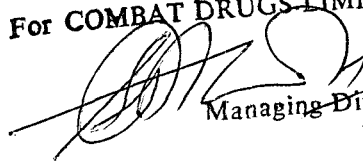


23rd ANNUAL REPORT 2008-2009

For **COMBAT DRUGS LIMITED**



Managing Director

COMBAT DRUGS LIMITED

REGD. OFFICE : 185, 186, YELLAMPET, MEDCHAL MANDAL,
R.R. DIST., ANDHRA PRADESH

CORP. OFFICE : 203, KABRA COMPLEX, 61, M.G. ROAD,
SECUNDERABAD-500 003.

**23rd
Annual General Meeting**

Date : 30-09-2009
Day : Wednesday
Time : 11-00 a.m.
Venue : 185, 186, Yellampet, Medchal Mandal,
R.R. Dist., Andhra Pradesh

**A REQUEST
SHAREHOLDERS
ARE REQUESTED TO BRING
THEIR COPY OF THE
ANNUAL REPORT
TO THE MEETING**

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BOARD OF DIRECTORS

Sri SUCHIT MOHAN LAL
Managing Director

Sri S.S. MARTHI

Sri SUSHANT MOHAN LAL

Sri A.K. AGARWAL

Sri SANJAY KUMAR AGARWAL

Sri B.N. GNANA PRAKASH

Auditors:

Mahesh, Virender & Sriram
Chartered Accountants
Ameerpet, Hyderabad.
Andhra Pradesh, India.

Registered Office:

185, 186, Yellampet,
Medchal Mandal,
R.R. Dist.
Andhra Pradesh, India.

Bankers:

Karnataka Bank Limited
Raj Bhavan Road, Hyderabad,
Andhra Pradesh, India.

Corporate Office:

203, Kabra Complex,
61, M.G. Road, Secunderabad-3.

HDFC Bank Limited

Secunderabad.
Andhra Pradesh, India.

Legal Advisers:

N. Rajashekar Reddy
Advocates
Flat No. 204, 2nd Floor,
Hiline Pratap Apartments,
Kachiguda 'X' Road, Hyderabad.
Andhra Pradesh, India.

Central Bank of India

Secunderabad.
Andhra Pradesh, India.

NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of Combat Drugs Limited will be held on Wednesday, the 30th day of September, 2009 at 11.00 A.M. at the Registered Office of the Company at 185, 186, Yellampet, Medchal. R.R. District, A.P. to transact the following items of business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2009 and the Profit and Loss account for the year ended as on that date and the Report of Directors' and the Auditors' thereon.
2. To appoint a Director in place of Shri Sanjay Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri Anjani Kumar Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider and if thought fit to pass the following resolution with or without modification as an Ordinary Resolution:

"RESOLVED THAT M/s Mahesh, Virender and Sriram, Chartered Accountants be and are hereby reappointed as Auditors of the Company to hold the office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting, on such remuneration as may be fixed by the Board of Directors."

By the Order Of the Board
For **COMBAT DRUGS LIMITED.**

PLACE: HYDERABAD
DATE: 07-09-2009

Sd/-
SUCHIT MOHAN LAL
MANAGING DIRECTOR

Combat Drugs Limited

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON POLL INSTEAD OF HIMSELF AND SUCH A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies in order to be effective must be received at the Company's Registered Office not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books shall remain closed from 26th September, 2009 to 30th September 2009 (both days inclusive).
3. Members / Proxies are requested to bring their copies of Annual Report with them for the Annual General Meeting and attendance slip duly filled in for attending the Meeting.
4. Members are requested to quote their Registered Folio No. on all correspondence(s) with the Company.
5. The information pursuant to Clause 49 of the Listing Agreement with respect to the details of the Directors seeking appointment / re-appointment in this Annual General Meeting is given under the head "Additional Information", which is annexed herewith.

By the Order Of the Board
For **COMBAT DRUGS LIMITED.**

Sd/-

SUCHIT MOHAN LAL
MANAGING DIRECTOR

PLACE: HYDERABAD
DATE: 07-09-2009 -

**ADDITIONAL INFORMATION ON
DIRECTORS SEEKING RE-APPOINTMENT AT THE
ENSUING ANNUAL GENERAL MEETING**

(Pursuant to Clause 49 IV (G) of the Listing Agreement)

SRI ANJANI KUMAR AGARWAL:

Sri Anjani Kumar Agarwal, S/o Shri Dayanand Agarwal aged about 33 years is resident of Plot No. 68, A.P. Text Book Colony, Gunrock, Karkhana, Secunderabad – 500 009. He completed his graduation in Management Studies.

He has rich experience in the field of logistics segment on strategy formation since last 12 years. Marketing, Media, Information Technology, Customer Relationship Management, etc are some of the areas where he commands specialization.

He was co-opted in the Board as Additional Director w.e.f. 17.01.2008. He is also a Director on the Boards of DRS Logistics Private Limited, DRS Education Private Limited and DRS Labs (India) Private Limited. He is not a member of any committee other than that of Combat Drugs Limited.

Shareholding in the Company: Nil

SRI SANJAY KUMAR AGARWAL:

Sri Sanjay Kumar Agarwal, S/o Shri Dayanand Agarwal aged about 30 years, is a resident of Plot No. 68, A.P. Text Book Colony, Gunrock, Karkhana, Secunderabad – 500 009. He is a technical graduate and occupies himself into business. He was co-opted as Additional Director on the Board considering his expertise and knowledge, which would help the Company in its operations at large in the long run.

Combat Drugs Limited

He has experience in handling and operating the purchase and credit control departments and is specialized in ventures like real estate, infrastructure and credit control.

He is also a Director on the Boards of DRS Logistics Private Limited, DRS Education Private Limited and DRS Labs (India) Private Limited. He is not a member of any committee.

Shareholding in the Company: **Nil**

DIRECTORS' REPORT

Dear Members,

The Directors have pleasure in presenting before you the Twenty Third Annual Report of the Company for the Financial year ended 31st March, 2009.

FINANCIAL RESULTS:

| Particulars | (Rs. In Lakhs) | |
|--|-----------------------|--------------------|
| | 2008 – 2009 | 2007 – 2008 |
| Net Sales | 38.51 | 38.39 |
| Other Income (including sundry balances written back) | 1.10 | 7.84 |
| Total Expenditure | 33.68 | 39.53 |
| Profit before Interest, Depreciation & Tax | 5.93 | 6.70 |
| Interest and Financial Charges | 0.16 | 0.36 |
| Depreciation | 4.23 | 4.76 |
| Profit before Tax | 1.54 | 1.59 |
| Provision for Tax | - | - |
| Provision for FBT | 0.31 | 0.14 |
| Net Profit (After Tax) | 1.23 | 1.45 |

DIVIDEND:

Your Directors are unable to recommend any dividend for the financial year 2008-2009 due to inadequate profits during the year.

OPERATIONS & PROSPECTS FOR THE FUTURE:

During the year under review your Company, concentrated on consolidating few Brands and appointing Distributors and Marketing Franchise Partners and Completion of Renovations and additions to the buildings and Machinery as required for W.H.O. GMP Unit.

Your Directors take pleasure in informing you that the Company has successfully established the Full fledged manufacturing facilities of Tablets and Capsules with the latest Automated Manufacturing Machinery along with Full fledged Quality Assurance Laboratory which has received the required approvals and is expected to start Production by October 2009.

Your Directors also take pleasure in informing you that the Company has already obtained the Manufacturing Licence for 21 Betalactum Products of Tablets and Capsules and has also successfully obtained the GMP Certification for this section.

The work on the Non Betalactum sections is progressing in full swing with the latest WHO GMP approved Modular Paneling which will be fitted with the latest automated Machinery which is planned on the concept of Untouched by Hand operations. This section will house the Tablets, Liquid Orals, Ointment and Capsules sections and is expected to be completed

Combat Drugs Limited

by December 2009. The full fledged production in the unit is expected to start by January 2010.

