

KILPEST INDIA LIMITED

BHOPAL

THIRTY NINETH ANNUAL REPORT AND ACCOUNTS 2010-2011

BOARD OF DIRECTORS	:	MR. R.K. DUBEY CHAIRMAN & MANAGING DIRECTOR
		MR. D.K. DUBEY } MR. N.K. DUBEY }
		WHOLETIME DIRECTORS
		CA. SHABBAR HUSAIN } MR. B.M. SAIHGAL } MR. K.N.DUBEY } MR. R.K.CHOUBEY }
		INDEPENDENT DIRECTORS
BANKERS	:	STATE BANK OF INDIA T.T. NAGAR, PANCHANAN BHAWAN, BHOPAL
AUDITORS	:	M/S R.C. BAHETI & CO. CHARTERED ACCOUNTANTS BHOPAL
REGISTERED OFFICE AND FACTORY	:	7-C, INDUSTRIAL AREA, GOVINDPURA, BHOPAL - 462 023
LUCKNOW SALES DEPOT	:	D-1207, HIMALAYA MARG, INDIRA NAGAR, LUCKNOW.
RAIPUR SALES DEPOT	:	71/12, GURUTEG BAHADUR NAGAR, OPP. NAYA GURUDWARA, RAVIGRAM, RAIPUR.
BILASPUR SALES DEPOT	:	SHUKLA MOTORS, OPP. NATRAJ HOTEL, LINK ROAD, BILASPUR
REGISTRAR & TRANSFER AGENTS	:	M/s. ADROIT CORPORATE SERVICES PVT. LTD. 19/20, JAFERBHOY INDUSTRIAL ESTATE, 1ST FLOOR, MAKWANA ROAD, MAROL NAKA, ANDHERI (E), MUMBAI - 400 059

KILPEST INDIA LIMITED

REPORT OF THE DIRECTORS

To

Dear Members,

Your Directors have pleasure in presenting their Thirty Ninth Annual Report, together with the Audited Accounts for the year ended 31st March, 2011 as follows:

FINANCIAL RESULTS

The highlights of the operating results for the year are summarised below :

(Rs. in lakhs)

	Year ended 31-03-2011	Year ended 31-03-2010
Sales Turnover	2141.00	1910.47
Profit before Depreciation	136.00	86.96
Less: Depreciation	19.00	15.30
Profit before Tax	117.00	71.65
Less: Provision for Taxation	39.00	22.21
Net Profit after Tax	78.00	49.44

PERFORMANCE FOR THE YEAR 2010-2011

This year your company sales increased by 12%, EBDT was up by 56% & PBT by 58%. This was possible by company's focus on better margin products. Launch of newer products and increased focus on bio products (developed in in-house R&D). Company's export to Bangladesh remained static due to stiff competition from China. However, in 2011 more company's products are being registered by two new distributors based on good product performance in past and with this the exports should grow well this year, as now China is not glutting the market due to stricter pollution norms in their country.

BIOTECHNOLOGY JOINT VENTURE:

KILPEST LAUNCHED NOVEL BIOTECH INDO-SPANISH JV PROJECT AT BHOPAL (M.P.)

Hon'ble Minister of Health, Parliamentary Affairs Government of Madhya Pradesh Dr.Narottam Mishra along with Mr. Erik Rovina Mardones Commercial Counsellor Embassy of Spain & Mr.Adrian Gutierrez Chief Representative CDTI(Spain's National Innovation Agency ministry of Science & Technology), on 5-4-2011 inaugurated the novel biotech plant of Indo Spanish JV company **3B Blackbio Biotech India Ltd.**

Your Company a leading 38 yrs old agrochemical company in Central India has entered into a joint venture with two Spanish biotechnology companies M/S Biotoools B&M Labs S.A(A leading

Spanish Biotechnology company founded in 1996 focused on research, development and manufacture of recombinant enzymes and other tools for molecular biology) and its spin-off company 2B Blackbio Biotech SL, Madrid (Rapidly growing Biotech company focused on Personalised medicine, nutrigenomics & pharmacogenomics, developing products based on technologies of Micro sequencing, Arrays & other molecular techniques, establishing the new joint venture company **3B Blackbio Biotech India Ltd.** The inauguration of the plant was also attended by numerous prestigious customers, Vendors, Clinicians, representatives of the city of Bhopal along with Mr. Pedro Franco de Sarabia (President & CEO of Biotools B&M Labs), Mr. R.K. Dubey (Chairman, M.D of M/s Kilpest India Ltd), Mr. Arturo Lasasoa (Board Member at Biotools B&M & 2B Blackbio S.L Spain) Mr. Michael Sohn (Managing Director of M/S 2 B Blackbio S.L, Spain), Dr. Vijay Ramnani M.D Microbiology, Ms. Gemma Garcia 3B Blackbio Biotech India Ltd) Mr. Dharendra Dubey & Mr. Nikhil Dubey (Directors of M/s Kilpest India Ltd & 3B Blackbio Biotech India Ltd),

