

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
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	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

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 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%

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	2011-12	2010-11
a) Value of Imports on CIF Basis		
Import of Raw Materials	NIL	NII
Stores & Spares	11.99	19.38
Capital Goods	NIL	NIL
b) Expenditure		
Travelling	1.98	4.22
Consultancy Fees	NIL	2.08
Product Development	73.05	69.04
c) Earnings in Foreign Exchange		
FOB Value of Exports	514.98	165.02
FOB Value of Plant & Machinery	NIL	NIL

For and on behalf of the Board of Directors
Sd/-

Place : Hyderabad
Date : 14.08.2012

Dr. R.T.RAVI
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

Economy :

The year 2012 is probably one of the toughest years for the Indian economy in recent times . The adverse performance of all the key economic indicators weighed heavily on the future course of the Indian Economy. High Inflation and poor infrastructure combined with a policy paralysis by the government created a major obstacle for the economy to get back on track.

Industry Structure and Developments:

Slowing of Growth in the advanced economies of the US, Europe and Japan being the major markets for the Indian pharmaceuticals Industry adds additional challenges and uncertainties to the drying up of generics coming of patent in the coming years.

Consolidations and focus on Indian Domestic Market which is still growing at a healthy pace are some of the strategies being used by the big pharma and Indian generic companies.

We are increasingly seeing bulk pharmaceuticals manufacturing under cost pressures. Navigation by way of choosing niche products, unique technologies or other differentiators will be the sustainable way forward for the bulk pharmaceuticals and chemical industry.

Strengths & Opportunities:

We see a healthy interest in our offering of skills and expertise in a combination of Fermentation, organic synthesis and biocatalysis. This combined with a solid foundation in quality systems has attracted a good customer base and we are working to capitalize on this.

The economies of scale with a flexibility of implementing quick manufacturing charges help us to be an ideal partner.

Risks & Concerns:

The delay in the implementation of projects for both contract manufacturing and own products due to severe erosion of the working capital is a serious concern. This start will however bring a positive cascading effect as we go forward. Achieving this will be the challenge.]

Company infrastructure:

Krebs operates from its Headquarters and Registered Office at Hyderabad. The company has two multi-purpose manufacturing facilities with all support infrastructures like Utilities, environment management and safety systems.

Product Wise Performance

During the year under review your company recorded a net turnover of Rs.7,076.00 lacs compared to Rs.7,244.46 lacs in the previous Financial Year registering a marginal reduction. Though Unit - I reported revenue of Rs.235.03 lacs during the year under review compared to Rs.151.50 lacs during the previous year on account of contract manufacturing in the unit, the capacity utilisation was quite low and has still resulted in loss at EBIDTA level and over all loss. The USFDA approval of this Unit has attracted further interest and we foresee capacity utilisation to significantly increase in 2012-13 financial year. As you can see from

the product sales, both Lovastatin and Simvastatin sales have been flat at close to full capacity utilisation. However significantly higher power and fuel costs combined with higher raw material prices and inability to pass on the cost increase to the customers at Unit II has resulted in a loss at EBIDTA level. Product mix change and products with better gross margins are being chosen and will slowly substitute Lovastatin resulting in profitable operations of Unit II.

Internal Control Systems and their adequacy:

The company has well defined internal control system that is adequate and commensurate with the size and nature of its business. Adequate internal controls are established to ensure that all the assets are safeguarded and protected against loss from unauthorized use or disposition and all the transactions are authorized, recorded and reported correctly. The company monitors progress on the internal control audit reports and reviews progress through Audit committee Meetings regularly. Further the Management is proactive in implementing the recommendations made by the independent Audit Committee.

Discussion on Financial Performance with respect to Operational Performance:

The Financial statements are prepared under the Historical Cost Convention in accordance with Indian Generally Accepted Accounting Principles (GAAP) and the Provisions of the Company's Act, 1956 and as per the Accounting Standards issued by the Institute of Chartered Accountants of India. All Incomes and Expenditure having a material bearing on the financial statements are recognized on accrual basis. The management accepts responsibility for the integrity and other objectivity of these financial statements as well as various estimates and judgments used therein

Capital:

The Authorized Share Capital of the company is Rs10.00 crores divided in to One Crore equity shares of Rs.10.00 each of which issued, subscribed and paid up capital is Rs.9.51 crores divided in to 95,14,286 Equity shares of Rs.10/- each. There is no other class of shares.

Reserves:

The reserves of the company decreased from Rs. 2,765.63 lacs to Rs.1,105.39 lacs after considering the share premium portion while converting share application amount and due to increased losses during the year.

Secured Loans:

The secured term loans have marginally decreased from Rs.6,494.26 lacs to Rs.6,492.99 lacs on account of adjustment for repayment of the amount by the bankers. The secured working capital loans have increased marginally from Rs.1,512.83 lacs to Rs.1,517.01 lacs. At the end of the year the Secured Debt is Rs. Rs.8,010.00 lacs and an unsecured loan of Rs.593.05 lacs comprising sales tax deferment.

Investments:

No investments were undertaken during the year under review.

Inventories :

The value of inventories as on 31.03.2012 is Rs.3,048.56 lacs as against Rs.2,940.05 lacs during the previous year. The Raw Materials, Stores and spares are valued at cost and related inward transport and handling charges. Work in progress is valued at cost incurred up to the stage of manufacture. Cost of Finished Goods includes all direct costs and an appropriate portion of overheads as per accepted principles of accounting.

Sundry Debtors:

During the year under review, as the recovery from the debtors was improved in spite of no material change in the turnover and the same was reflected as reduction from Rs. 3,400.01 lacs to Rs. 2,896.57 lacs. Sundry debtors outstanding for more than six months as on the balance sheet date were accumulated over a period and the recovery action was initiated.

Fixed Assets:

The additions made during the year under review, amounted to Rs.199.13 Lacs which takes the total gross block to Rs.16,387.02 lacs as on 31.03.2012 against Rs.16,187.90 lacs as on 31.03.2011.

Depreciation:

The Company has provided Rs.965.71 Lacs towards Depreciation as against Rs.959.72 Lacs in the previous year, on the assets, which is in accordance with the stated accounting policy of the Company. There is no change in the depreciation policy of the Company.

Raw Material:

The supply position of raw material throughout the year was smooth and comfortable. There was no interruption or stoppage of production due to the shortage or non-availability of raw materials. The Company strives to maintain a minimum stock as required for production through efficient budgetary planning of production.

Finance Charges:

The Financial Charges during the year amounted to Rs. 865.62 lacs as against Rs.752.06 lacs during the previous year. This is consequent to higher working capital interest resulting from greater cash flow requirements to pay the term loan interest and also funding of the higher power and fuel costs.

Overheads:

The Other Overheads are Rs.2,493.74 Lacs as against Rs.2,080.61 Lacs during the previous year. The increase was mainly on account of increased expenditure on account of power & fuels to the tune of Rs.579.52 lacs. However a reduction in other overheads was seen by way of cost reduction measures taken up by the company.

Dividend:

In view of the accumulated losses no provision is made for dividend.

Human Resources:

The Company very well recognizes the importance of the employee work force and provides excellent growth opportunities, training and development and competitive compensation

packages to attract and retain with the Company the best talents available in the industry. As on 31st March 2012 there are 529 employees employed by the Company.

Safety and Environment:

The operations of the company's plants are in conformity with good industrial safety practices. Regular Hazards and Risks Analysis are conducted at both the plants as part of the ongoing Safety Policy. The management takes into consideration the welfare of the employees and also effect on the surrounding community at large. Norms and Standards for effluents treatment and disposal are prescribed by the Pollution Control Board and are complied with.

Cautionary Statement

In addition to historical information, this annual report contains certain "forward looking statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global economy, global and Indian demand supply conditions, increased installed capacity by competitors, finished goods prices, raw materials availability and prices, cyclical demand and pricing in the Company's markets, changes in government regulations, tax regimes, besides other factors, such as litigations and labour negotiations.

The estimates and expectations are based on the historical facts and perception of future possibility as envisaged by the management. As known to everyone, the entire business environment is never static. Unexpected changes and unforeseen developments are not rare. The global trend is now prevalent and any incidents in the world market will have an effect on the operations of your company. While taking all precautions to be realistic and practical in making presumptions for the future, the management would like to advise that the statements may be read in proper perspective depending upon such developments and their possible effect on the Company's operations and activities.

For and on behalf of the Board of Directors

Sd/-

Dr. R.T.RAVI

Chairman & Managing Director

Place : Hyderabad

Date : 14.08.2012

Report on Corporate Governance for the year 2011-2012 (Annexure to the Directors Report)

1. Company's philosophy on Corporate Governance

Krebs Biochemicals and Industries Limited is committed to conducting its business in accordance with applicable laws, rules and regulations. Your Company which follows the highest standards of business ethics and ethical conduct is known for adopting corporate best practices. In line with this approach, your Company has been complying with Clause 49 of the Equity Listing Agreement on Corporate Governance framed by the Securities and Exchange Board of India (SEBI).

