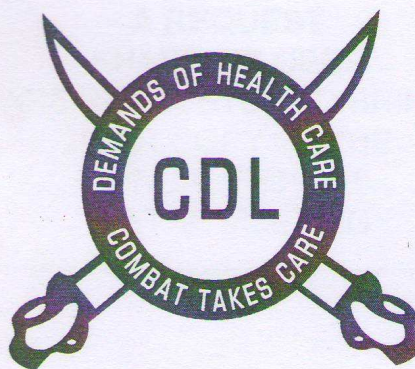



25th ANNUAL REPORT

2010 - 2011



For Combat Drugs Limited


Managing Director

COMBAT DRUGS LIMITED

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

25th Annual General Meeting

Date : 31-12-2011
Day : Saturday
Time : 11:00 A.M.
Venue : 185,186, Yellampet, Medchal Mandal,
R.R. District, Andhra Pradesh

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

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No Gifts will be distributed at the Meeting

BOARD OF DIRECTORS

Shri SUCHIT MOHAN LAL
Managing Director

Shri ANJANI KUMAR AGARWAL

Shri SUSHANT MOHAN LAL

Shri SANJAY KUMAR AGARWAL

Shri S.S.MARTHI

Shri B.N.GNANA PRAKASH

Auditors:

Mahesh, Virender & Sriram
Chartered Accountants
Ameerpet, Hyderabad.
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. Rajeshkar Reddy
Advocates
Flat No. 204, 2nd Floor
Hiline Pratap Apartments
Kachiguda 'X' Road, Hyderabad
Andhra Pradesh, India



NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the members of Combat Drugs Limited will be held on Saturday, 31st day of December, 2011 at 11:00 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 30th September, 2011 (for the 18 months period, 1st April, 2010 to 30th September, 2011) and the Profit and Loss Account for the period ended as on that date along with the Report of Directors and the Auditors thereon.
2. To appoint a Director in place of Shri S.S. Marthi, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Sanjay Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint the Statutory Auditors of the Company to hold 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

Place : Hyderabad
Date : 04.12.2011

Sd/-
SUCHIT MOHAN LAL
MANAGING DIRECTOR



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 28th December, 2011 to 31st December, 2011 (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

Place : Hyderabad
Date : 04.12.2011

Sd/-
SUCHIT MOHAN LAL
MANAGING DIRECTOR

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

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

SHRI S.S. Marthi:

Shri S.S. Marthi, aged about 55 years, is a practicing Company Secretary since last 19 years. He has completed Masters in Commerce, and is a Law Graduate. He has also done Post Graduate diploma in Personnel Management and is a Fellow member of the Institute of Company Secretaries of India.

He serves as an independent Director on the Board of the Company and provides his advisory services on the matters pertaining to Corporate Laws and the Corporate Governance.

He is also a Director on the Boards of Transgene Biotek Limited, Kistler Morse Automation Limited and Sree Padma Corporate Services Private Limited.

Committee membership (of other companies) - He is the member of Audit committee, Remuneration committee and share holders grievance committee of Transgene Biotek Limited.

Shareholding in the Company as on 30th September, 2011: **Nil**.

SHRI SANJAY KUMAR AGARWAL:

Shri Sanjay Kumar Agarwal, S/o Shri Dayanand Agarwal aged about 33 years, is a resident of Plot No. 68, A.P. Text Book Colony, Gunrock, Karkhana, Secunderabad – 500 009. He is a technical graduate and occupies himself into business. He was co-opted as Additional Director on the Board considering his expertise and knowledge, which would help the Company in its operations at large in the long run. He has experience in handling and operating the purchase and credit control departments and is specialized in ventures like real estate, infrastructure and credit control.

He is also a Director on the boards of DRS Logistics Private Limited, , DRS Education Private Limited, and DRS Labs (India) Private Limited,. He is not a member of any committee.

Shareholding in the Company as on 30th September, 2011: **Nil**

DIRECTORS' REPORT

Dear Members,

The Directors have pleasure in presenting before you the **Twenty Fifth Annual Report** of the Company for the financial year (18 months) ended 30th September, 2011.

FINANCIAL RESULTS:

(Rs. In Lakhs)

Particulars	2010-2011 (18 months period ended 30th September 2011)	2009-2010 (12 months period ended 31st March, 2010)
Net Sales	156.65	39.25
Other Income (including sundry balances written back)	0.98	--
Total Expenditure	147.26	33.89
Profit before Interest, Depreciation & Tax	10.37	5.36
Interest and Financial Charges	0.08	0.07
Depreciation	7.31	4.86
Profit before Tax	2.98	0.42
Provision for Tax	—	--
Provision for FBT	—	--
Net Profit (After Tax)	2.98	0.42

FINANCIAL YEAR:

The members may note that in view of the ongoing implementation of Scheme of Arrangement, your Company had made an Application to the Registrar of Companies, A.P., and obtained its approval for extension of Financial Year for a period of 18 months, i.e. upto 30th September, 2011 and to hold the corresponding Annual General Meeting on or before 31st December, 2011.

