

KREBS Biochemicals & Industries LTD.,



16th Annual Report

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KREBS OVER THE LAST SEVEN YEARS

(Rs. In lakhs)

PARTICULARS	2001 - 02	2002 - 03	2003 - 04	2004 - 05	2005 - 06	2006 - 07	2007-08
Sales	7,298.00	10,150.00	10,124.00	7,575.00	3,189.00	4,880.95	5,069.46
Exports	6,389.00	5,203.00	4,447.00	4,942.00	1,352.00	1,588.94	1,151.55
Gross Profit	1,766.00	1,919.00	1,833.00	1,257.00	(1,538.00)	(852.71)	1,017.03
Profit after Tax	1,488.00	1,487.00	1,351.00	743.00	(1,424.00)	(767.01)	
Dividend	450.00	480.00	480.00	180.00	-	-	-
Dividend %	75.00	80.00	80.00	30.00	-	-	-
E P S (Rs)	24.13	24.79	22.52	12.39	(23.74)	(7.13)	(14.43)
Share Capital	600.00	600.00	600.00	600.00	600.00	855.00	1859.50
Gross Block	8,059.00	8,988.00	13,130.00	17,236.00	17,601.00	15,872.67	16,082.86
Net Block	6,189.00	6,553.00	10,063.00	13,341.00	12,677.00	9,912.67	9,048.68
Net Current Assets	4,696.00	6,940.00	8,582.00	9,521.00	7,323.00	8,459.38	8,461.82
Net Worth	7,979.00	8,880.00	9,709.00	10,247.00	8,842.00	8,619.52	8,605.00
Book Value per Share	132.98	148.00	161.82	170.78	147.37	122.26	122.01

Board of Directors

Dr. M.Venkataratnam. IAS(Retd)	Chairman
Mrs. Sangeetha Sharma	Nominee Director (Exim Bank)
Mr. M. Venkateswara Rao.	Nominee Director (APIDC)
Dr. B.Brahmaiah	Nominee Director (IDBI - up to 6-5-2008)
Mr. S Ganesh	Nominee Director (IDBI - from 7-5-2008)
Dr. Naresh Kumar	Director
Dr. T.Kuchroo	Director
Mr. G.V.L.Prasad	Director
Mr. K.S.S.Prasad	Director (representing small shareholders)
Dr. R.T.Ravi	Managing Director

Bankers**Andhra Bank**

Somajiguda Branch, Hyderabad – 500 082

The Jammu & Kashmir Bank Limited

J.N.Road branch, Hyderabad – 500 001

United Bank of India

Secunderabad Branch, Secunderabad

UCO Bank15/268, Brindavanam
Nellore-524001**Auditors**

M/s G P Associates

Chartered Accountants

603, 6th Floor, Plot No: 13

Cyber Heights

Road No:2, Banjara Hills

Hyderabad – 500 013

Registered Office

Krebs Biochemicals & Industries Ltd

401 – 402, 4th Floor, Plot No:13

Cyber Heights, Road No:2,

Banjara Hills, Hyderabad – 500 033

Tel : 040 – 23540415, 23540416.

Fax : 040 - 23540320

E-Mail : krebsho@krebsbiochem.com

Website : <http://www.krebsbiochem.com>**Registrars & Share Transfer Agents**

M/s Sathguru Management Consultants Pvt. Ltd.,

Plot No: 15, Hindi Nagar, Panjagutta

Hyderabad – 500 034

Tel : 040 – 23356507, 23350586, 23356975

Fax: 040 - 23354042

E-Mail : info@sathguru.com



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NOTICE FOR THE 16TH ANNUAL GENERAL MEETING OF THE COMPANY

NOTICE is hereby given that the 16th Annual General Meeting of the company will be held at Surana Udyog Auditorium, Federation Building, Red Hills, Hyderabad – 500 004 on Wednesday, the 24th day of September, 2008 at 11.00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To consider and if thought fit, to adopt the audited balance sheet of the company as on 31st March, 2008 and the Profit & Loss statement for the year 2007 – 2008 along with report of auditors thereon;

2. To consider and adopt the report of directors for the year 2007 – 2008;
3. Dr.M.Venkataratnam (Chairman) retires by rotation at this meeting and expressed his inability to continue as director on account of his pressing personal commitments. The Board of Directors decided to choose an alternative in due course and do not propose to fill the vacancy for the present. The following resolution may be considered:

RESOLVED that the vacancy caused by the retirement of the Chairman be not filled at this meeting and the Board of Directors be and are hereby authorized to fill the vacancy at their discretion.