Adherence to the highest standards of integrity, transparency, fair practice and ethical behavior are fundamental to your Company's business model.

Governance Philosophy

The Company consciously follows the best governance practices to make it acceptable and respectable in the society in which it functions. The management is proactive in meeting mandated standards and practicing Corporate Governance in spirit and not just the letter of law. Realizing that the company is a perpetual organization, the management tries to enhance the long-term value for shareholders without ignoring their short-term expectations.

Your Company's philosophy on Corporate Governance is based on following principles:

- i. To make continuous effort to develop the organization as a research based manufacturer-applying innovations in Biotechnology to attain global recognition.
- ii. To become a leading manufacturer of Pharmaceuticals, Agro Products, Process Intermediates and Fine Chemicals based on biotechnology and enhance the shareholder value.
- iii. To uphold ethical values in day-to-day management and conduct the business of the company with transparency and integrity.
- iv. To safeguard the interests of all stakeholders and also serve the society at large to the extent possible within its limits.
- v. To protect environment for its own benefit and the benefit of the members of the society at large.
- vi. To emphasize on research to find new products and processes to keep the company as a front-runner in technological applications.

DATE OF REPORT

The information provided in the Corporate Governance report for the purpose of unanimity is as on March 31st, 2012. The report is updated as on the date of the report wherever applicable.

2. Board of Directors:

The Board of Directors has been implementing the principles of Corporate Governance as envisaged in Clause 49 of the Equity Listing Agreement. Your Company's Corporate Governance framework is based on an effective, independent Board, separation of the supervisory role of the Board from the executive management team and proper constitution of Committees of the Board. The Board functions either as a full Board or through various Committees constituted to oversee specific operational areas.

2.1 Composition and Category of Directors

The Company has an Executive Chairman. The Board comprised of eight directors, two of whom are Executive and remaining are non-executive independent directors, which is in conformity with clause 49 of the listing agreement. The category of Directors as on 31st March, 2012 is as follows:

Name of the Director	Designation	Category
Mr. Dr. R. T. Ravi	Chairman & Managing Director	Promoter & Executive Director
Mrs. Daya Chandrahas	Nominee Director-Export Import Bank of India Ltd	Non-executive and Independent Director
Mr.S.Ganesh	Nominee Director-IDBI	Non-executive and Independent Director
Mr.M.Venkateswara Rao	Nominee Director-APIDC	Non-executive and Independent Director
Dr.T.Kuchroo	Director	Non-executive and Independent Director
Mr.G.V.L.Prasad	Director	Non-executive and Independent Director
Mr.Avinash Ravi	Director and Chief Operating officer	Promoter & Executive Director
Mr.R.Ch.Satyanarayana	Nominee Director-Small Shareholders	Non-executive and Independent Director

2.2 Number & Dates of Board Meetings held during the year.

During the Financial Year under review, the Board has met 4 times i.e. on 30-05-2011, 09-08-2011, 14-11-2011 and 11-02-2012. Director's attendance at the Board and General Meetings held during the financial year 2011-12 and number of other Directorship and Chairmanship/Membership of Committees of each Director in various companies is as follows:

Sl. No	Name	No of Board Meetings during the year 2011-12		Whether attended last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
01	Mr. S.Ganesh (IDBI Nominee)	4	4	---	1	1	---
02	Mr.M.Venkateswara Rao (APIDC Nominee)	4	4	---	---	02	---
03	Ms.Daya Chandrahas EXIM Bank Nominee Director	4	3	---	---	---	---
05	Dr.T.Kuchroo	4	-----	---	01	---	---
06	Mr.G.V.L.Prasad	4	4	Yes	01	03	03
07	Mr.R.Ch.Satyanarayana Small Shareholders Director	4	4	---	01	03	---
08	Dr.R.T.Ravi Managing Director	4	3	Yes	01	02	---
09	Avinash Ravi - Director & COO	4	3	Yes	01	---	---

No Director holds Membership of more than 10 Committees of the Board nor is a Chairman of more than 5 Committees of the Board of all the companies in which he is a Director.

In addition to items which are required to be placed before the Board for their noting and/ or approval, the following information is also being provided to the Board:

1. Annual operating plans/ budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results of your Company and its operating divisions or business segments.
4. Minutes of meetings of the Audit Committee and other Committees of the Board.
5. The information on recruitment and remuneration of senior officers just below the Board level, including appointment/ removal of the Chief Financial Officer and the Company Secretary.
6. Show-cause, demand, prosecution and penalty notices, which are materially important.
7. Fatal or serious accidents, dangerous occurrences, etc.
8. Any material default in financial obligations to and by the Company.
9. Any issue which involves possible public or product liability claims of substantial nature.
10. Details of any joint venture or collaboration agreement.
11. Any significant development in Human Resources.
12. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc.

Brief resume of Directors being appointed / Re-appointed at ensuing Annual General Meeting:

Sri Avinash Ravi - Director

Mr. Avinash Ravi is a Bio process Engineer from the University of New Southwales, Australia. He is specially qualified in Production and purification of Biotechnology products Monoclonal Anti Bodies, R-DNA Products etc and has got wide experience in Fermentation based API (Active pharmaceutical Ingredients) and fine chemicals. With his hard work and dedication, he has been serving the company for the last few years by occupying key positions such as Vice president (Planning and Development), and Chief Operating Officer. His rich experience and knowledge is useful for successful operation of the Company and hence propose to be re-appointed.

3. COMMITTEES OF BOARD

3.1 Audit Committee:

As required under section 292 A of the Companies Act 1956 and clause 49 of the Stock Exchange listing agreement, the Board constituted an audit committee. The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The Committee comprising of four independent directors and one executive Director met 4 times during the year i.e on 30-05-2011, 09-08-2011, 11-11-2011 and 10-02-2012.

Attendance of the members:

Name	Designation	No of Meetings	
		Held	Attended
Mr.G.V.L.Prasad	Chairman	4	4
Mr.M.Venkateswara Rao	Member	4	3
Dr.R.T.Ravi	Member	4	3
Mr.R.Ch.Satyanarayana	Member	4	4
Mr.S.Ganesh	Member	4	3

The Company Secretary acts as Secretary to the Committee. The Chairman of the Committee attended the Annual General Meeting. The meetings of the Audit Committee were also attended by the Executive Director, Chief operating officer and statutory Auditor of the Company. The primary objectives of the Audit Committee are:

1. To oversee your Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. To recommend to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory Auditor and the fixation of audit fees.
3. To approve payments to the statutory auditors for any other services rendered by the statutory auditors.
4. To review, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement which will be part of the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies as also practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by the management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to the financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. To review, with the management, the quarterly financial statements before submission to the Board for approval.
- 5A. To review, with the management, the statement of uses/ application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/ notice and the report submitted by the monitoring agency verifying the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. To review, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems.

7. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. To discuss with internal auditors on any significant findings and follow-up there on.
9. To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. To discuss with the statutory auditors, before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
12. To review the functioning of the whistle-blower mechanism.
13. To carry out any other function as mentioned in the terms of reference of the Audit Committee.

3.2. Remuneration Committee:

The purpose of the Remuneration Committee shall be to discharge the Board's responsibilities relating to remuneration of the Company's Executive Directors. The Committee has overall responsibility for approving and evaluating and recommending plans, policies and programs relating to remuneration of Executive Directors of the Company.

Details of Remuneration to Directors

Executive Directors

Name	Salary	PF	Perks	Total (Rs)
Dr. R .T. Ravi	12,00,000	----	4,50,000	16,50,000
Mr. Avinash Ravi	11,19,360	----	79,200	11,98,560

Non-Executive Directors

The company has no policy of stock options as incentives. The non-executive directors are remunerated by paying sitting fees within the limits prescribed by the Central Government. They are paid separately for professional services as and when the company avails the same. Non Executive Directors hold the shares in their individual capacities. The details of sitting fees paid to them during the year 2012-13 is as follows:

Name	Designation	No of Shares held	Sitting Fees paid (Rs)
Mrs. Daya Chandrahas(EXIM)	Director	----	15000
Mr. S Ganesh(IDBI)	Director	----	35000
Mr. M. Venkateswara Rao	Director	----	35000
Dr. T. Kuchroo	Director	50700	----
Mr. G .V. L. Prasad	Director	100000	40000
Mr. R.Ch. Satyanarayana	Director	250	40000

Terms of reference of the RCC:

1. To determine on behalf of the Board and on behalf of the shareholders with agreed terms of reference, your Company's policy on specific remuneration packages for Executive Directors including pension rights and any compensation payment.
2. To determine the revenue matrix, salary and bonus to be paid to Whole-Time-Director(s) or Managing Director of your Company.
3. To determine the sitting fee to be paid to the members of the Board.
4. To determine the revenue matrix, salary and bonus to be paid to key management personnel of your Company.
5. To identify, appoint and review the performance of key management personnel of your Company.
6. To make recommendation to the Board of Directors with respect to the compensation to be paid to the Executive Directors and key management personnel of your Company.
7. To determine the criteria for the grant of options or shares under the Stock Option or Stock Purchase Scheme.
8. To consider any other matter as may be required under the Stock Option or Stock Purchase Scheme of your Company.
9. To authorize to implement any matter in relation to the above functions/ powers.
10. To delegate any of the powers mentioned above to your Company executives.
11. Quorum of the Committee shall be three members of the Committee present personally.