The company has put up a most modern and state of art GMP compliant biotech plant in Industrial area, Govindpura, Bhopal. This is first novel plant of its kind in central India. The Researchers and Scientists have been duly trained in Spain and are further supported online from Madrid, Spain on day to day basis. This joint venture will manufacture **Molecular Biology Enzymes/Reagents** used widely in the Biotechnology field and will also make **Molecular Diagnostic kits** based on Spanish patented technology for various diseases like Tuberculosis diagnosis, 1st & 2nd line Drug Resistance Tuberculosis, Malaria (Pf Vivax/Pf. Falciparum), Dengue, HPV, HBV, HCV, Early Septicemia detection within 6 hrs through Universal Bacterial & Fungal Identification Kit, Diabetes (risk prediction & drug metabolism) etc. Further with target to lead the research and development of new tools in the field of personalized medicine, medical diagnostics, pharmacogenomics, as well as provide diagnostic tests to predict drug treatment effectiveness (Companion Diagnostics) and enter the field of nutrigenomics. **3B BlackBio Biotech India Ltd** will use and adapt a wide spectrum of technologies that include the most innovative microsequencing platforms, protein arrays and other molecular analysis solutions in the areas of metabolic disorders, oncology, cardiovascular diseases, microbiology, pharmacogenetics and wellness.

With the start of production in India these tests will become affordable to Indian population, although in the Developed Countries these tests are routine and basic tools of Diagnosis, but here due to high prices, these tests are out of reach of common man.

M/S Biotools B&M Labs has been already successfully transferred their patented Gelified Technology to Brazilian health system (through IBPM) in March 2010, enabling product development and solutions meeting the idiosyncrasies of epidemiology in Brazil in particular, and South America, in general. Also, it has been transferred to the recently inaugurated joint venture in India (3B BlackBio Biotech India. Ltd.), Biotools Products are popular in Spain and in more than 40 countries all over the world (Europe, Asia, America and Africa-Middle East) With a Subsidiary Commercial Office in Brazil (Biotools do Brasil Ltda.), and planning to set up a Representative Office in China.

2B Black Bio S.L., a biotechnological company dedicated to personalized medicine, has completed its second capital increase along with public support achieving more than 3 million Euros, which will allow the company to continue with the development of new diagnostic solutions as well as its international expansion. It is important to mention that Madrid is one of the leading European Regions for international biotech patent applications behind Berlin (Germany) and Zuid-Holland (The Netherlands) and above Paris and Copenhagen, This data shows that biotechnology is one of the most dynamic sectors in the Madrid economy.

The new Joint Venture will introduce in India an innovative site-directed microsequencing platform that combines ease of use and cost competitiveness, allowing the introduction of companion diagnostics to one of the biggest global Healthcare markets. These tools are also becoming essential for Pharma companies in order to show the efficiency of newly developed drugs(based on genetic biomarkers) and penetrate in that way markets in an easier way, as well as differentiating themselves from other competitors. It is expected that in the next 5 years most Healthcare systems will request companion diagnostic tests especially in oncology and metabolic disorders before prescription and treatment can be initiated.

The company is also launching a unique sample collection card Blacklight Card which can be used for collecting patient's sample (blood/saliva/sputum etc) from remote areas and can be sent through courier to the laboratory for analysis. The chemically treated matrix of the card kills the infectious bacteria and preserves its DNA on the card which is used to identify the disease. This prevents the patient from traveling and spreading the disease, also the patient is relieved from the journey stress. It is also very convenient for the laboratory, saving time and costs, because it solves DNA extraction step, allowing a direct amplification/ sequencing from the sample in the card.

