-	11,337,400	11,513,066
Plant&Machinery	1,076,217,061	61,360,507	-	1,137,577,568	638,646,255	75,202,768	-	423,728,545	437,570,806
Boilers	9,747,146	-	-	9,747,146	8,770,936	426,658	-	549,552	976,210
Electrical Installations	64,544,817	2,868,154	-	67,412,972	28,302,806	3,195,259	-	35,914,907	36,242,011
D.G.Set	35,093,145	-	-	35,093,145	28,211,508	2,145,869	-	4,735,768	6,881,637
Effluent Treatment Plant	63,775,739	62,900	-	63,838,639	50,060,270	4,047,767	-	9,730,602	13,715,469
Factory Equipment	15,122,890	0	-	15,122,890	10,868,411	766,937	-	3,487,542	4,254,479
Lab Equipment	35,640,058	1,756,881	-	37,396,939	23,022,707	2,618,703	-	11,755,529	12,617,351
Research & Dev.Equipment	10,415,413	-	-	10,415,413	6,279,111	772,824	-	3,363,478	4,136,302
Office Equipment	4,608,595	154,053	(73,398)	4,689,250	3,009,013	285,360	(19,061)	1,413,938	1,599,582
Computers	5,870,360	36,800	(80,300)	5,826,860	5,675,818	5,962	(45,531)	190,611	194,542
Vehicles	10,023,936	711,296	-	10,735,232	6,040,453	560,073	-	4,134,706	3,983,483
Furniture	4,756,260	94,853	(34,487)	4,816,626	2,932,329	299,135	(7,641)	1,592,803	1,823,931
Total	1,549,373,417	69,604,360	(188,185)	1,618,789,592	861,495,643	95,971,880	(72,233)	661,394,302	687,877,774
Previous year Totals	1,489,189,672	60,785,505	601,760	1,549,373,417	703,427,820	95,410,370	699,633	687,877,774	945,406,530

KREBS BIOCHEMICALS & INDUSTRIES LTD
SCHEDULES FORMING PART OF BALANCE SHEET

Amount in Rs.

PARTICULARS	As at 31.03.2011	As at 31.03.2010
SCHEDULE 6: CURRENT ASSETS, LOANS & ADVANCES		
A) CURRENT ASSETS		
1. INVENTORIES (as valued and Certified by Management)		
I. Raw Materials,Packing Materials,Fuels, Stores&Spares	96,077,399	87,396,958
II.Work in Progress	191,140,973	198,613,978
III.Finished Goods	6,786,443	7,703,921
	294,004,815	293,714,857
2. SUNDRY DEBTORS (Unsecured, Considered good)		
Debts outstanding for a period exceeding 6 Months	206,129,831	214,930,094
Others	133,871,461	67,739,128
	340,001,292	282,669,222
3. CASH AT BANK (with scheduled banks)		
- in current accounts	730,537	2,346,879
- in Margin Money accounts	2,826,235	2,665,000
	3,556,772	5,011,879
4. CASH ON HAND	95,923	83,212
TOTAL (A)	637,658,802	581,479,169
B) LOANS & ADVANCES (Unsecured, considered good recoverable in cash or kind for value to be received)		
Advances for Capital Expenditure	11,666,443	10,911,879
Advances for Materials	59,884,141	59,350,296
Other Advances	133,873,064	128,233,630
Advance Taxes	1,914,932	13,714,343
Deposits	11,790,615	9,617,055
TOTAL (B)	219,129,194	221,827,203
TOTAL (A+B)	856,787,996	803,306,372

KREBS BIOCHEMICALS & INDUSTRIES LTD
SCHEDULES FORMING PART OF BALANCE SHEET

Amount in Rs.