3.3. Share Holders Committee:

With a view to complying with various requirements under the Code of Corporate Governance framed by SEBI, the Board has set up its Shareholders'/ Investors' Grievance Committee with an Independent Director as its Chairman.

A. Terms of reference of the Shareholders'/ Investors' Grievance Committee are as follows:

- a. To review and redress the Shareholders' and Investors' Grievances like transfer of shares, debentures, non-receipt of balance sheet and declared dividend.
- b. To deal with all aspects relating to the issue and allotment of shares and debentures and/ or other securities of your Company.
- c. To consider and approve sub-division, consolidation, transfer and issue of duplicate share and debenture certificates.
- d. Authority to take a decision in any other matter in relation to the above functions/ powers.
- e. To delegate any of the powers mentioned above to your Company executives.
- f. The Company Secretary of your Company shall act as Secretary to the Committee and shall keep the Board informed about the decisions of the Committee.

Investor Grievances redressed during the financial year 2011-12

Sl. No.	Nature of Letters	Opening Balance	Received	Replied	Closing Balance
1	Change of address	0	0	0	0
2	Revalidation and issue of duplicate dividend warrants	0	0	0	0
3	Change of bank mandate	0	0	0	0
4	Dematerialization of Shares	0	0	0	0
5	Rematerialization of Shares	0	0	0	0
6	Loss of Share certificate & issue of duplicate share certificates	0	0	0	0
7	Miscellaneous	0	0	0	0
8	Complaints received from Members, Stock Exchanges / SEBI etc	0	1	1	0

4. General Body Meetings

Details of previous three Annual General Meetings:

AGM	Year	Venue	Date & Time	Special Resolutions Passed
19th	2010-11	10-1-124, Ivory Room, Golconda Hotel, Masab Tank, Hyderabad- 500028	29.09.2011 11.30 A.M	Nil
18th	2009-10	Surana Udyog, Auditorium, Federation Building, FAPCCI, Red Hills, Hyderabad-500004	16.08.2010 11.30 A.M	Nil
17th	2008-09	Surana Udyog, Auditorium, Federation Building, FAPCCI, Red Hills, Hyderabad-500004	14.09.2009 11.30 A.M	1. Appointment of Mr.Avinash Ravi as Whole Time Director designated as Director & COO 2. Appointment of Mr.Aditya Ravi as Business Control Manager u/sec 314.

POSTAL BALLOT

No Special resolution requiring postal ballot was passed at the previous Annual General Meeting and no such resolution is proposed at the ensuing Annual General Meeting.

5. Disclosures

i. Disclosures on material Significant Related Party Transactions

There have not been any materially significant related party transactions i.e. transactions of the company of materialistic nature with its Promoters, the Directors or the Management, their subsidiaries or relatives etc... that may have potential conflict with the interests of the company at large.

ii. Cases of Non-Compliances / Penalties

NSE revocation of Suspension: As per the procedure, before revocation of suspension, NSE has placed your company under observation to ensure compliance in all respects. The Company is awaiting response from NSE.

iii. Risk Management

The committee is entitled to seek records and information from all the employees in the company and also to receive complaints in confidence.

6. Means of Communication

Regarding dissemination of information to shareholders the company adopts an open policy. In addition to attending to complaints and grievances immediately, the company also supplies any information sought by members without delay. Opportunity is also given to members to seek information at the time of general meetings. The information revealed to the public and investors is fully detailed in the regulations made by SEBI and stock exchanges. The same is being complied with scrupulously.

The company publishes the unaudited results quarterly as prescribed under the rules in the press and also on the website. They are also sent to the stock exchanges where the shares of the company are listed. The audited accounts are sent to all the stock exchanges and kept on the company website www.krebsbiochem.com. The company website is currently under renovation and will be operational soon. In addition, members are always welcome to seek any information and their requests are attended to immediately.

7. General Share Holder Information:

Annual General Meeting	Date:26th September, 2012 Time:11.00 A.M.
Venue	10-1-124, Golconda hotel, Masab Tank, Hyderabad-500028.
Financial Year	1st April, 2012 to 31st March, 2013
Book Closure Date	22nd September, 2012 to 26th September, 2012
Dividend Payment Date	Not applicable as no dividend is declared
Listing on Stock Exchanges	a. Bombay Stock Exchange Ltd b. National stock Exchange Ltd
Stock Code	BSE - 524518 NSE - Krebsbio
ISIN No	INE268B01013



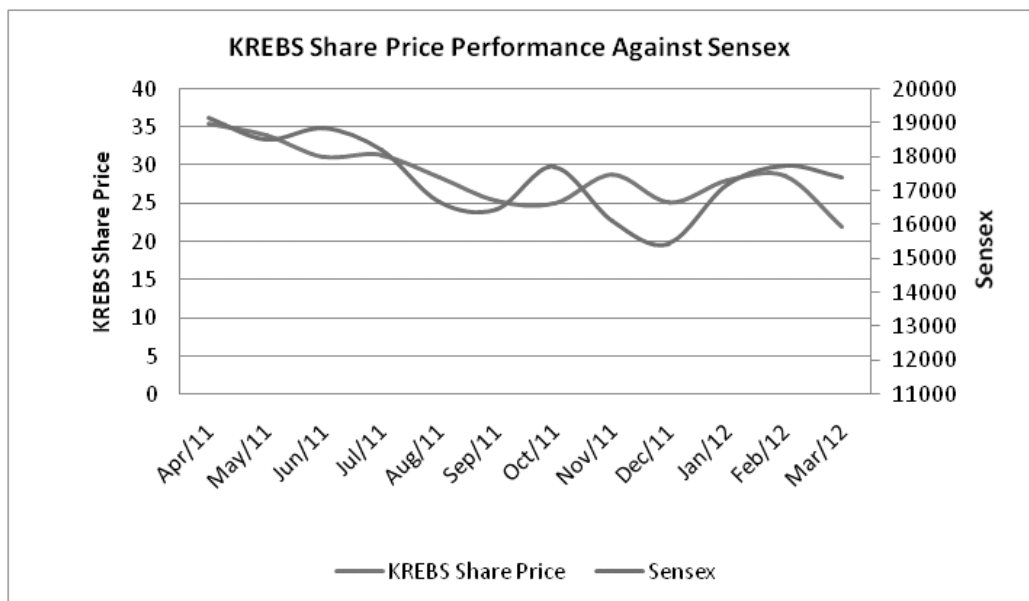
8. Stock price data:

Monthly high and low quotations as well as the volume of shares traded at The Bombay Stock Exchange, Mumbai for the financial year 2011-12 are:

Month	High Price	Low Price	Volume
April 2011	43.00	33.15	22,240
May 2011	36.70	30.20	24,289
June 2011	36.50	30.05	17,925
July 2011	34.00	30.70	16,200
August 2011	32.75	26.70	21,903
September 2011	29.45	24.50	23,565
October 2011	27.95	25.00	9,064
November 2011	28.80	25.15	59,651
December 2011	29.25	22.40	16,052
January 2012	29.00	24.30	19,468
February 2012	30.00	26.85	28,667
March 2012	27.50	20.90	14,235

9. Performance in comparison with BSE Sensex and NSE Nifty:

- a. There were no quotations pertaining to the National Stock Exchange as the Exchange suspended trading in the shares because of pending of an application of Revocation of Suspended Trading with NSE.
- b. BSE Sensex Vs Krebs Price



10. Share Transfer System:

Share transfers and dematerialization request will be registered/approval and returned with the statutory period from the date of receipt if the documents are clear and complete in all respects. The total number of shares transferred during the year 2011-12 was 700 equity shares

11. Shareholding pattern:

Category	31 st March, 2012			31 st March, 2011		
	No of share holders	No of Shares held	Voting Strength %	No of share holders	No of Shares held	Voting Strength %
Individuals	6871	2895171	30.43	7151	2823981	31.21
Companies	196	1672680	17.58	198	1683570	18.60
FIs/fls/Banks	7	200795	2.11	7	200795	2.22
Promoters & their relatives	12	4745640	49.88	36	4341654	47.97
Totals	7086	9514286	100	7392	9050000	100

12. Distribution of Share holding at the end of 31st March 2012:

Category	No. of Members		No. of shares	
	Total	%	Total	%
1 to 5000	6303	88.95	888012	9.33
5001 to 10000	426	6.01	334631	3.52
10001 to 20000	172	2.43	253618	2.67
20001 to 30000	69	0.97	175177	1.84
30001 to 40000	27	0.38	95173	1.00
40001 to 50000	22	0.31	106548	1.12
50001 to 100000	29	0.41	210306	2.21
100001 to Above	38	0.54	7450821	78.31
TOTAL	7086	100	9514286	100

13. Dematerialization of Shares and Liquidity as on 31-03-2012:

Total shares dematerialized as on 31st March 2012 is 23,48,016 amounting to 24.67 percent of total shares.