Your Directors have drawn up plans to restructure the equity and operations of the Company as all the liabilities of the Banks, Financial Institutions and Statutory Liabilities have been satisfied and the Company is now ready for take off and regain its lost glory.

CORPORATE RESTRUCTURING:

During the year in the month of July your company has filed a scheme of arrangement with the Bombay Stock Exchange & revocation of suspension in trading of its share. However, due to some practical difficulties, the Board thought it would be appropriate if the Scheme of Arrangement is done consequent to the Revocation of Suspension and withdrew the scheme.

REVOCATION OF SUSPENSION IN BSE: Your Directors take pleasure in informing you that the relentless efforts of the Directors has finally been appreciated by the Bombay Stock Exchange and the suspension on trading of equity of the Company in BSE has been revoked with effect from 21-07-2009 and the Shares were allowed to be listed and traded from 27-07-2009.

Your Directors are in the process of designing a new plan of restructuring of the Company, that will be best in the interest of the company, its shareholders, creditors and others persons interested in the Company.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, Shri Sanjay Agarwal and Shri Anjani Kumar Agarwal, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

FIXED DEPOSITS:

The company has neither accepted nor renewed any deposits falling within the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 from the public during the financial year.

AUDITORS:

The term of office of M/s Mahesh, Virender & Sriram, Chartered Accountants, as Statutory Auditor of the Company expires at the conclusion of the ensuing AGM. However being eligible they offer themselves for re-appointment.

The Company has received a certificate from M/s Mahesh, Virender & Sriram, stating that their re-appointment, if made for another term, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

The Board recommends their re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 the Directors confirm that:

- i. The applicable accounting Standard have been followed in the preparation of Annual Accounts for the Financial Year 2008-09.
- ii. The accounting policies selected were applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of 31st March 2009 and of the Profit of the Company for year ended on that date;
- iii. Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for the preventing and detecting fraud and other irregularities;
- iv. The annual accounts have been prepared on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Management Discussion and Analysis Report, pursuant to Clause 49 of the Listing Agreement, forms part of this Report and is annexed hereto as "Annexure B".

CORPORATE GOVERNANCE:

The Company has implemented the procedures and adopted practices in conformity with the Code of Corporate Governance enunciated in Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is annexed herewith, as a part of the Annual Report along with the Auditor's Certificate on its compliance as "Annexure C".

LISTING & TRADING :

Disclosure about Re-Listing:

The Equity Shares of the Company are listed on The Bombay Stock Exchange Limited, Mumbai, and Hyderabad Stock Exchange Ltd., Hyderabad.

The Equity Shares of the Company were listed on BSE on 27-07-2009 while the suspension was revoked on 21-07-2009 and the Equity Shares were listed.

PARTICULARS OF EMPLOYEES:

There are no employees whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975, and as amended from time to time as remuneration of none of the employees is in excess of Rs.2,00,000/- per month, if employed for the part of year or Rs.24,00,000/- per annum during the financial year 2008-09.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars as prescribed under sub section (1)(e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in the "Annexure A" to this Report. /

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their gratitude to the Company's shareholders, customers, vendors and bankers for their continued support to the Company's growth initiatives. Your Directors also appreciate the contribution made by the Employees at all levels through their competence, sincerity hardwork and dedicated support.

For and on behalf of the Board
For **COMBAT DRUGS LIMITED**

Place: Hyderabad
Date: 07.09.2009

Sd/-
SUCHIT MOHANLAL
MANAGING DIRECTOR

Sd/-
SUSHANT MOHAN LAL
DIRECTOR

**CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY
ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO**

A) CONSERVATION OF ENERGY:

- a) Energy conservation measures taken: The Company is very careful in using the power to reduce the cost of maintenance and conserve the resources.
- b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy : Nil
- c) Impact of the clause (a) and (b) above for reduction of energy consumption and consequent impact on the production of goods : NA

FORM A

A. Power and fuel consumption

| 1. Electricity | Current Year | Previous Year |
|--|--------------|---------------|
| a. Purchases | | |
| Unit | 15790 | 4800 |
| Total amount (in Rs.) | 99478 | 17759.00 |
| Rate/unit (in Rs.) | 6.30 | 3.70 |
| b. Own generation | | |
| i Through diesel generation | N.A | N.A |
| Units per Units | | |
| Units per ltr of diesel oil | | |
| Cost / unit | | |
| ii Through steam turbine / generation | N.A | N.A |
| Units per Units | | |
| Units per ltr of fuel oil / gas | | |
| Cost / units | | |
| 2. Coal (specify quality and where used) | | |
| Quantity | | |
| Total cost | N.A | N.A |
| Average Rate | | |
| 3. Furnance Oil | | |
| Quantity | N.A | N.A |
| Total cost | | |
| Average Rate | | |
| 4. Other internal generation | N.A | N.A |
| Quantity | | |
| Total cost | | |
| Rate/ unit | | |

B. TECHNOLOGY ABSORPTION:

FORM B:

(Disclosure of particulars with respect to technology absorption)

RESEARCH AND DEVELOPMENT (R&D)

- | | | |
|---|---|-----|
| 1. Specific areas in which R& D carried out by the Company | : | Nil |
| 2. Benefits derived as a result of the above R& D | : | Nil |
| 3. Future plan of action | : | Nil |
| 4. Expenditure on R & D | : | |
| a) Capital | : | Nil |
| b) Recurring | : | Nil |
| c) Total | : | Nil |
| d) Total Expenditure on R & D as a percentage of total turnover | : | Nil |

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- Efforts, in brief, made towards technology absorption, adoption and innovation: Nil
- Benefits derived as a result of the above efforts, Eg product improvement, cost reduction, product development, import substitution etc. : Nil
- Import of technology (imported technology during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

| | |
|---|-----|
| (a) Technology imported | Nil |
| (b) Year of import | Nil |
| (c) Has technology been fully absorbed | Nil |
| (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plan of action. | Nil |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans: Nil

| | | |
|-------------------------|---|-----|
| Foreign Exchange inflow | : | Nil |
| Outgo | : | Nil |

For and on behalf of the Board
For **COMBAT DRUGS LIMITED**

Place: Hyderabad
Date: 07.09.2009

Sd/-
SUCHIT MOHANLAL
MANAGING DIRECTOR

Sd/-
SUSHANT MOHAN LAL
DIRECTOR

MANAGEMENT DISCUSSION & ANALYSIS

A. INDUSTRY STRUCTURE & DEVELOPMENT :

The Indian Pharmaceutical market continues to be highly fragmented and dominated by Indian Companies. All the growth elements – new product introductions, price and volume showed positive trends. The Indian Pharmaceutical market is projected to grow at approximately 11-12% p.a. and is expected to be valued at \$20 billion by 2015 thus becoming one of the World's top 10 Pharmaceutical markets. Pharma Industry is making rapid strides and there are a lot of opportunities in the field of Domestic Sales, Exports and Outsourcing of R&D in Pharma sector and a whole new concept of Exports of Finished Dosage Forms and pellets is opening up all over the world.

B. OPPORTUNITIES, THREATS, RISKS & CONCERNS :

There are immense opportunities in the Pharmaceuticals segment with most of the drugs going off patent. With the newer concept of palletization and the export of Formulations in Generic forms to various countries across the globe enables the multiple opportunities for the pharma sector to grow further.

Further, with the current global economic recession, the slowdown may result in greater use of low cost generics all over the World. The Government is also increasing its commitment towards extending healthcare services for the poor and underprivileged.

The Company had negotiated with the Government Agency in Netherlands and they had conducted an Audit of the upcoming Manufacturing Facilities and had invited the Director of the company to attend a Training Programme in Rotterdam for Export of Formulations to the European Countries at their cost which was an enlightening experience for the Director. The Company was also invited to display their products in an exhibition in Madrid, Spain organized by CBI which however was not accepted for this year and the Company envisages to participate in the exhibition in the coming financial year to derive maximum benefit.