Further for Tuberculosis: Detection by microscopy (most prevalent method) identifies only 50- 55% of the positive cases, the rest 45-50% go undetected, spreading the disease further in the ratio of 1:10 per year. By using the molecular technique (PCR), 97% of the samples are identified in the very initial stages, enabling timely treatment and controlling the spread of disease. Also during past few years the M.T.B Bacteria has made itself resistant to various Anti T.B drugs being used in the treatment, however with the M.T.B Drug Resistance test using Micro-sequencing we can detect the resistant mutated strain and give proper drug sensitivity for the 9 Anti TB Drugs recommending the right drug for patient treatment, thereby saving crucial time lost during improper treatment and the irreparable loss suffered by the patient.

For Septicemia: The current techniques available to diagnose septicemia based on culture require around 48-72 hours(most crucial hours) this delay can be life threatening to critical patients in I.C.C.U, Neo-natal and post- partum sepsis infection specially in remote places leading to high IMR/ NMR & MMR, in poor states. The Patented Sepsis kit reduces this time to 6 hours, by giving identification of the causative bacteria and also probable drug sensitivity which helps the clinician to start proper treatment at the earliest, saving lives.

Similarly with Malaria(Pf.Falcifarum/Pf.vivax), Dengue, Diabetes, and a variety of cancers can be accurately and timely diagnosed at very initial stage of the disease, thus saving time ,money and lives of our people.

Also the company will be launching its Prognostic kits to predict the possibility of precipitation of type-2 diabetes at an early stage due to genetic predisposition , pre warned the person can take corrective steps suggested by Clinician to avoid the Diabetes precipitation .And the Pharamacogenomic Diabetes kit helps in detection of Effective Drug Metabolism among Diabetics. A wellness kits is also being launched to predict Sport selection by Athletes by showing them where their genetic advantage lies ,to choose the right sport.

The Company will be focusing its Marketing plans during initial years in India and adjoining SAARC Countries. Total Project Investment outlay will touch 10 Crs, which will include service labs at Metro Cities also.

FORAY INTO DIGANOSTIC SERVICE

Kilpest India Ltd is pleased to inform that in continuation to its foray into Biotechnology - Medical Genomics, the company after doing extensive research, collaborative research with

M/s Biotoools B& M Labs S.A., Spain & M/s 2B Blackbio, S. L., Spain, who have 14 years experience in medical genomics - development of diagnostic kits, are launching their Diagnostic Services division named "DYGNOGENE". The company has tied up with leading Medical Microbiologist, Dr.V.K.Ramnani, MD(Micro), who has 20 years experience in this field, to head this venture.

To start with company will cater to the need of Doctors / Hospitals of whole of Madhya Pradesh / Chhattisgarh and will offer a wide range of "Advance molecular test" through its chain of franchisee & collection network. Thereafter, the company shall widen its net work across Pan India through franchisees net work, specially in metros with focus on critical care / pharmacogenomic / wellness. The company's Diagnostic labs "DYGNOGENE" has been set up with the latest technology / equipment in its existing campus at Industrial Area, Bhopal under guidance from M/s Biotoools B&M Spain and this would work as a forward integration to the JV started with M/s Biotoools B&M Spain. This lab will also offer its facilities under CRO model to Pharma industries, for companion diagnostics / pharmacogenomic.

The molecular diagnostic field which offer fast, accurate and reliable assays, forms the basis of diagnostics in the advanced countries and due to the positive edge, is having a CAGR of 25%, and in next five years will have a major share in IVD market replacing immunology based assays.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Stock Exchange Listing Agreement, a report on Corporate Governance and Management Discussion and Analysis and Certificate from the Auditors on compliance thereof is given separately which form a part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- i) The company has followed the applicable accounting standards in the preparation of the Annual Account for the year under review.
- ii) The Directors have made judgements and estimates that are reasonable and prudent and have selected accounting policies and applied them consistently to give true and fair view of the state of affairs of the company as at 31st March, 2011 and its profit for the year ended on that date.
- iii) The company has a proper and adequate system of internal control to ensure that all assets are safeguarded against losses and the system is capable of detecting frauds and other irregularities.
- iv) The annual accounts placed before you have been prepared on a going concern basis.

DIVIDEND

Looking into the better performance, it was decided to reward the shareholders, and accordingly dividend of 10% was proposed.

CURRENT LISTING

Presently, the Equity Shares of the company are listed on the Bombay Stock Exchange Ltd, Mumbai.

DIRECTORS

Shri N. K. Dubey & CA Shabbar Husain retire by rotation at the forthcoming Annual General Meeting and are eligible for reappointment.

AUDITORS

M/s R.C.Baheti & Co. Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for reappointment.

