



# Annual Report

2009-10



*Quality Keeps us Moving*

**KARNATAKA ANTIBIOTICS  
&  
PHARMACEUTICALS LIMITED**



Hon'ble Members of Parliamentary Standing Committee on Personnel, Public Grievances, Law & Justice during visit to Bangalore



Shri S.L. Phadke, Managing Director, KAPL seen with Shri S.C. Sharma, Dy. Secretary, Dept. of Pharmaceuticals along with other Sr. Officers during meeting with Parliamentary Standing Committee on Personnel, Public Grievances, Law & Justice



Dr. E.V. Ramana Reddy, IAS



Shri S.L. Phadke



Smt. Vandita Sharma, IAS



Smt. Asha Rani Rungta



Dr. B.R. Jagashetty



Shri R.C. Jha



**DR. E.V. RAMANA REDDY, IAS**  
Chairman – KAPL and Secretary,  
Health & Family Welfare Dept. Government of  
Karnataka, Vikas Soudha BANGALORE – 560 001  
From: 13.01.2010

**Smt. VANDITA SHARMA, IAS**  
Managing Director  
Karnataka State Industrial Investment &  
Development Corpn. Ltd.,  
Khanija Bhavan, 4th Floor, East Wing,  
49 Race course Road, BANGALORE 560 001  
From: 13.01.2010

**Shri S L PHADKE,**  
Managing Director  
Karnataka Antibiotics & Pharmaceuticals Limited,  
Dr Rajkumar Road, 1st Block, Rajajinagar,  
BANGALORE – 560 010  
From: 01.04.2007

**Dr. B.R. JAGASHETTY**  
Drugs Controller for the State of Karnataka,  
Palace Road, Bangalore – 560 001  
From 22.05.2008

**Shri R.C.JHA**  
Director, Department of Pharmaceuticals,  
Shastri Bhavan, New Delhi-110 011  
From: 13.01.2010

**Smt. ASHA RANI RUNGTA**  
Director (Finance Division),  
Department of Chemicals & Petrochemicals,  
Shastri Bhavan, New Delhi - 110 011  
From: 13.01.2010

**Shri I R PERUMAL, IAS**  
Chairman – KAPL and Principal Secretary,  
Health & Family Welfare Dept., Government of  
Karnataka, Vikas Soudha, BANGALORE – 560 001  
Upto : 23.09.2009

**Shri N C MUNIYAPPA, IAS**  
Managing Director,  
Karnataka State Industrial Investment &  
Development Corpn. Ltd.,  
Khanija Bhavan, 4th Floor, East Wing,  
49 Race Course Road, BANGALORE 560 001  
Upto : 23.09.2009

**Shri S.C. SHARMA**  
Deputy Secretary to the Government of India,  
Ministry of Chemicals & Fertilizers,  
Department of Pharmaceuticals,  
Shastri Bhavan, New Delhi-110 011  
Upto 23.09.2009

**Shri T K RANGANATHAN**  
Managing Director,  
Hindustan Antibiotics Limited, Pimpri, Pune - 411 018  
Upto : 23.09.2009

**Shri K.P. RAJAN**  
General Manager(M&C),  
Hindustan Antibiotics Limited, Pimpri, Pune - 411 018  
Upto: 23.09.2009

**JAGADEESH C HIREMATH**

Company Secretary &amp; Asst.Gen.Manager(Admn.)

**STATUTORY AUDITORS**

M/s. Vasan & Sampath  
Jupiter-1, 30 : 1, 4th Cross, Jayanagar,  
7th Block (west), Bangalore – 560 070

**INTERNAL AUDITORS**

M/s. Rao & Swami  
Chartered Accountants,  
2/1, Cannaught Road, Bangalore-560 052

**BANKERS**

Vijaya Bank, Mayo Hall Branch &  
West of Chord Road Branch  
Bangalore

**STATE BANK OF INDIA**

Industrial Finance Branch  
Residency Road  
Bangalore – 560 025

**REGISTERED & CORPORATE OFFICE**

Dr.Rajkumar Road (80 Feet Road) , 1st Block, Rajajinagar, Bangalore – 560 010  
Website: [www.kaplindia.com](http://www.kaplindia.com)

## NOTICE OF THE TWENTY NINTH ANNUAL GENERAL MEETING



Notice is hereby given that the Twenty Ninth Annual General Meeting of the Members of the Company will be held as under:

DAY : Thursday  
DATE : 23.09.2010  
TIME : 1230 Hours  
VENUE : Regd. & Corp. Office,  
Dr. Rajkumar Road, 1st Block, Rajajinagar, Bangalore – 560 010.

to transact the following business:

A. Ordinary Business

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31st March 2010 and the Audited Profit and Loss Account for the year ended on that date along with the Auditors' Report thereon.
2. To declare dividend.

By Order of the Board of Directors

Place : Bangalore  
Date : 23.08.2010

**(JAGADEESH C HIREMATH)**  
Company Secretary and  
Asst.General Manager(Admn).

To:

1. The Members of the Company
2. Statutory Auditors

**Note:**

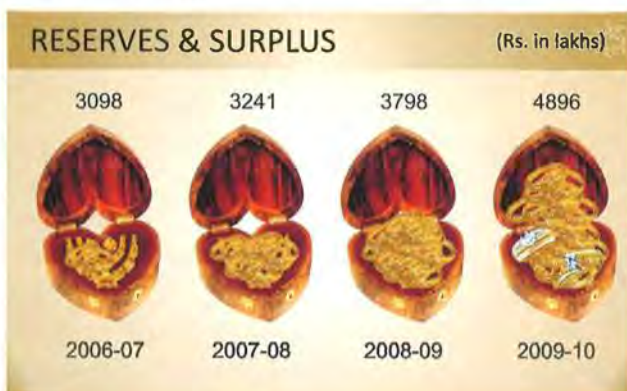
1. A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote on his behalf, only on a poll. Such a proxy need not be a member of the Company.
2. As per Section 619(2) of the Companies Act, 1956, the Comptroller and Auditor General of India has appointed M/s. Vasan & Sampath, Chartered Accountants, as the Statutory Auditors for the year ending 31.03.2011.

	<b>3</b> Notice	<b>4-5</b> Chairman's Speech	<b>6-19</b> Directors' Report	<b>20-22</b> Auditors' Report
<b>23</b> Comments of C&AG	<b>24-25</b> Significant Accounting Policies	<b>26-27</b> Balance Sheet	<b>28-29</b> Profit & Loss Account	<b>30-52</b> Schedules 1 to 20
<b>53</b> General Business Profile	<b>54-55</b> Cash Flow Statement	<b>56</b> Figures at a Glance		

SPEECH DELIVERED BY CHAIRMAN, AT THE 29TH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT BANGALORE ON 23<sup>rd</sup> SEPTEMBER 2010.

Dear Shareholders, Ladies and Gentlemen,

1. I have immense pleasure in extending a warm welcome to you all for the 29th Annual General Meeting of your Company.
2. I am happy to inform you that Company reached new record in terms of revenue and profits during the year ended 31st March, 2010. The Directors' Report and the Accounts of the Company for the year ended 31st March, 2010 along with Addendum to Directors' Report have already been circulated and with your permission, I shall consider them as read.



### 3. MACRO ECONOMIC SETTING:

During the year 2009-10, the India's Gross Domestic Product (GDP) grew by 7.4%. The economic growth exceeded expectations. Financial year 2009-10 saw large volatility in inflation numbers with food prices witnessing the steepest increase. As per estimates, the outlook for the 2010-11 looks encouraging and GDP is likely to grow by 8.5%.



*Sr. Officers seen during signing of Agreement for Strategic Alliance*



*Non-Officers (Technical) Participating in Training Programme*

### 4. OPERATIONAL PERFORMANCE:

I am delighted in informing you that, your Company achieved production of the value of Rs.218.75 crores – the annual production per factory employee being Rs.1.02 crores (previous year Rs.1.17 crores). The Company achieved a sales turnover of Rs.212.81 crores. During the year Company could not get huge kit business from Government of India. However the performance in branded and generic segments was better compared to earlier years.

### NET WORTH



### 5. FINANCIAL RESULTS:

Your Company achieved a record cash profit of Rs.18.20 crores (previous year Rs.11.32 crores). The Company has achieved a profit before tax of Rs.16.38 crores (previous year Rs.9.68 crores) and profit after tax of Rs.11.50 crores (previous year Rs. 6.00 crores). You will be glad to know that the book value of per share (a face value of Rs.100/-) is Rs.3386 (previous year Rs.2649). The earning per share is Rs.772 on a face value of Rs.100/-.

### 6. DE-LINKING:

Consequent to transfer of shares in favour of President of India effective from 01.10.2009, the

Company is no longer subsidiary of M/s. Hindustan Antibiotics Limited. Considering the performance of the Company, Company had made proposal of upgradation to Schedule 'C' from Schedule 'D' category. You will be pleased to note that Government of India has approved upgradation of Company to Schedule 'C' category.



**7. DIVIDEND:**

As you are aware , KAPL is the only pharmaceutical Company in the Central Drug Sector to consistently declare dividend for the past 20 years. For the year 2009-10, your Directors have recommended a dividend of Rs.30/- for every equity share of Rs.100/.

**8. "EXCELLENT" RATING:**

Based on the self-appraisal your Company has achieved an "Excellent " rating for the achievement of targets under the Memorandum of Understanding [ MOU ] entered into by the Company for the year 2008-09.



