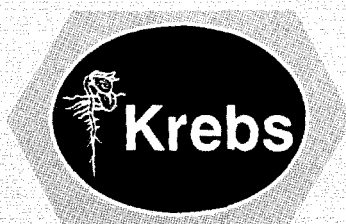


Krebs Biochemicals & Industries Ltd.

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17th Annual Report (2008-2009)

Contents

	Page No
Company Information	3
Notice of the 17 TH ANNUAL GENERAL MEETING	4
Directors Report	7
Management Discussion and Analysis	13
Corporate Governance	19
CEO & COO Certificate on Corporate Governance	29
Auditors Certificate on Corporate Governance	30
Auditors Report	31
Balance Sheet	36
Profit and Loss Account	37
Schedules of Balance Sheet and Profit and Loss Account	38
Notes on Accounts	44
Cash Flow Statement	53
Additional Information as required under Companies Act, 1956	54
Proxy Form	56

KREBS OVER THE LAST SIX YEARS

(Rs in Lakhs)

PARTICULARS	2003 - 04	2004 - 05	2005 - 06	2006 - 07	2007 - 08	2008-09
Sales	10,124.00	7,575.00	3,189.00	4,880.95	5,069.46	5,119.78
Exports	4,447.00	4,942.00	1,352.00	1,588.94	1,151.55	1,918.80
Gross Profit	1,833.00	1,257.00	(1,538.00)	(852.71)	924.85	(2,803.76)
Profit after Tax	1,351.00	743.00	(1,424.00)	(767.01)	(1,017.04)	(4,262.80)
Dividend	480.00	180.00	-	-	-	-
Dividend %	80.00	30.00	-	-	-	-
E P S (Rs)	22.52	12.39	(23.74)	(12.78)	(14.43)	(47.10)
Share Capital	600.00	600.00	600.00	705.00	705.00	905.00
Gross Block	13,130.00	17,236.00	17,601.00	15,872.67	16,082.86	16,684.70
Net Block	10,063.00	13,341.00	12,677.00	9,912.67	9,048.68	8,703.32
Net Current Assets	8,582.00	9,521.00	7,323.00	8,459.38	8,461.88	5,212.60
Net Worth	9,709.00	10,247.00	8,842.00	8,619.52	8,605.06	4,672.31
Book Value per Share	161.82	170.78	147.37	122.26	122.05	51.63

Company Information

Board of Directors

Dr. R.T.Ravi	Chairman (wef 30 th July, 2009) & Managing Director
Mrs. Sangeetha Sharma	Nominee Director – Export Import Bank of India Ltd
Mr. S Ganesh	Nominee Director – Industrial Development Bank of India
Mr. M.Venkateswara Rao	Nominee Director - AP Industrial Development Corporation
Dr. Naresh Kumar	Nominee Director - Ranbaxy Laboratories Ltd
Dr. T.Kuchroo	Director
Mr. G.V.L.Prasad	Director
Mr. K.S.S.Prasad	Nominee Director-Small Shareholders
Mr. Avinash Ravi	Additional Director(wef 1 st Feb, 2009) & Chief Operating Officer

Bankers :

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

Auditors :

M/s G.P.Associates,
Chartered Accountants,
105 ,1st Block,
Divya Shakthi Complex,
Ameerpet,
Hyderabad – 500 016

Registered Office :

Krebs Biochemicals& Industries Ltd
Door No. 8•2-277/A, 4A , 4th Floor,
Inwinex Towers, Plot no.130,
Road No.2, Banjara Hills,
Hyderabad -500034
Tel : 040 44707777/7766
Fax : 040 44707755
E mail : krebs@krebsbiochem.com
Website : <http://www.krebsbiochem.com>

Registrar & Share Transfer Agent:

M/s Sathguru Management Consultants Pvt Ltd
Plot No : 15 ,Hindi Nagar,
Panjagutta,
Hyderabad – 500034
Tel : 040 2335 6507 / 0586 / 6975
Fax : 040 40040554
E mail : sta@sathguru.com



