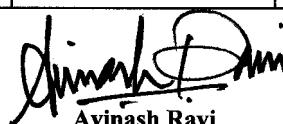


**KREBS BIOCHEMICALS & INDUSTRIES LTD**

**STANDALONE STATEMENT OF ASSETS AND LIABILITIES AS AT 30th JUNE' 2013**

| Statement of Assets and Liabilities        | Rs in Lakhs                    |                                |
|--------------------------------------------|--------------------------------|--------------------------------|
|                                            | As at<br>30.06.2013<br>Audited | As at<br>31.03.2012<br>Audited |
| <b>I. <u>EQUITY AND LIABILITIES</u></b>    |                                |                                |
| <b>(1) Shareholder's funds:</b>            |                                |                                |
| (a) Share capital                          | 951.43                         | 951.43                         |
| (b) Reserves and surplus                   | (156.63)                       | 1,363.66                       |
| <b>Sub Total - Share holders Funds</b>     | <b>794.80</b>                  | <b>2,315.09</b>                |
| <b>(2) Non-current liabilities</b>         |                                |                                |
| (a) Long-term borrowings                   | 5,704.58                       | 6,475.64                       |
| (b) Long-term provisions                   | 199.52                         | 174.21                         |
| <b>Sub Total - Non Current Liabilities</b> | <b>5,904.10</b>                | <b>6,649.85</b>                |
| <b>(4) Current liabilities</b>             |                                |                                |
| (a) Short-term borrowings                  | 1,872.99                       | 1,517.01                       |
| (b) Trade payables                         | 1,974.87                       | 2,733.80                       |
| (c) Other current liabilities              | 3,192.06                       | 1,626.15                       |
| (d) Short-term provisions                  | 23.57                          | 16.34                          |
| <b>Sub Total - Current Liabilities</b>     | <b>7,063.49</b>                | <b>5,893.30</b>                |
| <b>TOTAL - EQUITY AND LIABILITIES</b>      | <b>13,762.39</b>               | <b>14,858.24</b>               |
| <b>II. <u>ASSETS</u></b>                   |                                |                                |
| <b>(1) Non-current assets</b>              |                                |                                |
| (a) Fixed assets                           |                                |                                |
| (i) Tangible assets                        | 5,063.20                       | 5,847.36                       |
| (ii) Intangible assets under development   | 712.61                         | 695.54                         |
| (b) Deferred Tax asset (Net)               | 171.29                         | 97.27                          |
| (c) Long-term loans and advances           | 1,813.13                       | 1,775.74                       |
| (d) Other Non-current assets               | 2,159.65                       | 2,140.73                       |
| <b>Sub Total - Non Current Assets</b>      | <b>9,919.88</b>                | <b>10,556.64</b>               |
| <b>(2) Current assets</b>                  |                                |                                |
| (a) Inventories                            | 3,082.44                       | 3,048.57                       |
| (b) Trade receivables                      | 91.77                          | 773.53                         |
| (c) Cash and cash equivalents              | 32.85                          | 43.16                          |
| (d) Short-term loans and advances          | 633.69                         | 433.08                         |
| (e) Other current assets                   | 1.76                           | 3.26                           |
| <b>Sub Total - Current Assets</b>          | <b>3,842.51</b>                | <b>4,301.60</b>                |
| <b>TOTAL - ASSETS</b>                      | <b>13,762.39</b>               | <b>14,858.24</b>               |