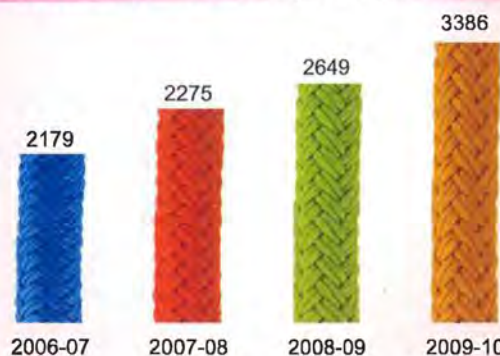
**9. CORPORATE GOVERNANCE :**

The Company has been maintaining the highest standards of Corporate Governance. Company has been adhering to the Corporate Governance guidelines issued by Department of Public Enterprises, Government of India.

**10. ACKNOWLEDGEMENT:**

- 10.1 At the outset, I place on record my sincere thanks to various departments of Government of India, Government of Karnataka and other State Governments for the constant support and guidance.
- 10.2 My deep gratitude to our valued customer for their trust in the Company.
- 10.3 On behalf of the Board as well as on my personal behalf, I thank all the employees who have helped the Company to reach the greater heights.
- 10.4 I am grateful for the immense contribution made by our Auditors and the Legal Advisors.

**BOOK VALUE PER SHARE (Rs.)** (Face Value Rs.100)



10.5 I will be failing in my duty if I do not thank the Directors on the Board for their invaluable support and contribution in steering the Company to achieve the glorious performance.

11. I now commend the Balance Sheet as on 31.03.2010, Profit and Loss Account for the year ended on that date and the Directors' Report for the adoption.

Place: Bangalore  
Date: 23.09.2010

**Chairman**

## DIRECTORS' REPORT

To  
The Shareholders,  
Karnataka Antibiotics & Pharmaceuticals Limited.,  
Gentlemen,

We are delighted to present our Report on the business and operations of the Company for the year ended 31<sup>st</sup> March 2010.

### 1. HIGHLIGHTS

The performance highlights of the Company are furnished in the Table-I:

**Table I**

PERFORMANCE HIGHLIGHTS		Rs. in Lakhs		
Sl. No.	Particulars	2007-2008	2008-2009	2009-2010
1.	Production*	22633	25092	21875
2.	Sales	19645	22501	21282
3.	Exports (included in Sl.No.2 above)	616	1088	1220
4.	Profit before Tax	852	968	1642
5.	Profit after Tax	519	600	1150
6.	Dividend	25%	25%	30%
7.	Reserve and Surplus	3241	3798	4896
8.	Earning per Share(Rs.) (Face value Rs.100/-)	349	403	772
9.	Book value of the Share(Rs.) (Face value Rs.100/-)	2275	2649	3386

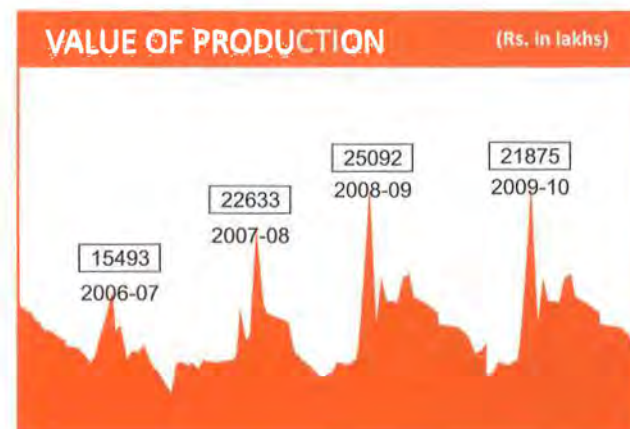
\* includes the value of Contract manufacturing

### 2. SHARE CAPITAL

The authorised capital is Rs. 1500 lakhs and the paid-up capital continues to be Rs. 149 lakhs.

During last year, subject to the approval of BIFR, Government of India had approved transfer of shares held by Hindustan Antibiotics Limited in KAPL to the President of India without any consideration. The authorized capital of the Company was to be increased from Rs. 4 crores to 15 crores. Accordingly after BIFR

approval shares were transferred from HAL to the President of India effective from 01.10.2009. Consequently, the Company is no longer subsidiary of HAL.



### 3. FINANCE

The Company availed Rs.441.08 lakhs from Vijaya Bank towards term loan in order to upgrade its facilities.

As on 31.03.2010, the borrowing from Banks for working capital requirements was Rs. 177.65 lakhs. (previous year Rs.143.28 lakhs). Due to continuous monitoring of funds position, inventory levels and improved sales realization, the interest burden, was kept under control at Rs. 13.76 lakhs (previous year Rs. 16.06 lakhs).



*Non-Officers (Non-Technical) participating in Training Programme*



**4. PRODUCTION**

The Company achieved the production of the value of Rs.21875 lakhs (previous year Rs. 25092 lakhs), The annual production value per factory employee per annum was Rs. 102 lakhs (previous year Rs.117 lakhs).

**5. CAPACITY UTILISATION**

The particulars of capacity utilisation, during the last three years, are furnished in the Table-II.

**Table II**

CAPACITY UTILISATION		(in %)		
Sl. No.	Particulars	2007-2008	2008-2009	2009-2010
1	Liquid Parenterals	70	85	123
2	Vials	75	87	74
3	Tablets	154	141	192
4	Capsules	61	129	177

**6. SALES TURNOVER**

During the year under review, your Company could not get huge kit business due to changed policy of Government. However, the performance in Branded and Generic segments was excellent. This helped to compensate the loss of business occurred in trading segment.

The Members would be delighted to know that the sales under the Brand "Grenil" achieved Rs 740 lakhs compared to previous year Rs.722 lakhs. The sales of "Verclav" achieved Rs. 444 lakhs compared to previous year Rs. 395 lakhs. "Cetriax" achieved Rs. 432 lakhs sales compared to previous year Rs. 371 lakhs. "Remcc" brands, achieved sales of Rs. 399 lakhs. Sales

**CONTRIBUTION TO EXCHEQUER (Rs. in lakhs)**



Star Performers seen during Award Function at Bangalore

Turnover of Cyfolac group achieved Rs. 328 lakhs and Sales turnover of each of the brands viz "Maxiflam group" "Vitalpha", "Cefpar", "Zinfe", & "Verixime" exceeded Rs. 100 lakhs each.

The comparative figures of sales turnover are furnished in the Table-III.

**Table III**

SALES TURNOVER		Rs. in lakhs		
Sl. No.	Particulars	2007-2008	2008-2009	2009-2010
1	Liquid Parenterals	1264	1516	1943
2	Liquid Orals and Dry Syrup	309	337	379
3	Vials	2991	4382	4852
4	Tablets	2092	2576	3185
5	Capsules	223	696	831
6	Others	12631	12880	10013
7	Loan Licence	135	114	79
	<b>Total</b>	<b>19645</b>	<b>22501</b>	<b>21282</b>

**7. NEW PRODUCTS**

With the object of increasing the sales volume and the margin, the Company continues to introduce new products. The new products launched during 2009-10 were:

- a) TAB NUFENAC A
- b) TAB NUMOL A
- c) TAB VERZIT
- d) INJ. CETRIAX-S 375
- e) CIZOLE BOLUS
- f) CIZOLE TABLET
- g) KANTOX
- h) KALVISTIN
- i) KANDOMIL

**8. EXPORTS**

The Company achieved an export turnover of Rs. 1220 lakhs. Exports were made to 17 countries such as Zimbabwe, Vietnam, Costarica, Russia, Malaysia, Sri Lanka, Mozambique, Zambia, Mayanmar, Georgia, Ethiopia, Vietnam, Kenya, Sudan, Thailand, Netherland, Uganda, etc., Efforts for registration of products in non-tapped countries are being made on continuing basis.

The Company has planned to export the medicines to additional Countries, such as Namibia, Cambodia, Ghana, Kazakistan, Tazikistan & Ivory Coast expects a higher export turnover during coming years.

**9. FINANCIAL RESULTS**

The financial results for the year 2009-10 are furnished hereunder in Table-IV

**Table IV**

FINANCIAL RESULTS		(Rs in lakhs)		
Particulars	2007-2008	2008-2009	2009-2010	
Profit before interest, depreciation and tax:	1104	1245	1922	
Less : Interest and other financial charges	96	113	98	
Cash Profit	1008	1132	1824	
Less : Depreciation	156	164	182	
Profit before tax	852	968	1642	
Less : Provision for taxation	333	368	492	
Profit after tax and adjustment	519	600	1150	


*Officers participating in Training Programme*

10. The key ratios achieved during the year are furnished in the Table-V.

**Table V**

KEY RATIOS			
Particulars	2007-2008	2008-2009	2009-2010
Earning per Share - Rs. (face value Rs. 100/-)	349	403	772
Book value per share - Rs. (face value Rs. 100/-)	2275	2649	3386
Turnover to gross Fixed assets %	615	651	597
Finance cost to turnover %	0.49	0.50	0.46

**11. DIVIDEND**

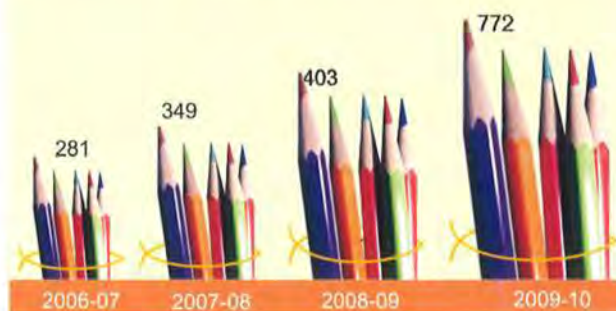
Your Company has been declaring dividend for the last 20 years. For the financial year 2009-10, your Directors have pleasure in recommending a dividend @ 30%.

