

Krebs Biochemicals & Industries Limited



**19th Annual Report
(2010-2011)**

CONTENTS

	Page No.
Company Information	2
Notice of the 19th ANNUAL GENERAL MEETING	3
Directors Report	4
Management Discussion and Analysis	10
Corporate Governance	15
Management Certificate on Corporate Governance	25
Auditors Certificate on Corporate Governance	26
Auditors Report	27
Balance Sheet	31
Profit and Loss Account	32
Schedules to Balance Sheet and Profit and Loss Account	33
Notes on Accounts	39
Cash Flow Statement	45
Additional Information as required under Companies Act, 1956	46
Proxy Form	47

Company Information

Board of Directors

Dr. R.T.Ravi	Chairman & Managing Director
Mr.S.Ganesh	Nominee Director-IDBI Bank Limited
Mr.M.Venkateswara Rao	Nominee Director-APIDC
Ms.Daya Chandrahas	Nominee Director-EXIM Bank
Mr.R.Ch.Satyanarayana	Small Shareholders Director
Dr.T.Kuchroo	Independent 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 #8-2-277/A, 4A, 4th Floor Inwinex Towers, Plot No: 130 Road No:2, Banjara Hills Hyderabad - 500 034 Tel : +91-40-44707777 Fax : +91-40-44707755 E.mail : krebs@krebsbiochem.com Website : www.krebsbiochem.com</p>	<p>Sathguru Management Consultants Pvt. Ltd Plot No:15, Hindi Nagar, Panjagutta Hyderabad - 500 034 Tel : +91-40-30160225 Fax : +91-40-40040554 E.mail : sta@sathguru.com</p>

Notice for the 19th Annual General Meeting of the Company

Notice is hereby given that the 19th Annual General Meeting of the Company will be held on 29th day of September, 2011 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 31st March, 2011 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, Independent Director who retires by rotation and being eligible offers himself for re-appointment.
3. To consider and appoint Dr.R.T.Ravi, Director who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and approve the appointment of Statutory auditors M/s.Pavuluri & Co, Chartered Accountants to hold office from the conclusion of 19th Annual General Meeting till the conclusion of next Annual General Meeting at such remuneration as may be fixed by the Board of Directors.

Place: Hyderabad
Date: 09.08.2011

For and on behalf of the Board
Sd/-
(Dr. R.T.Ravi)
Chairman & Managing Director

Notes:

- 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 atleast 48 hours before the scheduled time of the meeting to be accepted.
- Transfer registers and register of members shall remain closed from 26-09-2011 to 29-09-2011.

Directors Report :

Dear Members,

Your Directors have pleasure in presenting the 19th Annual Report together with the Audited Accounts of your company for the year ended March 31, 2011.

Financial Results :

Rs. in lacs

Particulars	2010-11	2009-10
Net Sales	7,244.46	4,623.38
Other Income	701.84	2.91
Total Income	7,946.30	4,626.29
Expenditure	7,228.21	4,208.28
PBDIT	718.09	418.01
Loss on Sale of Assets	NIL	207.94
PBDIT (after Extra Ordinary Items)	718.09	210.07
Finance Charges	747.41	690.23
Depreciation	959.72	987.88
Profit / (Loss) before Tax	(989.04)	(1,468.04)
Deferred Tax Asset	331.48	901.25
Taxes of earlier years	10.66	NIL
Net Profit / (Loss) after Tax	(668.23)	(566.79)
Prior period adjustments	NIL	7.9
Profit after prior period adjustments	(668.23)	(574.69)
Add : Balance brought forward	(263.87)	(7,259.18)
Less : Transferred to General Reserve	NIL	7,570.00
Balance Carried to balance sheet	(932.1)	(263.87)

Overall Performance :

The Turnover of the company during the Financial year 2010-11 shown a growth of 71.06% over the previous financial year. The sales from Unit II have shown a healthy increase and small activity has started in Unit I through Contract Manufacturing. We see a PBDIT rise compared to the previous financial year but was not sufficient to turn the company to Profit. Only a higher capacity utilisation of Unit I will be able to drive the company in to profitability. Increased input costs coupled with lower finished product prices also have contributed to lower PBDIT than expected.

Dividend :

No Dividend is proposed to be declared for the financial year 2010-11.

Taxation :

No Income Tax is applicable for the financial year under review. Deffered Tax Asset of Rs.331.48 lacs is adjusted in the current Financial Year.

Equity Capital:

The equity capital remains unchanged during the Financial year 2010-11. The promoters have brought in Rs.130.00 lacs as per CDR guidelines and the same has been considered for the Allotment of Shares to the Promoters.