The significant threats and risks include those related to changing regulations and related compliance, increasing price pressure due to market externalities and uncertainties around innovation efforts.

The Company operates in a pharmaceutical industry whose environment and the landscape are rapidly changing, which is characterized by a high level of uncertainty regarding product development and launch.

C. PRODUCT WISE PERFORMANCE:

The company has drawn up different strategies for Marketing the Products locally and also concentrate on the Exports of the products and this offers the company the requisite flexibility in executing its plans.

The company's strategy has been to leverage its existing strength as a low cost, world-class W.H.O.G.M.P organization and at the same time positioning itself as a low-cost manufacturer of various high class Finished dosage forms and therapeutic products. Towards this end, the company has entered into Agreements with several organizations for Manufacturing their Formulations on Third party manufacturing basis and is also negotiating with three companies for manufacturing their products on Loan Licence basis besides Marketing their own Branded formulations.

D. COMPANY'S OUTLOOK & CONCERNS :

Notwithstanding the setbacks during 2007-09, Combat looks forward to a strong performance in the coming years. We believe that our core business will show robust revenue growth and consequently greater margin contribution.

In line with our stated philosophy and strategy, we will continue to pursue various options to achieve faster and more profitable growth. Having set aggressive targets across geographies and businesses, we look forward to a profitable future.

E. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

Your Company has adequate internal control systems commensurate with the size of its operations for the purpose of exercising adequate controls on day to day operations. In addition to this, your Company has an efficient team of qualified and dedicated people for conducting the internal audit at regular intervals.

F. FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE:

The details of the financial performance of the Company are comprised in the Balance Sheet, Profit and Loss Account and other financial statements which are annexed hereto along with the Directors and the Auditors Report for the financial year 2008-09.

G. HUMAN RESOURCES:

There is a conscious effort by the Company in recruiting personnel as per the restructured requirements with optimum effort to build diversity in the workforce, for rise in the share of women employees also.

CORPORATE GOVERNANCE REPORT

The following are the details furnished in the form as required under the Clause 49 of the Listing Agreement:

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE :

The Company believes that sound practices of Corporate Governance provides an important platform to assist the management and Board in delivering its responsibilities by efficient conduct of the business and in meeting its obligation to the stakeholders. The goals and efforts are guided by a strong emphasis on transparency, accountability and integrity.

The Company is making efforts to adapt to the norms of Corporate Governance viz., transparency and accountability in all facets of its operations.

2. BOARD OF DIRECTORS:

The Board of Directors of the Company has an optimum combination of Executive and Non-executive Directors with two Independent Non-executive directors.

Shri Batula Narasimha Gnana Prakash was appointed as the Chairman of the meetings, in the meeting of the Board of Directors held on 16.03.2009.

The Board of Directors met Eight times during the financial year 2008-09, and the gap between two Board Meetings didn't exceed 4 months. None of the Directors in the Board is a member in more than 10 committees and none of them act as Chairman of more than 5 committees across all Companies in which he is a Director.

The dates on which Board Meetings were held during the financial year 2008-09 are as follows:

| | | | | |
|----------|----------|----------|----------|----------|
| 30.06.08 | 14.07.08 | 30.07.08 | 26.08.08 | 30.10.08 |
| 24.12.08 | 28.01.09 | 16.03.09 | | |

The attendance at the Board Meetings conducted during the 12 months period ended 31st March, 2009 and at the Annual General Meeting as also the number of Directorships and committee memberships (other than Combat Drugs Limited) are given below :

Combat Drugs Limited

| Sl. No | Name | Category | Designation | No. of Board Meetings attended | Attendance at previous AGM | No. of Memberships in other Companies (Excl. Private Limited Companies) | |
|--------|-------------------------------------|------------------------------|-------------------|--------------------------------|----------------------------|--|-----------|
| | | | | | | Board | Committee |
| 1. | Sri Suchit Mohan Lal | Promoter & Executive | Managing Director | 8 | Yes | Nil | Nil |
| 2. | Sri S. S. Marthi | Independent & Non -Executive | Director | 5 | Yes | 2 | 3 |
| 3. | Sri Sushant Mohan Lal | Promoter & Executive | Director | 7 | Yes | Nil | Nil |
| 4. | Sri Anjani Kumar Agrawal | Promoter & Non-Executive | Director | 7 | Yes | Nil | Nil |
| 5. | Sri Sanjay Kumar Agarwal | Promoter & Non-Executive | Director | 7 | Yes | Nil | Nil |
| 6. | Sri Battula Narasimha Gnana Prakash | Independent & Non -Executive | Director | 5 | Yes | Nil | Nil |

3. AUDIT COMMITTEE:

The Committee consists of two independent & Non-Executive Directors and one Executive Director, which provides assistance to the Board of Directors in fulfilling its oversight responsibilities. The Audit committee has been entrusted with the responsibilities as laid down under Clause 49 of the Listing Agreement, to the extent applicable and required

As on date, the Audit Committee comprises of the following members:

| | | |
|-------------------------------------|---|----------|
| Sri Battula Narasimha Gnana Prakash | - | Chairman |
| Sri Sushant Mohan Lal | - | Member |
| Sri S S Marthi | - | Member |

All the members of the Committee are financially literate and have relevant finance and/or audit exposure.

The terms of reference as per Clause 49 of the Listing Agreement are as follows

- a. To review the results and announcement and the report and accounts at the end of a quarter, half year and the full year before submission to the board, focusing particularly on:

Combat Drugs Limited

- (i) Any changes in accounting policies and practices.
 - (ii) Compliance with accepted accounting standards.
 - (iii) Compliance with the Listing and other Legal requirements
 - (iii) Major Judgmental Decisions; etc.
- b. To consider appointment of Statutory Auditors, the Audit Fee, and any matter of resignation and dismissal.
 - c. To discuss with the statutory Auditor, before the audit commences, the nature and scope of the Audit.
 - d. To discuss problems and reservations arising from the statutory audit, and any matters the statutory auditor may wish to discuss.
 - e. To consider other matters as may be delegated by the Board from time to time.

Powers of Audit Committee:

- To investigate any activity within its terms of reference.
- To seek information from any employee
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.

During the financial year ended 31st March 2009, Audit Committee met 4 times, as follows:

30.06.2008 30.07.2008 30.10.2008 28.01.2009

4. REMUNERATION COMMITTEE:

Terms of Reference:

The terms of reference as per Clause 49 of the Listing Agreement is to determine and review the remuneration, performance, and related bonuses of Executive Director(s), if any.

Composition

The reconstituted Remuneration Committee of the Company consists of following non-executive Directors, which is as follows:

| | | |
|-------------------------------------|---|----------|
| Sri S.S.Marathi | — | Chairman |
| Sri Battula Narasimha Gnana Prakash | — | Member |
| Sri Anjani Kumar Agarwal | — | Member |

Combat Drugs Limited

Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the individual employee. While reviewing the remuneration of management personnel, the committee takes into account the following:

- Financial position of the Company
- Trends in the Company
- Appointees qualification and experience
- Past performance
- Past remuneration etc.

During the financial year 2008-2009, the remuneration committee met two times.

Remuneration of Directors, Sitting Fees, Salary, Benefits, Perquisites and Commission:

- The details of the Remuneration paid to the Directors are as follows:

| Name of the Director | Salary, Benefits & Perquisites | Performance Linked Incentives | Total (in Rs.) |
|---------------------------------------|---|--------------------------------------|-----------------------|
| 1 Sri Suchit Mohan Lal | 2,40,000/- | Nil | 2,40,000/- |
| 2 Sri SS Marthi | Nil | Nil | Nil |
| 3 Sri Sushant Mohan Lal | 2,40,000/- | Nil | 2,40,000/- |
| 4 Sri Anjani Kumar Agarwal | Nil | Nil | Nil |
| 5 Sri Sanjay Kumar Agarwal | Nil | Nil | Nil |
| 6 Sri Battula Narasimha Gnana Prakash | Nil | Nil | Nil |

Non-Executive Director:

The company's Non-Executive Director's have not been paid any remuneration.

