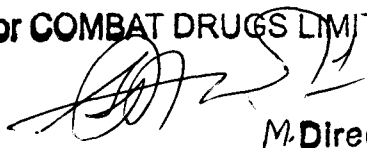


24th ANNUAL REPORT 2009-2010



For COMBAT DRUGS LIMITED



M. 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.

**24th
Annual General Meeting**

Date : 30-09-2010
Day : Thursday
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.

HDFC Bank Limited

Secunderabad.
Andhra Pradesh, India.

Corporate Office:

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

Central Bank of India

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.

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of the Members of Combat Drugs Limited will be held on Thursday, the 30th day of September, 2010 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, 2010 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 Sushant Mohan Lal, who, retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Shri B.N. Gnana Prakash, 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.**

Sd/-

SUCHIT MOHAN LAL
MANAGING DIRECTOR

PLACE: HYDERABAD

DATE: 06-09-2010

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 27th September, 2010 to 30th September 2010 (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: 06-09-2010

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

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

SHRI SUSHANT MOHAN LAL:

Shri Sushant Mohan Lal, S/o Shri Suchit Mohan Lal, aged about 31 years, is a resident of 126/2RT, Sanjeeva Reddy Nagar, Hyderabad-500038.

He is an MBA graduate from the Kansas University, U.S.A and possesses rich experience in Marketing and Management.

He is not a member of any Committee(s) other than that of Combat Drugs Limited.

Shareholding in the Company : 1,29,200 Equity Shares

SHRI BATTULA NARASINHA GNANA PRAKASH:

Shri Battula Narasimha Gnana Prakash, S/o Shri Battula Narasimha, aged about 65 years, is a resident of 10-3-68/A/6, Humayun Nagar, Hyderabad-500028.

He has completed his LLB and Bachelor of Science. He retired as the Additional Commissioner of Income Tax.

Due to his rich expertise in Accounts, Law and Finance, he was appointed as the Chairman to preside over all the Board and/or General Meetings, in the Board Meeting held on 16.03.2009.

He also serves as an Independent Director on the Board of the Company and provides advisory services on the matters related to Law, Accounts, Finance and Taxation.

He is not a member of any Committee(s) other than that of Combat Drugs Limited.

Shareholding in the Company : **NIL**

DIRECTORS' REPORT

Dear Members,

The Directors have pleasure in presenting before you the Twenty Fourth Annual Report of the Company for the financial year ended 31st March, 2010.

FINANCIAL RESULTS:

Particulars	(Rs. In Lakhs)	
	2009 – 2010	2008 – 2009
Net Sales	39.25	38.51
Other Income (including sundry balances written back)	-	1.10
Total Expenditure	33.89	33.68
Profit before Interest, Depreciation & Tax	5.36	5.93
Interest and Financial Charges	0.07	0.16
Depreciation	4.86	4.23
Profit before Tax	0.42	1.54
Provision for Tax	-	-
Provision for FBT	-	0.31
Net Profit (After Tax)	0.42	1.23

DIVIDEND:

Your Directors are unable to recommend any dividend for the financial year 2009-2010 due to inadequate profits during the year.

OPERATIONS & PROSPECTS FOR THE FUTURE:

During the year under review your company has successfully completed the envisaged and planned renovations to the buildings as required by the latest Gmp standards and the necessary additions of Machinaries and Quality Assurance equipment has been mostly completed.

The Directors take pleasure in informing that your company's manufacturing facilities were Audited by the Drugs Control Administration and a Certificate of GMP has been awarded to the unit.

Your company has commenced the manufacturing activities and the production in Betalactum section has already commenced.

Your company has also successfully completed the Non Beta Facilities and is awaiting the requisite GMP Licences for various sections.

During the year under review your Company, concentrated on the upgradation of the unit which was successfully implemented and the process of appointing Distributors and

Marketing Franchise Partners in most of the unrepresented areas has been successfully completed.

CORPORATE RESTRUCTURING:

Your Directors have drawn up plans to restructure the equity and operations of the Company and to wipe of the entire accumulated losses of the company.

