

CONTENTS

	Page No.
Company Information	2
Notice of the 20th ANNUAL GENERAL MEETING	3
Directors Report	6
Management Discussion and Analysis	12
Report on Corporate Governance	25
Certificate on Compliance of Corporate Governance From Managing Director and COO	27
Auditors Certificate on Corporate Governance	28
Auditors Report	29
Balance Sheet	33
Profit and Loss Account	34
Cash Flow Statement	35
Notes to Financial Statements	36
Proxy Form	54

Company Information

Board of Directors

Dr. R.T.Ravi	- Chairman & Managing Director
Mr.P.Nagaraju	- 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

Company Secretary & Compliance Officer

Mrs.A.Naga Vasudha - Company Secretary

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>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>

Notice for the 20th Annual General Meeting of the Company

Notice is hereby given that the **20th Annual General Meeting of M/s. Krebs Biochemicals & Industries Limited will be held on 26th day of September, 2012 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, 2012 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 retire Dr. T. Kuchroo, Director who retires by rotation and has not opted for re-appointment.
3. To consider and appoint Mr. Avinash 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 20th Annual General Meeting till the conclusion of next 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, with or without modification(s) the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions of the Companies Act, 1956 and rules framed there under, the existing Articles of Association of the Company be and is hereby amended as under :

- i) After Article 75 of the Articles of Association of the Company, the following new Article 75A shall be inserted:

75A: The Board may provide video conference facility and/or other permissible electronic mode of communication to the shareholders of the Company for participating in General Meetings of the Company. Such participation by the shareholders at General Meetings of the Company through video conference facility and/or other permissible electronic mode of communication shall be governed by the Rules and Regulations as applicable to the Company for the time being in force.

- ii) After Article 127 of the Articles of Association of the Company, the following new article 127A shall be inserted:

127A: Directors may participate in Meetings of the Board and/or Committees thereof, through video conference facility and/or other permissible electronic mode of communication. Such participation by the Directors at Meetings of the Board and/or Committees thereof, through video conference facility and/or other

permissible electronic mode of communication shall be governed by the Rules and Regulations as applicable to the Company for the time being in force."

"FURTHER RESOLVED THAT the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee or any person which the Board may nominate/constitute to exercise its powers, including the powers by this Resolution) be and is hereby authorized to carry out the abovementioned amendments in the existing Articles of Association of the Company and that the Board may take all such steps as may be necessary to give effect to this Resolution."

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: 14.08.2012

Notes:

1. An Explanatory Statement pursuant to section 173(2) of the companies Act, 1956 in relation to the Special Business of the Meeting is annexed hereto and forms part of this notice.
2. **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.**
3. The Register of Members and Share Transfer Books of the Company will be closed from 22.09.2012 to 26.09.2012 (Both days inclusive).
4. 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.
5. Members are requested to notify immediately any change in their address to the Share Transfer Agents and in case their shares are held in dematerialized form, this information should be passed on to their respective Depository Participants.
6. A Member desirous of receiving any information on the accounts or operations of the company is requested to forward his/her queries to the company at least 7 working days prior to the meeting, so that the required information can be made available at the meeting.
7. 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 and not to the company/RTA without delay.
8. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP IDs for easier identification of attendance at the meeting.
9. It shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company/RTAs for registration of transfer of shares for securities market transactions and off market/private transaction involving transfer of shares in physical form of listed companies.
10. 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.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 5:

The Ministry of Corporate Affairs (MCA), Government of India, New Delhi vide General Circulars No.27/2011 and 28/2011 dated May 20, 2011 and Circular No. 35/2011 dated June 06, 2012 have permitted the companies to hold Board Meetings and Shareholders' Meetings through video conference facility, as part of the Green Initiatives under Corporate Governance.

Further, MCA vide Circular No. 72/2011 dated December 27, 2011 made the video conference facility at the Shareholders' Meetings optional to the Company. In order to provide video conference facility to its Directors and Shareholders, your Company has been advised to carry out necessary amendments in the existing Articles of Association of the Company by inserting enabling provisions. In terms of Section 31 of the Companies Act, 1956, approval of the Members by way of a Special Resolution is required to amend the Articles of Association of the Company.

Accordingly, your Board recommends passing of the Resolution No.5 as a Special Resolution.

None of the Directors is interested or concerned in this Resolution.

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: 14.08.2012

Directors Report :

Dear Members,

Your Directors have pleasure in presenting the 20th Annual Report together with the Audited Accounts of your company for the year ended March 31, 2012.