**12. RESERVES & SURPLUS**

The members will be glad to note that the cumulative reserves and surplus, as on 31.03.2010 were Rs. 4896 lakhs. The reserves and surplus were 33 times of the paid-up equity capital of Rs.149 lakhs. As on 31.03.2010, the net worth of your Company stood at Rs. 5045 lakhs.

**13. INVENTORIES AND DEBTORS**

The value of total inventories consisting of raw materials, work in progress and finished goods were Rs. 1819.50 lakhs which worked out to 9% (previous

**EARNING PER SHARE (Rs.)** (Face Value Rs. 100)


**PROFIT AFTER TAX** (Rs. in lakhs)



year 12% ) of sales turnover. As on 31.03.2010, debtors were Rs. 9318.18 lakhs which was equivalent to 160 days of sales.

**14. PERFORMANCE AGAINST MEMORANDUM OF UNDERSTANDING:**

As the members are aware, the Company has been signing the Memorandum of Understanding (MOU) with Government of India every year. The Company's performance under the MOU, for the year 2009-10, based on internal evaluation, is "excellent". The MOU for 2010-11 has also been signed.

**15. CONTRIBUTION TO PUBLIC EXCHEQUER**

The Company has contributed a sum of Rs. 1852 lakhs (previous year Rs. 2049 lakhs) to the exchequer of Central and State Governments by way of Income Tax, VAT (Sales Tax), Excise Duty, Customs Duty, Turnover Tax etc.

**16. ENCOURAGEMENT TO SMALL SCALE INDUSTRIES**

Your Company does not have any ancillary unit. Your Company continues to patronize the local Small Scale

Industries for the packing material. In view of introduction of VAT, the encouragement for local SSI units is increased to avail VAT benefit.

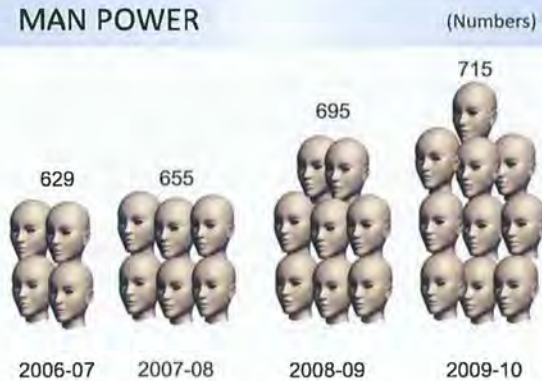
**17. DUES PAYABLE TO MICRO AND SMALL ENTERPRISES**

Amount payable to Micro and Small Enterprises due as on 31.03.2010 are:

	Rs. lakhs
1. M/s. Shakthi Printech	0.01
2. M/s. Resil Chemicals Pvt. Ltd.	0.66
3. M/s. Esscee Enterprises	1.07
4. M/s. Colour Shade	4.88
5. M/s. Card Box	2.07
6. M/s. Geekay Impressions	0.02
7. M/s. Hiral Chemicals	0.38
8. M/s. Sri R M Graphics	2.00
9. M/s. Polynova Packers	0.68
10. M/s. GRV Merchandising	3.03
11. M/s. Prashanti Polymers	2.45
12. M/s. Thirupathi Adhesives	0.01
13. M/s. Padma Chemicals	0.52
14. M/s. Dinesh Printers	1.47
15. M/s. Onyx Advertising & Print	2.06
16. M/s. Alutop	0.70
17. M/s. Sri Venkateshwara Engg	0.06
18. M/s. Janta Ayurvedic Aushadi Prathishtan	0.24
19. M/s. Amishi Drugs	0.23
20. M/s. Basin Packwell (P) Ltd.	0.58
21. M/s. Ramsons Print N Pack	1.00

**VALUE OF CLOSING INVENTORY TO SALES (%)**



**MAN POWER**

**18. FOREIGN TRAVEL**

During the year 2009-10, five employees were deputed abroad for business purposes. The expenditure incurred in this connection by the Company was Rs. 5.82 lakhs.

**19. HUMAN RESOURCES**

The total manpower of the Company, as on 31.03.2010 was 715 Nos consisting of 217 Officers and 498 Non-Officers.

**20. HUMAN RESOURCE DEVELOPMENT**

As you are aware, the employees are vital to the Company. Investing in peoples' competencies for the business requirements of tomorrow is very much important. In order to keep pace with the fast changing scenario, and the need to update the knowledge and skills of human resources to stay ahead and emerge as a successful organization, the Company has taken various initiatives.

Training programmes were organized both in-house as well as through Institutes/Consultants enabling the employees to interact with other professions and to acquire capabilities for performing with a higher degree of motivation and commitment. During 2009-10, training under in-house training programmes as well as outside training programmes was provided to the extent of 900 man-days. The Company got excellent rating for exceeding the training target set under the MOU. The expenditure incurred for Training and Development during the year amounted to Rs. 8.91 lakhs.

**21. REPRESENTATION OF SC & ST CANDIDATES**

The Company continued special drives for recruitment of candidates belonging to SC/ST category. The

strength of employees belonging to SC/ST category, as on 31.03.2010, was 109 nos. (previous year 105 employees).

**22. HUMAN RELATIONS**

During the year under review, the industrial relation scenario in the Company was peaceful, cordial and healthy.

**23. EMPLOYEE WELFARE**

In your Company, Welfare facilities such as reimbursement of medical expenses, subsidized canteen, transport subsidy, uniforms, interest subsidy on house building advance, washing allowance, education allowance, incentives for higher education etc., were continued. The expenditure on the provision of welfare and other amenities amounted to Rs. 377.23 lakhs (Rs. 260 lakhs during 2008-09).

**24. PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956.**

The particulars of employees to be furnished as per Section 217(2A) of the Companies Act, 1956, read with the Companies (particulars of Employees) Rules, 1975 are Nil.

**25. RESPONSIBILITY STATEMENT OF BOARD OF DIRECTORS**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217 (2AA) of the Companies Act, 1956;

25.1 That in the preparation of the annual accounts for the year ended 31st March 2010,



the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.

- 25.2 That such accounting policies as mentioned in the Annual Accounts have been selected and applied consistently and made judgement and estimates that 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 the financial year ended 31st March, 2010 and of the profit of the Company for that year.

### CASH PROFIT

(Rs. in lakhs)



- 25.3 That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 25.4. That the annual accounts for the year ended 31st March 2010 have been prepared on a going concern basis.
26. In terms of Notification No: GSR/829(E) dated 21.10.03, issued by Department of Company Affairs, Ministry of Law, Justice and Company Affairs, the nominee Directors appointed on the Boards by the Central Government are exempted from the provisions of Section 274(1)(g) of the Companies Act, 1956.



Employees enjoying at Picnic at Talakadu

### 27. SAFETY

There were no fatal accidents during the year. The Company continues its focus on safety in operation. Employees have been provided with safety gadgets. The Company has taken initiative to conduct safety audit.

### 28. ENVIRONMENT PROTECTION MEASURES

The following steps have been taken for the environment Protection:

- Planting of saplings in the premises.
- Continuous operation and maintenance of Effluent Treatment Plant to treat the effluent.
- Installed the scrubbers to treat the exhaust air, wherever required.
- Lawn development and maintenance to reduce the dust in the Environment.

### 29. FIXED DEPOSITS

Your Company has not accepted any fixed deposits from the Public and, as such, no amount of principal or interest was outstanding as of the Balance Sheet date.

### 30. ENTERTAINMENT AND PUBLICITY

During the year under review, the Company has incurred Rs. 10.28 lakhs on Entertainment and Rs. 6.96 lakhs on advertisement and publicity.

### 31. CHANGES IN THE BOARD

- 31.1 The Board welcomed the appointment of the

following new Directors on the Board:

Sl.No.	Name	Wef
01	SHRI I R PERUMAL, IAS	06.07.09
02	SHRI N C MUNIYAPPA, IAS	06.07.09
03	Dr. E V RAMANA REDDY, IAS	13.01.10
04	SMT. VANDITA SHARMA, IAS	13.01.10
05	DR. B R JAGASHETTY	13.01.10
06	SHRI R C JHA	13.01.10
07	SMT. ASHA RANI RUNGTA	13.01.10

31.2. The following ceased to be the Directors on the Board with effect from 23.09.2009.

Sl.No.	Name	Wef
01	SHRI I R PERUMAL, IAS	23.09.09
02	SHRI N C MUNIYAPPA, IAS	23.09.09
03	SHRI S C SHARMA	23.09.09
04	SHRI T K RANGANATHAN	23.09.09
05	SHRI K P RAJAN	23.09.09

The Board placed on record its deep appreciation of the services rendered by the above outgoing Directors during their tenure on the Board.



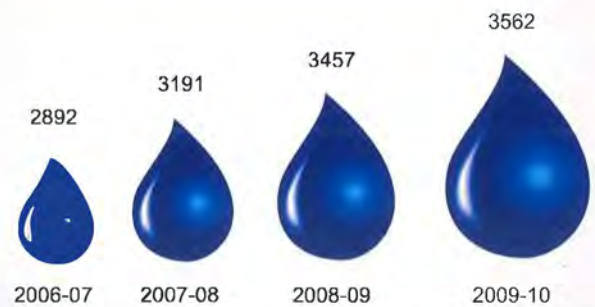
*Women Employees Participating in event at Picnic at Talakadu*

### 32. 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 the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, are set out in the annexure included in this report.