In this regard a draft scheme of arrangement between the company, its shareholders and its unsecured creditors has been drawn up by the Board. In the due course of time, your Board shall finalise the same and complete the necessary formalities in this regard.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, Shri Sushant Mohan Lal and Shri B.N. Gnana Prakash, Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. (Rotational Directors)

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 Annual General Meeting. 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 Standards have been followed in the preparation of Annual Accounts for the Financial Year 2009-2010.
- 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 2010 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 C**".

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 D**".

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.

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 2009-2010.

SECRETARIAL COMPLAINE CERTIFICATE:

Pursuant to the provisions of Section 383A and all other applicable provisions, if any, of the Companies Act, 1956, M/s Marthi & Company, Company Secretaries, Hyderabad were appointed by the Board of Directors to issue the Compliance Certificate for the financial year 2009-2010. A copy of the same is annexed with this report as **Annexure B**.

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: 06.09.2010

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	58378	15790
Total amount (in Rs.)	233510.00	99478
Rate/unit (in Rs.)	4.00	6.30
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. Furnace 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:

1. Efforts, in brief, made towards technology absorption, adoption and innovation: Nil
2. Benefits derived as a result of the above efforts, Eg Product Improvement, Cost Reduction, Product Development, Import Substitution etc. : Nil
3. 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: 06.09.2010

Sd/-
SUCHIT MOHANLAL
MANAGING DIRECTOR

Sd/-
SUSHANT MOHAN LAL
DIRECTOR

FORM
(See Rule 3)
COMPLIANCE CERTIFICATE

Reg. No. of the Company : **06781**
Authorised Capital : **Rs 4,00,00,000/-**
Paid-up Capital : **Rs 3,23,14,000/-**

To
The Members,
COMBAT DRUGS LIMITED
(Formerly Combat Drugs and Softech Limited)
185,186, Yellampet, Medchal Mandal
R R Dist., Andhra Pradesh

We have examined the registers, records, books and papers of COMBAT DRUGS LIMITED (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the Rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the Financial Year ended 31st March, 2010. In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, and its officers, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure A to this certificate, as per the provisions and the rules made there under and all entries therein have been recorded.
2. The Company has filed the forms and returns as stated in Annexure B to this certificate, with the Registrar of Companies, A.P.
3. The Company being a Public Limited Company has the minimum prescribed paid up capital.
4. The Board of Directors met 6 times on, 28.04.2009, 30.07.2009, 07.09.2009, 29.10.2009, 12.12.2009, and 25.01.2010 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company had closed its Register of Members from 26.09.2009 to 30.09.2009 during the year under review.
6. The Annual General Meeting of the Company for the financial year ended on 31st March, 2009 was held on 30.09.2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.

7. No Extra-Ordinary General Meeting was held during the financial year under scrutiny.
8. The Company has not advanced any loans to its Directors and/ or Persons or Firms or Companies referred to under Section 295 of the Act during the year under review.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act during the year under review.
10. The Company has made necessary entries in the register maintained under Section 301(3) of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, during the financial year under scrutiny, the Company has not obtained any approval from the Board of Directors, Members and previous approval of the Central Government.
12. The Company has not issued any duplicate share certificates during the financial year 2009-2010.
13.
 - i. The Company has delivered all the certificates on transfer/ transmission of securities in accordance with the provisions of the Act during the financial year.
 - ii. The Company has not deposited any amount in a separate Bank account as no dividend was declared during the financial year under review.
 - iii. The Company has not posted warrants to any member of the Company as no dividend was declared during the financial year under review.
 - iv. There were no amounts lying with the Company in Unpaid Dividend Account or any application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years or more.
 - v. The Company has complied with the requirements of Section 217 of the Act.
14. The Board of Directors is duly constituted. There were no instances of appointment of Directors, Additional Directors, Alternate Directors and Directors to fill casual vacancies during the financial year 2009-2010.
15. The Company has not appointed Managing Director/Whole Time Director/Manager during the financial year 2009-2010.
16. The Company has not appointed any sole-selling agents during the financial year 2009-2010.