Shareholding of Non-Executive Director:

None of the Non-Executive Directors of the Company holds any share in the Company.

5. SHAREHOLDER'S GRIEVANCES COMMITTEE:

The Board constituted an exclusive committee to resolve the grievances of shareholders with regard to matters such as Transfer/ transmission/ transposition of shares, non receipt of Annual Report, non – receipt of dividend, and other related issues.

The Committee focuses on shareholders' grievances and strengthening of investor relations.

Combat Drugs Limited

Composition

The Committee comprises of the following members:

| | | |
|-------------------------------------|---|----------|
| Sri Battula Narasimha Gnana Prakash | — | Chairman |
| Sri S.S.Marathi | — | Member |
| Sri Anjani Kumar Agarwal | — | Member |

Mr.Satish Kumar is the Compliance Officer of the Company.

No Complaints were pending at the end of the period.

The Committee met 4 times during the year ended 31st March, 2009

6. SHARE TRANSFER COMMITTEE:

The process of Share transfers is entrusted with the Registrars and Share Transfer Agents of the Company M/s. Big Share Services (P) Ltd who attends to the said tasks.in accordance with the share transfer committee. At each meeting, the committee is apprised of the details of transfer/issue of share certificates. The share transfers received are processed within 15 days from date of such receipt, subject to the transfer instrument being valid and complete in all aspects. In compliance with the listing guidelines, a practicing company secretary audits the system of share transfers and other related matters and a certificate to that effect is issued.

The Share Transfer Committee consists of the following Directors:

| | | |
|----------------------------|---|----------|
| • Sri Suchit Mohan Lal | - | Chairman |
| • Sri S S Marathi, and | - | Member |
| • Sri Anjani Kumar.Agarwal | - | Member |

7. MANAGEMENT DISCUSSION & ANALYSIS REPORT:

A report of the Management Discussion & Analysis Report is attached elsewhere as part of the Annual Report as Annexure "A".

8. GENERAL BODY MEETINGS :

Date, Time and Location of the last 3 Annual General Meetings are:

| AGM | Date | Location | Time |
|--------------------|------------------------|---|-------------|
| 22 nd | 30.09.2008 Tuesday | 185, 186, Yellampet, Medchal Mandal, R.R. District, (AP) | 11.00 A. M. |
| 21 st , | 29.11.2007 Thursday | 185, 186, Yellampet, Medchal Mandal, R.R. District, (AP) | 11.00 A.M. |
| 20 th | 29.09.2006 Friday | 185, 186, Yellampet, Medchal Mandal, R.R. District, (AP) | 11.00 A.M. |

No Special Resolution was passed in the previous 3 AGMS.

Postal Ballot:

No Special Resolution was passed during the previous year, through Postal Ballot process. As on date no Postal Ballot process is under progress or proposal.

8. DISCLOSURES :

a) Related Party Transactions

The company has not entered into any materially significant related party transactions i.e., transactions material in nature, with its promoters, the Directors or the Management, their subsidiaries or relatives, etc., having potential Conflict with the interests of Company at large.

b) Compliance by the Company:

The company has complied with the requirements of the Stock Exchange, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. There were no penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, over the last three years.

c) The company has complied with all the mandatory requirements under the revised code of Corporate Governance has also adopted certain non-mandatory requirements such as, a Remuneration committee which has been formed to evaluate remuneration packages for Directors:

C.E.O. Certification:

The C.E.O. {Managing Director} certified to the Board on the prescribed matters as required under Clause 49 of the Listing Agreement and the said Certificate was considered by the Board at its meeting held on September 7th, 2009.

10. MEANS OF COMMUNICATION:

Quarterly Results

The Quarterly results are generally published in "The Financial Express" and "The Andhra Prabha". The results are displayed on the website of the Stock Exchange shortly after its submission. The company is also in the process of updating its website "www.combatdrugs.in" wherein all the results, official news releases and the developments in relation to the company shall be updated and displayed immediately after submission to the stock exchange..

Management Discussion & Analysis Report:

The Management Discussion & Analysis Report forms a part of the Director's Report. All matters pertaining to the industry structure and developments, opportunities and threats, segment wise/product-wise performance, outlook, risks and concerns, internal control systems and adequacy, discussion on financial and operational performance and material developments in human resources are discussed in this report.

11. GENERAL SHAREHOLDER INFORMATION:

- Annual General Meeting : 30th September, 2009 at 11.00 A.M. at the registered office of the Company at 185, 186, Yellampet, Medchal. R.R. District, A.P.
- Financial Year : 1st April 2008 to 31st March, 2009
- Dates of Book Closure : 26.09.2009 (Saturday) to 30.09.2009 (Wednesday)
- Listing : The Bombay Stock Exchange Ltd.
Hyderabad Stock Exchange Ltd.
- Stock Code : 524752
- Registrar & Transfer Agents : M/s Bigshare Services Private Limited
G-10, Left Wing, Amrutha Ville,
Opp. Yashoda Hospital,
Somajiguda, Rajbhavan Road,
Hyderabad – 500 082
- Share Transfer System : The share transfer are effected within one month from the date of the lodgment for transfer, transmission, sub-division, etc. and the Share Certificates are delivered to the Shareholders immediately.
- Dematerialisation of shares : As the suspension of the Trading in the equity of the company is revoked in BSE, the company is making a fresh application to CDSL and NSDL for dematerialisation of shares.
- Nomination Facility : Shareholders, holding shares in physical form and desirous of making/changing a nomination in respect of their shareholding in the company as permitted under Section 109A of the Companies Act 1956 are requested to submit to the Compliance Officer in the prescribed form 2B for this purpose, which can be furnished by the company on request.
- Outstanding GDR's/ ADR's/
Warrant or any convertible
instruments, conversion date
and likely impact on equity : Nil
- Address for Correspondence**
- Registered Office : 185, 186, Yellampet, Medchal Mandal,
& Works Office : R.R. District, Andhra Pradesh
- Corporate Office : 203, Kabra Complex, 61, M.G.Raod,
Secunderabad – 500 003
- Registrar & Transfer Agents : M/s Bigshare Services Private Limited
G-10, Left Wing, Amrutha Ville,
Opp. Yashoda Hospital,
Somajiguda, Rajbhavan Road,
Hyderabad – 500 082

Combat Drugs Limited

12. DISTRIBUTION OF SHAREHOLDING :

Distribution of Shareholding as on 31st March, 2009 :

| Share Holder or Debenture Holding of nominal Value of Rs. | Share Holder or Debenture Holding of nominal Value of | | Share / Debenture Amount | |
|--|---|---------------|-----------------------------|----------------|
| | Number | % of Total | Number | % of Total Rs. |
| (1) | (2) | (3) | (4) | (5) |
| Upto - 5000 | 11298 | 94.59 | 1547000 | 47.87 |
| 5001 - 10000 | 367 | 3.07 | 313300 | 9.70 |
| 10001 - 20000 | 132 | 1.11 | 203500 | 6.30 |
| 20001 - 30000 | 55 | 0.46 | 142700 | 4.42 |
| 30001 - 40000 | 29 | 0.24 | 103500 | 3.20 |
| 40001 - 50000 | 17 | 0.14 | 79900 | 2.47 |
| 50001 - 100000 | 29 | 0.24 | 211800 | 6.55 |
| 100001 and above | 17 | 0.14 | 629700 | 19.49 |
| TOTAL | 11944 | 100.00 | 3231400 | 100.00 |

13. SHAREHOLDING PATTERN FOR THE QUARTER ENDED 31ST MARCH, 2009

| Sl. no | Category | No. of Shares held | Percentage of Shareholding |
|----------|--|--------------------|----------------------------|
| A | Promoter's Holding | | |
| 1 | Promoters Indian Promoters: Mr.SUCHIT MOHAN LAL Foreign Promoters: | 248800 NIL | 7.70% NIL |
| 2 | Persons acting in concert Sub-Total | 163400 412200 | 5.06% 12.76% |
| B | Non-promoters Holding | | |
| 3 | Institutional investors | NIL | NIL |
| A | Mutual Funds and UTI (Govt.Financial Institutions) | NIL | NIL |
| B | Banking, Financial Institutions/Insurance Companies(Central/State Government Institutions/ | | |
| | Non-Government Institutions) | 13900 | 0.43% |
| C | FIs Sub-Total | NIL 13900 | NIL 0.43% |