### GROSS BLOCK

(Rs. in lakhs)



### 33. ENERGY CONSERVATION MEASURES

Following steps have been taken in this direction;

1. Replacement of AHU for new Liquid Oral Plant and discarding old cooling tower and by connecting to new cooling tower.
2. Replacement of Window A/C. with Split AC units.
3. Installed 200 kgs. capacity start paste preparation vessel, steam consumption.
4. Regular de-scaling and maintenance of AC system to save the energy.
5. Reduction in heat load by using sun control film to doors / windows exposed to direct sun.
6. Heat recovery from the condensate to supply to the feed water.
7. Replaced the HDPE tank with S S tank (removed from old system) to utilize the latent heat of feed water.



*Officers Participating in Hindi Workshop*



8. Running the Chiller in night mode as and when required to save the energy.
9. Loading the DG Sets optimally to produce more number of units at the same cost.

**34. BOARD MEETING**

During the year 2009 – 10, four Board Meetings were held. The 28th Annual General Meeting of the Company was held on 23.09.2009.

**35. OFFICIAL LANGUAGE**

Your Company has taken steps for implementation of the Official Language Policy of the Government. Workshops and essay writing competitions were held during the year under review. The Company has been deputing employees for Hindi examination conducted by the Hindi Teaching Scheme, Government of India. Forms and Circulars, Notices have been made bilingual. Annual report of the Company for 2008-09 has been printed in Hindi also.

**36. CORPORATE SOCIAL RESPONSIBILITY**

Corporate Social Responsibility (CSR) is an integral part



*Dignitaries seen inspecting the Manufacturing Facilities*

of the Company's business strategy. As a responsible corporate citizen, we take charge of our social and environmental footprint. The social welfare activities undertaken by the Company include

- a) Distribution of Medicines during emergency situation like Flood and Earthquake and other natural calamities.
- b) Conduct of free Cardiac/Diabetic camp.

**TURNOVER TO NET CURRENT ASSETS (%)**



**37. VISIT OF DIGNITARIES**

- a) Dr. E V Ramana Reddy, IAS, Secretary to Government, Department of Health & Family Welfare, Government of Karnataka.
- b) Smt. Vandita Sharma, IAS, Managing Director, Karnataka State Industrial & Investment Development Corporation
- c) Shri Mathew C. Kunnumkal, IAS, Special Secretary & Financial Advisor Ministry of Chemicals & Fertilizers, Government of India.

**38. AUDITORS**

The Comptroller and Auditor General of India, appointed M/s. Vasan & Sampath, Chartered Accountants, as Statutory Auditors for auditing the accounts of the Company for the year 2009-10.

**39. COST AUDITOR**

The reports of M/s. Rao, Murthy and Associates, Cost Accountants in respect of Cost Accounts of the

formulations of the Company for the year ended 31.03.2010 will be submitted to the Central Government in due course.

**40. COMMENTS ON THE ACCOUNTS BY THE COMPTROLLER AND AUDITOR GENERAL OF INDIA**

Comments if any, under section 619(4) of the Companies Act, 1956, of the Comptroller and Auditor General of India on the accounts of the Company, for the year ended 31.03.2010 will be appended on receipt of the same.

**41. COMPUTERIZATION ACTIVITIES**

During 2009-10, the following activities were undertaken;

- a) Video Conference facility installed at HO and Factory
- b) Upgraded 12 nos. of old Pentium IV (Wipro PC) to the latest configuration PCs
- c) Installed 3 IBM New Servers. One in HO and two in Factory. Two are for File Servers and one for E-Mail Server.
- d) Firewall upgraded to the new model.
- e) Wireless LAN implemented in Admn./HRD Department at Corporate Office
- f) Upgraded Group-wise E-Mail software to Version 8.0

**42. ACKNOWLEDGEMENTS**

42.1 Your Directors place on record their gratitude to Government of India, particularly Department of Pharmaceuticals and other Departments of Government of India and Government of

**AVERAGE SALES PER EMPLOYEE (Rs. in lakhs)**



Karnataka, particularly Health and Family Welfare Department including Drugs Controller, Commissioner for Health & Family Welfare Services, Additional Director, Karnataka State Drugs Logistics & Warehousing Society, Karnataka State Industrial Investment & Development Corporation Limited and Hindustan Antibiotics Limited, for their active support and co-operation.

- 42.2 The Board is grateful to the Comptroller and Auditor General of India and Principal Director of Commercial Audit, M/s. Vasan & Sampath, Chartered Accountants, the Statutory Auditors, M/s. Rao & Swamy, the Internal Auditors, Central as well as Karnataka State Pollution Control Boards and the others.
- 42.3 The Board extends thanks to M/s Vijaya Bank, State Bank of India, ICICI Bank Ltd., HDFC Bank and Corporation Bank for their support.
- 42.4 The Directors are thankful to the valued customers and suppliers in India and outside India for their support and confidence. We look forward to their continued support in future.
- 42.5 Your Directors place on record its appreciation for the dedicated work put forth by the employees at all levels without which the better operating results would not have been possible.

**AVERAGE PRODUCTION PER FACTORY EMPLOYEE**



**FOR AND ON BEHALF OF BOARD OF DIRECTORS**

Place : Bangalore    **Dr. B.R. Jagashetty**    **S.L. Phadke**  
 Date : 06.07.2010    Director    Managing Director



**ANNEXURE TO DIRECTORS' REPORT**

Information pursuant to the Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988.

**1 CONSERVATION OF ENERGY**

Following steps have been taken in this direction:

1. Replacement of AHU for new Liquid Oral Plant and discarding old cooling tower and by connecting to new cooling tower.
2. Replacement of Window A/C. with Split AC units.
3. Installed 200 kgs. capacity start paste preparation vessel, steam consumption.
4. Regular de-scaling and maintenance of AC system to save the energy.
5. Reduction in heat load by using sun control film to doors/windows exposed to direct sun.
6. Heat recovery from the condensate to supply to the feed water.
7. Replaced the HDPE tank with S S tank (removed from old system) to utilize the latent heat of feed water.
8. Running the Chiller in night mode as and when required to save the energy.
9. Loading the DG Sets optimally to produce more number of units at the same cost.

**POWER AND FUEL CONSUMPTION**

PARTICULARS	Current Year	Previous Year
Electricity		
a. Purchase (units)	31,59,140	32,64,130
Total amount (Rs.)	1,60,90,213	1,62,57,335
Rate / Unit (Rs.)	5.09	4.98
b. Own Generation		
i. Through diesel generator Units	2,74,428	1,65,000
Diesel cost (Rs.)	18,83,319	15,88,640
Unit per litre of diesel oil	4.57	3.93
Cost / Unit (Rs.)	6.86	9.63
ii. Coal		
Quantity (Tonnes)	-	-
Total Cost (Rs.)	-	-
Average rate (Rs.)	-	-
iii. Furnace Oil		
Quantity (litres)	73,500	73,500
Total Cost (Rs.)	19,97,151	22,48,383
Average rate (Rs.)	27.17	30.59
iv. Others / Internal Generation		
Quantity	-	-
Total Cost (Rs.)	-	-
Rate / Unit (Rs.)	-	-

**CONSUMPTION, PER LAKH OF PRODUCTION VALUE:**

Particulars	Current Year	Previous year
<b>Electricity :</b>		
Rupees	961	991
Units	183	199
<b>Furnace Oil :</b>		
Rupees	107	125
Ltrs	3.93	4.1

**2.0 TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION RESEARCH AND DEVELOPMENT (R&D ACTIVITIES)**

The Company has not been able to carryout Research and Development work, due to huge investment involved. During the year Company has entered into strategic alliance with premier research institutions for R&D activity. The Company has not manufactured any Bulk drug. However, your Company is developing new formulations, year after year, in order to meet the competition.

**3.0 TOTAL FOREIGN EXCHANGE USED AND EARNED**

Rs. in Lakhs

Particulars	Current Year	Previous Year
<b>TOTAL FOREIGN EXCHANGE USED AND EARNED</b>		
On imports of raw material spare parts and capital goods	421	393
Expenditure in foreign currencies for business travels, subscription, consumable stores, goods for resale, commission on export sale, etc.	37	50
Remittance during the year in foreign currency on account of dividend	-	-
<b>TOTAL FOREIGN EXCHANGE EARNED</b>	1208	1049

**FOR AND ON BEHALF OF BOARD OF DIRECTORS**

Place : Bangalore      **Dr. B.R. Jagashetty**      **S.L. Phadke**  
 Date : 06.07.2010      Director      Managing Director

**1. Company's Philosophy on Code of Governance:**

KAPL's philosophy on Corporate Governance envisages attainment of the highest levels of transparency, accountability and equity in all facets of its operations, and in all its interactions with its stakeholders, including shareholders, employees, lenders and the Government. KAPL is committed to achieve and maintain good standards of corporate governance.