Combat Drugs Limited

17. There were no instances wherein the Company has obtained any approval from the Central Government, Company Law Board, Regional Director, Registrar or such other authorities, under the provisions of the Act during the financial year under scrutiny.
18. The Directors have disclosed their interest in other Firms/ Companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under during the year under review.
19. The Company has not issued / allotted any shares, debentures or other securities during the financial year under review.
20. The Company has not bought back any shares during the financial year under review.
21. There was no redemption of preference shares/debentures during the year under review.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares during the financial year 2009-2010.
23. The Company has not invited / accepted any deposits falling within the purview of Section 58A of the Act, during the financial year under review.
24. The Company has not borrowed any amount from its Directors, Members, Public, Financial Institutions, Banks and others during the financial year, falling within the purview of Section 293(1) (d) of the Act.
25. The Company has not made any loans/investments to other bodies corporate during the year under review requiring compliance with the provisions of Section 372A of the Act.
26. The Company has not altered the provisions of the Memorandum with respect to the situation of the Company's Registered Office from one State to another during the year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to Name of the Company during year under review.
29. The Company has not altered the provisions of the Memorandum with respect to share capital during the year under scrutiny.
30. The Company has not altered its Articles of Association during the year under scrutiny.

31. As per the information given by the Directors, there were no prosecutions initiated against or show cause notices received by the Company during the financial year for offences under the Act.
32. The Company has not received any money as security from its employees during the financial year.
33. The provisions of Section 418 of the Companies Act, 1956 are not applicable to the Company.

For MARTHI & CO.
COMPANY SECRETARIES

Sd/-
S. S. MARTHI
COMPANY SECRETARY
F. C. S. 1989, C.P. -1937

Place: Hyderabad
Date: 06-09-2010

ANNEXURE A

STATUTORY REGISTERS AS MAINTAINED BY THE COMPANY DURING THE FINANCIAL YEAR ENDED 31ST MARCH, 2010.

1. Register of Directors' U/s 303
2. Register of Directors' Shareholdings U/s 307
3. Register of Members U/s 150
4. Minutes of Board Meetings U/s 193
5. Minutes of Annual and Extra-Ordinary General Meetings U/s 193
6. Register of Contracts, Firms and Companies in which Directors are interested U/s 301(3) Nil Entries
7. Register of Contracts U/ s 301 (1) Nil Entries
8. Register of Charges U/s 143 Nil Entries
9. Register of Investments U/s 49 Nil Entries

ANNEXURE B

FORMS AND RETURNS FILED DURING THE YEAR.

1. Form 66, i.e., Compliance Certificate, filed U/s 383A of the Act on 21.12.2009. Two Times Additional Fee
2. Form 23B, i.e., Intimation of Auditors Appointment U/s. 224 of the Act, filed on 19.01.2010.

Nil Fees

3. Form 20B, i.e., Annual Return as on 30.09.2009, filed U/s 159 of the Act on 28.01.2010. Two Times Additional Fee
4. Form 23 AC & 23 AC A, i.e., Balance Sheet and P&L a/c as at 31st March, 2009, filed U/s 220 of the Act on 29.01.2010.

Two Times Additional Fee

For MARTHI & CO.
COMPANY SECRETARIES

Sd/-
S. S. MARTHI
COMPANY SECRETARY
F. C. S. 1989, C.P. -1937

Place: Hyderabad
Date: 06-09-2010

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 Pharmaceutical market is well on course as is projected with a growth of 11-13% p.a. between fiscal 2008 and fiscal 2020. Pharma Industry is making rapid strides and there are a lot of opportunities in the field of Domestic Sales, Exports and Outsourcing.

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.

The Manufacturing sector is seeing a sea change with the GMP standards being strictly implemented by the Government agencies. There is a lot of enthusiasm in the industry as the action of the Government agencies is expected to bring about a sort of consolidation in the market with an emphasis on quality which will benefit the industry in the long run.

The Company having upgraded its Manufacturing facilities and obtaining the GMP certification from the Drugs control Administration for its Beta lactum manufacturing facility will attract lot of Companies for third party manufacturing of Beta Lactum formulations.

The Company is also in the process of tying up with merchant exporters of repute based in India and Europe for marketing the Products manufactured in the Company in the African countries.

The significant threats and risks include those related to changing regulations and related compliances, Audits, Registrations and increasing price pressure due to market externalities and uncertainties.