Combat Drugs Limited

| | | | |
|----|----------------------------|-----------|---------|
| 4 | Others | | |
| a. | Private corporate Bodies | 24600 | 0.76% |
| b. | Indian Public | 2780700 | 86.05% |
| c. | NRIs/OCBs | NIL | NIL |
| d. | Any other (Please Specify) | | |
| | Directors & Relatives | NIL | NIL |
| | Sub-Total | 2819200 | 87.24% |
| | Grand Total | 32,31,400 | 100.00% |

Note: Subsequent to the listing of Equity Shares of the Company in Bombay Stock Exchange, the entire share holding of Promoters to the extent of 12.76% has been lockedin upto end of November 2009 as per the instructions and guidelines of BSE for effecting the revocation of Suspension in the equity Shares of the Company.

For and on behalf of the Board
For **COMBAT DRUGS LIMITED**

Place: Hyderabad
Date: 07.09.2009

Sd/-
SUCHIT MOHANLAL
MANAGING DIRECTOR

Sd/-
SUSHANT MOHAN LAL
DIRECTOR

**DECLARATION OF COMPLIANCE OF CODE OF CONDUCT
UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

COMBAT DRUGS LIMITED has adopted a Code of Business Conduct & Ethics (the Code) which applies to all the Employees and Directors of the Company. Under the code, it is the responsibility of all the employees and directors to familiarize themselves with the code and comply with its standards.

I hereby certify that the Board Members and Senior Management Personnel of the Company have affirmed compliance with the code of conduct of the Company for the year 2008-09.

By the Order of the Board
For **COMBAT DRUGS LIMITED**

Sd/-

SUCHIT MOHANLAL

Managing Director

Place: Hyderabad

Date: 07.09.2009

AUDITORS REPORT

To
The Shareholders of
M/s Combat Drugs Limited
Hyderabad.

1. We have audited the attached Balance Sheet of M/s Combat Drugs Limited, as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date annexed thereto both of which have been signed under reference to this report. 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.
2. 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.
3. As required by the Manufacturing and Other Companies (Auditors Report) Order, 2003, we report that, in our opinion, and to the best of our knowledge and belief, and as per the information and explanations furnished to us, and the books and records examined by us in the normal course of audit:
 - i. The Company is in the process of updating fixed asset register to show full particulars including quantitative details and situation of fixed assets. We understand that the fixed assets have been physically verified by the management and that no material discrepancies have been noticed on such verification.
 - ii. The fixed assets have not been revalued.
 - iii. According to the information given to us physical verification has been conducted by the management at reasonable intervals in respect of finished goods, stores and raw materials.
 - iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
 - v. The Company has not taken loans from companies listed in the register maintained under section 301 of the Companies Act, 1956. The terms and conditions and rates of interest are not prima facie prejudicial to the interests of the Company.

Combat Drugs Limited

- vi. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. We have been informed that there are no companies under the same management within the meaning of section 370 (IB) of the Companies Act, 1956.
- vii. The Company has not given loans and advances in the nature of loan during the year.
- viii. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
- ix. According to the information and explanations given to us there were no purchases of goods and materials and sale of goods, materials and services, aggregating during the period to more than Rs.50,000 in value, in pursuance of contracts and arrangements entered into with the parties entered in the register maintained under section 301 of the companies Act. 1956.
- x. The Company has a procedure for determining unserviceable or damaged stores, raw materials and finished goods. However, according to the information and explanations given to us the Company did not have any unserviceable or damaged stores, raw materials and finished goods during the period under review.
- xi. According to the information and explanations given to us, the Company has not accepted any deposits as contemplated in the provisions of section 58 A of the Companies Act, 1956.
- xii. According to the information and explanations given to us the Company did not have any realisable by-products and scrap.
- xiii. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- xiv. The Company has not maintained the records inspite of the rules made by the Central Government Under section 209 (1) (d) of the Companies Act, 1956 in respect of formulations.
- xv. According to the information & explanations given to us and the records of the Company examined by us, in our opinion the Company is generally regular in depositing the undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities. There are no undisputed amounts payable in respect of the aforesaid dues which were outstanding as at 31st March, 2009 for a period of more than six months from the date of becoming payable.
- xvi. There are no undisputed amounts payable in respect of Income Tax, Sales Tax. Customs Duty and Excise Duty as at 31st March, 2009.
- xvii. The Company has a policy of authorizing expenditure based on reasonable checks and controls. This policy is intended to ensure that expenses are authorized on the basis of

Combat Drugs Limited

contractual obligations or accepted business practices having regard to the Company's business needs and exigencies. In terms of these observations, we have not come across any expenses charged to revenue account which, in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses.

- xviii. The accumulated losses at the end of the financial year are more than 50% of its networth. However the company has not incurred cash loss in the year nor in the preceding financial year.

II. In terms of and further to the above, we also report as follows:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- b. In our opinion, proper books of accounts as required by the Companies Act, 1956, have been kept by the Company so far as it appear from our examination of those books;
- c. The attached Balance Sheet and the Profit and Loss Account are in agreement with the books of account;
- d. In our opinion, the Profit and Loss Account and Balance Sheet comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956 to the extent applicable.
- e. On the basis of confirmations received from the other Companies in which Directors are Directors or in their absence, confirmation from Directors concerned, none of the Director is disqualified from being appointed as a Director under clause (g) of sub section (1) to Section 274 of the Companies Act, 1956.

In our opinion and to the best of our information, and according to the explanations given to us, the said statements of account together with the schedules and the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:

- i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009.

and

- ii. In the case of the Profit and Loss Account, of the **Profit** of the Company for the year ended 31 st March, 2009.

for **MAHESH, VIRENDER & SRIRAM**

Chartered Accountants

Sd/-
(B.R.MAHESH)
Partner

Place : Hyderabad.

Date :-26.08.2009.

**AUDITOR'S CERTIFICATE
ON CORPORATE GOVERNANCE**

To
The Members of
Combat Drugs Limited

We have examined the compliance of conditions of Corporate Governance by M/s Combat Drugs Limited for the year ended on 31st March, 2009, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per records maintained by the Shareholders/Investors Grievance Committee.

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 Mahesh, Virender & Sriram
Chartered Accountants

Sd/-

(B.R. MAHESH)

Partner

M.No.18628

Place : Hyderabad

Date : 26-08-2009

BALANCE SHEET AS AT 31ST MARCH 2009

| LIABILITIES | Sch. No | As at 31-03-2009 Rs. | As at 31-03-2008 Rs. |
|--|------------|----------------------------|----------------------------|
| <u>SOURCE OF FUNDS</u> | | | |
| Share Holders Funds: | | | |
| Share Capital | 1 | 61,030,510 | 32,314,000 |
| Reserve & Surplus | | | |
| - Capital Subsidy Received | | 2,000,000 | 2,000,000 |
| <u>LOAN FUNDS</u> | | | |
| Unsecured Loans | 2 | 1,595,122 | 10,923,527 |
| Total Rs. | | 64,625,632 | 45,237,527 |
| <u>ASSETS</u> | | | |
| <u>APPLICATION OF FUNDS</u> | | | |
| <u>FIXED ASSETS</u> | | | |
| a) Gross Block | 3 | 29,956,362 | 16,174,978 |
| b) Less : Depreciation | | 5,649,988 | 5,227,091 |
| c) Net Block | | 24,306,374 | 10,947,887 |
| <u>INVESTMENTS</u> | 4 | 50,000 | 50,000 |
| <u>CURRENT ASSETS, LOAN & ADVANCES</u> | | | |
| a) Inventories | 5 | 1,556,240 | 2,582,314 |
| b) Sundry Debtors | 6 | 3,313,127 | 959,978 |
| c) Cash & Bank Balances | 7 | 1,053,666 | 572,089 |
| d) Loans & Advances | 8 | 5,837,392 | 135,388 |
| Sub Total Rs. | | 11,760,425 | 4,249,769 |
| Less : Current Liabilities and Provisions | | | |
| Liabilities | 9 | 20,984,156 | 19,626,388 |
| Net Current Assets | | (9,223,731) | (15,376,619) |
| Miscellaneous Expenditure (To the extent not written off or adjusted) | 10 | | |
| Profit & Loss Account | | 49,492,989 | 49,616,259 |
| Total Rs. | | 64,625,632 | 45,237,527 |
| Notes and Accounting Policies from part of Accounts | 17 | | |

FOR & ON BEHALF OF THE BOARD
OF DIRECTORS

Sd/-
Managing Director

Sd/-
Director

Vide our report of even date
for MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Sd/-
(B.R. MAHESH)
Partner

Place: Hyderabad
Date: 26-08-2009.