Krebs

Notice for the 17th Annual General Meeting of The Company

Notice is hereby given that the 17th Annual General Meeting(AGM) of the company will be held at Surana Udyog Auditorium, Federation Building,FAPCCI, Red Hills, Hyderabad – 500 004 on Monday, the 14th day of September, 2009 at 11.30 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, 2009 and the Profit & Loss Account for the year ended on that date along with Report of the Board of Directors and Auditors thereon;
2. To consider and appoint Mr. G. V. L. Prasad who retires by rotation and being eligible offers himself for re appointment.
3. To consider and appoint Dr. Naresh Kumar who retires by rotation and being eligible offers himself for re appointment.
4. To consider and approve the appointment of M/s. Pavuluri & Co., Chartered Accountants as the Statutory Auditors of Company in the place of the outgoing auditors M/s. G. P. Associates, Chartered Accountants to hold office from the conclusion of the 17th Annual General Meeting till the conclusion of the 18th Annual General Meeting at such remuneration as may be fixed by the Board of Directors.

Special Business:

5. To Consider and if thought fit to pass the following resolution (s) with or without modifications as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 257 and other applicable provisions, if any, of the Companies Act, 1956 subject to Regulation 102 of the Articles of Association Mr. Avinash Ravi be and is hereby appointed as a Director of the Company liable to retire by rotation."

"FURTHER RESOLVED THAT pursuant to the provisions of Section 269 read with Schedule XIII and Section 198, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be required from time to time Mr. Avinash Ravi be and is hereby appointed as the Whole Time Director of the company designated as Director and Chief Operating Officer for a period of 3 years from 01.02.2009.

6. To Consider and if thought fit to pass the following resolution (s) with or without modifications as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals as may be required from time to time Mr. Aditya Ravi be and is hereby appointed as Business Control Manager with a remuneration of Rs.30,000 per month for a period of three years with effect from 01.02.2009."

- 7 To Consider and if thought fit to pass the following resolution (s) with or without modifications as a Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 23 and other applicable provisions, if any, of the Sick Industrial Companies (Special Provisions) Act, 1985 and subject to such approvals as may be required from time to time from such authorities the members are requested to consider and to take a note of making a reference to the Board for Industrial Finance and Reconstruction (BIFR) consequent to the erosion of more than 50% in the networth of the Company."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to do all such things and execute all such deeds and documents as may be necessary for giving effect to the above resolution".

for and on behalf of the Board of Directors

Place :Hyderabad

Date : 30th July, 2009

Sd/-

(Dr.R.T.RAVI)

Chairman & Managing Director

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Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956.

Item 5:

Mr. Avinash Ravi is working as Chief Operating Officer of the company and was appointed as Additional Director by the Board of Directors pursuant to the provisions of Section 260 of the Companies Act, 1956 with effect from 01.02.2009. He holds office upto the date of the ensuing Annual General Meeting.

The company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 signifying the intention to propose Mr.Avinash Ravi as a candidate for the office of Director of the Company. Mr.Avinash Ravi has given his consent to act as Director.Mr.Avinash Ravi is a Graduate in Bioprocess Engineering from the University of New South Wales , Australia.He is specially qualified and trained in production and purification of Biotechnology products.

**Krebs**

Your Board is of the opinion that his experience and knowledge will be of immense to the growth and development of your Company. Save and Except Dr.R.T.Ravi none of the Directors are concerned or interested in the said resolution.

Item 6:

Mr. Aditya Ravi is a qualified Chemical Engineer from Australia and is capable of doing work required by the company in the field of pharmaceutical manufacturing. He is capable of managing both plants in view of reducing the wastages and increasing the efficiency. Your Board is of the opinion that the company would be benefited by appointing Mr. Aditya Ravi as Business Control Manager as your Company is venturing into R&D based Biotechnology products.

Save and Except Dr.R.T.Ravi none of the Directors are concerned or interested in the said resolution.

Item 7:

The net worth of the company as on March 31, 2009 is less than 50% of the peak net worth during the immediately preceding four financial years. As per the provisions of Section 23 and other applicable provisions, if any, of Sick Industrial Companies (Special Provisions) Act 1985 the details of the erosion has been reported to Board for Industrial & Financial Reconstruction (BIFR)

The reasons for such erosion are outlined in the report enclosed. The members are requested to consider the same by way of ordinary resolution as required under the provisions of Section 23 and other applicable provisions, if any, of Sick Industrial Companies (Special Provisions) Act 1985.

None of the Directors is concerned or interested in the said resolution.

for and on behalf of the Board of Directors

Sd/-

(Dr.R.T.RAVI)

Chairman & Managing Director

Place : Hyderabad

Date : 30th July, 2009

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 07-09-2009 to 14-09-2009 both days inclusive.