PARTICULARS	As at 31.03.2011	As at 31.03.2010
SCHEDULE 7: CURRENT LIABILITIES & PROVISIONS		
A) CURRENT LIABILITIES		
Creditors for Capital Works	11,751,217	9,100,715
Creditors for Materials	193,594,410	133,690,711
Creditors for Expenses	16,226,427	14,333,728
Other Current Liabilities	68,171,822	38,628,225
	-	-
TOTAL (A)	289,743,876	195,753,379
B) PROVISIONS		
Provision for Taxation	1,735,443	12,861,345
TOTAL (B)	1,735,443	12,861,345
TOTAL (A+B)	291,479,319	208,614,724
SCHEDULE 8: MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Product Development Expenses	49,950,334	49,950,334
Profit & Loss Account	93,209,602	26,386,521
TOTAL	143,159,936	76,336,856

KREBS BIOCHEMICALS & INDUSTRIES LTD
SCHEDULES TO PROFIT AND LOSS ACCOUNT

Amount in Rs.

PARTICULARS	As at 31.03.2011	As at 31.03.2010
SCHEDULE 9: SALES		
Exports	92,347,453	103,389,989
Domestic	690,517,679	375,819,152
	782,865,132	479,209,141
Less: Excise Duty	58,418,973	16,871,006
TOTAL	724,446,159	462,338,135
SCHEDULE 10: OTHER INCOME		
Interest Received	495,029	283,041
Misc. Income	69,530,088	8,137
Foreign Exchange Gain	158,604	-
TOTAL	70,183,721	291,178

KREBS BIOCHEMICALS & INDUSTRIES LTD**SCHEDULES TO PROFIT AND LOSS ACCOUNT****Amount in Rs.**

PARTICULARS	As at 31.03.2011	As at 31.03.2010
SCHEDULE 11: INCREASE IN INVENTORIES		
a) Work in Process		
Opening Stock	198,613,978	133,540,864
Closing Stock	191,140,973	198,613,978
Increase/(Decrease)	(7,473,005)	65,073,114
b) Finished Goods		
Opening Stock	7,703,921	6,320,679
Closing Stock	6,786,443	7,703,921
Increase/(Decrease)	(917,478)	1,383,242
TOTAL - Increase/(Decrease)	(8,390,483)	66,456,356
SCHEDULE 12: RAWMATERIALS CONSUMED		
Opening Stock	82,042,238	68,653,724
Add : Purchases		
Raw Materials	404,918,199	266,326,019
Packing Materials	3,042,602	2,231,676
	490,003,039	337,211,419
Less: Closing Stock	88,492,605	82,042,238
Total Raw Materials Consumed	401,510,434	255,169,181
SCHEDULE 13: OTHER MANUFACTURING EXPENSES		
Carriage Inward	1,837,530	2,686,834
Power and Fuel	129,945,791	91,937,541
Stores and Spares	18,700,396	12,142,231
Lab Expenditure	6,736,419	4,780,292
Repairs & Maintenance	10,721,412	6,192,028
ETP Maintanance	1,707,912	2,610,149
TOTAL	169,649,460	120,349,075
SCHDULE 14: PAYMENTS AND BENEFITS TO EMPLOYEES		
Salaries & Wages	73,706,014	58,033,454
Staff Welfare expenses	9,139,728	8,209,392
TOTAL	82,845,742	66,242,846