Combat Drugs Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING ON 31ST MARCH 2009

| LIABILITIES | Sch. No | As at 31-03-2009 Rs. | As at 31-03-2008 Rs. |
|---|------------|----------------------------|----------------------------|
| <u>INCOME</u> | | | |
| Sales | 11 | 38,50,967 | 3,839,289 |
| Other Income | 12 | 109,810 | 783,771 |
| Total Rs. | | 3,960,777 | 4,623,060 |
| <u>EXPENDITURE</u> | | | |
| Manufacturing Expenses | 13 | 1,568,878 | 2,070,616 |
| Payments & Benefits to Employees | 14 | 715,403 | 608,000 |
| Administrative & Other Expenses | 15 | 1,083,261 | 1,274,054 |
| Total Rs. | | 3,367,542 | 3,952,670 |
| Profit before Interest, Depreciation & Taxation | | 593,235 | 670,390 |
| Interest & Finance Charges | 16 | 15,930 | 35,907 |
| Profit before Depreciation | | 577,305 | 634,483 |
| Depreciation | | 422,897 | 475,652 |
| Profit/Loss Before Tax | | 154,408 | 158,831 |
| Provision for Tax | | - | - |
| Provision for FBT | | 31,138 | 13,885 |
| Profit / Loss After Tax | | 123,270 | 144,946 |
| Accounting Policies & Notes forming part of Accounts | 17 | | |

FOR & ON BEHALF OF THE BOARD
OF DIRECTORS

Sd/-
Managing Director

Sd/-
Director

Vide our report of even date
for MAHESH, VIRENDER & SRIRAM
Chartered Accountants
Sd/-
(BR MAHESH)
Partner

Place: Hyderabad
Date: 26.08-2009.

SCHEDULES FORMING PART OF ACCOUNTS

| Particulars | As At 31-03-2009 Rs. | As At 31-03-2008 Rs. |
|--|---------------------------------|---------------------------------|
| SCHEDULE 1 | | |
| <u>SHARE CAPITAL</u> | | |
| Authorised : | | |
| 40,00,000 Equity Shares of Rs. 10/- each | 40,000,000 | 40,000,000 |
| ISSUED AND SUBSCRIBED | | |
| 32,31,400 Equity Shares of Rs. 10/- each | 32,314,000 | 32,314,000 |
| PAID UP : | | |
| 32,31,400 Equity Shares of Rs. 10/- each | 32,314,000 | 32,314,000 |
| Fully paid up | | |
| Share Application Money | <u>28,716,510</u> | |
| Total Rs. | <u><u>61,030,510</u></u> | <u><u>32,314,000</u></u> |
| SCHEDULE 2 | | |
| UNSECURED LOANS : | | |
| - Loans from Directors | - | 9,486,510 |
| - Sales Tax Defferment | 1,595,122 | 1,437,017 |
| Total Rs. | <u><u>1,595,122</u></u> | <u><u>10,923,527</u></u> |
| SCHEDULE 4 | | |
| INVESTMENTS AT COST OUTED | | |
| 20,000 Equity shares of Rs. 10/- each | | |
| of Zental Drugs Ltd - partly paid | <u>50,000</u> | <u>50,000</u> |
| Total Rs. | <u><u>50,000</u></u> | <u><u>50,000</u></u> |

FIXED ASSETS - SCHEDULE NO. 3

| S. No | Name of the Asset | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|-------|---------------------------|----------------|------------|-----------|----------------|----------------|--------------|-----------|----------------|----------------|----------------|
| | | As at 31-03-08 | Additions | Deletions | As at 31-03-09 | As on 31-03-08 | For the Year | Deletions | As on 31-03-09 | As at 31-03-09 | As at 31-03-08 |
| 1. | Leased Building | 1,514,135 | - | - | 1,514,135 | 66,783 | | - | 66,783 | 1,447,352 | 1,447,352 |
| 2. | Furniture | 454,723 | - | - | 454,723 | 347,163 | 28,784 | - | 375,947 | 78,776 | 107,560 |
| 3. | Computers | 68,700 | - | - | 68,700 | 6,621 | 3,263 | - | 9,884 | 58,816 | 62,079 |
| 4. | Plant & Machinery | 7,811,122 | - | - | 7,811,122 | 4,547,693 | 371,028 | - | 4,918,721 | 2,892,401 | 3,263,429 |
| 5. | Lab Equipment | 138,062 | 83,752 | - | 221,814 | 96,826 | 6,558 | - | 103,384 | 118,430 | 41,236 |
| 6. | Office Equipment | 275,265 | 14,250 | - | 289,515 | 162,005 | 13,264 | 0 | 175,269 | 114,246 | 113,260 |
| 7. | Platn & Machiner - WIP | - | 4,987,893 | - | 4,987,893 | - | - | - | - | 4,987,893 | - |
| 8. | Electrical Fittings - WIP | - | 232,786 | - | 232,786 | - | - | - | - | 232,786 | - |
| 9. | Furniture - WIP | - | 2,696,528 | - | 2,696,528 | - | - | - | - | 2,696,528 | - |
| 7. | Building Work in progress | 5,912,971 | 5,766,175 | - | 11,679,146 | - | - | - | - | 11,679,146 | 5,912,971 |
| | Total Rs. | 16,174,978 | 13,781,384 | - | 29,956,362 | 5,227,091 | 422,897 | - | 5,649,988 | 24,306,374 | 10,947,887 |
| | Previous Years | 10,161,225 | 6,013,753 | - | 16,174,978 | 4,751,439 | 475,652 | - | 5,227,091 | 10,947,887 | 5,409,786 |

SCHEDULES FORMING PART OF ACCOUNTS

| Particulars | As At 31-03-2009 Rs. | As At 31-03-2008 Rs. |
|--|----------------------------|----------------------------|
| SCHEDULE 5 | | |
| <u>CURRENT ASSETS, LOANS & ADVANCES</u> | | |
| <u>INVENTORIES</u> | | |
| (As valued and certified by the Management) | | |
| Raw Material & Packing Material | 1,556,240 | 2,582,314 |
| Total Rs. | <u>1,556,240</u> | <u>2,582,314</u> |
| SCHEDULE 6 | | |
| <u>SUNDRY DEBTORS</u> | | |
| Trade Debtors - (Unsecured, considered good) | | |
| Over 6 Months | 1,119,236 | 912,842 |
| Others | 2,193,891 | 47,136 |
| Total Rs. | <u>3,313,127</u> | <u>959,978</u> |
| SCHEDULE 7 | | |
| <u>CASH AND BANK BALANCES</u> | | |
| A. Cash on Hand | 231,725 | 42,763 |
| B. Balance with Scheduled Banks | 821,941 | 529,326 |
| Total Rs. | <u>1,053,666</u> | <u>572,089</u> |
| SCHEDULE 8 | | |
| <u>LOANS AND ADVANCES</u> | | |
| (Unsecured Considered good, recoverable in cash or in kind for value to be received) | | |
| Deposits | 135,338 | 135,388 |
| Advances for Capital Works | 5,702,004 | - |
| Total Rs. | <u>5,837,392</u> | <u>135,388</u> |