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 strength has been Manufacturer of high Quality Formulations , world-class G.M.P organization of repute and at the same time positioning itself as a low-cost manufacturer of various high class Finished dosage forms and therapeutic products. Based on this fact, the Company has entered into Agreements with several organizations for Manufacturing their Formulations on Third party manufacturing basis and obtained Manufacturing Licences 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 earlier setbacks, Combat looks forward to a strong performance in the coming years in view of the upgraded Manufacturing Facilities. The Company is of the opinion that our core business is expected to show robust revenue growth and consequently greater margin contribution in the coming years.

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 income from operations for the financial year 2009-2010 stood at Rs.39.25 Lakhs as against Rs. 38.51 Lakhs for the year ended 31.03.2009.

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 2009-10.

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 the management is the trustee of all Investors' capital and is obligated to maximize Shareholders value over the long term, while preserving the interests of all its Stakeholders, such as Employees, Customers, Business Partners/ Vendors and the Society at large. It is committed to transparency, high levels of ethics and integrity in all its business dealings through regular disclosures that avoids all conflicts of interest.

The Company's philosophy on Corporate Governance is thus concerned with the ethics, values and morals of the Company and its Directors, who are expected to act in the best interests of the Company and remain accountable to Shareholders and other beneficiaries for their action.

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 Six times during the financial year 2009-2010, and the gap between two Board Meetings did not 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 2009-2010 are as follows:

28.04.2009	30.07.2009	07.09.2009	29.10.2009
12.12.2009	25.01.2010		

The attendance at the Board Meetings conducted during the 12 months period ended 31st March, 2010 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.	Shri Suchit Mohan Lal	Promoter & Executive	Managing Director	6	Yes	Nil	Nil
2.	Shri S. S. Marthi	Independent & Non -Executive	Director	6	Yes	2	3
3.	Shri Sushant Mohan Lal	Promoter & Executive	Director	6	Yes	Nil	Nil
4.	Shri Anjani Kumar Agrawal	Promoter & Non-Executive	Director	6	Yes	Nil	Nil
5.	Shri Sanjay Kumar Agarwal	Promoter & Non-Executive	Director	6	Yes	Nil	Nil
6.	Shri Battula Narasimha Gnana Prakash	Independent & Non -Executive	Director	6	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:

Shri Battula Narasimha Gnana Prakash	-	Chairman
Shri Sushant Mohan Lal	-	Member
Shri 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:

- (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 2010, Audit Committee met 4 times, as follows:

28.04.2009 07.09.2009 12.12.2009 25.01.2010

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:

Shri S.S.Marathi	—	Chairman
Shri Battula Narasimha Gnana Prakash	—	Member
Shri 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 2009-2010, the Remuneration Committee met three times.

Details of the Remuneration:

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.

Composition

The Committee comprises of the following members:

Shri Battula Narasimha Gnana Prakash	—	Chairman
Shri S.S.Marthi	—	Member
Shri Anjani Kumar Agarwal	—	Member

No Complaints were pending at the end of the period.

The Committee met 4 times during the year ended 31st March, 2010

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:

- Shri Suchit Mohan Lal - Chairman
- Shri S S Marthi, and - Member
- Shri Anjani Kumar.Agarwal - Member

During the financial year ended 31st March 2010, Committee met 4 times, as follows:
28.04.2009 07.09.2009 12.12.2009 25.01.2010

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
23 rd	30.09.2009 Wednesday	185, 186, Yellampet, Medchal Mandal, R.R. District, (AP)	11.00 A.M.
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.

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.

9. 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 06.09.2010.

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	:	30 th September, 2010 at 11.00 A.M. at the registered office of the Company at 185/186, Yellampet, Medchal Mandal, R.R. District, A.P.
Financial Year	:	1 st April 2009 to 31 st March, 2010
Dates of Book Closure	:	27.09.2010 (Monday) to 30.09.2010 (Thursday)
Listing	:	The Bombay Stock Exchange Ltd. The 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 transfers are affected 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	:	The suspension of trading in the equity of the company is revoked in BSE. The company is in the process of making application to CDSL and NSDL for dematerialization of its 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 & Works Office	:	185, 186, Yellampet, Medchal Mandal, R.R. District, Andhra Pradesh
Corporate Office	:	203, Kabra Complex, 61, M.G. Road, Secunderabad – 500 003

Combat Drugs Limited
12. DISTRIBUTION OF SHAREHOLDING :