Mode of Holding	Holdings		Shares	
	Total	%	Total	%
PHYSICAL	873	12.11	23,48,016	24.67
DEMAT				
- NSDL	4448	63.25	5158218	54.22
- CDSL	1765	24.64	2008052	21.11
Total :	7086	100	9514586	100.00

14. There are no Outstanding DGRs/ADRs/Warrants or any convertible instruments. Hence there is no conversion date and there is no impact on equity.

15. Plant Locations:

1. Unit -I

Regadichelika
Talamanchi Panchayat,
Racharlapadu Post,
Nellore Dist., 524316.

2. Unit -II

Kothpalli Village,
Verdruparthy post,
Kasimkota Mandal,
Visakhapatnam Dist. 531031

16. Correspondence Address:

A. Naga Vasudha
Company Secretary & Compliance Officer,
Krebs Biochemicals & Industries Ltd ,
8-2-277/A, Plot no. 130,
4A, 4th Floor, Inwinex Towers,
Road no.2, Banjara Hills,
Hyderabad - 500034.
Phone:+91 40 4470 7777
Fax: 040 - 4470 7755
Email: com_sec@krebbsbiochem.com

17. Registrars and Transfer Agents:

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 They are the Registrars and Transfer Agents for both the physical and dematerialized shares.

Note: Shareholders holding shares in electronic mode should address all their correspondence (with regard to change of address, correction of name, bank details etc.) to their respective depository participant.

For and on behalf of the Board of Directors

Hyderabad

Date: 14.08.2012

Sd/-
(Dr.R.T.RAVI)
Chairman & Managing Director

CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE FROM CHAIRMAN AND COO

To

The Board of Directors of
KREBS BIOCHEMICALS & INDUSTRIES LTD.

We, Dr. R. T. RAVI, Chairman, and AVINASH RAVI, Director & COO, responsible for the finance function certify that:

1. We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2012 and to the best of our knowledge and belief.
 - a) These statements do not contain any materially untrue statements or omit any material fact or contain statements that might be misleading.
 - b) These statements together present a true and fair view of the company's affairs and are in compliance with existing Accounting standard, applicable laws and regulations.
2. To-the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2012 are fraudulent, illegal or volatile of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware have been, disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
4. We have indicated to the auditors and the Audit Committee
 - a) There has not been any significant change in internal control over financial reporting during the year under reference;
 - b) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - c) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

For Krebs Biochemicals & Industries Ltd

Sd/-
Dr. R.T.Ravi
Chairman & Managing Director

Sd/-
Avinash Ravi
Director & COO

Place : Hyderabad
Date : 14.08.2012

Auditor's Certificate on Corporate Governance

To the members of Krebs Bio chemicals & Industries Limited

We have examined the compliance of conditions of Corporate Governance by Krebs Biochemicals & Industries Limited, (the Company) for the year ended on 31st March 2012, as stipulated in Clause 49 of the listing agreements entered by the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreements as applicable to the Company.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For PAVULURI & Co.
Chartered Accountants
Firm Regn No.012194S

(P.A.RAMAIAH)
PARTNER
M.No.203300

Place: Hyderabad
Date: 14.08.2012

AUDITORS' REPORT

To
The Members of
KREBS BIOCHEMICALS & INDUSTRIES LIMITED

We have audited the attached Balance Sheet of KREBS BIOCHEMICALS & INDUSTRIES LIMITED as at 31.03.2012 and also the Statement of Profit and Loss and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies' (Auditor's Report) Order, 2003, issued by the Central Government of India, in terms of Section 227(4A) of the Companies Act'1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.

Further to our comments in the annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books.
- c) The Balance Sheet, statement of Profit & Loss account and the Cash Flow statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow statement dealt with by this report comply with the mandatory Accounting Standards referred to in Sub-Section 3(C) of Section 211 of the Companies Act'1956.
- e) On the basis of the written representations received from the directors, as on 31st March '2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March '2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act'1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the schedule annexed therewith and give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March'2012;
 - ii) In the case of the Statement of Profit and Loss, of the Loss of the Company for the year ended on that date; and
 - iii) In the case of the cash flow statement, of the cash flows for the year ended on that date.

For PAVULURI & Co.
Chartered Accountants
Firm's Reg. No. : 012194S
Sd/-

(CA P.A.RAMIAH)
PARTNER
M.No.203300

Place: Hyderabad
Date: 17.05.2012

ANNEXURE TO AUDITORS' REPORT

KREBS BIOCHEMICALS & INDUSTRIES LIMITED

Referred to in paragraph 3 of our report of even date,

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) All the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such physical verification.
2. (a) The inventories have been physically verified by the management during the year at reasonable intervals.
(b) The procedures of physical verification of the inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The company has maintained proper records of inventories and discrepancies noticed on physical verification of inventories as compared to book records were not material.
3. In our opinion, the Company has neither granted nor taken any loans to/from companies, firms or other parties covered in the Register, maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause 4(iii) (b), (c) & (d) of the Companies (Auditor's Report) order, 2003 are not applicable to the company.
4. In our opinion, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventories, fixed assets and for the sale of goods.
5. (a) In our opinion and according to the information and explanation given to us, there are no transactions made in pursuance of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
(b) In our opinion and according to the information and explanation given to us, there are no transactions of purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- or more in respect of each party.
6. In our opinion and according to the information and explanation given to us, the company has not accepted any deposits as defined under section 58A of the Companies Act'1956.
7. In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the Books of Account maintained by the Company as prescribed by the Central Government for maintenance of cost records under section

209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the accounts and records.

9. (a) According to the books and records of the company, the company is not regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Corporate dividend Tax and other Statutory dues with appropriate authorities. According to the information and explanations given to us, there are undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March, 2012 for a period exceeding six months from the date they became payable.

Disputed Service Tax, Income Tax & Sales Tax not deposited, has been disclosed in note no : 32 as 'Contingent Liabilities not provided for'.

Name of the Statute	Nature of the Dues	Amount (Rs.)	Deposit Amount(Rs)	Forum where dispute is pending
The Central Excise Act 1944	Service Tax	3,33,650	Nil	Central Excise and Service Tax Appellate Tribunal, Bangalore
AP VAT Act	Sales Tax	7,84,419	Nil	ADC Guntur
Income Tax Act	Income Tax	3,15,52,734	Nil	AP High Court

10. The company has incurred cash loss during the financial year covered by our audit and has incurred cash loss in the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of its dues to banks and financial institutions.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) order, 2003 are not applicable to the company.
14. In our opinion, the Company is not dealing or trading in shares, securities, debentures or other investments and hence, the requirements of clause 4(xiv) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
15. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investments. No long-term funds have been used to finance short-term assets except permanent working capital.



20th Annual Report

18. According to the information and explanation given to us, during the year the company has made a preferential allotment of 4,64,286 shares with a face value of Rs.10 and with a premium of Rs.18 per share to Mr. Avinash Ravi who is a director of the company.
19. No debentures have been issued by the company and hence, the question of creating securities in respect there of does not arise.
20. The company has not raised any money by way of public issues during the year.
21. On the basis of our examination and according to the information and explanations given to us, no fraud, on or by the Company, has been noticed or reported during the year.