KREBS BIOCHEMICALS & INDUSTRIES LTD**SCHEDULES TO PROFIT AND LOSS ACCOUNT****Amount in Rs.**

PARTICULARS	As at 31.03.2011	As at 31.03.2010
SCHEDULE 15: ADMN. & SELLING EXPENSES		
Rent	2,114,000	1,968,936
Rates & Taxes	1,792,150	1,491,200
Insurance	1,277,884	1,237,521
Printing & Stationary	1,013,733	593,831
Postage, Telegrams & Telephones	1,334,297	1,277,823
Consultancy & Legal Exp.	2,279,004	3,746,673
Bank Charges	465,447	473,665
General Expenses	5,644,293	3,412,018
Directors Sitting fees	175,000	111,000
Directors Remuneration	2,848,560	2,848,560
<u>Auditors Remuneration</u>		
Statutory Audit Fee	150,000	100,000
Tax Audit Fee	100,000	100,000
Cost Auditors Remuneration	83,000	-
Travelling & Conveyance	3,516,937	2,748,597
Directors Travelling	1,071,775	1,008,841
Office Maintenance	1,212,815	1,149,659
Carriage Outward	3,844,061	1,585,051
Sales Promotion Expenditure	1,340,621	1,276,014
Loss on Sale of Asset	-	20,794,308
Bad Debts Written Off	10,677,083	-
Sales Tax	19,044,953	20,047,682
Donations	439,897	346,100
TOTAL	60,425,510	66,317,478
SCHEDULE 16: FINANCIAL CHARGES		
Interest On Term Loans	56,286,294	51,195,456
Interest On Working Capital	18,099,503	16,067,177
Financial Charges	354,936	1,700,000
Foreign Exchange Loss	-	60,209
TOTAL	74,740,733	69,022,842

NOTES TO ACCOUNTS

SCHEDULE No.: 17

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.28,26,235/- (previous year Rs. Rs. 26,65,000/-) 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. 29,90,625/- (provisional) for its pharma division unit at Kothapalli. The interest free

sales tax loan availed by the unit so far stood at Rs. 4,51,75,541/- (previous Year Rs. 4,21,84,916/-).

4. During the year the company has paid interest free sales tax Loan of Rs. 19,00,834/- for its pharma division unit at Regadichelika. The interest free sales tax loan outstanding is Rs. 76,32,326/- (previous Year Rs. 95,33,160/-).
5. The company made a claim against Wacker Chemie AG for Rs.700.00 lacs for services rendered under the agreement in addition to Rs. 537 lacs already paid by them. But Wacker Chemie AG has made a counter claim for Rs.107.00 lacs Both these claims were not considered in the Financial Statements. However, the amount already received by the company for Rs.537 lacs from Wacker Chemie AG was shown as other income.

6. 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. 7,84,419/-) for which the company preferred appeals with higher authorities. Pending disposal of appeals, the company has deposited an amount of Rs NIL (Previous Year Rs NIL).
- iii. Excise Duty: There are various demands raised by the Excise authorities amounting to Rs.3,33,650/- (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.
7. 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.
8. The Company has not received information from vendor regarding the status under the MSME(Development) Act, 2006, and hence disclosures relating to amounts unpaid as at end of the year together with interest/payable under the Act have not given.

9. Managerial Remuneration : (In Rupees)

Particulars	For the Year 2010 – 11	For the year 2009 – 10
Managing Director		
Remuneration	12,00,000	12,00,000
Perquisites –(HRA)	4,50,000	4,50,000
Director		
Remuneration	11,19,360	11,19,360
LTA	79,200	79,200
T O T A L	28,48,560	28,48,560

10. The company is providing gratuity on actuarial valuation basis.**11. Payment to Auditors:**

(In Rupees)

Particulars	For the Year 2010 – 11	For the year 2009 – 10
Statutory Audit Fee	100,000	70,000
Certification Fee	29,000	19,000
For Other Services	21,000	11,000
Tax Audit Fee	1,00,000	1,00,000
TOTAL	2,50,000	2,00,000

12. 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 2010-11.

(Rs. in Lacs)

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

13. As per Accounting Standard 22 "Accounting for Taxes on income" issued by the Institute of Chartered Accountants of India Rs.3,31,47,602/-(Previous year Rs.9,01,24,865/-) of deferred tax asset arising during the financial year has been credited to the current year's Profit and Loss account.
14. Sundry Debtors amounting to Rs.32.36 Crores includes Rs.18.82 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.
15. Calculation of Earnings per Share:

Particulars	For the Year 2010 – 11	For the year 2009 – 10
Profit attributable to Share Holders	(6,68,23,081)	(5,66,78,816)
No. of Equity Shares Outstanding	90,50,000	90,50,000
Weighted No. of Equity Shares	90,50,000	90,50,000
Nominal Value of Equity Share	10	10
Basic and diluted EPS	(7.38)	(6.26)