**2. Board of Directors:**

- As on 31st March 2010 the Board consisted of 6 Directors of which one Non-Executive Chairman and one Whole time Managing Director, Two part-time Non-Executive Directors from Government of India, New Delhi and two Non-Executive Directors from Government of Karnataka.
- During the year 2009-10, four Board Meetings were held on 25.06.09, 23.09.09, 22.12.09 & 19.02.10.
- Constitution of Board of Directors and related information:

Name of the Director	Category	No. of Board Meetings with Attendance	Attendance at last AGM	No. of outside Directorships As on 31.03.10	No. of outside Board Committee Membership/ Chairmanship as on 31.03.10
Shri I R Perumal, IAS	Chairman	1/1	Yes	Nil	Nil
Dr. E V Ramana Reddy, IAS	Chairman	1/1	No	Nil	Nil
Shri. S.L.Phadke	Managing Director	4/4	Yes	Nil	Nil
Shri T K Ranganathan	Non- Executive Director	2/2	Yes	2	-
Shri K P Rajan	Non- Executive Director	2/2	Yes	2	-
Shri. S C Sharma	Non- Executive Director	1/2	No	-	-
Shri N C Muniyappa, IAS	Non- Executive Director	1/1	No	11	5
Smt. Vandita Sharma, IAS	Non- Executive Director	1/1	No	11	5
Dr B R Jagashetty	Non- Executive Director	1/4	No	Nil	Nil
Shri R C Jha	Non- Executive Director	1/1	No	Nil	Nil
Smt. Asha Rani Rungta	Non- Executive Director	1/1	No	Nil	Nil

Non-Executive Directors do not have any material pecuniary relationship or transaction with the Company, and its management. They do not receive any remuneration from the Company.

**d) Code of Conduct:**

Board of Directors of your Company have laid down the Code of Conduct for all Board Members and Senior Management for maintaining standards of business conduct and ensure compliance with legal requirements. The Code of Conduct has been posted on your Company's Website [www.kapindia.com](http://www.kapindia.com).

**3. Audit Committee:**

The Paid up Capital of Company as on date is Rs. 1.49 crores. The provisions of Section 292A of Companies Act 1956 regarding Audit Committee are not applicable to Company.

**4. Disclosures:**

**Remuneration of Directors:**

The remuneration payable to Whole-time Managing Director and his terms of service are fixed by the Central Government. The remuneration paid to Managing Director for the financial year 2009-10 was as follows:

Rs. in lakhs

Name of the Director	Salary	Benefits	PF Contribution	Perquisites	Total
S.L.Phadke	14.13	-	1.40	0.40	15.93

Part time Directors are not paid any Remuneration/Commission except sitting fee paid for attending Board Meetings which are as under:

SL No	Name of the Director	Sitting Fee paid (Rs.)
01	Shri I.R. Perumal, IAS	500/-
02	Dr. E.V. Ramana Reddy, IAS	500/-
03	Shri S.C. Sharma	500/-
04	Shri N.C. Muniyappa, IAS	500/-
05	Dr. B.R. Jagashetty	500/-
06	Smt. Vandita Sharma, IAS	500/-
07	Shri R.C. Jha	500/-
08	Smt. Asha Rani Rungta	500/-

Part time Directors hold shares as nominee of Govt of India /KSIIDC in the Company.

**5. ANNUAL GENERAL MEETINGS**

a) The last three Annual General Meetings were held as under;

Financial Year	Date	Time	Venue
2008-2009	23.09.09	1300 hrs	Corp Office, Bangalore
2007-2008	19.09.08	1300 hrs	Corp Office, Bangalore
2006-2007	24.09.07	1300 hrs	Corp Office, Bangalore

b) No special resolutions were taken up in the last three Annual General Meetings.

c) No resolutions were put through postal ballot last year and no Postal ballot is contemplated this year also.

**6. Means of Communication:**

a) Annual financial results are displayed on the Company's Website [www.kapbindia.com](http://www.kapbindia.com)

b) **Plant Locations:**

Plot No: 14, 2nd Phase,  
Peenya Industrial Area  
Bangalore – 560 058

c) **Address for Correspondence:**

The address of the Regd. Office of the Company is  
Dr. Rajkumar Road  
1st Block, Rajajinagar  
Bangalore – 560 010

The Shareholders may send correspondence to the above address.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore  
Date : 06.07.2010

**Dr. B.R. Jagashetty**  
Director

**S.L. Phadke**  
Managing Director



**ADDENDUM TO DIRECTORS' REPORT**

REPLY OF THE COMPANY TO THE COMMENTS OF THE STATUTORY AUDITORS CONTAINED IN THEIR REPORT DATED 05.07.2010

Ref	COMMENTS OF THE STATUTORY AUDITORS	MANAGEMENT REPLY
e (i)	<p>As more fully disclosed in Note 7(b) of Schedule 20 to the financial statements, the net sundry debtors as at March 31, 2010 include receivables from the Madhya Pradesh State Government aggregating Rs. 2216.52 lakhs which are overdue. Against the amount receivable, the Company has a corresponding net payable of Rs. 1573.01 lakhs to the Vendor on a back-to-back arrangement, resulting in a net exposure of Rs. 643.51 lakhs as at the Balance Sheet date against which no provision has been made. In view of the above, and having regard to the uncertainty involved, we are unable to comment on the adequacy of Provisions made for doubtful debts.</p>	<p>The outstanding sum of Rs.2216.52 lakhs is against supply of Medicine Kits to Madhya Pradesh State Government. The Company has filed writ petition in the Hon'ble High Court of Madhya Pradesh for recovery of dues from M.P. Government. In its interim order dated 20th March 2010, the court had directed the M.P. Government to make an interim payment of Rs. 1000 lakhs before 31.03.2010 which would be subject to the final outcome of the Case. The said payment has been received by the Company on 26.06.2010. Of the Rs.2216.52 lakhs receivable, the net exposure is Rs. 643.51 lakhs as pointed out by the audit and is covered in the payment received on 26.06.2010. For balance amount of Rs. 1573.01 lakhs, there is a corresponding liability to be paid to the Vendor. As per the agreement with the Vendor the amount is payable only upon realization of full outstanding. In view of these facts and also based on the legal advise, the Management believes that the balance is wholly recoverable. The interim payment of Rs. 1000 lakhs already received is more than adequate to cover the net exposure of Rs. 643.51 lakhs and as such no provision is called for.</p>

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Bangalore

Dated: 02.08.2010

**DR B R JAGASHETTY**

Director

**S L PHADKE**

Managing Director

**AUDITOR'S REPORT TO THE MEMBERS OF KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED, BANGALORE.**

We have audited the attached balance sheet of M/s KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED, BANGALORE ("the Company") as at March 31, 2010 and the Profit & Loss account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditors Report) Order, 2003 as amended by the Companies (Auditor's Report) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure A, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.

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

- a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) the Balance Sheet, the Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, the Profit & Loss

account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Act.

e) We further report that:

*(i) As more fully disclosed in Note 7(b) of Schedule 20 to the financial statements, the net sundry debtors as at March 31, 2010 include receivables from the Madhya Pradesh state government aggregating Rs.2216.52 lakhs which are overdue. Against the amount receivable, the company has a corresponding net payable of Rs.1573.01 lakhs to the vendor on a back-to-back arrangement, resulting in a net exposure of Rs 643.51 lakhs as at the Balance Sheet date against which no provision has been made. In view of the above, and having regard to the uncertainty involved, we are unable to comment on the adequacy of Provisions made for doubtful debts.*

f) As the company is a Government Company, the provisions of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 regarding disqualification of directors do not apply.

g) Subject to above and in our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, the Profit and Loss Account and Cash Flow Statement read together with the Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
- ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for **VASAN & SAMPATH**,  
Chartered Accountants  
(Firm Registration Number : 0045425)

**Unnikrishnan Menon**  
Partner  
Membership No: 205703

Bangalore  
Date : 5th July 2010

## ANNEXURE A REFERRED TO IN THE AUDITORS' REPORT TO THE MEMBERS OF KARNATAKA ANTIBIOTICS &amp; PHARMACEUTICALS LIMITED ("THE COMPANY") FOR THE YEAR ENDED MARCH 31, 2010

- i. a) The Company has maintained proper records showing full particulars including quantitative details and situation of its Fixed Assets.
- b) The Company has a regular system of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of 3 years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on verification during the year.
- c) No substantial part of fixed assets has been disposed off during the year.
- ii. a) The inventory other than those in transit has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b) The procedure being followed by the management with regard to physical verification of inventory is reasonable and adequate in relation to the size of the company and the nature of its business.
- c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between physical stocks and book records were not material.
- iii. a) During the year, the Company has neither granted nor taken any loans, secured or unsecured to or from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently the related clauses under paragraph 4(iii) are not applicable.
- iv. In our opinion and according to information and explanation 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 and fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company carried out in accordance with the auditing standards generally accepted in India and according to the information and explanations given to us, we have not observed nor have been informed of any continuing failure to correct major weaknesses in internal controls in these areas.
- v. a) In our opinion and according to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and hence the related clauses under paragraph (v) are not applicable.
- vi. The Company has not accepted deposits from the public.
- vii. The Company has an internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed books of account maintained by the company pursuant to rules made by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the maintenance of cost records and we are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine the accuracy or completeness of the same.
- ix. a) The Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues with the appropriate authorities. According to the information and explanations given to us, there are no undisputed statutory dues outstanding for a period exceeding six months from the date they became payable as at Balance Sheet date.
- b) In our opinion and according to information and explanations given to us, there are no dues of provident fund, employees' state insurance, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues which have not been deposited on account of any dispute with the exception of Sales Tax as detailed below:

**ANNEXURE TO THE AUDITORS' REPORT (Contd.)**

Nature of Dues	Financial Year to which the matter pertains	Forum where dispute is pending	Amount Rs in Lacs
Supplies to Government departments at concessional rate - Tax forms not received from the departments - Maharashtra Sales Tax Act	2003-04 and 2004-05	Assistant Commissioner of Sales Tax (Appeals)	6.57
Sales returns disallowed - Feed supplements and agro chemicals taxed at higher rate - Tamilnadu Sales Tax Act	2003-04	Appellate Assistant Commissioner (CT) V Tamil Nadu Sales Tax Act (Chennai)	1.17
Calculation error at the time of Assessment - West Bengal Sales Tax Act	2005-06	Deputy Commissioner of Commercial Taxes - Kolkata	1.74
Stock Transfer from Bangalore - Penalty levied for non - filling of columns in road permit. - Uttar Pradesh Value Added Tax Act	2008-09	Joint Commissioner of Commercial Taxes - Lucknow	11.68