For PAVULURI&Co.
Chartered Accountants
Firm's Reg. No. : 012194S
Sd/-
(CA P.A.RAMAIAH)
PARTNER
M.No.203300

Place : Hyderabad
Date : 17.05.2012

KREBS BIOCHEMICALS & INDUSTRIES LTD

BALANCE SHEET AS AT 31st MARCH, 2012

(Rs. in Lacs)

PARTICULARS	Note No.	As at 31.03.2012		As at 31.03.2011	
I. EQUITY AND LIABILITIES					
(1) Shareholder's funds:					
Share capital	4	951.43		905.00	
Reserves and surplus	5	1,363.66		3,023.89	
			2,315.09		3,928.89
(2) Share application money pending allotment			-		130.00
(3) Non-current liabilities					
Long-term borrowings	6	6,475.64		7,085.41	
Deferred tax liabilities (Net)	7	-		92.89	
Long-term provisions	8	174.21		152.89	
			6,649.85		7,331.19
(4) Current liabilities					
Short-term borrowings	9	1,517.01		1,512.83	
Trade payables	10	2,733.80		2,098.21	
Other current liabilities	11	1,626.15		647.71	
Short-term provisions	12	16.34		32.50	
TOTAL			14,858.24		15,681.33
II. ASSETS					
(1) Non-current assets					
Fixed assets					
(i) Tangible assets	13A	5,847.36		6,613.94	
(ii) Intangible assets under development	13B	695.54		499.50	
Deferred Tax asset (Net)	7	97.27		-	
Long-term loans and advances	14	1,775.74		1,683.42	
Other Non-current assets	15	2,140.73		2,061.30	
			10,556.64		10,858.17
(2) Current assets					
Inventories	16	3,048.57		2,940.05	
Trade receivables	17	773.53		1,338.72	
Cash and cash equivalents	18	43.16		36.53	
Short-term loans and advances	19	433.08		507.86	
Other current assets	20	3.26		-	
TOTAL			14,858.24		15,681.33
Notes forming part of financial statements	1-43				

As per our report of even date attached
PAVULURI & Co.,
Chartered Accountants

Firm's Reg. No. : 012194S

Sd/-

CA P. A. RAMAIAH

Partner

M.No. 203300

Place : Hyderabad

Date : 17.05.2012

for and on behalf of the Board of Directors
Sd/-

DR. R.T. RAVI

Chairman and Managing Director

Sd/-

A. NAGA VASUDHA

Company Secretary

Sd/-

AVINASH RAVI

Director & COO

KREBS BIOCHEMICALS & INDUSTRIES LTD
STATEMENT PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2012
(Rs. in Lacs)

PARTICULARS	Note No.	As at	
		31.03.2012	31.03.2011
INCOME			
Revenue from operations	21	7,076.00	7,244.46
Other income	22	275.33	701.84
I Total Revenue		7,351.33	7,946.30
II EXPENDITURE :			
Cost of material consumed	23	4,040.72	4,202.10
"Changes in inventories of Finished goods " Work-in-progress and Stock-in-trade "	24	13.55	83.90
Employee benefits expense	25	905.95	856.94
Finance costs	26	865.62	752.06
Depreciation and amortizaion expense	13	965.71	959.72
Other expenses	27	2,493.74	2,080.61
Total expenses		9,285.29	8,935.34
III Profit before tax (I - II)		(1,933.97)	(989.04)
IV Tax expenses:			
Current tax		-	-
Current tax relating to previous years		-	10.66
Deffered tax		(190.16)	(331.48)
V Profit/(Loss) for the period (III-IV)		(1,743.81)	(668.22)
VI Earnings per equity share of par value Rs 10/- each			
Basic		(18.33)	(7.38)
Diluted		(18.33)	(7.38)
VII No. of shares used in computing earnings per share			
Basic		9,514,286	9,050,000
Diluted		9,514,286	9,050,000
Notes forming part of financial statements	1-43		

As per our report of even date attached
PAVULURI & Co.,
Chartered Accountants

Firm's Reg. No. : 012194S

Sd/-

CA P. A. RAMAIAH

Partner

M.No. 203300

Place : Hyderabad

Date : 17.05.2012

for and on behalf of the Board of Directors
Sd/-

DR. R.T. RAVI

Chairman and Managing Director

Sd/-

A. NAGA VASUDHA

Company Secretary

Sd/-

AVINASH RAVI

Director & COO

KREBS BIOCHEMICALS & INDUSTRIES LTD

Cash Flow Statement for the year ending 31.03.2012

(Rs in lacs)

Particulars	2011-12	2010-11
Net Profit before tax and extraordinary items	(1933.97)	(989.04)
Adjustments for:		
Depreciation	965.71	959.72
Financial Charges	865.62	747.41
Interest received /Other Income	(275.33)	(701.84)
Operating Profit before Working Capital Changes	(377.96)	16.25
Changes in Working Capital		
(Increase)/Decrease in Trade Receivables	485.76	(573.32)
(Increase)/Decrease in Inventories	(108.52)	(2.90)
(increase)/Decrease in Long Term Loans & Advances	(86.20)	(8.53)
(increase)/Decrease in Short Term Loans & Advances	74.78	(82.48)
(increase)/Decrease in Other Current Assets	(3.26)	-
Increase/(Decrease) in Long Term Provisions	21.32	48.81
Increase/(Decrease) in Short Term Provisions	(16.15)	9.60
Increase/(Decrease) in Trade Payables	635.59	617.95
Increase/(Decrease) in Other Current Liabilities	978.44	152.29
Cash generated from Operations	1,981.76	161.42
Financial Charges paid	(865.62)	(747.41)
Direct Taxes paid	(6.12)	107.33
Net Cash provided/(Used) from operating activities	732.06	(462.41)
(Increase) / Decrease of Fixed Assets	(395.16)	(694.88)
(Increase) / Decrease of Capital Work-in-Progress	-	368.61
Interest Received/Other Income	275.33	701.84
Net Cash used in Investing Activities	(119.83)	375.57
Proceeds from long term borrowings	(609.77)	(60.75)
Increase/(Decrease) in Utilisation of Working Capital Loans	4.18	3.18
Increase/(Decrease) in Share Capital	46.43	130.00
Increase/(Decrease) in Share Premium	83.57	-
Increase/(Decrease) in Share Warrants	(130.00)	-
Net Cash provided/(Used) from financing activities	(605.60)	72.43
Net Increase in Cash and Cash equivalents	6.63	(14.42)
Cash and Cash equivalents as at the commencement of the year	36.53	50.95
Cash and Cash equivalents as at the close of the year	43.16	36.53

As per our report of even date attached
PAVULURI & Co.,
Chartered Accountants

Firm's Reg. No. : 012194S

Sd/-

CA P. A. RAMAIAH

Partner

M.No. 203300

Place : Hyderabad

Date : 17.05.2012

for and on behalf of the Board of Directors

Sd/-

DR. R.T. RAVI

Chairman and Managing Director

Sd/-

A. NAGA VASUDHA

Company Secretary

Sd/-

AVINASH RAVI

Director & COO

NOTES to the Financial Statements for the year ended 31st March 2012**1 Corporate information**

Krebs Biochemicals & Industries Ltd has been incorporated on 2nd December 1991. At present the company is engaged in the business of manufacture of active pharmaceutical ingredients. The company has two manufacturing facilities one at Regadichelaka, Nellore (Dist) and another one at Kothapalli Village, Kasimkota Mandal, Vishakapatnam (Dist).

2 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous years.

3 Significant accounting policies**3.1 Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialised.

3.2 Inventories

Raw Materials & Work-In-Progress are valued at cost and Finished Goods are valued at lower of the cost or net realisable value.

3.3 Depreciation and amortisation

Depreciation has been provided on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956.

3.4 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. This coincides with the passing of possession to the buyer.

3.5 Expenditure

Expenses are accounted on accrual basis and provision is made for all known losses and liabilities.

3.6 Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Machinery spares which can be

used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the useful life of the principal item of the relevant assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. Fixed assets acquired and put to use for project purpose are capitalised and depreciation thereon is included in the project cost till commissioning of the project.

Fixed assets acquired in full or part exchange for another asset are recorded at the fair market value or the net book value of the asset given up, adjusted for any balancing cash consideration. Fair market value is determined either for the assets acquired or asset given up, whichever is more clearly evident. Fixed assets acquired in exchange for securities of the Company are recorded at the fair market value of the assets or the fair market value of the securities issued, whichever is more clearly evident.

Capital work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

3.7 Interest Free Sales Tax Loan:

The sales tax collected on domestic sales of Company's products is treated as interest free sales tax loan from the AP State Government in accordance with the State Government incentive scheme. The amount credited to the loan account is based on the amounts collected as sales tax. Final amount of loan will be arrived at only on completion of sales tax assessments.