 Distribution of Shareholding as on 31st March, 2010 :

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, 2010

Sl. no	Category	No. of Shares held	Percentage of Shareholding
A	Promoter's Holding		
1	Promoters Indian Promoters: Mr. SUCHIT MOHAN LAL Mr. SUSHANT MOHAN LAL Foreign Promoters:	248800 129200 NIL	7.70% 4.00% NIL
2	Persons acting in concert	34200	1.06%
	Sub-Total	412200	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)	3000	0.09%
C	FIs	NIL	NIL
	Sub-Total	3000	0.09%

Combat Drugs Limited

4	Others		
a.	Private corporate Bodies	35500	1.10%
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%

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

Place: Hyderabad
Date: 06.09.2010

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 2009-10.

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

Sd/-

SUCHIT MOHANLAL

Managing Director

Place: Hyderabad

Date: 06.09.2010

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, 2010 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 (1B) 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, 2010 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, 2010.
- 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

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, 2010.

and

ii. In the case of the Profit and Loss Account, of the **Profit** of the Company for the year ended 31 st March, 2010.

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

(B.R.MAHESH)
Partner

Place : Hyderabad.

Date : 06.09.2010.

**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, 2010, 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 : 06-09-2010

BALANCE SHEET AS AT 31ST MARCH 2010

LIABILITIES	Sch. No	As at 31-03-2010 Rs.	As at 31-03-2009 Rs.
<u>SOURCE OF FUNDS</u>			
SHARE HOLDERS FUNDS:			
Share Capital	1	64,782,064	56,030,510
Reserves & Surplus:			
- Capital Subsidy Received		2,000,000	2,000,000
<u>LOAN FUNDS</u>			
Unsecured Loans	2	6,279,929	6,595,122
Total Rs.		73,061,993	64,625,632
<u>ASSETS</u>			
<u>APPLICATION OF FUNDS</u>			
<u>FIXED ASSETS</u>	3		
a) Gross Block		42,788,293	29,956,362
b) Less: Depreciation		6,135,836	5,649,988
c) Net Block		36,652,457	24,306,374
<u>INVESTMENTS</u>	4	50,000	50,000
<u>CURRENT ASSETS, LOANS & ADVANCES</u>			
a) Inventories	5	3,775,140	1,556,240
b) Sundry Debtors	6	3,248,439	3,313,127
c) Cash & Bank Balances	7	1,478,168	1,053,666
d) Loans & Advances	8	438,973	5,837,392
Sub Total Rs.		8,940,720	11,760,425
Less: CURRENT LIABILITIES AND PROVISIONS			
Liabilities	9	22,031,761	20,984,156
Net Current Assets		(13,091,041)	(9,223,731)
<u>MISCELLANEOUS EXPENDITURE</u>			
(To the extent not written off or adjusted)	10		
Profit & Loss Account		49,450,577	49,492,989
Total Rs.		73,061,993	64,625,632
Notes and Accounting Policies from part of Accounts	17		
FOR & ON BEHALF OF THE BOARD OF DIRECTORS		Vide our report of even date for MAHESH, VIRENDER & SRIRAM Chartered Accountants	
Sd/- Managing Director	Sd/- Director	Sd/- (B.R. MAHESH) Partner	
Place: Hyderabad		Memberssship: 18628	
Date: 06-09-2010.			

Combat Drugs Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING ON 31ST MARCH 2010			
LIABILITIES	Sch. No	As at 31-03-2010 Rs.	As at 31-03-2009 Rs.
<u>INCOME</u>			
Sales	11	3,924,609	3,850,967
Other Income	12	-	109,810
Total Rs.		3,924,609	3,960,777
<u>EXPENDITURE</u>			
Manufacturing Expenses	13	1,395,305	1,568,878
Payments & Benefits to Employees	14	765,573	715,403
Administrative & Other Expenses	15	1,228,132	1,083,261
Total Rs.		3,389,010	3,367,542
Profit before Interest, Depreciation & Taxation		535,599	593,235
Interest & Finance Charges	16	7,339	15,930
Profit before Depreciation		528,260	577,305
Depreciation		485,848	422,897
Profit/Loss Before Tax		42,412	154,408
Provision for Tax		-	-
Provision for FBT		-	31,138
Profit/Loss After Tax		42,412	123,270
Accounting Policies & Notes forming part of Accounts	17		
FOR & ON BEHALF OF THE BOARD OF DIRECTORS		Vide our report of even date for MAHESH, VIRENDER & SRIRAM Chartered Accountants	
Sd/- Managing Director	Sd/- Director	Sd/- (BR MAHESH) Partner Membership: 18628	
Place: Hyderabad Date: 06-09-2010.			