- x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in this financial year and in the immediately preceding financial year.
- xi. According to the information and explanations given to us and on the basis of examination of books of accounts, the Company has not defaulted in repayment of dues to financial institutions or banks during the year. The company has not issued any debentures.
- xii. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
- xiv. According to the information and explanations given to us and on the basis of examination of books of accounts, the Company is not dealing in shares, securities, debentures and other investments.
- xv. As explained to us, the Company has not given any guarantees for loans taken by others from bank or financial institutions.
- xvi. In our opinion, and according to the information and explanations given to us, on an overall basis, during the year, the term loans taken by the Company have been applied for the purposes for which they were obtained.
- xvii. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the explanations given to us, there are no funds raised on a short term basis which have been used for long term investments.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraph 4 (xviii) of the Order is not applicable.
- xix. No debentures have been issued by the Company during the year and thus creation of securities for the same is not applicable to the company.
- xx. There was no public issue of shares, debentures, etc during the year.
- xxi. As explained to us and based on our examination of the books and records of the company carried out in accordance with generally accepted auditing practices in India, no fraud on or by the Company has been noticed or reported during the course of our audit.

for **VASAN & SAMPATH,**  
Chartered Accountants  
(Firm Registration Number : 004542S)

**(Unnikrishnan M)**  
Partner  
Membership No: 205703

Bangalore  
Date : 5th July 2010



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF M/s KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED, FOR THE YEAR ENDED 31ST MARCH 2010.**

The preparation of financial statement of **M/s. Karnataka Antibiotics and Pharmaceuticals Limited, Bangalore** for the year ended **31st March 2010** in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 05.07.2010.

I on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of **M/s Karnataka Antibiotics and Pharmaceuticals Limited, Bangalore** for the year ended **31st March 2010**. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to enquiries of the statutory auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge, which would give rise to comment upon or supplement to the Statutory Auditors' Report, under Section 619(4) of the Companies Act, 1956.

For and on behalf of the  
Comptroller & Auditor General of India

**(C.H. KHARSHIING)**

Pr. Director of Commercial Audit  
& ex-officio Member, Audit Board, Bangalore.

Bangalore  
Dated: 05 Aug 2010

**1. Basis for preparation of financial statements**

The financial statements have been prepared under the historical cost convention in accordance with the Generally Accepted Accounting Principles and the provisions of the Companies Act, 1956, as adopted consistently by the company. All income and expenditure, are recognised on accrual basis.

**2. Fixed Assets :**

Fixed assets values stated are at the historical cost.

**2.1 Capitalisation :**

All direct expenses identifiable to the project during the construction period are capitalised. In respect of project activities which are carried on concurrently with production, expenses on administration and supervision incurred (the bifurcation of which between production and construction is not ascertained) are charged to revenue. Initial spares supplied alongwith equipment/machinery by the suppliers are capitalised.

**3. Depreciation :**

Fixed assets are depreciated on straight line method in accordance with the rates provided under schedule XIV of the Companies Act. Fixed assets acquired / put to use after 16.12.93 are depreciated at the revised rates notified vide GSR No. 756(E)/16.12.93

**4. Investments :**

Long term investments are stated at cost. However, provision for diminution is made to recognize a decline, other than temporary. Current investments are stated at lower of cost and fair value. Cost includes brokerage, fees and duties. On disposal of investments, the difference between the carrying amount and net proceeds is charged off or credited to the Profit and Loss Account.

**5. Inventory Valuation :**

5.1 Raw materials are valued at lower of cost and net realisable value. The cost is determined on First-in-First out basis. Cost includes taxes, duties and

freight and is net of Cenvat. Raw materials identified as obsolete have been provided for.

5.2 Work in process is valued at lower of cost and net realisable value. Cost represents materials plus fixed percentage of direct labour and appropriate fixed and variable production overheads.

5.3 Finished goods are valued at lower of cost and net realisable value. Cost represents materials, direct labour and appropriate fixed and variable production overheads.

The value of stock of Finished Goods whose shelf life expires within six months from the date of Balance Sheet is taken as NIL.

5.4 Stock of spares and tools of unit value Rs. 5000/- and above (based on materiality) is valued and reckoned as at the end of the year.

5.5. Closing stock of Physician samples is valued as NIL. The value of Physician samples is included/ accounted under material consumption, excise duty, etc.

**6. Revenue Recognition :**

6.1 Revenue from sales is recognised on transfer of property in the goods to the customer in terms of sales contract and in the case of loan licence conversion contracts, on completed service contract method. Accordingly,

i) in the case of "F.O.R. Destination" sale contracts, where acknowledgements from customer/certificate of delivery are not on hand, sale is recognized based on the estimated average time taken for the consignment to reach the destination.

ii) in the case of "FOB" sale contracts, sale is recognised based on the date of shipment of goods on Board.

iii) in the case of sale contracts (other than "FOB" sale contracts) where documents against payment/acceptance are sent through bank, the sale is recognised based on the date of receipt of payment/notice of acceptance by the company.

6.2 Sales returns are accounted for in the year of return.

**7. Employee Benefits:**

- a) Employee Benefits are recognised, measured and disclosed as per Accounting Standard-15 (Revised 2005) - "Employee Benefits".
- b) Measurement of obligation towards Post Employment Benefits under Defined Benefit Plans such as Gratuity and Long Term Benefits such as Leave and Sickness Benefits are determined on actuarial basis using Projected Unit Credit Method. Actuarial gains or losses are recognized in the Profit and Loss Account.
- c) Termination Benefits (including under VRS) are charged in the year of termination of employment.
- d) The benefits are after taking into consideration actuarial gains or losses.

**8. Exchange Rate Fluctuation:**

Monetary items under assets and liabilities denominated in a foreign currency are reported at the closing exchange rate and the resultant loss/gain is charged/credited to the profit and loss account.

**9. Borrowing Costs:**

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are

capitalised as a part of the cost of the asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the Profit and Loss Account of the year in which they are incurred.

**10. Prior years Income and Expenditure:**

Prior years income and expenditure, above Rs. 25,000/- in each case, on the concept of materiality, is accounted under the head "Prior Years adjustments".

**11. Provisions and contingent liabilities:**

Obligations, which in assessment of the company exist on the Balance sheet date and probably require an outflow of resources are considered as liabilities and provided for. Disputed legal cases and statutory demands, which in the assessment of the company may probably require an outflow of funds, or where the decision of the initial adjudicating authority/appellate authority has gone against the company, are considered as present obligations and provided for, notwithstanding the fact that the company has preferred further appeal. Any other disputed legal claims or disputed statutory demands are considered as claims against the company not acknowledged as debts and disclosed as contingent liabilities.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**DR. B.R. JAGASHETTY**  
Director

**S. L. PHADKE**  
Managing Director

**R. RADHAKRISHNAN**  
General Manager - Finance

**JAGADEESH C. HIREMATH**  
Asst. General Manager (Admn) and  
Company Secretary

Place : Bangalore  
Date : 05.07.2010

**BALANCE SHEET AS AT 31st MARCH 2010**

(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>SCHEDULE NO.</b>	<b>AS AT 31.03.2010</b>	<b>AS AT 31.03.2009</b>
<b>SOURCES OF FUNDS :</b>			
Share holders' funds :			
Share Capital	1	149.00	149.00
Share Application Money		910.00	95.00
Reserves and Surplus	2	4895.84	3797.54
Loan funds :			
Secured Loans	3	618.73	669.68
<b>TOTAL</b>		<b>6573.57</b>	<b>4711.22</b>
<b>APPLICATION OF FUNDS :</b>			
Fixed assets :			
Gross Block	4	3562.46	3456.80
Less:Depreciation		1171.84	999.30
Net Block		2390.62	2457.50
Capital Work In Progress		417.35	76.02
		<b>2807.97</b>	<b>2533.52</b>
Deferred Tax Asset (Net)		395.02	129.96
<b>Current Assets, Loans &amp; Advances :</b>			
Inventories	5	1819.50	2687.16
Sundry Debtors	6	9318.18	7059.45
Cash and Bank Balances	7	3249.02	1708.44
Loans and advances	8	1469.41	818.89
Interest Accrued on Deposits	9	30.66	29.86
		<b>15886.77</b>	<b>12303.80</b>

**BALANCE SHEET AS AT 31st MARCH 2010**

(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>SCHEDULE NO.</b>	<b>AS AT 31.03.2010</b>	<b>AS AT 31.03.2009</b>
<b>Less : Current liabilities &amp; Provisions :</b>			
Current Liabilities	10	8897.62	8173.30
Provisions	11	3618.57	2082.76
		<b>12516.19</b>	<b>10256.06</b>
Net Current Assets		3370.58	2047.74
<b>TOTAL</b>		<b>6573.57</b>	<b>4711.22</b>
Notes to accounts	20		
Schedules 1 to 20 and significant accounting policies form an integral part of accounts.			