3.8 Foreign Exchange Transaction:

All the Foreign Exchange transactions entered into during the current financial year are accounted at the exchange rate prevailing on the date of documentation/invoicing. Foreign Exchange Fluctuation on transactions entered into during the current financial year and received/paid during the year are accounted in the current financial year. The outstanding foreign currency debtors are restated at the Foreign Currency Rates prevailing at the end of the year and the Foreign Exchange Fluctuation on the same is also recognised at the end of the year in conformity with the revised Accounting Standard 11 and foreign currency debtors which are doubtful at the end of the year are not restated at the foreign currency rates prevailing at the end of the year.

3.9 Borrowing costs

Borrowing costs include interest, amortisation of ancillary costs incurred to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

3.10 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

3.11 Taxes on income

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company. Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

Current and deferred tax relating to items directly recognised in equity are recognised in equity and not in the Statement of Profit and Loss.

3.12 Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater

of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

3.13 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

3.14 R & D Expenditure

Expenditure in the nature of capital items is debited to respective fixed assets and depreciated at applicable rates. Revenue expenditure is charged to Profit and Loss Account of the year in which they are incurred.

3.15 Dividends

Provision shall be made in the accounts for the dividends payable by the company as and when recommended by the Board of Directors, pending approval of the share holders at the Annual General Meeting.

3.16 Excise Duty

Excise Duty on closing stock of Finished Goods has been provided in the accounts and corresponding increase in closing stock valuation has been given effect.

Note - 4

Share Capital

(All the figures are in lacs unless otherwise stated)

	As at 31.03.2012		As at 31.03.2011	
	No.of Shares	Amount	No.of Shares	Amount
I. Authorised: Equity shares of Rs 10 each with voting rights	100.00	1,000.00	100.00	1,000.00
II. Issued,Subscribed and Paid up: Equity shares of Rs 10 each with voting rights	95.14	951.43	90.50	905.00
	95.14	951.43	90.50	905.00

a) Terms/ rights attached to equity shares

The company has only one class of equity shares having a face value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share. The dividends recommended by the Board of Directors, if any are subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the equity share holders are entitled to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to the number of shares held.

b) Reconciliation of shares outstanding at the end of the reporting period

	As at 31.03.2012		As at 31.03.2011	
	No.of Shares	Amount	No.of Shares	Amount
Equity shares with voting rights:-				
Opening Balance	90.50	905.00	90.50	905.00
Preferential Allotment (*)	4.64	46.43	-	-
Closing Balance	95.14	951.43	90.50	905.00

(*) During the year 4,64,286 shares with a face value of Rs.10/- and with a premium of Rs.18/- per share were allotted to Mr. Avinash Ravi

c) Details of shares held by each shareholder holding more than 5% shares:

Sr No	Class of shares / Name of shareholder	As at 31 March, 2012		As at 31 March, 2011	
		No.of Shares held	% holding	No.of Shares held	% holding
	Equity shares with voting rights				
1	Avinash Ravi	16.98	17.85%	12.34	13.64%
2	Aditya Ravi	12.68	13.33%	12.68	14.01%
3	Hemalatha Ravi	8.94	9.40%	8.94	9.88%
4	Ajay Ravi	6.33	6.65%	6.33	6.99%
5	Ranbaxy Laboratories Ltd	10.50	11.04%	10.50	11.60%
	TOTAL	55.44	58.27%	50.80	56.12%

Note - 5**Reserves and Surplus****(Rs. in Lacs)**

	As at 31.03.2012		As at 31.03.2011	
Share Premium Account				
As at Commencement of the Year	3,916.60		3,916.60	
Add : Received on further issue of shares	83.57		-	
		4,000.17		3,916.60
State Subsidy				
As at Commencement of the Year	39.38		39.38	
Add : Additions during the year	-		-	
		39.38		39.38
Profit and Loss Account				
As at Commencement of the Year	(932.09)		(263.87)	
Add : Transferred from Profit & Loss Account	(1,743.81)		(668.22)	
		(2,675.90)		(932.09)
TOTAL		1,363.66		3,023.89

Note - 6

Long Term Borrowings

(Rs. in Lacs)

	As at 31.03.2012	As at 31.03.2011
A) Secured Loans		
Long Term Loans - From Banks		
(i) Industrial Development Bank of India	1,850.84	2,033.89
(ii) Syndicate Bank	602.46	662.04
(iii) Export and Import Bank of India	1,626.13	1,786.96
(iv) United Bank of India	305.54	337.03
(v) Andhra Bank	912.60	1,002.86
(vi) The Jammu & Kashmir Bank Limited	611.05	671.48
	5,908.62	6,494.26
B) Unsecured Loans		
Long Term Loans - Others		
(vii) Cholamandalam DBS Finance Ltd	7.03	4.71
(viii) Artemis Biotech	70.00	70.00
(ix) HDFC Bank	4.46	4.89
(x) Interest Free Sales Tax Loan	485.53	511.55
	567.02	591.15
Total Long Term Borrowings	6,475.64	7,085.41
Current maturities (Shown under Current liabilities)		
Secured Loans		
(i) Industrial Development Bank of India	183.05	-
(ii) Syndicate Bank	59.58	-
(iii) Export and Import Bank of India	160.83	-
(iv) United Bank of India	30.22	-
(v) Andhra Bank	90.26	-
(vi) The Jammu & Kashmir Bank Limited	60.43	-
	584.37	-
Unsecured Loans		
(x) Interest Free Sales Tax Loan	26.03	16.52
	26.03	16.52
Total current maturities of Long Term Borrowings	610.40	16.52

- a) All the installments falling due within 12 months from the date of Balance Sheet have been classified as current liabilities, the aggregate of which is shown as 'current maturities of long-term borrowings' under Note - 11, 'Other Current Liabilities'.
- b) Term Loans from IDBI, Exim Bank, Syndicate Bank and the WCT Loans from Andhra Bank, The Jammu & Kashmir Bank & United Bank of India are secured by first charge on all movable and immovable fixed assets both present and future of the Company (Subject to prior charges on specified movables created/ to be created in favour of Company's bankers by way of security for borrowings of working capital) and pari passu second charge on the stocks of Raw-materials, Work-in-Progress, Finished Goods, Stores and Spares and book debts both present and future of the company. The loans are further secured by irrevocable and unconditional personal guarantees of the Promoters namely, Dr.R.T.Ravi and Smt. Hemalata Ravi.
- c) Interest & Repayment schedule of the Term Loans from IDBI, Exim Bank, Syndicate bank and the WCT Loans from Andhra Bank, The Jammu & Kashmir Bank and United Bank of India are detailed below as per CDR approved package:

Financial Year	Rate of Interest	% of Repayment
2011 - 12	9.00%	0.00%
2012 - 13	10.00%	9.00%
2013 - 14	12.00%	16.00%
2014 - 15	13.50%	22.00%
2015 - 16	14.00%	26.00%
2016 - 17	14.25%	27.00%

NOTE - 7

Net Deferred Tax Liability / (Asset)

(Rs. in Lacs)

	As at 31.03.2012	As at 31.03.2011
On Depreciation (Difference of as per Books & as Per Income Tax Act)	(43.53)	39.61
On Accrued compensation to employees	(53.74)	4.52
On Funded Interest	-	48.76
	(97.27)	92.89

NOTE - 8

Long Term Provisions

(Rs. in Lacs)

	As at 31.03.2012	As at 31.03.2011
Provision for employee benefits - Provision for gratuity (net)	174.21	152.89
	174.21	152.89

NOTE - 9**Short Term Borrowings****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
Secured Loans		
Working capital loans - From Banks		
Andhra Bank	755.71	759.10
The Jammu & Kashmir Bank Limited	504.46	501.29
United Bank of India	256.84	252.44
	1,517.01	1,512.83

Note : The working capital facilities from Andhra Bank, The Jammu & Kashmir Bank Ltd and United Bank of India are secured by first Charge on the stocks of Raw-materials, Work-in-Progress, Finished Goods, Stores and Spares and book debts of the Pharma Division and pari passu second charge on fixed assets of the Pharma Division. The loans are further secured by irrevocable and unconditional personal guarantees of the Promoters namely, Dr. R.T. Ravi and Smt. Hemalata Ravi.