Board of Directors :

Dr R.T.Ravi, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment.

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

During the year under review, the Members have appointed Mr.R.Ch.Satyanarayana as Small Shareholders Director through Postal Ballot held on August 27th, 2010.

It is duly informed to the Members that Dr.Naresh Kumar, Nominee Director of Ranbaxy Laboratories Ltd has submitted resignation to the office of Director on 30.09.2010. Your Board of Directors considered the same and placed on record their appreciation for the services rendered by Dr.Naresh Kumar during his tenure as Director.

Further it is informed to the Members that the Export-Import Bank of India nominated Ms.Daya Chandrahas as Director on the Board of your Company in place of Ms.Sangeetha Sharma. Accordingly, your Board of Directors in their meeting held on 30th May, 2011 extended their warm regards for the active participation of Ms.Sangeetha Sharma in driving the Company and welcomed the new nominee Director Ms.Daya Chandrahas on the Board of your Company.

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:

- a) There has been no material departure from 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 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, 2011 and of the results of operations 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 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.

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.

Employee Relations:

The Directors are happy to report that the company has cordial relations with its employees. Their patience and support throughout the restructuring and rebuilding period has greatly helped the management in executing the strategy and plans. They have proved themselves the model stakeholders. Your Directors extend thanks to all of them.

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.

For and on behalf of the Board of Directors

Sd/-

(Dr. R.T.RAVI)

Chairman & Managing Director

Place : Hyderabad

Date : 09.08.2011

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) Installation of VFD systems for process reactors.
- 2) Installation of Capacitor Banks.
- 3) Installation of 150TR Green Chiller by Voltas.

Unit - II

- 1) MEES(Multiple effect Evaporation System) was commissioned.
- 2) Additional capacitor banks introduced.
- 3) Condensate recovery from ejector systems implemented.

(b) Measures proposed for energy conservation :**Unit - I**

- 1) Chilled water and Brine lines to be reinsulated with Nitrile rubber insulation to minimize thermal energy losses.
- 2) Proposed to recover condensate from steam ejector systems to reduce boiler fuel consumption.

Unit - II

- 1) Introduction of magnetic separator for boiler bed material for separating iron which will improve the efficiency of the fluidised bed boiler.
- 2) Introduction of data loggers to monitor the fermentation parameters and thereby optimise the energy consumption.
- 3) Automate the feeding into the fermenters resulting in increase in yields thereby reducing the per unit product energy consumption.

(c) Impact of the above measures:**Unit - I**

The implementation of energy conservation measures completed during the financial year 2010-2011 resulted in substantial energy savings.

Unit - II

The implementation of energy conservation measures completed during the financial year 2010- 2011 resulted in substantial energy savings by way of lower coal per unit product.

	PARTICULARS	2010-11	2009-10
1)	Power		
a)	Purchased		
	Units	11,49,180	2,00,500
	Amount (Rs.in lacs)	93.60	12.50
	Rate per unit	8.14	6.23
b)	Own Generation		
i)	Units generated through DG Set	5,18,187	1,73,627
	Amount (Rs.in lacs)	72.70	19.45
	Rate per unit	14.02	11.20
ii)	Units generated through TG Set	189,61,600	168,82,800
	Amount (Rs.in lacs)	1032.00	880.18
	Rate per unit	5.44	5.21
2)	Coal Consumption in MT's	35,123	27,963
	Amount (Rs.in lacs)	1220.00	847.59
	Rate per M T Rs.	3,475.00	3,031.11
3)	Furnace Oil Consumption in KL's	12	NIL
	Amount (Rs.in lacs)	3.96	NIL
	Rate per KL Rs.	33.080	N.A

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.

Rs in Lacs

Expenditure on R & D	2010-11	2009-10
Capital Expenditure	NIL	NIL
Revenue Expenditure	67.36	47.80
Total Expenditure	67.36	47.80
Total R & D Expenditure as % of Turnover	0.93%	1.03%

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.

Form - C

Foreign Exchange Earnings and Outgoings :

Rs. in lacs

Particulars	2010-11	2009-10
a) Value of Imports on CIF Basis		
Import of Raw Materials	---	NIL
Stores & Spares	19.38	7.92
Capital Goods	NIL	17.75
b) Expenditure		
Travelling	4.22	1.10
Consultancy Fees	2.08	2.31
Product Development	69.04	68.50
c) Earnings in Foreign Exchange		
FOB Value of Exports	165.02	254.14
FOB Value of Plant & Machinery	NIL	841.30

For and on behalf of the Board of Directors
Sd/-Place : Hyderabad
Date : 09.08.2011**Dr. R.T.RAVI**
Chairman & Managing Director