16. Segment Information :

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

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

Particulars	Current Year 2010 – 11		Previous Year 2009 – 10	
	Value(Rs.)	%	Value(Rs.)	%
Imported	NIL	NIL	NIL	NIL
Indigenous	40,15,10,434	100%	25,51,69,181	100
TOTAL	40,15,10,434	100%	25,51,69,181	100

18. 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 2010 – 2011			Previous Year 2009 – 2010		
	Licensed Capacity	Installed Capacity	Actual Production	Licensed Capacity	Installed Capacity	Actual Production
Pseudoephedrine HCL	60.000	60.000	-----	60.000	60.000	-----
Lovastatin	216.000	120.000	97.575	60.000	60.000	47.139
Simvastatin	90.000	36.000	30.794	30.000	30.000	19.327
Vitamin – C	1200.00	1200.00	-----	1200.00	1200.00	-----

b) Turnover:

Particulars	Current Year 2010 – 2011		Previous Year 2009 – 2010	
	Quantity (MTs)	Value (Rs.lacs)	Quantity MTs)	Value (Rs.lacs)
Pseudoephedrine HCL	-----	-----	-----	-----
Lovastatin	98.080	3,482.36	46.632	1,866.02
Simvastatin	30.718	4,295.64	19.356	2,914.77
Others	----	50.65	----	11.30
TOTAL		7,828.65		4,792.09

c) Closing Stock :

Particulars	Current Year 2010 – 2011		Previous Year 2009 – 2010	
	Quantity (MTs)	Value (Rs.lacs)	Quantity (MTs)	Value (Rs.lacs)
Pseudoephedrine HCL	0.085	2.34	0.085	2.34
Lovastatin	NIL	NIL	0.505	18.66
Simvastatin	0.100	13.25	0.024	3.76
Others	----	52.27	----	52.28
TOTAL		67.86		77.04

d) Details of Raw Material Consumed:

Particulars	Current Year 2010 – 2011		Previous Year 2009 – 2010	
	Quantity (MTs)	Value (Rs.lacs)	Quantity (MTs)	Value (Rs.lacs)
Toluene	607.682	321.86	466.149	225.99
N-Butyllithim	45.728	796.85	26.124	547.47
Milk Powder	350.5170	477.59	259.105	335.24
Methanol	280.770	49.12	159.583	36.63
Maize starch	2349.300	482.88	1661.530	294.22
Pyrolidine	56.550	315.02	34.860	259.63
Tetrahydro furane	142.510	249.36	68.758	122.19
Nitrogen liquid	1474.330	130.76	1048.189	99.07
IPA	129.824	86.75	99.840	65.44
Refined glycerin	111.523	42.47	167.935	69.71
Sodium Bicarbonate	34.612	6.80	27.860	7.20
Caustic soda flakes	126.288	25.15	98.602	30.91
Others		1030.49		457.99
TOTAL		4015.10		2551.69

e) Foreign Currency / Exchange Transactions

Particulars	For the Year 2010 – 11	For the Year 2009 – 10
a) Value of Imports on CIF Basis		
Import of Raw Materials	---	NIL
Stores & Spares	19.	7.92
Capital Goods	NIL	17.75
b) Expenditure		
Travelling	4.22	1.10
Consultancy Fees	2.08	2.31
Product Development	69.04	68.50
c) Earnings in Foreign Exchange		
FOB Value of Exports	165.02	254.14
FOB Value of Plant & Machinery	NIL	841.30

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 17

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 : 30.05.2011

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

DR. R.T. RAVI

Chairman and Managing Director

Sd/-

A. NAGA VASUDHA

Company Secretary

Sd/-

AVINASH RAVI

Director & COO

KREBS BIOCHEMICALS & INDUSTRIES LTD

Cash Flow Statement for the year ending 31.03.2011

(Rs in lacs)