COMPANY SECRETARY

As per the Companies (Amendment) Act, 2000, it is required, in case of your company, to obtain a certificate from a Company Secretary in whole-time practice regarding compliance of various secretarial matters as the paid-up capital of the company is more than Rs.10 lacs. Accordingly, the company has appointed M/s P.K. Rai & Associates, Practising Company Secretary as a Secretarial Auditor. The Secretarial Compliance Certificate given by M/s P.K. Rai & Associates, Bhopal is attached herewith which forms part of this report. The company had initiated the process of appointing a full time Company Secretary, and is looking for one.

PERSONNEL

Personnel relations remained cordial during the year. The Board expresses its appreciation of the contribution of employees at all levels. There is no employee drawing remuneration in excess of the limits prescribed under section 217(2A) of the Companies Act, 1956.

SAFETY AND ENVIRONMENT

The company has installed adequate systems for industrial safety, environmental protection and pollution control. Necessary facilities at Company's plant are installed to meet the standards set by Pollution Control Authorities and Industrial Health & Safety Department. Company is having valid permissions from the above authorities. Company is also a member of Common Effluent Treatment Plant - commissioned by Central and State Pollution Control Board.

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

A statement showing additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required pursuant to Section 217(1)(e) of the Companies Act, 1956 read with the companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed forming part of this Report.

ACKNOWLEDGEMENTS

The Directors take this opportunity to thank the shareholders, Distributors, the Bankers M/s STATE BANK OF INDIA, T. T. Nagar Branch, Panchanan Bhawan, Bhopal for their support and co-operation.

For and on behalf of the Board
of Directors

Place : Bhopal

Dated : 31st May, 2011

R. K. DUBEY
CHAIRMAN & MANAGING DIRECTOR

STATEMENT UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2011.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

The Company has further accelerated its efforts to conserve energy and has been able to achieve results this year also.

Some of the measures implemented are:

- (i) Planned production for maximum utilization of services.
- (ii) Stoppage of utilities when not required.
- (iii) Installation of items/ equipments which will consume less energy.
Replacing all old bulbs with CFL.

(b) Additional investments and proposals being implemented for reduction of energy consumption:

- (i) Elimination of heat losses in air- conditioning areas and all ac's kept at 24⁰ C.

(c) Total energy consumption and energy consumption per unit of production as per FORM A hereunder:

FORM A
FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO
CONSUMPTION OF ENERGY

1. POWER AND FUEL CONSUMPTION

	Year ended 31-03-2011	Year ended 31-03-2010
1. Electricity		
(a) Purchased Units (KWH)	1,98,640	1,76,780
Total Amount (Rs.)	12,08,007	9,62,605
Average Rate/Unit (Rs.)	7.27	6.21
(b) Own Generator		
i) Through Diesel Generator		
Units (KWH)	1214	549
Units/Ltr. of Diesel	1.3	2.00
Cost/Unit (Rs.)	34.30	39.26
ii) Through Steam Turbine/Generator	NOT APPLICABLE	
2. Coal	NOT APPLICABLE	
3. Fuel Furnace Oil + Light	NOT APPLICABLE	
Diesel Oil	NOT APPLICABLE	
Quantity (KL)	NOT APPLICABLE	
Total Amount (Rs.)	NOT APPLICABLE	
Average Rate/KL (Rs.)	NOT APPLICABLE	
4. Others/Internal Generation	NOT APPLICABLE	

II. CONSUMPTION PER UNIT OF PRODUCTION

Products (with details) Unit	Since the company manufactures several
Electricity Furnace Oil	formulations and having regard to the records and
Coal (specify quality)	other books maintained by the company, it is
Others (Specify)	impracticable to apportion the utilities.

B. TECHNOLOGY ABSORPTION

EFFORTS MADE IN TECHNOLOGY ABSORPTION

FORM B

FORM FOR DISCLOSURE OF PARTICULARS WITH REGARD TO ABSORPTION

RESEARCH & DEVELOPMENT

1. Specific areas in which R&D carried out by the company :

- a) Standardization of new protocol for large scale cultivation of antagonistic fungus *Trichoderma viride* through solid state fermentation.
- b) Optimization of production of Gibberellic acid from *Fusarium moniliforme* through solid state fermentation.
- c) Production, isolation, purification and characterization of novel antifungal compounds from *Streptomyces* species.
- d) Production of miticidal compounds (avermectins) from *Streptomyces* species through submerged fermentation.
- e) Selection of appropriate protocol for extraction and purification of artificial sweetner from plant material.
- f) Development of antifungal biocontrol agent *Bacillus subtilis* for management of fungal borne diseases of agriculturally important crops.
- g) Development of protocol for production of liquid protein hydrolysate plant growth stimulator and fertilizer.
- h) Development of chelated microfertilizer (Zinc-EDTA).
- i) Development of PCR based rapid disease diagnosis methods and kits.
- j) Development of mosquito larvicidal formulation based on *Bacillus thuringiensis*.