Place : Hyderabad  
Date : 26.08.2013

  
Avinash Ravi  
Director & COO

**KREBS BIOCHEMICALS & INDUSTRIES LTD**

**AUDITED FINANCIAL RESULTS FOR THE 15 MONTHS ENDED 30TH JUNE, 2013**

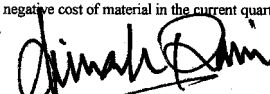
| (Rs. In lacs)                                                                                                 |                           |                           |                           |                         |                         |
|---------------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|
|                                                                                                               | Quarter Ended             |                           |                           | 15 Months Ended         | Previous Year Ended     |
|                                                                                                               | 30.06.2013<br>(Unaudited) | 31.03.2013<br>(Unaudited) | 30.06.2012<br>(Unaudited) | 30.06.2013<br>(Audited) | 31.03.2012<br>(Audited) |
| <b>PART - 1</b>                                                                                               |                           |                           |                           |                         |                         |
| <b>1 Income from Operations</b>                                                                               |                           |                           |                           |                         |                         |
| a) Net Sales / Income from Operations<br>(Net of Excise Duty)                                                 | 0.14                      | 86.49                     | 355.70                    | 1,144.90                | 7,076.00                |
| b) Other Operating Income                                                                                     | 111.17                    | 116.53                    | 44.97                     | 597.77                  | 235.03                  |
| <b>Total Income from operations (net)</b>                                                                     | <b>111.31</b>             | <b>203.02</b>             | <b>400.67</b>             | <b>1,742.67</b>         | <b>7,311.03</b>         |
| <b>2 Expenses</b>                                                                                             |                           |                           |                           |                         |                         |
| a. Cost of Material Consumed                                                                                  | -19.82                    | 58.19                     | 265.33                    | 598.97                  | 3,883.92                |
| b. Changes in inventories of finished goods,<br>work-in-progress and stock -in-trade                          | -                         | 28.81                     | -403.74                   | -59.58                  | 13.55                   |
| c. Employee benefits expense                                                                                  | 125.87                    | 213.55                    | 212.24                    | 908.14                  | 876.58                  |
| d. Depreciation and Amortisation expense                                                                      | 24.83                     | 69.40                     | 244.76                    | 827.64                  | 965.71                  |
| e. Other Expenses                                                                                             | 89.90                     | 179.38                    | 334.83                    | 1,015.27                | 2,679.91                |
| <b>Total Expenses</b>                                                                                         | <b>220.78</b>             | <b>549.33</b>             | <b>653.42</b>             | <b>3,290.44</b>         | <b>8,419.67</b>         |
| <b>3 Profit / (Loss) from Operations before other income,<br/>finance costs and exceptional items (1 - 2)</b> | <b>-109.47</b>            | <b>-346.31</b>            | <b>-252.76</b>            | <b>-1,547.77</b>        | <b>-1,108.64</b>        |
| <b>4 Other Income</b>                                                                                         | 4.42                      | 4.95                      | 5.16                      | 16.40                   | 40.30                   |
| <b>5 Profit / (Loss) from ordinary activities before finance costs<br/>(3 ± 4)</b>                            | <b>-105.05</b>            | <b>-341.36</b>            | <b>-247.60</b>            | <b>-1,531.37</b>        | <b>-1,068.35</b>        |
| <b>6 Finance Costs</b>                                                                                        | -851.67                   | 238.21                    | 226.65                    | 62.92                   | 865.62                  |
| <b>7 Profit / (Loss) from Ordinary Activities before tax (5 ± 6)</b>                                          | <b>746.62</b>             | <b>-579.57</b>            | <b>-474.26</b>            | <b>-1,594.29</b>        | <b>-1,933.97</b>        |
| <b>8 Tax Expense</b>                                                                                          | -                         | -                         | -                         | -74.02                  | -190.16                 |
| <b>9 Net Profit / (Loss) for the period (7 ± 8)</b>                                                           | <b>746.62</b>             | <b>-579.57</b>            | <b>-474.26</b>            | <b>-1,520.27</b>        | <b>-1,743.81</b>        |
| <b>10 Paid-up Equity Share Capital (Face Value Rs. 10/- each)</b>                                             | 951.43                    | 951.43                    | 951.43                    | 951.43                  | 951.43                  |
| <b>11 Earning Per Share<br/>(not annualised for the quarter)</b>                                              |                           |                           |                           |                         |                         |
| (a) Basic                                                                                                     | 7.85                      | (6.09)                    | (4.98)                    | (15.98)                 | (18.33)                 |
| (b) Diluted                                                                                                   | 7.85                      | -6.09                     | -4.98                     | -15.98                  | -18.33                  |
| <b>PART - 2</b>                                                                                               |                           |                           |                           |                         |                         |
| <b>A PARTICULARS OF SHAREHOLDING</b>                                                                          |                           |                           |                           |                         |                         |
| <b>1 Public Share Holding</b>                                                                                 |                           |                           |                           |                         |                         |
| - Number of Shares                                                                                            | 47,66,146                 | 47,66,246                 | 4,768,646                 | 4,766,146               | 4,768,646               |
| - Percentage of Shareholding                                                                                  | 50.10%                    | 50.10%                    | 50.12%                    | 50.10%                  | 50.12%                  |
| <b>2 Promoter and Promoter Group Shareholding</b>                                                             |                           |                           |                           |                         |                         |
| <b>a) Pledged / Encumbered</b>                                                                                |                           |                           |                           |                         |                         |
| - Number of Shares                                                                                            | 2,200,000                 | 2,200,000                 | 2,200,000                 | 2,200,000               | 2,200,000               |
| - Percentage of Shareholding (as a % of the total<br>shareholding of promoter and promoter group)             | 46.33%                    | 46.33%                    | 46.36%                    | 46.33%                  | 46.36%                  |
| - Percentage of Shares (as a % of total share capital of the<br>Company)                                      | 23.12%                    | 23.12%                    | 23.12%                    | 23.12%                  | 23.12%                  |
| <b>b) Non - Pledged / Encumbered</b>                                                                          |                           |                           |                           |                         |                         |
| - Number of Shares                                                                                            | 2,548,140                 | 2,548,040                 | 2,545,640                 | 2,548,140               | 2,545,640               |
| - Percentage of Shares (as a % of total shareholding of<br>promoter and promoters group)                      | 53.67%                    | 53.67%                    | 53.64%                    | 53.67%                  | 53.64%                  |
| - Percentage of Shares (as a % of total share capital of the<br>Company)                                      | 26.78%                    | 26.78%                    | 26.76%                    | 26.78%                  | 26.76%                  |