Financial Results :

Rs. in lacs

Particulars	2011-12	2010-11
Net Sales	7,076.00	7,244.46
Other Income	275.33	701.84
Total Income	7,351.33	7,946.30
Expenditure	7,464.95	7,228.21
PBDIT	(113.62)	718.09
Loss on Sale of Assets	NIL	NIL
PBDIT (after Extra Ordinary Items)	(113.62)	718.09
Finance Charges	854.64	747.41
Depreciation	965.71	959.72
Profit / (Loss) before Tax	(1,933.97)	(989.04)
Deferred Tax Asset	190.16	331.48
Taxes of earlier years	NIL	10.66
Net Profit / (Loss) after Tax	(1,743.81)	(668.23)
Prior period adjustments	NIL	NIL
Profit after prior period adjustments	(1,743.81)	(668.23)
Add : Balance brought forward	(932.10)	(263.87)
Less : Transferred to General Reserve	NIL	NIL
Balance Carried to balance sheet	(2,675.91)	(932.10)

Overall Performance :

The Turnover of the company during the financial year 2011-12 is Rs.7,076.00 lacs marginally lower than the turnover of Rs 7,244.46 lacs for the financial year 2010-11. There is a net loss of Rs.1,743.81 lacs for the current financial year 2011-12 as against a net loss of Rs.668.23 lacs for the financial year 2010-11. The key reasons for the adverse performance as seen by the increase in losses during the financial year are as follows. The successful inspection of Unit I Nellore by the USFDA at the beginning of the financial year has allowed us to attract customers who have filed for regulatory clearances with the USFDA for their products to be made at our site. However the approvals are awaited and hence this could not translate into revenues in the financial year 2011-12. Unit II where Lovastatin and Simvastatin are the key products saw a marginal drop in the turnover but a significant reduction in margins due to firstly the increase in costs of raw materials substantially and the inability to pass this on to the customers. Secondly Power and steam the key inputs for the manufacture of Lovastatin was being generated at our own cogeneration power plant

and hence was sustaining the Lovastatin cost of manufacturing but from June 2011 a breakdown of the Turbine made the plant depend on Government power and this has severely affected the plant. The much publicised power crisis in Andhra Pradesh combined with the high costs of running on Diesel generators during the power outages has resulted in a significant escalation in the power and fuel costs and is primarily responsible for the increase in losses. A concerted effort is on to find less power intensive substitute products.

Dividend :

No Dividend is proposed to be declared for the financial year 2011-12.

Taxation :

No Income Tax is applicable for the financial year under review. Deferred Tax Asset of Rs.190.16 lacs is adjusted in the current Financial Year.

Equity Capital:

There is an increase in the equity capital of the Company from Rs.9,05,00,000/- to Rs.9,51,42,860/- during the Financial year 2011-12. This is subsequent to allocation of preferential Shares to the Promoters against the share Application amount of Rs.130.00 lacs brought into the business as per CDR guidelines.

Board of Directors :

Dr.T.Kuchroo, Director retires by rotation at the ensuing Annual General Meeting and has not opted for reappointment.

Mr.Avinash Ravi, Director & COO 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 Industrial Development Bank of India nominated Mr.P.Nagaraju as Director on the Board of your Company in place of Mr.S.Ganesh with effect from 16th July, 2012. Accordingly, your Board of Directors in their meeting held on 14th August, 2012 extended their sincere regards for the contribution of Mr.S.Ganesh during his tenure as the Nominee Director and wished him the best in his future endeavour. The new nominee Director Mr.P.Nagaraju was welcomed on to 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, 2012 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 cooperation and patient support throughout the difficult financial year 2011-12 and the present year where the company is going through a very tight phase of cash flow is greatly helping the company to implement the new strategies and products. 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 : 14.08.2012

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) 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.

(b) Measures proposed for energy conservation :

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 (Reactors, Condensers and etc.,) scaling.
2. Implementation of MEES in ETP for 'Zero' Discharge purpose which will substantially reduce power & fuel compared to traditional effluent treatment methods.

Unit - II

- 1) Proposing to recover steam condensate in dedicated lines from numerous points through out the plant and collect them in one sump. Reuse this water as topup feed for cooling towers.
- 2) Replacing AHU's using cooling water as energy source to more efficient energy source, electricity.
- 3) Installation of VFDs for all motors with a rating of 75hp or above to ensure energy conservation when full power not required.

(c) Impact of the above measures:

Unit - I

The implementation of energy conservation measures completed during the financial year 2011-2012 resulted in substantial energy savings.

Unit - II

The implementation of energy conservation measures completed during the financial year 2011- 2012 resulted in substantial energy savings by way of lower coal per unit product.

		PARTICULARS	2011-12	2010-11
1.		Power		
	a)	Purchased		
		Units	156,64,566	11,49,180
		Amount (Rs.in lacs)	787.70	93.60
		Rate per unit	5.03	8.14
	b)	Own Generation		
	i)	Units generated through DG Set	8,43,262	5,18,187
		Amount (Rs.in lacs)	123.00	72.70
		Rate per unit	14.59	14.02
	ii)	Units generated through TG Set	40,74,800	189,61,600
		Amount (Rs.in lacs)	311.37	1032.00
		Rate per unit	7.64	5.44
2.		Coal Consumption in MT's	22,696	35,123
		Amount (Rs.in lacs)	789.67	1220.00
		Rate per M T Rs.	3,475.00	3,475.00
3		Furnace Oil Consumption in KL's	NIL	12
		Amount (Rs.in lacs)	NA	3.96
		Rate per KL Rs.	NA	33.080

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	2011-12	2010-11
Capital Expenditure	NIL	NIL
Revenue Expenditure	83.03	67.36
Total Expenditure	83.03	67.36
Total R & D Expenditure as % of Turnover	1.15%	0.93%