2. Benefits derived as a result of the above R&D:

- a) New method for production of *Trichoderma viride* through solid state fermentation was adopted for cultivation as a result of which sales volume was increased.
- b) Method for production of Gibberellic acid from *Fusarium moniliforme* is standardized.
- c) Complete process for production and extraction of antifungal compounds from actinomycetes has been optimized.
- d) Suitable protocol for extraction and purification of artificial sweetner has been selected.
- e) An effective antifungal formulation based on *Bacillus subtilis* is ready for commercial production.
- f) Production of Liquid protein hydrolysate was stated and presently being commercialized as *Fytozyme*.
- g) Mosquito larvicidal formulation based on *Bacillus thuringiensis* was standardized and application for license is applied to CIB.

- h) Chelated microfertilizer (Zinc-EDTA) has been development followed by field trials.
- i) PCR based disease diagnosis has already been started at our Research Center.

3. Future plan of action :

- a) Commercialization of Gibberellic acid based products for crops.
- b) Complete analysis of novel antifungal compounds obtained from Streptomyces species followed by submission of application for patent.
- c) Commercialization of Bacillus subtilis based fungal antagonistic formulation for crops.
- d) Commercialization of mosquito larvicidal formulation based on Bacillus thuringiensis israelensis.
- e) Establishment of joint venture with national and international companies for making rapid progress in biotechnology.

4. Expenditure on R&D	31-03-2011	31-03-2010
(a) Capital	81,05,772	21,03,492
(b) Recurring	22,13,857	33,62,525
(c) Total	<u>1,03,19,629</u>	<u>54,76,017</u>
(d) Total R&D expenditure as a percentage of total turnover	4.82%	2.85%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation : Innovations made in manufacturing processes.
: New Products launched
: Existing Products improved.
2. Benefits derived as a result of the above efforts : Improved productivity and process efficiencies.
: Sales volume increased.
: Customer trust company's products.
: Brand image improved.
3. There is no imported technology involved this year.

Total foreign exchange used

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	2010-2011	2009-2010
1. Foreign Exchange Earnings	94,03,876	1, 10,19,007
2. Foreign Exchange Outgo	36,57,342	5,58,580

**For and on behalf of the Board
of Directors**

R. K. DUBEY

CHAIRMAN & MANAGING DIRECTOR

Place : Bhopal

Dated : 31st May, 2011

REPORT ON CORPORATE GOVERNANCE

A. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE :

The company strongly believes that good Corporate Governance is a pre-requisite for enhancing shareholders long term value. The Board considers itself as the trustee of its Shareholders. During the period under review, the Board continued its pursuit by adopting and monitoring of corporate strategies, prudent business plans, major risks and ensuring that the company pursues policies and procedures to satisfy its social, legal and ethical responsibilities.

B. BOARD OF DIRECTORS

(i) Composition and category of Directors

S. No.	Name of Director	Category	NUMBER OF OTHER		
			Director-Ships	Committee Membership	Committee Chairmanship
01.	Shri R.K. Dubey	Chairman & Mg. Director Executive Director	2	-	-
02.	Shri D.K. Dubey	Executive Director	2	1	-
03.	Shri N.K. Dubey	Executive Director	2	-	-
04.	CA Shabbar Husain	Non Executive Independent Director	-	3	2
05.	Shri B.M. Saighal	Non Executive Independent Director	-	2	1
06.	Shri K.N.Dubey	Non Executive Independent Director	-	1	-
07.	Shri R.K.Choubey	Non Executive Independent Director	-	-	-

(ii) Meeting of the Board of Directors :-

The Board of directors provide the strategic direction and thrust to the operations of the company. During the period under review, 7 Board Meetings were held; on 7th April 2010, 31st May 2010, 14th August 2010, 16th October 2010, 2nd December 2010, 20th January 2011, 12th February 2011. The Thirty eighth Annual General Meeting was held on 30th September, 2010.