

Krebs Biochemicals & Industries Limited

Board of Directors

Mr. R. T. Rayi	Chairman & Managing Director
Mr. P. Nagaraju	Managing Director (Bank)
Mr. K. Rajendra Prasad	Nominee Director-EXIM Bank
Mr. Daya Chandrahas	Small Shareholders Director
Mr. R. Ch. Sanyanarayana	Independent Director
Mr. G. V. Lakshmi	Director - Group & Joint

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From Managing Director and COO

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Proxy Form

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21st Annual Report
(01.04.2012-30.06.2013)

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Company Information

Board of Directors

Dr. R. T. Ravi	- Chairman & Managing Director
Mr. P. Nagaraju	- Nominee Director-IDBI Bank Limited
Mr. K. Rajendra Prasad	- Nominee Director-APIDC
Ms. Daya Chandahas	- Nominee Director-EXIM Bank
Mr. R. Ch. Satyanarayana	- Small Shareholders 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 Plot No 34, 8-2-577/B, Mass Heights, Road No:8, Banjara Hills, Hyderabad - 500 034 Tel : +91-40-66037777 Fax : +91-40-66037755 Email : cskrebsbiochem@gmail.com Website : www.krebsbiochem.com</p>	<p>Karvy Computershare Pvt. Ltd. Plot No.17-24 , Vittalrao Nagar, Madhapur Hyderabad - 500 081. Tel : +91-40-44655276 Fax : +91-40-2343 1551 E.mail : einward.ris@karvy.com</p>



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Notice for the 21st Annual General Meeting of the Company

Notice is hereby given that the **21st Annual General Meeting of M/s. Krebs Biochemicals and Industries Limited will be held on 21st day of December, 2013 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 30th June, 2013 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, Director who retires by rotation and being eligible offers himself for re appointment.
3. To consider and approve the appointment of Statutory auditors M/s. Pavuluri & Co, Chartered Accountants to hold office from the conclusion of 21st Annual General Meeting till the conclusion of next Annual General Meeting at such remuneration as may be fixed by the Board of Directors.

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will be closed from 18.12.2013 to 21.12.2013 (Both days inclusive).
3. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company/Depository Participant for admission to the meeting hall.
4. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e Electric /Telephone Bill, Driving License or a copy of passport and Bank particulars to the company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants.
5. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to send the same to the office of the Registrar and Transfer Agent of the Company.
6. Members are requested to hand over the enclosed Attendance Slip, duly signed in accordance with their specimen signature(s) registered with the Company for admission to the meeting hall. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for identification.
7. Corporate Members are requested to send to the Company's Registrar & Transfer Agent, a duly certified copy of the Board Resolution authorising their representative to attend and vote at the Annual General Meeting.
8. The Securities Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore requested to submit the PAN to their Depository Participant with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
9. As a measure of austerity, copies of the annual report will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copies of the Annual Report to the Meeting.
10. Members holding shares in the same name under different ledger folios are requested to apply for Consolidation of such folios and send the relevant share certificates to M/s. Karvy Computershare Pvt. Ltd, Share Transfer Agents of the Company for their doing the needful.
11. As part of Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA), Government of India vide its Circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Keeping in view shareholders are requested to update their E-Mail ID with their DP.

For and on behalf of the Board of
M/s. Krebs Biochemicals & Industries Limited
Sd/-

(Dr. R.T.Ravi)

Chairman & Managing Director

Place: Hyderabad

Date: 29.11.2013

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Directors Report :

Dear Members,

Your Directors have pleasure in presenting the 21st Annual Report together with the Audited Accounts of your company for the period April 1, 2012 to June 30, 2013.

Financial Results :

Rs. in lacs

Particulars	01.04.12-30.06.13	01.04.11 - 31.03.12
Net Sales	1,144.90	7,076.00
Other Income	614.17	275.33
Total Income	1,759.07	7,351.33
Expenditure	2,462.80	7,453.97
PBDIT	(703.73)	(102.64)
Loss on Sale of Assets	NIL	NIL
PBDIT (after Extra Ordinary Items)	(703.73)	(102.64)
Finance Charges	62.92	865.62
Depreciation	827.64	965.71
Profit / (Loss) before Tax	(1,594.29)	(1,933.97)
Deferred Tax Asset	74.02	190.16
Taxes of earlier years	NIL	NIL
Net Profit / (Loss) after Tax	(1,520.27)	(1,743.81)
Prior period adjustments	NIL	NIL
Profit after prior period adjustments	(1,520.27)	(1,743.81)
Add : Balance brought forward	(2,675.91)	(932.10)
Less : Transferred to General Reserve	NIL	NIL
Balance Carried to balance sheet	(4,196.18)	(2,675.91)

Overall Performance :

The total income of the company during the fifteen months period 01.04.12-30.06.13 is Rs.1,759.07 lacs compared to the previous year amounting to Rs. 7,351.33 lacs. There is a net loss of Rs.1,520.27 lacs for the current financial period 01.04.12-30.06.13 as against a net loss of Rs.1,743.81 lacs for the financial year 2011-12. The steep drop in income is attributed to discontinuing of Lovastatin manufacturing from April 2012 in Unit II. Starting from April 2012 the Power supply has been restricted for Industry by the Andhra Pradesh government making it unviable and impractical to run the manufacturing of Lovastatin. Further this also affected the manufacturing of Simvastatin for which Lovastatin is the key raw material. This unprecedented situation where the company started bleeding money and was forced to cut back operations. Unit II due to the power shortage became sick. Unit I which attained USFDA approval in the financial year started paying dividends by way of Contract manufacturing as can be seen by the increase in revenues from Rs 275.33 lacs to Rs 614.17 lacs. This most unfortunate situation that by the time Unit I started generating revenues,



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Unit II due to the above issues virtually came to a standstill. Though the market and the products and plants have come to maturity for generation of business, due to reasons beyond the control of the company it has resulted in the worsening of the performance and financial position of the company.