NOTE - 10**Trade Payables****(Rs. in Lacs)**

	As at 31.03.2012		As at 31.03.2011	
Dues to Micro and Small Enterprises				
Creditors for materials	1,699.33		960.00	
Creditors for services	-		-	
		1,699.33		960.00
Dues to other than Micro and Small Enterprises				
Creditors for materials	876.15		975.94	
Creditors for services	158.32		162.26	
		1,034.47		1,138.21
		2,733.80		2,098.21

NOTE - 11**Other Current Liabilities****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
(i) Interest accrued and due on borrowings	144.28	-
(ii) Other payables		
Current maturities of long term borrowings (Refer Note 5)	610.40	16.52
Statutory remittances	247.06	104.71
Payables on purchase of fixed assets	74.19	117.51
Payables for expenses	338.79	149.47
Salaries Payable	174.87	82.76
Audit Fees Payable	7.80	5.17
Directors remuneration Payable	11.08	7.42
Advance from customers	17.68	18.21
Bills Payable	-	145.93
	1,626.15	647.71

NOTE - 12**Short Term Provisions :****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
Provision for employee benefits		
Provision for bonus	16.34	32.50
	16.34	32.50

NOTE - 14**Long-Term Loans and advances****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
Unsecured, Considered Good :		
Capital advances	1,071.21	1,013.63
Electricity Deposits	106.34	80.22
Rent Deposits	10.48	10.48
Telephone Deposits	0.80	0.80
Advance Income Taxes	25.27	19.15
Other Loans and advances	561.64	559.15
	1,775.74	1,683.42

KREBS BIOCHEMICALS & INDUSTRIES LTD

NOTE NO. 13 : FIXED ASSETS

	Gross block				Accumulated Depreciation		Net Block	
	Balance As at 01.04.2011	Additions / Disposals	Balance As at 31.03.2012	Balance As at 01.04.2011	Depreciation Charge for year	Balance As at 31.03.2012	Balance as at 01.04.11	
A								
Tangible Assets								
Land	188.34	-	188.34	-	-	188.34	188.34	
Wells	23.38	-	23.38	-	-	23.38	23.38	
Buildings - Factory	1,817.40	1.55	1,818.95	534.53	55.09	1,229.32	1,282.87	
Buildings - Non Factory	132.05	-	132.05	18.67	1.76	111.62	113.37	
Plant and Machinery	11,375.78	129.43	11,505.21	7,138.49	771.82	3,594.90	4,237.29	
Boilers	97.47	-	97.47	91.98	4.27	1.23	5.50	
Electrical Installations	674.13	38.46	712.59	314.98	32.10	347.08	359.15	
D.G.Set	350.93	-	350.93	303.57	21.46	325.03	47.36	
Effluent Treatment Plant	638.39	12.81	651.20	541.08	24.63	565.71	97.31	
Factory Equipment	151.23	0.82	152.05	116.35	7.52	123.87	34.88	
Lab Equipment	373.97	1.41	375.38	256.41	23.56	279.97	117.56	
Research&Dev.Equipment	104.15	-	104.15	70.52	7.73	78.25	33.63	
Office equipment	46.89	0.75	47.64	32.75	2.91	35.67	14.14	
Furniture and Fixtures	48.17	0.52	48.69	32.24	3.05	35.29	15.93	
Vehicles	107.35	12.35	119.70	66.01	7.91	73.91	41.35	
Computers	58.27	1.02	59.29	56.36	1.91	58.28	1.91	
SUB TOTAL (A)	16,187.90	199.13	16,387.03	9,573.95	965.71	10,539.66	6,613.94	
B								
Intangible assets under Development								
Product Development Expenses	499.50	190.82	690.32	-	-	690.32	499.50	
ERP Software Set up Cost	-	5.21	5.21	-	-	5.21	-	
SUB TOTAL (B)	499.50	196.03	695.54	-	-	695.54	499.50	
"Total [A + B]"(Current Year)"	16,687.40	395.16	17,082.56	9,573.95	965.71	10,539.66	7,113.45	
(Previous Year)	15,734.97	-	16,429.13	8,614.96	959.72	9,573.95	7,120.02	

NOTE - 15**Other Non Current Assets****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
Long Term Trade Receivables Unsecured, Considered Good :	2,140.73	2,061.30
	2,140.73	2,061.30

NOTE- 16**Inventories****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
Raw Material and Packing Material	959.33	884.93
Work-in-Progress	1,906.41	1,911.41
Finished Goods	59.31	67.86
Stores and Spares	123.52	75.85
	3,048.57	2,940.05

NOTE- 17**Trade Receivables****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
Debtors outstanding for a period exceeding six months Unsecured Considered Good	29.16	10.15
Considered Good	744.37	1,328.57
	773.53	1,338.72

Note : Total Trade Receivables are Rs.2,914 Lakhs that includes Rs.2,140 Lakhs, the recovery of which is doubtful. However, 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 and the amount may be recovered.

NOTE- 18**Cash & Bank Balances****(Rs. in Lacs)**

	As at 31.03.2012		As at 31.03.2011	
Cash in Hand		0.13		0.96
Balance with noted Banks :				
In Current Accounts	1.21		7.08	
In Margin Money Accounts	41.60		28.26	
In EEFC accounts	0.22	43.04	0.22	35.57
		43.16		36.53

NOTE- 19**Short-term Loans & Advances****(Rs. in Lacs)**

	As at 31.03.2012		As at 31.03.2011	
Unsecured Advances - Considered good				
(i) Loans and advances to employees	8.17		12.05	
(ii) Prepaid Expenses	23.27		21.73	
(iii) Balances with Govt Authorities				
- CENVAT credit receivable	23.62		32.54	
- VAT credit receivable	79.53		20.16	
- Service Tax credit receivable	18.47		18.26	
(iv) Others				
- Advance for Materials	274.12		385.19	
- Other advances	5.90	433.08	17.93	507.86
		433.08		507.86

NOTE - 20**Other Current Assets****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
Interest accrued on deposits	3.26	-
	3.26	-

NOTE- 21**Revenue from Operations****(Rs. in Lacs)**

	As at 31.03.2012		As at 31.03.2011	
Exports	1,618.61		923.47	
Domestic	5,983.49		6,905.18	
	7,602.10		7,828.65	
Less : Excise Duty	526.10	7,076.00	584.19	7,244.46
		7,076.00		7,244.46

NOTE - 22**Other Incomes****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
Interest Received	3.84	4.95
Conversion Charges	235.03	151.50
Miscellaneous Income	7.95	543.80
Foreign Exchange Gain	28.51	1.59
	275.33	701.84

NOTE - 23**Cost of Materials Consumed****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
A) Raw Material Consumed		
Opening Stock	884.93	820.42
Purchases		
Raw Material	3,930.85	4,049.18
Packing Material	27.47	30.43
	4,843.25	4,900.03
Less : Closing Stock	959.33	884.93
Raw Material Consumed	3,883.92	4,015.10
B) Stores and Spares and consumables		
Opening Stock	61.91	43.42
Purchases	164.10	205.49
	226.01	248.91
Less : Closing Stock	69.21	61.91
Consumption	156.80	187.00
Total Cost of material consumed	4,040.72	4,202.10

NOTE- 24**Changes in Inventory****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
Closing Stock of :		
Work-in-Progress	1,906.41	1,911.41
Finished Goods	59.31	67.86
Total (A)	1,965.72	1,979.27
Opening Stock of :		
Work-in-Progress	1,911.41	1,986.14
Finished Goods	67.86	77.04
Total (B)	1,979.27	2,063.18
Increase/(Decrease) in Stock (A-B)	(13.55)	(83.90)

NOTE- 25**Employee Benefit expense****(Rs. in Lacs)**

	As at 31.03.2012	As at 31.03.2011
Salary, Wages, Allowances & other Benefits	757.53	682.08
Directors Remuneration	28.49	28.49
Gratuity	23.24	54.98
Group Insurance	0.88	-
P. F. Contribution	31.43	27.86
Staff Welfare Expenses	64.38	63.53
	905.95	856.94

NOTE- 26

Financial Cost

(Rs. in Lacs)

	As at 31.03.2012		As at 31.03.2011	
Bank Charges		10.98		4.65
Interest on :				
Term Loan	593.43		562.86	
Working Capital Loans	249.06	842.49	181.00	743.86
Processing Charges		12.15		3.55
		865.62		752.06

NOTE- 27

Other Expenses

(Rs. in Lacs)

	As at 31.03.2012		As at 31.03.2011	
A) Selling & Distribution Expenses				
Bad Debts written off		-		106.77
Business Promotion Expenses		2.52		13.41
Clearing, Forwarding & Freight		41.90		38.44
B) Operating, Administrative & Other Expenses				
Rent		23.34		21.14
Rates & Taxes		10.76		17.92
Insurance		12.40		12.78
Printing & Stationary		7.45		10.14
Postage, Telegrams & Telephones		14.00		13.34
Consultancy & Legal Exp.		11.39		22.79
General Expenses		54.08		56.44
Directors Sitting fees		1.80		1.75
Auditors Remuneration				
As auditors	1.00		1.00	
For Tax audit	1.00		1.00	
For certification and other services	0.50	2.50	0.50	2.50
Cost Auditors Remuneration		0.83		0.83
Travelling & Conveyance		44.27		35.17
Directors Travelling		9.32		10.72
Office Maintenance		14.90		12.13
Sales Tax		186.65		190.45
Donations		3.79		4.40
Carriage Inward		17.74		18.38
Power and Fuel		1,878.98		1,299.46
Lab Expenditure		83.03		67.36
Repairs & Maintenance		52.28		107.21
Effluent Treatment Plant Maintenance		19.81		17.08
		2,493.74		2,080.61

NOTE- 28

In the opinion of the management, the Current Assets, Loans and Advances are expected to realise at least the amount at which they are stated, if realised in the ordinary course of business and provision for all known liabilities have been adequately made in the accounts.