Combat Drugs Limited

| Particulars | As At 31-03-2009 Rs. | As At 31-03-2008 Rs. |
|---|----------------------------|----------------------------|
| SCHEDULE 9 | | |
| <u>CURRENT LIABILITIES AND PROVISIONS</u> | | |
| CURRENT LIABILITIES | | |
| Sundry Creditors | 18,417,220 | 17,113,213 |
| Liabilities for Expenses | 93,509 | 103,417 |
| TDS payable | 208,483 | 144,812 |
| Stockist Deposits | 2,264,944 | 2,264,944 |
| Total Rs. | <u>20,984,156</u> | <u>19,626,386</u> |
| SCHEDULE 10 | | |
| <u>MISCELLANEOUS EXPENDITURE</u> | | |
| (To the extent not written off or adjusted) | | |
| Profit & Loss Account | | |
| Opening Balance | 49,616,259 | 49,758,522 |
| Less : Incometax Adjustments | -- | (2,683) |
| Add/Less : Profit/ Loss for the year | 123,270 | 144,946 |
| Total Rs. | <u>49,492,989</u> | <u>49,616,259</u> |
| SCHEDULE 11 | | |
| <u>SALES :</u> | | |
| Pharma sales | 3,850,967 | 3,839,289 |
| Total Rs. | <u>3,850,967</u> | <u>3,839,289</u> |
| SCHEDULE 12 | | |
| <u>OTHER INCOME :</u> | | |
| Liabilities written back | 109,810 | 783,771 |
| Total Rs. | <u>109,810</u> | <u>783,771</u> |
| SCHEDULE 13 | | |
| <u>MANUFACTURING EXPENSES</u> | | |
| Material Consumed | 1,026,074 | 1,700,485 |
| Other Factory Expenses | - | 15,620 |
| Power & Fuel | 99,478 | 17,759 |
| Repairs & Maintenance | 6,030 | 11,430 |
| Wages & Conversion Charges | 437,296 | 325,322 |
| Total Rs. | <u>1,568,878</u> | <u>2,070,616</u> |

Combat Drugs Limited

| Particulars | As At 31-03-2009 Rs. | As At 31-03-2008 Rs. |
|--|----------------------------|----------------------------|
| SCHEDULE 14 | | |
| <u>PAYMENTS AND BENEFITS TO EMPLOYEES</u> | | |
| Directors Remuneration | 480,000 | 480,000 |
| Salaries | 218,260 | 116,906 |
| Staff Welfare | 17,143 | 11,094 |
| Total Rs. | 715,403 | 608,000 |
| SCHEDULE 15 | | |
| <u>ADMINISTRATIVE, SELLING AND OTHER EXPENSES</u> | | |
| Printing & Stationery | 75,240 | 8,627 |
| Postage & Telegrams | 63,312 | 67,070 |
| Travelling - Directors & Others | 255,426 | 84,156 |
| Office Expenses | 56,140 | 22,810 |
| Discount on Sales | -- | 643,120 |
| Conveyance & Vehicle Maintenance | 182,852 | 92,735 |
| Communication expenses | 34,217 | 35,733 |
| Audit Fees | 22,060 | 22,472 |
| Listing Fees | 11,484 | 8,400 |
| Accounting services | 20,000 | 20,000 |
| Advertisement & Business Promotion | 13,317 | 49,963 |
| ESI | 15,211 | 2,640 |
| Professional Charges | 92,628 | 111,712 |
| Provident Fund | 7,626 | -- |
| Rates & Taxes | 41,105 | - |
| VAT / Central Sales Tax | 158,105 | 100,756 |
| Rent | 30,288 | -- |
| Donations | - | 2,750 |
| Transportation Charges | - | 450 |
| News papers | - | 660 |
| Membership and Subscription | 4,250 | -- |
| Total Rs. | 1,083,261 | 1,274,054 |
| SCHEDULE 16 | | |
| Bank & Service Charges | 15,425 | 35,907 |
| Int. on Others | 505 | -- |
| Total Rs. | 15,930 | 35,907 |

SCHEDULE NO. 17.

ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.03.2009.

I. SIGNIFICANT ACCOUNTING POLICIES:

- i. **BASIS OF ACCOUNTING:**The Financial Statements have been prepared in accordance with the applicable accounting standards and are based on historical cost convention.
- ii. **FIXED ASSETS:**Fixed Assets are stated at cost of acquisition and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition and installation.
- iii. **DEPRECIATION:**Depreciation on fixed assets is provided on Straight Line Method on pro-rata basis at the rates prescribed in Schedule XIV of the Companies Act, 1956 as amended from time to time on the original cost of all the Assets including the existing assets.
- iv. **INVENTORIES:** Inventories are valued at lower of the cost or net realisable value.
- v. **DEFERRED TAX LIABILITY/ASSET :** To provide and recognize deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence.
- vi. **REVENUE RECOGNITION:** Sale of goods is recognised at the point of dispatch of finished goods to customers. Sales are inclusive of sales tax.
- vii. **MISCELLANEOUS EXPENDITURE:** To amortise: Preliminary expenses equally over a period of 10 years.
- viii. **PUBLIC ISSUE EXPENSES:**To write off Public issue expenses in ten equal instalments from the year following the year of Public Issue.

II. NOTES :

1. CONTINGENT LIABILITIES:

- a. Claims against the company not acknowledged as debts - NIL-
- b. Estimated amount of contracts remaining to be executed on capital account and not provided for : -NIL-
- c. Other Money due which the Company is contingently liable -Nil-

Combat Drugs Limited

2. In terms of condition of prudence as set out in paragraphs 15 to 18 of AS-22, considering the history losses of the company, sufficient future taxable income cannot be estimated with virtual or reasonable certainty. The company therefore has not recognized net deferred tax asset in the financial statement for the year ended 31-03-09. Further in accordance with paragraph 19 of AS-22 the net deferred tax asset, if any, shall be re assessed at the end of each balance sheet date hereafter and accordingly due recognition shall be given in the financial statement.

3. Value of imports calculated on CIF Basis -Nil-

4. Expenditure in Foreign Currency on account of royalty Know how, professional and consultaion fee, interest and other matters -Nil-

| | 31-03-2009 Rs. | 31-03-2008 Rs. |
|--|-------------------|-------------------|
| 5. Amounts remitted in Foreign Currency | -Nil- | -Nil- |
| 6. Earnings in Foreign Exchange | -Nil- | -Nil- |
| 7. Remuneration to Directors : | 4,80,000/- | 4,80,000/- |
| 8. Details regarding Auditors Remuneration : | | |
| As Auditor | 22,060/- | 22,472/- |
| In any other capacity | -Nil- | -Nil- |
| 9. Related Parties | 2008-09 | 2007-08 |
| 1. Associated Companies: Sale of Services | Nil | Nil |
| 2. Key Managerial Personnel : Whole time Directors Remuneration | Nil | Nil |

10. Earning Per Share:

| Particulars | Earnings per Share 2008-09 | Earnings per share 2007-08 |
|---|-------------------------------|-------------------------------|
| Equity share of face value Rs. 10/-each | 32,31,400 | 32,31,400 |
| Net profit | 1,23,270 | 1,44,946 |
| Number of shares used in Computing Earnings | 32,31,400 | 32,31,400 |
| Earnings per share | 0.04 | 0.04 |

11. Confirmation of balances in respect of Sundry Debtors, Sundry Creditors, Advances are in progress and is a continuous process.

12. The quantitive details for the operation of the year as required under part II of Schedule IV of the Companies Act, 1956 are given in the statement annexed.

Combat Drugs Limited

13. Previous year's figures have been re-grouped, where ever necessary to confirm to the current year's presentation.
14. All figures have been rounded off to the nearest rupee.