| PARTICULARS                                      |     |
|--------------------------------------------------|-----|
| <b>B INVESTOR COMPLAINTS</b>                     |     |
| 1 PENDING AT THE BEGINNING OF THE QUARTER        | NIL |
| 2 RECEIVED DURING THE QUARTER                    | NIL |
| 3 DISPOSED OFF DURING THE QUARTER                | NIL |
| 4 REMAINING UNRESOLVED AT THE END OF THE QUARTER | NIL |

**Notes:**

- The above results have been reviewed by the Audit Committee at its meeting held on 26th August 2013 and approved by the Board of Directors of the Company at its meeting held on 26th August, 2013
- Since the banks have withdrawn from CDR package and sent the notices under SARFASIEI Act, during the current quarter, the company has retrospectively reversed the interest provision on Term Loans and Working Capital Loans from 1st April 2012 till 31st March 2013. The company has also reversed the depreciation provided during the 4th quarter in respect of its Unit - II (Vizag) since the assets are not put to use due to closure of the unit on account of labour strike. These two reversals have decreased the losses by Rs.890.38 lacs in the current quarter.
- All the investor complaints received during the quarter were resolved. There were no investor complaints pending at the beginning & end of the quarter.
- The Company is operating in one segment only hence no segment wise results have been disclosed.
- Figures have been regrouped wherever necessary. Net cost of material is consumed in the current quarter, however, the negative cost of material in the current quarter represents regrouping of certain expenses from Cost of Material consumed into finance costs during the reporting period.

Place : Hyderabad  
Date : 26.08.2013

  
Avinash Ravi  
Director & COO



**PAVULURI & Co.**

**CHARTERED ACCOUNTANTS**

# 105, 1st Block, 1st Floor, Divya Shakti Complex,

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## INDEPENDENT AUDITOR'S REPORT

To the members of,

**M/s. KREBS BIOCHEMICALS & INDUSTRIES LTD,**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of M/s. KREBS BIOCHEMICALS & INDUSTRIES LTD, which comprise the Balance Sheet as at June 30, 2013, the Statement of Profit and Loss and Cash Flow Statement for the fifteen months period ended on that date and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.