4. To appoint auditors for the year 2008 – 2009. The present auditors M/s G.P.Associates retire at this meeting and are proposed for reappointment in terms of section 224 of the Companies Act, 1956.

The following resolution may be considered to be passed as an ordinary resolution:

RESOLVED that M/s G.P.Associates, Chartered Accountants, Hyderabad, who are retiring as auditors of the company at this meeting, be and are hereby reappointed as auditors of the company to hold office till the conclusion of the next Annual General Meeting.

RESOLVED FURTHER that the remuneration of the auditors shall be determined by the Board of Directors for their services as auditors and for other services that may be rendered by them.

SPECIAL BUSINESS:

5. To pass the following resolution as an ordinary resolution, with or without amendments, to authorize the Board of Directors of the company to sell the undertaking of the Potato Chips manufacturing unit:

RESOLVED that in terms of the section 293(1) (a) of the Companies Act, 1956 the Board of Directors of the company be and are hereby authorized to sell the undertaking of the company established for the manufacture of Potato Chips located at Gaganpahad near Hyderabad.

EXPLANATORY STATEMENT IN TERMS OF SECTION 173 OF THE COMPANIES ACT, 1956.

Item 5. In the year 2004, the company decided to diversify the lines of production to have a wider base for the company's activities. After a survey, it was decided to enter into foods line of industry and the special type of Potato chips was identified as the product with a future as the retail market is being corporatised and chains of retailers were establishing shops.

The chips unit was established at a cost of Rs.22 crores in Gaganpahad and it came into production in the financial year 2004 – 2005. It has a capacity of producing 25,000 MT of chips per year. Strenuous efforts were made to market the product. But the product could not get its niche as cheaper products were promoted by the retailers. It was found that the market for higher strata items is very restricted. Consequently, the unit could never reach its break-even point and was recording losses continuously. While considering the situation the Board felt that there are other manufacturers in the market who were having distribution facilities established and they may be interested in entering into this line.

While the Board was considering the alternatives, the Corporate Debt Restructuring Cell considered the financial structure of the company and suggested that the Chips unit may be sold out. The Board also agreed to the suggestion and waiting for the approval of participating banks to start the process of disposal of the unit.

Under section 293(1)(a) of the Companies Act, 1956 the sale of a unit of the company can be made by the Board only with approval of members in a general meeting. The proposal is now made for consideration of members seeking their approval.

None of the directors is interested in the above proposal.

For Krebs Biochemicals and Industries Ltd.,

Managing Director

NOTE: 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 at least 48 hours before the scheduled time of the meeting to be accepted.

Transfer registers and register of members shall remain closed from 17-9-2008 to 24-9-2008, both days inclusive.



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RESOLVED FURTHER that, if necessary in the discretion of the Board, the land may be sold separately from the buildings and machinery, for better advantage to the company.

Hyderabad
1-8-2008

By order of the Board of Directors

For Krebs Biochemicals and Industries Ltd.,

Managing Director

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16th Annual Report

Directors' Report:

Dear Members,

Your Directors are pleased to present this 16th annual report for the financial year ended 31st March, 2008.

The results of operation during the financial year are given below in financial terms:

Particulars	(Rs. in lakhs)	
	For the year ended	
	31 st March, 2008	31 st March, 2007
1. Net sales & other income	5069.99	4,908.11
2. Operating profit before interest, depreciation and taxes	925.37	1,227.19
3. Less: Interest	997.85	1,020.99
Depreciation	1,074.28	1,058.91
4. Profit / (loss) before tax	(1,146.75)	(852.71)
5. Add: deferred tax asset	-----	90.16
Less: Provision for tax	-----	-----
Deferred tax	-----	-----
Fringe benefit tax	3.04	4.46
Earlier years	-----	-----
6. Net profit / (loss)	(1,149.80)	(767.01)
7. Earlier year written back	(1.92)	2.03
8. Add: Profit / (loss) brought forward from previous year	(1,1975.96)	(1,210.98)
9. Profit / (Loss) available for appropriation	(3,127.68)	(1,975.96)
Appropriations suggested:		
10. General Reserve		-----
11. Proposed dividend		-----
12. Dividend tax		-----
13. Balance carried to Balance Sheet	(3,127.68)	(1,975.96)

Overall performance:

Sales of the company during the financial year 2007 -2008 has been increased by 3.3 % compared to the sales during the year 2006 – 2007. In view of the losses that have accumulated, the company is not in a position to offer dividends for the year 2007 – 2008.