In view of the aforesaid, the attached Accounts pertains to 18 months period (i.e. 1st April, 2010 to 30th September, 2011) and the AGM is being held on 31st December, 2011.

DIVIDEND:

The Company 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 said, Your Directors do not recommend any dividend for the financial year (18 months) ended 30th September, 2011.

CORPORATE RESTRUCTURING:

Your Directors are pleased to inform you that the Scheme of Arrangement, contemplating, inter alia, the Reduction of Capital and issue of fresh shares to the Creditors and others, has been sanctioned by the Hon'ble High Court of A.P. vide its Order Dated 26.07.2011. The said Order has been filed with the Registrar of Companies, A.P. and has been taken on record by the said Authority. Thus the said Scheme becomes operative from 01.04.2010, being the Appointed Date as contemplated in the said Scheme of Restructuring.

Pursuant to the said Scheme, inter alia,:

- the existing Paid Up Share Capital of Rs.3,23,14,000/- divided into 32,31,400 equity shares of Rs.10/- each stand reduced to Rs. 32,31,400/- divided into 3,23,140 equity shares of Rs.10/- each with effect from 01.04.2010, being the Appointed Date and
- 76,76,860 equity shares of Rs.10/- each be issued and allotted (out of which 35,96,860 equity shares of Rs.10/- each at par and 40,80,000 equity shares of Rs.10/- each at a price of Rs.15.50/- per share, Rs.5.50 being the premium on face value of Rs. 10/- each). As the record date was fixed on 1st October, 2011, the said shares have been allotted on 1st October, 2011.

The resultant paid up capital as on 1st October, 2011, taking into account the cumulative effect of the aforesaid reduction and fresh allotment stands 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, Sri S.S. Marthi and Sri Sanjay Agarwal, 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 18 months period ended 30th September, 2011.

AUDITORS:

The term of office of M/s Mahesh, Virender & Sriram, Chartered Accountants, as Statutory Auditor of the Company expires at the conclusion of the ensuing Annual General Meeting.

They have expressed their unwillingness to continue as such for another term due to their preoccupation and hence would cease to be the statutory auditors of the company.



The Company has received a Special Notice from a member of the Company pursuant to the provisions of Section 224 read with Section 190 of the Companies Act, 1956, proposing the appointment of M/s Anandam & Co., Chartered Accountants as Statutory Auditors of the Company in place of the outgoing Auditors M/s Mahesh, Virender & Sriram, Chartered Accountant.

The Company has received a certificate from M/s Anandam & Co., Chartered Accountants, stating that their 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 appointment.

EXPLANATION TO AUDITORS OBSERVATIONS / REMARKS:

With reference to para 4 (f) (a) in the Auditors Report and as detailed at Note No10. Under Schedule 17 (Notes to accounts), the members may note that the Company is in the process of quantifying the same.

With reference to para 4 (f) (b) in the Auditors Report and as detailed at Note No13. Under Schedule 17 (Notes to accounts) the members may note that the balance appearing under various heads of account have been confirmed after thorough checks. However owing to the nature of transactions and repayment schedules, the same may not be confirmed as and when required. However, proper care has been taken to reduce the scope of differences.

With reference to para 4 (f) (c) in the Auditors Report, the members may note that the shares of the investee Company are thinly traded and hence no quotations are available on the Exchange. In view of the said, any loss / gain would be only notional in nature.

With reference to para 4 (f)(d) in the Auditors Report and Note No.15 & 16 Under Schedule 17 (Notes to accounts), the members may note that the said observations are as contemplated in the Scheme of Arrangement, which has been duly sanctioned by the Hon'ble High Court of A.P. The same has been implemented and given effect in the due course of time.

With reference to para 4 (f)(e) in the Auditors Report regarding non-provision of loss, if any due to non-recovery of debtors, it may be noted that the said parties have long standing business relationship with the management. The management is constantly following up with the said parties and expects to realize the same in due course of time. Hence, no provision is made towards the same.

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 (18 months) ended 30th September, 2011
- 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 30th September, 2011 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 C**”.

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 D**”.

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 ongoing 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.

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 18 months period ended 30th September 2011.