Signatories to Schedules 1 to 17

Vide our report of even date
for MAHESH, VIRENDER & SRI RAM,
Chartered Accountants

For and on behalf of the Board of
Directors

Sd/-
(B.R. Mahesh)

Sd/-
Managing Director

Sd/-
Director

Place : Hyderabad
Date : 26-08-2009

CONSOLIDATED STATEMENT OF FORMULATIONS

FROM: 01-04-2008 TO 31-03-2009

| Category | OP. Balance | | Production | | Total | | Sales | | Closing Stock | |
|----------|-------------|-------|------------|-------|-------|-------|-------|-------|---------------|-------|
| | Qty. | Value | Qty. | Value | Qty. | Value | Qty. | Value | Qty. | Value |
| Tablets | 2.28 | 3.52 | 32.00 | 32.88 | 34.28 | 36.40 | 32.00 | 32.88 | 2.28 | 3.52 |
| Capsules | 1.80 | 2.86 | 4.00 | 3.16 | 5.80 | 6.02 | 3.99 | 3.09 | 1.81 | 2.94 |
| Liquids | 763 | 0.76 | 4000 | 0.89 | 4763 | 1.65 | 3733 | 0.96 | 1030 | 0.70 |

CONSOLIDATED STATEMENT OF RAW/PACKING MATERIALS

FROM: 01-04-2008 TO 31-03-2009

| Item | OP. Stock | Purchase | Consumption | Closing Stock |
|----------------------------------|-----------|----------|-------------|---------------|
| RAW MATERIAL & PACKING MATERIALS | 18.68 | -- | 10.26 | 8.41 |

Sd/-
Managing Director

Sd/-
Director

**CASH FLOW STATEMENT
PURSUANT TO CLAUSE 32 OF LISTING AGREEMENT (S) (AS AMENDED)**

| Particulars | As at 31-03-2009 (Rs.) | As at 31-03-2008 (Rs.) |
|---|------------------------------|------------------------------|
| A. Cash Flow From Operating Activities | | |
| Profit/Loss Before Tax & Extra Ordinary Income | 123,344 | 144,946 |
| Adjustments for Depreciation | 422,823 | 475,652 |
| Provision for Tax/Adjustments | -- | (2,683) |
| Profit/Loss on Sale of Fixed Assets | -- | -- |
| Loss on sale of shares | -- | -- |
| Operating Profit/(Loss) Before Working Capital Changes: | 546,167 | 617,915 |
| Trade & Other Receivables | (7,029,079) | 1,348,346 |
| Trade Payables and other liabilities | 1,357,768 | (1,776,564) |
| Net Cash used from/in Operating Activities | (5,125,144) | 189,697 |
| B. Cash Flow From Investing Activities | | |
| Purchase of Fixed Assets | (13,781,384) | (6,013,753) |
| Net Cash used in Investing Activities | (13,781,384) | (6,013,753) |
| C. Cash Flow from Financing Activities | | |
| Share Capital/Application Money | 28,716,510 | -- |
| Repayment of Secured Loans | -- | -- |
| Capital Subsidy received | -- | -- |
| Proceeds from Unsecured Loans | (9,328,405) | 2,525,628 |
| Repayment of Sales Tax Defferment | -- | -- |
| Net Cash from financing Activities | 19,388,105 | 2,525,628 |
| Net Increase/Decrease in Cash and | | |
| Cash Equivalents (A+B+C) | 481,577 | (3,298,428) |
| Cash and Cash Equivalents | | |
| as on 01-04-2008 (Opening Balance) | 572,089 | 3,870,517 |
| Cash and Cash Equivalent | | |
| as on 31-03-2009 (Closing Balance) | 1,053,666 | 572,089 |

Vide our report of even date
for **MAHESH, VIRENDER & SRIRAM**
Chartered Accountants

For and on behalf of the Board

Sd/-
B.R. Mahesh
Partner

Sd/-
Suchit Mohanlal
Managing Director

Sd/-
Sushant Mohanlal
Director

Place: Hyderabad
Date: 26-08-2009.

AUDITOR'S CERTIFICATE

We have verified the above Cash Flow Statements of COMBAT DRUGS LIMITED derived from the Audited Financial Statements for the year ended 31st March, 2009 and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the listing agreements with the Stock Exchanges.

For **MAHESH, VIRENDER & SRIRAM**
Chartered Accountants

Sd/-
(B.R. Mahesh)
Partner
Membership No. 18628

Place : Hyderabad
Date : 26-08-2009.

Combat Drugs Limited

| | | |
|--------------------------------|--|---|
| SCHEDULE VI PART IV | Balance Sheet Abstract & Company's General Business Profile | THE COMPANIES ACT, 1956 (1 OF 1956) |
|--------------------------------|--|---|

I. Registration Details: State Code Balance Sheet Date
 Registration No.

II. Capital raised during the year : (Amount in Rs. Thousands)
 Public Issue
 Bonus Issue
 Right Issue
 Private Placement

III. Position of mobilisation and Deployment of Funds : (Amount in Rs. Lakhs)
 Total Liabilities Total Assets

Sources of Funds SHARE APPLICATION
 Paid-up Capital Reserves & Surplus
 Secured Loans Unsecured Loans

Application of Funds
 Net Fixed Asset Investment
 Net Current Assets Miscellaneous Expenditure

IV. Performance of Company : (Amount in Rs. Lakhs)
 Turnover/Receipt Total Expenditure
 Profits/Loss before tax Profits/Loss after tax

Earning per share in Rs. 0.04 Dividend @ % NIL

V. Generic Names of Pricipal Products

Item Code No.
 Product Description
 Item Code No.
 Product Description
 Item Code No.
 Product Description

Vide our report of even date
for MAHESH, VIRENDER & SRIRAM
 Chartered Accountants

For and on behalf of the Board

Sd/- **B.R. Mahesh** Partner
 Sd/- **Suchit Mohanlal** Managing Director
 Sd/- **Sushant Mohanlal** Director

Place: Hyderabad
 Date: 26-08-2009

COMBAT DRUGS LIMITED

Regd. Office: 185, 186, Yellampet, Medchal Mandal, R. R. Dist. A.P.

PROXY FORM

Ledger Folio No. _____ No. of shares Held _____

I/We _____

of _____ in the

In the District of _____ being a

Member/members of the above named Company hereby Appoint _____ of

_____ in the District

_____ as my/our Proxy to

attend and to vote for me/us on my/our behalf at the 23rd Annual General Meeting of the Company to be held on 30th September, 2009 at 11 A.M. at the Registered Office of the Company at 185, 186, Yellampet, Medchal Mandal, R.R. District, A.P. and at any adjournment thereof.

Signed thisday of Two Thousand Nine _____ Affix Revenue Stamp

Note: This Proxy Form duly completed should be deposited at the Registered Office of the Company not less the 48 (Forty Eight) hours before the time fixed for holding the meeting.

COMBAT DRUGS LIMITED

Regd. Office: 185, 186, yellampet, Medchal Mandal, R. R. Dist. A.P.

ATTENDANCE SLIP

(Please present this slip at the Meeting Venue)

23rd ANNUAL GENERAL MEETING – 30th September, 2009

Regd. Folio No. :

No. of Shares Held:

I hereby record my presence at the 23rd ANNUAL GENERAL MEETING of the members of the Company held on 30th September, 2009 at 11.00 A.M. at the Registered Office of the Company at 185, 186, Yellampet, Medchal Mandal, R.R. District, A.P

Name of the Shareholder: _____

Name of the Proxy: _____

Signature of Member / Proxy: _____

**PRINTED MATTER
BOOK POST**

If undelivered, please return to:

COMBAT DRUGS LIMITED

Regd. Office : 185, 186, Yellampet, Medchal Mandal,
R.R. Dist., Andhra Pradesh

Corp. Office : 203, Kabra Complex, 61, M.G. Road,
Secunderabad-500 003.