SCHEDULES FORMING PART OF ACCOUNTS

Particulars	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
SCHEDULE 1		
SHARE CAPITAL		
Authorised :		
40,00,000 Equity Shares of Rs.10/- each	40,000,000	40,000,000
 <u>ISSUED AND SUBSCRIBED</u>		
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	32,468,064	23,716,510
Total Rs.	<u>69,782,064</u>	<u>32,314,000</u>
 SCHEDULE 2 :		
UNSECURED LOANS:		
From Others	5,000,000	5,000,000
- Sales Tax Defferment	1,279,929	1,595,122
Total Rs.	<u>6,279,929</u>	<u>6,595,122</u>
 SCHEDULE 4:		
INVESTMENTS AT COST - QUOTED		
20,000 Equity Shares of Rs.10/- each		
of Zental Drugs Limited - partly paid	50,000	50,000
Total Rs.	<u>50,000</u>	<u>50,000</u>

FIXED ASSETS - SCHEDULE NO. 3

S. No	Name of the Asset	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 31-03-09	Additions	Deletions	As at 31-03-10	As on 31-03-09	For the Year	Deletions	As on 31-03-10	As at 31-03-10	As at 31-03-09
1	Leased Building	1,514,135	-	-	1,514,135	66,783	50,572	-	117,355	1,396,780	1,447,352
2	Furniture	454,723	-	-	454,723	375,947	28,784	-	404,731	49,992	78,776
3	Computers	68,700	-	-	68,700	9,884	11,136	-	21,020	47,680	58,816
4	Plant & Machinery	7,811,122	-	-	7,811,122	4,918,721	371,028	-	5,289,749	2,521,373	2,892,401
5	Lab Equipment	221,814	-	-	221,814	103,384	10,536	-	113,920	107,894	118,430
6	Office Equipment	289,515	2,300	-	291,815	175,269	13,792	-	189,061	102,754	114,246
7	Software	-	400,000	-	400,000	-	-	-	-	400,000	-
8	Lab Equipment - WIP	-	817,228	-	817,228	-	-	-	-	817,228	-
9	Plant & Machinery - WIP	4,987,893	4,603,692	-	9,591,585	-	-	-	-	9,591,585	4,987,893
10	Electrical Fittings - WIP	232,786	39,465	-	272,251	-	-	-	-	272,251	232,786
11	Furniture - WIP	2,696,528	3,129,483	-	5,826,011	-	-	-	-	5,826,011	2,696,528
12	Building - Work in Progress	11,679,146	3,839,763	-	15,518,909	-	-	-	-	15,518,909	11,679,146
	Total Rs.	29,956,362	12,831,931	-	42,788,293	5,649,988	485,848	-	6,135,836	36,652,457	24,306,374
	Previous Year	16,174,978	13,781,384	-	29,956,362	5,227,091	422,897	-	5,649,988	24,306,374	10,947,887

SCHEDULES FORMING PART OF ACCOUNTS

Particulars	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
SCHEDULE 5		
CURRENT ASSETS, LOANS & ADVANCES		
INVENTORIES		
(As valued and certified by the Management)		
Raw Material & Packing Material	3,775,140	1,556,240
Total Rs.	<u>3,775,140</u>	<u>1,556,240</u>
SCHEDULE 6:		
SUNDRY DEBTORS		
Trade Debtors - (Unsecured, considered good)		
Over 6 Months	2,199,851	1,119,236
Others	1,048,588	2,193,891
Total Rs.	<u>3,248,439</u>	<u>3,313,127</u>
SCHEDULE 7 :		
CASH AND BANK BALANCES		
A. Cash on Hand	171,346	231,725
B. Balances with Scheduled Banks	1,306,822	821,941
Total Rs.	<u>1,478,168</u>	<u>1,053,666</u>
SCHEDULE 8 :		
LOANS AND ADVANCES		
(Unsecured Considered good, recoverable in cash or in kind for value to be received)		
Deposits	135,388	135,388
Prepaid Expenses	3,585	-
Advances for Capital Works	300,000	5,702,004
Total Rs.	<u>438,973</u>	<u>5,837,392</u>