NOTE- 29

- i) Disclosure of Sundry Creditors under Trade Payables is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006" and relied upon by the Auditors.
- ii) Details of total outstanding dues to Micro and Small Enterprises as per "Micro, Small and Medium Enterprises Development Act, 2006"

(Rs. in Lacs)

	As at 31.03.2012	As at 31.03.2011
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	1,699	960
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the period of delay in making payment	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-

NOTE- 30

Fixed Deposit Receipts for Rs.41.60 lakhs (previous year Rs. 28.26 lakhs) are in lien with Bankers towards margin money for Letters of Credit & Bank Guarantees issued by them.

NOTE- 31

Interest Free Sales Tax :

- (i) During the year the company has availed interest free sales tax Loan of Rs. NIL (provisional) for its pharma division unit at Kothapalli. The interest free sales tax loan availed by the unit so far stood at Rs. 451.76 lakhs (previous Year Rs. 451.76 lakhs).

- (ii) During the year the company has paid interest free sales tax Loan of Rs. 16.52 lakhs for its pharma division unit at Regadichelika. The interest free sales tax loan outstanding is Rs. 59.80 lakhs (previous Year Rs. 76.32 lakhs).

NOTE- 32

Contingent Liabilities :

The following contingent liabilities are not provided for.

- (i) On account of Letters of Credit and Bank Guarantees (net of margin monies) amounting to Rs. 394.02 lacs (Previous year Rs. NIL/-)
- (ii) Sales Tax: There are various demands raised by the sales tax authorities amounting to Rs.7.84 lakhs (Previous year Rs. 7.84 lakhs) for which the company preferred appeals with higher authorities. Pending disposal of appeals, the company has deposited an amount of Rs NIL (Previous Year Rs NIL).
- (iii) Excise Duty: There are various demands raised by the Excise authorities amounting to Rs.3.34 lakhs (Previous Year Rs.3.34 lakhs) for which the company preferred appeals with higher authorities. Pending disposal of appeals, the company has deposited an amount of Rs NIL (Previous Year Rs NIL) based on interim directions.
- (iv) Income Tax: There are various demands raised by the Income Tax authorities amounting to Rs.315.53 lakhs for which the company preferred appeals with Hon’ble High Court of A.P.

NOTE- 33

The Expenditure incurred on N V R Co-Operative Sugar Factory towards the Development of Factory and Cane Development Expenses etc, has been treated as Advance recoverable since the company is claiming the same from Government of Andhra Pradesh.

NOTE- 34

Managerial Remuneration :

(Rs. in Lacs)

	For the Year 31st March,2012	For the Year 31st March,2011
Managing Director		
Remuneration	12.00	12.00
Perquisites –(HRA)	4.50	4.50
Director		
Remuneration	11.19	11.19
LTA	0.79	0.79
Total	28.48	28.48

Due to inadequate profits during the Financial year, the company has paid only the minimum remuneration by way of Salary & Perquisites to Managing Director.

NOTE- 35

Related party disclosures :

a) Name of the related parties:

Associate Companies	:	Visakha Foods Pvt. Ltd
Key Management Personnel	:	Dr.R.T.Ravi, Managing Director. Mr. Avinash Ravi, Whole Time Director
Relatives of Key Management Personnel	:	Mrs. Hemalata Ravi w/o Dr.R.T.Ravi

b) Aggregated Related party disclosures for the year 2011-12: (Rs. in Lacs)

Particulars	Associates	Key Management	Relatives of Key Management	Total
Remuneration	-	23.98	-	23.98
Rent	-	-	4.50	4.50
Total	-	23.98	4.50	28.48

NOTE- 36

As per Accounting Standard 22 "Accounting for Taxes on income" issued by the Institute of Chartered Accountants of India Rs.190.16 lakhs (Previous year Rs 331.48 lakhs) of deferred tax asset arising during the financial year has been credited to the current year's Profit and Loss account.

NOTE- 37

Calculation of earnings per share :

	For the Year 31st March,2012	For the Year 31st March,2011
Profit attributable to Share Holders	(1,743.81)	(668.23)
No. of Equity Shares Outstanding	95,14,286	9,050,000
Weighted No. of Equity Shares	95,14,286	9,050,000
Nominal Value of Equity Share	10.00	10.00
Basic and diluted EPS	(18.33)	(7.38)

NOTE- 38

Segment Information : The company is operating in only one segment business of pharma and there is no geographical segment to be reported.

NOTE- 39**Value of Imported and Indigenous Materials Consumed and their Percentage to total consumption:****(Rs. in Lacs)**

Particulars	As at 31st March, 2012		As at 31st March, 2011	
	Value	%	Value	%
Imported	-	-	-	-
Indigeneous	3,883.92	100%	4,015.10	100%
Total	3,883.92	100%	4,015.10	100%

NOTE- 40**Foreign Currency / Exchange Transactions :****(Rs. in Lacs)**

Sr No.	Particulars	For the Year 31st March, 2012	For the Year 31st March, 2011
A)	Value of Imports on CIF Basis		
	Import of Raw Materials	-	-
	Stores & Spares	11.99	19.38
	Capital Goods	-	-
B)	Expenditure		
	Travelling	1.98	4.22
	Consultancy Fees	-	2.08
	Product Development	73.05	69.04
C)	Earnings in Foreign Exchange		
	FOB Value of Exports	514.98	165.02
	FOB Value of Plant & Machinery	-	-

NOTE- 41

Debtors, other advances and creditors are subject to confirmations.

NOTE- 42

During the year, the company has not made provision for gratuity on actuarial valuation.

NOTE- 43

The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

As per our report of even date attached
PAVULURI & Co.,
Chartered Accountants

Firm's Reg. No. : 012194S

Sd/-

CA P. A. RAMAIAH

Partner

M.No. 203300

Place : Hyderabad

Date : 17.05.2012

for and on behalf of the Board of Directors
Sd/-

DR. R.T. RAVI

Chairman and Managing Director

Sd/-

A. NAGA VASUDHA

Company Secretary

Sd/-

AVINASH RAVI

Director & COO



Krebs Biochemicals & Industries Ltd

Registered Office : #8-2-277/A, 4A, 4th Floor, Inwinex Towers,
Plot No: 130, Road No:2, Banjara Hills, Hyderabad - 500 034

**20th Annual General Meeting at 11.00 A.M. on 26th September, 2012
at 10-1-124, Ivory Room, Golconda Hotel, Masab Tank, Hyderabad - 500 028.**

ADMISSION SLIP

Folio No.

Shares Held

Please tick whether Member / Joint holder / Proxy

Member's or Proxy's Signature

- Note: 1. Please fill this admission slip and hand it over at the entrance of the hall.
2. *Applicable for investors holding shares in electronic form.



Krebs Biochemicals & Industries Ltd

Registered Office : #8-2-277/A, 4A, 4th Floor, Inwinex Towers,
Plot No: 130, Road No:2, Banjara Hills, Hyderabad - 500 034

PROXY FORM

D.P. ID*	
Client ID *	

Regd. Folio No.	
-----------------	--

I/We, _____

_____ of

_____ in the district of _____ being member / members

of Krebs Biochemicals & Industries Ltd. hereby appoint _____

_____ of

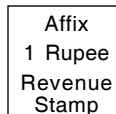
_____ in the district of _____ or

failing him _____ of

_____ in the district of _____

as my/our proxy to vote for me/us on my/our behalf at the 20th Annual General Meeting of the Company to be held on 26th September, 2012 at **10-1-124, Ivory Room, Golconda Hotel, Masab Tank, Hyderabad - 500 028.** and at any adjournment(s) thereof.

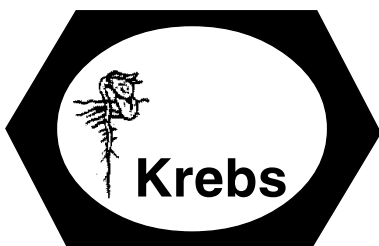
Signed this _____ day of _____, 2012



Note :

1. The Proxy form duly completed must reach the Registered Office of the Company at Hyderabad not less than 48 hours before the time of the meeting.
2. A Proxy need not be a member.
3. *Applicable for Investors holding shares in electronic form.

Krebs Biochemicals & Industries Limited



**20th Annual Report
(2011 - 2012)**

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