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**DR. B.R. JAGASHETTY**  
DIRECTOR**S.L.PHADKE**  
MANAGING DIRECTORRefer our report of even date  
**For VASAN & SAMPATH**  
Chartered Accountants**R.RADHAKRISHNAN**  
General Manager-Finance**JAGADEESH C.HIREMATH**  
Assistant Gen.Manager (Admn)  
and Company Secretary**UNNIKRISHNAN MENON**  
Partner  
Membership No. 205703PLACE : BANGALORE  
DATE : 05.07.2010PLACE : BANGALORE  
DATE : 05.07.2010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010**

(Rs.in Lakhs)			
PARTICULARS	SCHEDULE NO.	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
<b>INCOME :</b>			
Sales and Operating Income		21281.57	22501.00
Less : Excise Duty		517.94	829.64
		<b>20763.63</b>	<b>21671.36</b>
Other Income	12	477.27	311.39
		<b>21240.90</b>	<b>21982.75</b>
<b>EXPENDITURE :</b>			
Cost of Materials	13	11984.37	14642.07
Manufacturing Expenses	14	475.37	465.37
Salaries and Wages	15	3977.46	3096.46
Administration, Selling and General Expenses	16	2757.89	2476.75
Financial Expenses	17	98.49	112.91
Other Expenses	18	127.10	56.05
Depreciation		181.64	164.15
		<b>19602.32</b>	<b>21013.76</b>
Profit for the year		1638.58	968.99
Prior period Adjustments	19	3.20	-0.58
<b>NET PROFIT FOR THE YEAR</b>		<b>1641.78</b>	<b>968.41</b>
Less: Provision for Taxation - Current		760.00	440.00
Add : Provision for Taxation - Deferred		265.06	83.62
Less: Provision for Fringe Benefit Tax		0.00	24.00
		<b>1146.84</b>	<b>588.03</b>

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010**



(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>SCHEDULE NO.</b>	<b>YEAR ENDED 31.03.2010</b>	<b>YEAR ENDED 31.03.2009</b>
Add : Excess provision for taxation of earlier years		3.58	11.82
<b>PROFIT AFTER TAX</b>		1150.42	599.85
Surplus brought forward from previous year		71.90	55.63
<b>Profit available for appropriation</b>		<u>1222.32</u>	<u>655.48</u>
<b>APPROPRIATION</b>			
Transfer to General Reserve		1080.00	540.00
Proposed Dividend		44.70	37.25
Tax on proposed Dividend		7.42	6.33
Balance Carried to Balance Sheet		90.20	71.90
		<u>1222.32</u>	<u>655.48</u>
Number of Equity Shares		149000.00	149000.00
Basic Earnings per Shares (Rs.)		772.09	402.58
Diluted Earnings per Share (Rs.)		85.28	44.47
Face Value per Equity Share (Rs.)		100.00	100.00
Notes to accounts	20		
Schedules 1 to 20 and significant accounting policies form an integral part of accounts.			

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**DR. B.R. JAGASHETTY**  
DIRECTOR

**S.L.PHADKE**  
MANAGING DIRECTOR

Refer our report of even date  
**For VASAN & SAMPATH**  
Chartered Accountants

**R.RADHAKRISHNAN**  
General Manager-Finance

**JAGADEESH C.HIREMATH**  
Assistant Gen.Manager (Admn)  
and Company Secretary

**UNNIKRISHNAN MENON**  
Partner  
Membership No. 205703

PLACE : BANGALORE  
DATE : 05.07.2010

PLACE : BANGALORE  
DATE : 05.07.2010

(Rs.in Lakhs)		
PARTICULARS	AS AT 31.03.2010	AS AT 31.03.2009
<b>SCHEDULE NO. 1</b>		
<b>SHARE CAPITAL :</b>		
<b>AUTHORISED :</b>		
15,00,000 (previous year 4,00,000) Equity Shares of Rs. 100/-each.	1500.00	400.00
<b>ISSUED, SUBSCRIBED AND PAID UP:</b>		
1,49,000 (previous year 1,49,000) Equity Shares of Rs.100/- each fully paid up. Out of this, 88,180 equity shares were held by then holding company, Hindustan Antibiotics Limited as on 31.3.2009	149.00	149.00
	149.00	149.00
<b>SCHEDULE NO. 2</b>		
<b>RESERVES AND SURPLUS :</b>		
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	3725.64	3185.64
Add : Transfer from Profit and Loss Account	1080.00	540.00
	4805.64	3725.64
Surplus being balance in Profit and Loss Account	90.20	71.90
	4895.84	3797.54
<b>SCHEDULE NO. 3</b>		
<b>SECURED LOANS :</b>		
<b>FROM BANKS :</b>		
Cash credit/overdraft from scheduled banks secured against hypothecation of stock-in-trade and book debts on pari passu basis and pari passu first charge on Company's entire Fixed Assets other than specific Fixed Assets charged to Vijaya Bank for Term Loan	177.65	143.28
<b>TERM LOAN :</b>		
From Vijaya Bank secured by hypothecation of specific Fixed Assets and continuing security of the Company's other Fixed Assets on pari passu basis with State Bank of India.	441.08	526.40
	618.73	669.68



**SCHEDULE NO. 4**

**FIXED ASSETS**

(Rs.in Lakhs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	TOTAL AS AT 1.4.09	ADDITIONS DURING THE YEAR	ADJUSTMENTS/ DELETIONS DURING THE YEAR	TOTAL AS AT 31.3.10	AS AT 1.4.09	FOR THE YEAR	ADJUSTMENTS/ DELETIONS DURING THE YEAR	TOTAL AS AT 31.3.10	AS AT 31.3.10	AS AT 31.3.09
LAND :										
FREE HOLD	23.02	0.00	0.00	23.02	0.00	0.00	0.00	0.00	23.02	23.02
BUILDINGS	983.87	45.51	0.00	1029.38	221.17	32.29	0.04	253.43	775.95	762.70
PLANT AND MACHINERY	2121.32	26.24	0.00	2147.56	612.40	123.61	3.72	732.30	1415.27	1508.92
FURNITURE & FIXTURES	109.92	13.20	0.00	123.12	61.94	6.18	0.01	68.11	55.01	47.98
OFFICE EQUIPMENTS	171.13	28.31	0.00	199.44	93.83	16.00	0.07	109.76	89.68	77.30
CANTEEN EQUIPMENTS	8.81	0.16	0.00	8.97	4.17	0.49	0.00	4.66	4.31	4.64
VEHICLES	38.73	0.11	7.87	30.97	5.79	3.07	5.26	3.60	27.38	32.94
<b>TOTAL</b>	<b>3456.80</b>	<b>113.53</b>	<b>7.87</b>	<b>3562.46</b>	<b>999.30</b>	<b>181.64</b>	<b>9.10</b>	<b>1171.84</b>	<b>2390.62</b>	<b>2457.50</b>
PREVIOUS YEAR	3191.05	329.11	63.36	3456.80	892.16	164.15	57.01	999.30	2457.50	2298.89

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2010	AS AT 31.03.2009
<b>SCHEDULE NO. 5</b>		
<b>INVENTORIES :</b>		
Raw materials -in Stock	495.41	416.88
-in Transit	16.10	13.19
Less: Provision for obsolescence	21.25	10.57
	<b>490.26</b>	<b>419.50</b>
Stores and Spares	14.76	17.70
Finished goods -in-Stock	923.07	1302.68
-in-Transit	110.99	655.46
Work-in-process	280.42	291.82
	<b>1819.50</b>	<b>2687.16</b>

(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>AS AT 31.03.2010</b>	<b>AS AT 31.03.2009</b>
<b>SCHEDULE NO. 6</b>		
<b>SUNDRY DEBTORS :</b>		
UNSECURED		
Over six months		
Considered good	4264.16	3796.15
Considered doubtful	60.90	34.34
Others -considered good	5054.02	3263.30
	<b>9379.08</b>	<b>7093.79</b>
Less:Provision for doubtful debts	60.90	34.34
	<b>9318.18</b>	<b>7059.45</b>

<b>SCHEDULE NO. 7</b>		
<b>CASH AND BANK BALANCES :</b>		
Cash and Stamps on hand	4.30	2.19
Remittances-in-transit	278.29	305.20
Balances with scheduled banks		
- in Current account	199.95	168.22
- in Fixed Deposit Account	2628.42	1156.82
(Refer Note No.8 of Schedule No.20)		
Margin Money - in Fixed Deposits	138.06	76.01
	<b>3249.02</b>	<b>1708.44</b>

PARTICULARS	(Rs.in Lakhs)	
	AS AT 31.03.2010	AS AT 31.03.2009
<b>SCHEDULE NO. 8</b>		
<b>LOANS AND ADVANCES :</b>		
<b>ADVANCES :</b>		
Unsecured, recoverable in cash or kind or for value to be received		
<b>CONSIDERED GOOD</b>		
Advance for Capital items	60.11	0.00
Advance to staff including imprest to field staff (Due by Directors and other Officers Rs.0.49 lacs, previous year Rs.0.56 lacs. Maximum out standing anytime during the year Rs.0.49 lacs, previous year Rs. 0.56 lacs)	65.87	44.86
Pre-paid expenses	14.90	16.86
Other advances	25.82	26.17
Other receivables	2.02	8.32
Advance payment of Income Tax	1101.76	551.44
Advance payment of Fringe Benefit Tax	47.09	72.89
	<b>1317.57</b>	<b>720.54</b>
<b>DEPOSITS :</b>		
Unsecured, considered good		
Deposit with government departments	151.84	98.35
	<b>1469.41</b>	<b>818.89</b>
<b>SCHEDULE NO. 9</b>		
<b>INTEREST ACCRUED ON DEPOSITS :</b>		
Interest accrued on deposits	30.66	29.86
	<b>30.66</b>	<b>29.86</b>