Director's Report

Dear members,

Your Directors are pleased to present the 17th Annual Report of your Company together with the Audited Accounts for the year ended 31st March 2009.

Financial Results:

PARTICULARS	(Rs. In Lakhs)	
	2008-09	2007-08
Net Sales	5,119.78	5,069.46
Other Income	3.82	0.54
Total Income	5,123.60	5,070.00
Expenditure	4,391.45	4,144.61
Obsolete Stock Written off	3,532.09	NIL
PBDIT	(2,799.94)	925.39
Finance Charges	599.81	997.86
Depreciation	954.10	1,074.28
Profit /(Loss) before Tax	(4,353.85)	(1,146.76)
Deferred Tax asset	93.36	132.77
Fringe Benefit Tax	2.31	3.05
Net Profit /(Loss) after Tax	(4,262.80)	(1,017.04)
Prior Period adjustments	1.46	1.92
Profit after prior period items	(4,264.26)	(1,018.96)
Add : Balance brought forward	(2,994.92)	(1,975.96)
Surplus Carried forward	(7,259.18)	(2,994.92)

Overall Performance:

The sales of the company during the Financial Year 2008-09 have remained around the same level as the previous year. The effect of the global financial crisis coupled with very little capacity utilization at the Nellore Plant resulting from Ranbaxy stopping operations due to its own problems with US FDA are the main reasons for this stagnation.

Dividend:

Considering the fact that your company is not profit making no dividend is proposed to be declared for the financial year 2008 – 2009.

Taxation:

In view of the net losses no provision for Income Tax has been made in this financial year under review. Deferred Tax Asset of Rs 93.36 Lakhs is adjusted in the financial year under review. Provision for Fringe Benefit Tax (FBT) for this year was Rs 2.31 Lakhs as against Rs 3.05 Lakhs during the last year.



Equity Capital:

During the year the company allotted 20,00,000 shares of Rs10 each on Preferential basis to the promoters and strategic investors on account of conversion of warrants into shares which had been issued during the financial year 2006-07. As a result the paid up equity capital of the company has increased by Rs 200 Lakhs to Rs 905 Lakhs. There has been an addition of Rs1286 Lakhs to Securities Premium Account on this account.

Board of Directors:

Mr. G. V. L. Prasad and Dr. Naresh Kumar retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re appointment. The Board recommends their re appointment.

Mr. Avinash Ravi was appointed as Additional Director in the Board Meeting held on 31.01.2009 with effect from 01.02.2009 and holds office till the date of Annual General Meeting. He was also appointed as the Whole Time Director designated as Director and Chief Operating Officer with effect from the same date which was approved by the remuneration committee. The position of Whole Time Director has to be approved by the members of the company.

Directors responsibilities Report:

Your Directors confirm in terms of section 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 the 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 judgments 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 2009 and of the results of operation 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. G.P. Associates, Chartered Accountants, are the statutory auditors to the company and they retire at this Annual General Meeting and in their place M/s Pavuluri & Co., Chartered Accountants have accorded their consent for appointment according to Section 224 of the Companies Act, 1956. The Board recommends their appointment.

Management Discussion and Analysis:

A report on Management Discussion and Analysis is provided as part of this Annual Report.

Corporate Governance And Share holder's Information:

A report on Corporate Governance is included 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 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. In spite of many difficulties, the employees have been cooperating with the management and enthusiastically offering their services as required by the management. Your directors extend thanks to all of them.

Human Resources:

None of persons employed during the financial year under review is required to be furnished under Section 217(2A) of the Companies of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Social Responsibility:

As a responsible partner of society your company participates in social welfare activities in the villages within the vicinity of its operating units. Financial support is offered to welfare activities like Education, Public Health and Eradication of child labor. The company contributes to provide for qualified teachers in village schools thus improving the quality of primary education in neighborhood schools.

Acknowledgement:

We extend our appreciation and thanks to our customers, suppliers and investors for their continued support. We are also grateful for the continued co-operation extended by the Government Authorities, Financial Institutions and Banks 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 progress of the company.

for and on behalf of the Board of Directors

Place : Hyderabad

Date : 30th July, 2009

Sd/-
(Dr.R.T.RAVI)

Chairman & Managing Director