Combat Drugs Limited

Particulars	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
SCHEDULE 9 :		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors	18,425,283	18,417,220
Liabilities for Expenses	181,150	93,509
T D S payable	236,121	208,483
HDFC - TOD/CINE	924,263	-
Stockist Deposits	2,264,944	2,264,944
Total Rs.	<u>22,031,761</u>	<u>20,984,156</u>
SCHEDULE 10 :		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Profit & Loss Account		
Opening Balance	49,492,989	49,616,259
Less: Income Tax Adjustments	-	-
Add/Less: Profit/Loss for the year	42,412	123,270
Total Rs.	<u>49,450,577</u>	<u>49,492,989</u>
SCHEDULE 11		
SALES :		
Pharma Sales	3,924,609	3,850,967
Total Rs.	<u>3,924,609</u>	<u>3,850,967</u>
SCHEDULE 12		
OTHER INCOME:		
Liabilities written back	-	109,810
Total Rs.	<u>-</u>	<u>109,810</u>
SCHEDULE 13		
MANUFACTURING EXPENSES		
Material Consumed	731,413	1,026,074
Testing Charges	31,693	-
Power & Fuel	233,510	99,478
Repairs & Maintenance	61,062	6,030
Lab Chemicals	6,978	-
Wages	330,649	437,296
Total Rs.	<u>1,395,305</u>	<u>1,568,878</u>

Combat Drugs Limited

Particulars	As At 31-03-2010 Rs.	As At 31-03-2009 Rs.
SCHEDULE 14		
PAYMENTS AND BENEFITS TO EMPLOYEES		
Directors Remuneration	480,000	480,000
Salaries — Others	276,130	218,260
Staff Welfare	9,443	17,143
Total Rs.	<u>765,573</u>	<u>715,403</u>
SCHEDULE 15		
ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Printing & Stationery	76,963	75,240
Postage & Telegrams	64,930	63,312
Travelling - Directors & Others	61,486	255,426
Office Expenses	15,631	56,140
Conveyance & Vehicle Maintenance	116,725	182,852
Communication Expenses	36,868	34,217
Audit Fees	22,060	22,060
Listing Fees	331,130	11,484
Accounting Services	20,000	20,000
Advertisement & Business Promotion	23,719	13,317
E S I	15,338	15,211
Professional Charges	117,960	92,628
Provident Fund	-	7,626
Rates & Taxes	79,100	41,105
VAT/Central Sales Tax	153,165	158,105
Rent	75,925	30,288
Computer Maintenance	2,799	-
Membership & Subscription	14,333	4,250
Total Rs.	<u>1,228,132</u>	<u>1,083,261</u>
SCHEDULE 16		
Bank & Service Charges	6,117	15,425
Int. on Others	1,222	505
Total Rs.	<u>7,339</u>	<u>15,930</u>

SCHEDULE NO. 17.

ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31.03.2010.

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 31-03-10. 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 royally Know how, professional and cousultaion fee, interest and other matters -Nil-

	31-03-2010	31-03-2009
	Rs.	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/-	22,060/-
In any other capacity	-Nil-	-Nil-
9. Related Parties	2009-10	2008-09
1. Associated Companies:	Nil	Nil
Sale of Services		
2. Key Managerial Personnel :	Nil	Nil
Whole time Directors Remuneration		

10. Earning Per Share:

Particulars	Earnings per Share 2009-10	Earnings per share 2008-09
Equity share of face value Rs. 10/-each	32,31,400	32,31,400
Net profit	42,412	1,23,344
Number of shares used in Computing Earnings	32,31,400	32,31,400
Earnings per share	0.01	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 : 06-09-2010