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### ***Basis for Qualified Opinion***

- (1) Reference is invited to Note 15 of the financial statements; the Company's Non Current Assets consist of Long Term Trade Receivables of Rs 2159.65 lacs. We are unable to ascertain whether such balances as at balance sheet date are fully recoverable. Accordingly, we are unable to ascertain the impact, if any, that may arise in case any of these receivables are subsequently determined to be doubtful of recovery. Had the Company provided provision for the same, the loss for the period would have been higher by ₹.2,158.65 lacs.
- (2) Reference is invited to Note 11 of the financial statements; the company has not provided the interest on Term Loans and Working Capital Loans with effect from 1st April 2012. Accordingly, the loss for the period would have been higher by ₹.1,152.68 lacs.
- (3) The company has not provided the depreciation in respect of its Unit II (Vizag) with effect from 1<sup>st</sup> January 2013 since the assets are not put to use due to the closure of unit on account of labour strike. Accordingly, the loss for the period would have been higher by ₹.170.73 lacs.

### ***Qualified Opinion***

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2013;
- b) In the case of the Statement of Profit and Loss, of the loss for the fifteen months period ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the fifteen months period ended on that date.





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### ***Report on Other Legal and Regulatory Requirements :***

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by section 227(3) of the Act, 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 account as required by law have been kept by the Company so far as appears from our examination of those books.
- c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- d. Except for the effects of the matters described in the Basis for Qualified Opinion paragraph, In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in section 211(3C) of the Act;
- e. On the basis of written representations received from the directors as on June 30, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on June 30, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f. Since the Central Government has neither issued any notification as to the rate at which the cess is to be paid under Section 41A of the Act nor has it issued any Rules under the said Section prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For PAVULURI&Co.  
Chartered Accountants  
Firm Reg. No:012194S

*N. Rajesh*  
(CA N RAJESH)  
PARTNER  
M.No : 223169



Place: Hyderabad  
Date : 26.08.2013



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#### **ANNEXURE TO AUDITORS' REPORT**

(Referred to in paragraph 1 of report on other legal and regulatory requirements of the auditors' report of even date to the members of Company on the financial statements for the year ended 30<sup>th</sup> June, 2013)

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 program 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.  
  
(c) According to the information and explanations furnished to us, the Company has not disposed of a substantial part of its fixed assets during the year.
2. (a) The inventories have not been physically verified by the management during the year due to closure of the plants.  
  
(b) Since the inventories have not been physically verified by the management during the year, the points relating to reasonableness of physical verification procedures and discrepancies noticed on physical verification are not applicable.
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.





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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 30<sup>th</sup> June, 2013 for a period exceeding six months from the date they became payable.

| Sr No | Nature of undisputed statutory Dues      | Amount in Rs      |
|-------|------------------------------------------|-------------------|
| 1     | Provident Fund Payable                   | 20,496,245        |
| 2     | ESI Payable                              | 1,614,741         |
| 3     | Professional Tax Payable                 | 721,140           |
| 4     | TDS Payable                              | 4,378,753         |
| 5     | Service Tax Payable                      | 51,499            |
| 6     | Duty Payable                             | 1,773,230         |
| 7     | Provision for tax on distributed profits | 1,735,443         |
|       | <b>Total</b>                             | <b>30,771,051</b> |

- (b) 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's accumulated losses at the end of the financial year are less than fifty per cent of its net worth. However it has incurred cash loss during the fifteen months period covered by our audit and has incurred cash loss in the immediately preceding financial year.





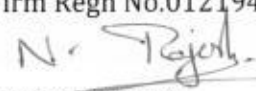
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11. In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of its dues to banks and financial institutions. The amounts and the period of default could not be ascertained as the banks have withdrawn from CDR and the company does not have sufficient information to quantify the defaulted amounts.
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.
18. According to the information and explanation given to us, during the financial period the company has not made a preferential allotment of shares.
19. No debentures have been issued by the company and hence, the question of creating securities in respect thereof 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.

Place : Hyderabad  
Date : 26.08.2013

**For PAVULURI&Co.**  
Chartered Accountants  
Firm Regn No.012194S  
  
**(CA N RAJESH)**  
PARTNER  
M.No.223169





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## **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 fifteen months ended on 30<sup>th</sup> June 2013, 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

N. Rajesh



**(CA N RAJESH)**

PARTNER

M.No.223169

Place: Hyderabad

Date: 26.08.2013