Dividend:

No Dividend is proposed to be declared for the financial period April 1, 2012 to June 30, 2013.

Taxation:

No Income Tax is applicable for the financial period under review. Deferred Tax Asset of Rs.74.02 lacs are adjusted in the current Financial period.

Equity Capital:

The equity capital remains unchanged during the period April 1, 2012 till June 30, 2013.

Board of Directors:

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

Further it is informed to the Members that the APIDC nominated Mr. K. Rajendra Prasad as Director on the Board of your Company in place of Mr. M. Venkateswara Rao with effect from 18th August, 2012. Accordingly, your Board of Directors extend their sincere regards for the contribution of Mr. M. Venkateswara Rao during his tenure as the Nominee Director and wished him the best in his future endeavour.

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:

- There has been no material departure from accepted accounting standards in the preparation of financial statements presented to you.
- 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, 2012 and of the results of operations for the financial year.
- 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.
- 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.

Directors Comments on Auditors Report:

Sl. No.	Basis for Qualified Opinion	Explanation by the Board
1.	Reference is invited to Note 15 of the financial statements; the Company's Non Current Assets consist of Long Term Trade Receivables of Rs. 2159.65 lacs. We are unable to ascertain whether such balances as at balance sheet date are fully recoverable. Accordingly, we are unable to ascertain the impact, if any, that may arise in case any of these receivables are subsequently determined to be doubtful of recovery. Had the Company provided provision for the same, the loss for the period would have been higher by Rs. 2,159.65 lacs.	Due to the prevailing recessionary trend in the industry in the last 4 to 5 years, significant portion of trade receivables remain uncollected. 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. The management is putting efforts in collecting such overdue trade receivables over a period of time and hence no provision has been made.
2.	Reference is invited to Note 11 of the financial statements; the company has not provided the interest on Term Loans and Working Capital Loans with effect from 1st April 2012. Accordingly, the loss for the period would have been higher by Rs. 1,152.68 lacs.	Since the Banks have withdrawn from CDR package and sent the notices under SARFAESI Act, the company has not provided the interest on term loans and working capital loans w.e.f. April 1, 2012.
3.	The company has not provided the depreciation in respect of its Unit II (Vizag) with effect from 1st January 2013 since the assets are not put to use due to the closure of unit on account of labour strike. Accordingly, the loss for the period would have been higher by Rs. 170.73 lacs.	Due to the unfortunate situation where the products manufacturing could not happen due to the power shortage the employees at Unit II have been laid off as per law. Accordingly the depreciation on the assets of Unit II was not provided as these assets were not put to use.

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.

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Employee Relations:

The Directors are happy to report that the company has cordial relations with its employees. Due to the unfortunate situation where the products manufacturing could not happen due to the power shortage the employees at Unit II have been laid off as per law. Despite their huge contribution to the company the company was left with no choice but to take the above action. Also due to the financial problems of the company Unit I where the employees were illegally striking was locked out and all contract manufacturing activity also stopped from August 2013. Efforts are on for resolving the issues.

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 despite the serious crisis faced by the company.

For and on behalf of the Board of
M/s. Krebs Biochemicals & Industries Limited
Sd/-

(Dr. R.T.Ravi)

Chairman & Managing Director

Place: Hyderabad

Date: 29.11.2013

Auditors:

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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) Using reverse osmosis water as make up water for cooling towers and boiler to minimum the water blow downs and to reduce the plant machineries scaling.
- 2) Implementation of MEES in ETP for Zero discharge purpose substantially reduces power & fuel.

Unit - II

- 1) Recover steam condensate in dedicated lines from numerous points through the plant and collecting in one sump. Reuse this water as top up feed for cooling towers.
- 2) Replacing AHU's using cooling water as energy source to more efficient energy source.

(b) Measures proposed for energy conservation :

Since Both Units are closed no proposals are made during this period. As when the operations resume a plan with proposals shall be worked out

(c) Impact of the above measures:

Unit - I

The implementation of energy conservation measures completed during the period i.e. 01.04.2012 to 30.06.2013 resulted in substantial energy savings.

Unit - II

The implementation of energy conservation measures completed during the period i.e. 01.04.2012 to 30.06.2013 resulted in energy savings by way of lower coal per unit product.

	PARTICULARS	01.04.12-30.06.13	01.04.11-31.03.12
1.	Power		
a)	Purchased		
	Units	46,48,461	156,64,566
	Amount (Rs.in lacs)	302.15	787.70
	Rate per unit	6.50	5.03
b)	Own Generation		
i)	Units generated through DG Set	1,16,079	8,43,262
	Amount (Rs.in lacs)	18.57	123.00
	Rate per unit	16.00	14.59
ii)	Units generated through TG Set	NIL	40,74,800
	Amount (Rs.in lacs)	NA	311.37
	Rate per unit	NA	7.64
2.	Coal Consumption in MT's	2,964	22,696
	Amount (Rs.in lacs)	86.97	789.67
	Rate per M T Rs.	2,934.00	3,475.00
3	Furnace Oil Consumption in KL's	NIL	NIL
	Amount (Rs.in lacs)	NA	NA
	Rate per KL Rs.	NA	NA

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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 after revival of operations.

Rs in Lacs

Expenditure on R & D	01.04.12-30.06.13	01.04.11-31.03.12
Capital Expenditure	NIL	NIL
Revenue Expenditure	25.24	83.03
Total Expenditure	25.24	83.03
Total R & D Expenditure as % of Turnover	2.20%	1.15%

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.