CONSOLIDATED STATEMENT OF FORMULATIONS
FROM: 01-04-2009 TO 31-03-2010

Category	OP. Balance		Production		Total		Sales		Closing Stock	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
Tablets	2.28	3.52	33.7	34.58	36.0	38.10	34.0	35.02	2.0	3.08
Capsules	1.81	2.94	4.18	3.38	6.0	6.32	3.99	3.07	2.0	3.25
Liquids	763	0.7	5420	1.18	6183	1.88	3733	1.16	2450	0.72

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CONSOLIDATED STATEMENT OF RAW/PACKING MATERIALS
FROM: 01-04-2009 TO 31-03-2010

Item	OP. Stock	Purchase	Consumption	Closing Stock
RAW MATERIAL & PACKING MATERIALS	8.41	29.60	7.31	30.70

Sd/-
 Managing Director

Sd/-
 Director

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

Particulars	As at 31-03-2010 (Rs.)	As at 31-03-2009 (Rs.)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/Loss Before Tax & Extra ordinary Income	42,412	123,344
Adjustments for Depreciation	485,848	422,823
Provision for Tax/Adjustments	-	-
Profit/Loss on Sale of Fixed Assets	-	-
Loss on sale of shares	-	-
Operating Profit/(Loss) Before Working Capital Changes:	528,260	546,167
Trade & Other Receivables	3,244,207	(7,029,079)
Trade Payables and other Liabilities	1,047,605	1,357,768
Net Cash used from/in Operating Activities	4,820,072	(5,125,144)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(12,831,931)	(13,781,384)
Proceeds from sales of fixed assets	-	-
Proceeds from sale of shares	-	-
Net Cash used in Investing Activities	(12,831,931)	(13,781,384)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Capital/Application Money	8,751,554	28,716,510
Repayment of Secured Loans	-	-
Capital Subsidy received	-	-
Proceeds from Unsecured Loans	-	(9,328,405)
Repayment of Sales Tax Defferment	(315,193)	-
Net Cash from financing Activities	8,436,361	19,388,105
Net Increase/Decrease in Cash and Cash Equivalents(A+B+C)	424,502	481,577
Cash and Cash Equivalents as on 01.04.2009 (Opening Balance)	1,053,666	572,089
Cash and Cash Equivalents as on 31.03.2010 (Closing Balance)	1,478,168	1,053,666

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: 06-09-2010

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, 2010 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 : 06-09-2010.

SCHEDULE VI PART IV	Balance Sheet Abstract & Company's General Business Profile	THE COMPANIES ACT, 1956 (1 OF 1956)
I. Registration Details:		State Code
Registration No.	0 6 7 8 1	0 1
		Balance Sheet Date
		3 1 0 3 1 0
II. Capital raised during the year : (Amount in Rs.)		
Public Issue	N I L	Right Issue
Bonus Issue	N I L	Private Placement
III. Position of mobilisation and Deployment of Funds : (Amount in Rs.)		
Total Liabilities	9 5 0 9 3 7 5 4	Total Assets
Sources of Funds		
Paid-up Capital	3 2 3 1 4 0 0 0	Share Application Money
Secured Loans	N I L	Reserves & Surplus
Application of Funds		
Net Fixed Asset	3 6 6 5 2 4 5 7	Investment
Net Current Assets	- 1 3 0 9 1 0 4 1	Miscellaneous Expenditure
Accumulated loss	- 4 9 4 5 0 5 7 7	
IV. Performance of Company : (Amount in Rs.)		
Turnover/Receipt	3 9 2 4 6 0 9	Total Expenditure
Profits/Loss before tax	4 2 4 1 2	Profits/Loss after tax
Earning per share in Rs. 0.01		Dividend @ % NIL
V. Generic Names of Pricipal Products		
Item Code No.	N P N 0 0 1	
Product Description	I B U R O F I E N	
Item Code No.	C R B 0 0 1	
Product Description	C I P R O F L O X A C I N	
Item Code No.	A M X 0 0 1	
Product Description	A M O X Y C I L L I N	
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: 06-09-2010		

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 24th Annual General Meeting of the Company to be held on 30th September, 2010 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 Ten 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)

24th ANNUAL GENERAL MEETING – 30th September, 2010

Regd. Folio No. :

No. of Shares Held:

I hereby record my presence at the 24th ANNUAL GENERAL MEETING of the members of the Company held on 30th September, 2010 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.