Particulars	2010-11	2009-10
Net Profit before tax and extraordinary items	(989.04)	(1475.94)
Adjustments for:		
Depreciation	959.72	633.57
Financial Charges	747.41	690.23
Interest received /Other Income	(701.84)	(2.91)
Operating Profit before Working Capital Changes	16.25	(155.05)
Changes in Working Capital		
(Increase)/Decrease in Sundry Debtors	(573.32)	140.86
(Increase)/Decrease in Inventories	(2.90)	(807.30)
(increase)/Decrease in Loans & Advances	(91.01)	261.11
Increase/(Decrease) in Current Liabilities	802.14	(300.23)
Cash generated from Operations	134.91	(705.56)
Financial Charges paid	(747.41)	(690.23)
Direct Taxes paid	107.33	(0.20)
Net Cash provided/(Used) from operating activities	(488.92)	(1,551.04)
(Increase) / Decrease of Fixed Assets	(694.88)	1,190.97
(Increase) / Decrease of Capital Work-in-Progress	368.61	(18.96)
Interest Received/Other Income	701.84	2.91
(Increase)/Decrease in Adv for Cap Goods	-	-
Increase/(Decrease) in Creditors for Capital Goods	26.51	(19.83)
(Increase)/Decrease in Misc Exp	-	-
Net Cash used in Investing Activities	402.07	1,155.09
Proceeds from long term borrowings	(60.75)	502.70
Increase/(Decrease) in Utilisation of Working Capital Loans	3.18	(98.02)
Dividend & Tax on Dividend	-	-
Increase/(Decrease) in Share Capital	130.00	-
Increase/(Decrease) in Share Premium	-	-
Net Cash provided/(Used) from financing activities	72.43	404.68
Net Increase in Cash and Cash equivalents	(14.42)	8.73
Cash and Cash equivalents as at the commencement of the year	50.95	42.22
Cash and Cash equivalents as at the close of the year	36.53	50.95

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/-

A. NAGA VASUDHA

Company Secretary

Sd/-

AVINASH RAVI

Director & COO

Place : Hyderabad

Date : 30.05.2011

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	31.03.2011
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	13698.63
Total Assets	13698.63
a) Source of Funds	
Paid - up Capital	90500.00
Reserves & Surplus	3955.98
Secured Loans	8007.09
Unsecured Loans	607.67
Deferred Tax Liability	92.88
b) Application of funds	
Net Fixed Assets	6613.94
(Including Capital Work In Progress)	
Investments	---
Net Current Assets	5653.08
Misc. Expenditure	499.50
Accumulated Losses	932.09
iv) Performance of Company	
Turnover/Total Income	7946.30
Total Expenditure	8935.34
Profit (Loss) before Tax	(989.04)
Profit (Loss) after Tax	(668.23)
Earning per Share (in Rs.)	(7.38)
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

Sd/-
S. PRATHAP KUMAR
Company Secretary

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

Sd/-
AVINASH RAVI
Director & COO

Place : Hyderabad
Date : 30.05.2011



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

**19th Annual General Meeting at 11.00 A.M. on September 29, 2011
at 10-1-124, Golconda Hotel, Masab Tank,
Hyderabad- 500028**

ADMISSION SLIP

Folio No.

Shares Held

Please tick whether Member / Joint holder / Proxy

Member's or Proxy's Signature

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



Krebs Biochemicals & Industries Ltd

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

of Krebs Biochemicals & Industries Ltd. hereby appoint _____

_____ of

_____ in the district of _____ or

failing him _____ of

_____ in the district of _____

as my/our proxy to vote for me/us on my/our behalf at the 18th Annual General Meeting of the Company to be held on September 29, 2011 at **10-1-124, Golconda Hotel, Masab Tank, Hyderabad- 500028** and at any adjournment(s) thereof.

Signed this _____ day of _____, 2011

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

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.