Operations:

The adverse conditions are still prevailing in the market for the products of the company. In addition to the patent rights, competitions have also increased affecting the sales of the company. However, the company could record sales of Rs.5,069.99 lakhs during the year which is more than in the previous year by Rs 162 lakhs.



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Performance:

During the year your management was able to arrange tie up with some of the manufacturers of biotechnology products for utilization of the established facilities.

Nellore Plant:

Your directors are happy to note that the utilization of installed capacity is improving gradually. Production of two new products has commenced in the Nellore unit of the company. Atazanavir has been produced successfully and RLL are taking up marketing of the product. Production of Pentazocine also has been stabilized after much struggle and marketing arrangements are being finalized. Production of Lopainavir is in final stages where quality and process problems are being solved.

This unit has substantial fermentation capacity which could not be used to the required extent due to fall in the demand for Ephedrine and Pseudoephedrine in the market. Being impressed by the facilities available, two foreign companies have shown interest in getting their products made here. Trial productions for the two products are completed successfully. Commercial production can start only after finalizing procedural and legal formalities to market the same. This is expected to be completed by January, 2009.

Vizag Plant:

This unit has been active in the production of Simvastatin for which substantial part of the capacity was being utilized. Of late, there has been a decline in its activities due to shortage of raw material which is of Chinese origin. Krebs has an agreement with a German company for the manufacture of L-Cystir for which additional equipment was also installed with their financial assistance. The plant is also commissioned and the process is stabilized. All the product is to be lifted by the German company for marketing

Foods Division:

The facilities established at Gaganpahad for the manufacture of Potato Chips was found to be incurring losses continuously. Your directors felt it has become an unsuccessful venture and considering various alternatives. The Corporate Debt Restructuring Cell suggested that the unit be sold away. Final approval of participating banks is awaited. As the sale cannot be effected without approval of members in general meeting, the proposal is submitted for approval of members in this 16th Annual General Meeting which may be approved by members.

Steps taken for improvement of operations:

Your management is acutely aware of the fact that the company is functioning at a low capacity and every effort is being made to increase capacity utilization. It is in that direction that the company is undertaking production of biotechnology products for other companies. The strong technology base of the company and its promoters is the asset that is attracting the other companies to get their products made here and we have to exploit the situation to our advantage. Meanwhile efforts are also on to increase market for our own products and to have our own products.

Board of Directors:

There have been no changes in the Board of Directors during the year 2007 – 2008. But IDBI have nominated Mr.S.Ganesh as director in the place of Dr.B.Brahmaiah effective from 7-5-2008. Your directors would like to place on record the services of Dr.Brahmaiah as director of this company. His vast experience in financial and administrative matters has helped the company on many occasions. He was also a member of the Audit Committee and reviewed the accounts on behalf of the Board.

Dr. M.Venkataratnam. IAS (Retd) is the Chairman of the Board from the beginning and has been the guiding force behind the management. With his vast and diversified experience he has been steering the company through thick and thin. He is retiring at this meeting by rotation as director. He expressed his inability to continue as director and Chairman on account of his pressing personal commitments.

Auditors:

M/s G.P.Associates, Chartered Accountants are the statutory auditors to the company. They retire at this Annual General Meeting and are proposed for reappointment as required under section 224 of the Companies Act, 1956. The proposal is now for consideration of members and your directors suggest approval of the reappointment.

Employee Relations:

Your directors are happy for having a committed force of employees who have been serving the company when adverse conditions are faced in the market. They are understanding and cooperative. Their morale and commitment is the best asset that the company has. Your directors extend their thanks to all of them wholeheartedly.

Statement of directors' responsibilities:

In terms of section 217(2AA) of the Companies Act, 1956 and based on the documents and information at their disposal, your directors state and confirm that:

- there has been no material departure from the accepted accounting standards in the preparation of financial statements presented to you;
- accepted accounting policies only are chosen and applied consistently in preparation of financial statements;
- the judgements and estimates made by them are prudent and reasonable and exercised to give a true and fair view of the statement of affairs of the company as on 31st March, 2008 and of the results of operation for the year 2007 – 2008.
- Proper and sufficient care is taken for the maintenance of adequate accounting records as required by the Companies Act, 1956 and to safeguard the assets of the company and to prevent and detect any irregularities and frauds;
- The accounts are prepared on a running concern basis;
- The properties and assets of the company are covered by adequate insurance policies.