(Rs.in Lakhs)		
PARTICULARS	AS AT 31.03.2010	AS AT 31.03.2009
<b>SCHEDULE NO. 10</b>		
<b>CURRENT LIABILITIES :</b>		
Acceptances	16.00	15.77
<b>SUNDRY CREDITORS :</b>		
Dues to Micro and Small enterprises (refer note 9 of schedule no.20)	24.12	23.45
Others	6925.73	6132.92
Outstanding Expenses	1197.81	1566.93
	<b>8147.66</b>	<b>7723.30</b>
E M D and Security Deposits received	211.41	197.14
Advance received from Customers	244.32	100.59
Other Liabilities (Refer Note No.10 of Schedule No.20)	278.23	136.50
	<b>8897.62</b>	<b>8173.30</b>
<b>SCHEDULE NO. 11</b>		
<b>PROVISIONS :</b>		
(refer Note 13 of Schedule No. 20)		
Provision for Taxation	1440.00	676.80
Provision for Fringe Benefit Tax	50.00	76.00
Provision for Proposed Dividend	44.70	37.25
Provision for Tax on Proposed Dividend	7.42	6.33
Provision for Earned Leave	653.01	444.50
Provision for Gratuity	1198.87	669.14
Provision for Sick Leave	183.33	118.30
Provision for Contingencies	41.24	54.44
	<b>3618.57</b>	<b>2082.76</b>

PARTICULARS	(Rs.in Lakhs)	
	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
<b>SCHEDULE NO. 12</b>		
<b>OTHER INCOME :</b>		
Interest Received - Banks	127.49	95.16
- Others	81.55	59.75
(Tax deducted Rs.22.94 Lakhs, Previous year Rs.21.64 Lakhs)		
Exchange rate fluctuation	9.49	11.43
Miscellaneous Receipts	174.84	81.81
Withdrawal of provisions no longer required	83.90	63.24
	<b>477.27</b>	<b>311.39</b>
<b>SCHEDULE NO. 13</b>		
<b>COST OF MATERIALS :</b>		
Materials consumed	5037.25	4960.90
Purchase of Finished Goods	6064.08	10228.72
Increase/Decrease in Finished Goods and Work-in-Process :		
<b>FINISHED GOODS :</b>		
Opening Stock	1958.14	1689.60
Closing Stock	1034.06	1958.14
	<b>924.08</b>	<b>-268.54</b>
<b>WORK-IN-PROCESS :</b>		
Opening Stock	291.82	148.76
Closing Stock	280.42	291.82
	<b>11.40</b>	<b>-143.06</b>
(Increase) / Decrease	935.48	-411.60
Excise Duty on Inventory Change	-52.44	-135.95
Net (Increase) / Decrease	883.04	-547.55
	<b>11984.37</b>	<b>14642.07</b>



(Rs.in Lakhs)

PARTICULARS	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
<b>SCHEDULE NO. 14</b>		
<b>MANUFACTURING EXPENSES :</b>		
Processing charges	150.09	135.86
Power and Fuel	199.71	200.94
Laboratory expenses	24.68	19.81
Repairs and Maintenance		
-Building	4.74	6.74
-Machinery and electrical	46.78	38.92
Stores,spares & tools consumed	33.82	49.25
Other expenses	15.55	13.85
	<b>475.37</b>	<b>465.37</b>

**SCHEDULE NO. 15****SALARIES AND WAGES :**

Salaries, Wages and Bonus	2788.01	2298.47
Voluntary Retirement Scheme expenses	10.77	21.90
Contribution to Provident and other funds	801.45	516.38
Staff Welfare	377.23	259.71
	<b>3977.46</b>	<b>3096.46</b>

PARTICULARS	(Rs.in Lakhs)	
	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>SCHEDULE NO. 16</b>		
<b>ADMINISTRATION, SELLING AND GENERAL EXPENSES :</b>		
Recruitment	9.28	5.83
Seminar and training	8.91	7.98
Motor vehicle expenses	3.83	4.91
Travelling and conveyance	57.92	65.02
Computer maintenance and stationery	37.14	28.04
Postage,telegram and telephones	28.24	31.54
Electricity and water	5.51	4.93
Advertisement	6.96	3.16
Insurance	11.20	12.19
General Maintenance	70.98	62.64
Sales promotion	82.09	76.17
Rent	42.85	39.75
Rates and taxes	37.45	30.11
Auditors Remuneration :		
As Auditor(including Service Tax)	1.65	1.49
Directors' sitting fee	0.05	0.06
Directors' travelling and conveyance	6.91	12.38
Books and periodicals	4.42	4.40
Legal & Professional charges	26.56	22.28
Interest-others	15.92	13.35
Carriage outwards	142.57	134.02
Commission and Discounts	1544.18	1289.54
Marketing Travelling	389.15	370.75
Others	224.12	256.21
	<b>2757.89</b>	<b>2476.75</b>

(Rs.in Lakhs)		
PARTICULARS	Year Ended 31.03.2010	Year Ended 31.03.2009
<b>SCHEDULE NO. 17</b>		
<b>FINANCIAL EXPENSES :</b>		
Interest on Term Loans	47.65	61.25
Interest on other bank borrowings	13.76	16.06
Bank charges	34.14	32.62
Finance charges	2.94	2.98
	<b>98.49</b>	<b>112.91</b>
<b>SCHEDULE NO. 18</b>		
<b>OTHER EXPENSES :</b>		
Sundry Receivable Written Off	39.60	24.47
Research and Development Expenditure	10.24	0.00
Loss on sale/discarding of assets (refer Note 6(b) of Schedule No.20)	0.00	1.67
Provision for Doubtful debts	41.66	11.51
Provision for Contingencies	0.50	1.00
Others	35.10	17.40
	<b>127.10</b>	<b>56.05</b>
<b>SCHEDULE NO. 19</b>		
<b>PRIOR YEARS ADJUSTMENTS :</b>		
<b>PRIOR YEARS INCOME</b>		
General Maintenance	0.43	0.00
Depreciation	4.05	0.00
	<u>4.48</u>	<u>0.00</u>
<b>PRIOR YEARS EXPENDITURE</b>		
Commission & Discounts	1.28	0.00
Others	0.00	0.58
	<b>1.28</b>	<b>0.58</b>
	<b>3.20</b>	<b>-0.58</b>



**PARTICULARS**

**SCHEDULE NO. 20**

NOTES ANNEXED TO AND FORMING INTEGRAL PART OF THE BALANCE SHEET AS AT 31ST MARCH 2010 AND THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON THAT DATE

**1. EMPLOYEE BENEFITS :**

a) Employees' benefits are recognised on accrual basis. Liability towards compensated absence such as leave encashment and sick leave and liability towards defined benefit plan viz. Gratuity are valued on actuarial basis under Projected Unit Credit Method. Liability under defined contribution schemes such as contribution to Provident Fund, ESI, Death Relief Fund etc., are measured based on the contribution due for the year.

b) The amounts recognised in the Balance Sheet are as follows :

(Rs.in Lakhs)

Particulars	Defined Benefit Gratuity		Earned Leave				Sick Leave Availment	
	As at 31.3.10	As at 31.3.09	Availment		Encashment		As at 31.3.10	As at 31.3.09
			As at 31.3.10	As at 31.3.09	As at 31.3.10	As at 31.3.09		
Present value of obligations	1739.00	1162.00	22.53	14.33	630.48	430.17	183.33	118.30
Fair value of Plan Assets	540.13	492.86	—	—	—	—	—	—
Present value of unfunded obligations (Net Liability)	1198.87	669.14	22.53	14.33	630.48	430.17	183.33	118.30
Net Assets/(Liability) recognised in Balance Sheet	-1198.87	-669.14	-22.53	-14.33	-630.48	-430.17	-183.33	-118.30

**SCHEDULE NO. 20 (Contd.)**

c) The amounts recognised in the Profit and Loss Account are as follows : (Rs.in Lakhs)

Particulars	Defined Benefit Gratuity		Earned Leave				Sick Leave Availment	
	2009-10	2008-09	Availment		Encashment		2009-10	2008-09
			2009-10	2008-09	2009-10	2008-09		
Current Service Cost	89.61	59.73	35.06	23.04	230.46	135.16	73.50	29.56
Interest on obligation	92.96	64.42	0.09	0.35	32.34	20.12	8.83	5.74
Expected Return on Plan Assets	-47.12	-37.85	—	—	—	—	—	—
Net Actuarial Losses/(gains) recognised in the year	437.62	270.41	-0.51	1.69	-10.65	15.49	-1.34	10.97
Total included in Employee benefits	573.07	356.71	34.64	25.08	252.15	170.77	80.99	46.27
Benefits availed included under Salaries, Wages and Bonus	—	—	-26.44	-31.32	—	—	-15.96	-20.00
Net charged to Profit and Loss Account	573.07	356.71	8.20	-6.24	252.15	170.77	65.03	26.27
Actual Return on Plan Assets for the year	9.25%	9.25%	0.00	0.00	0.00	0.00	0.00	0.00

d) Changes in the present value of the defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows : (Rs.in Lakhs)

Particulars	Defined Benefit Gratuity		Earned Leave				Sick Leave Availment	
	As at 31.3.10	As at 31.3.09	Availment		Encashment		As at 31.3.10	As at 31.3.09
			As at 31.3.10	As at 31.3.09	As at 31.3.10	As at 31.3.09		
Opening Obligation	1162.00	805.28	14.33	20.57	430.17	315.47	118.30	92.03
Current Service Cost	89.61	59.73	35.06	23.04	230.46	135.16	73.50	29.56
Interest Cost	92.96	64.42	0.09	0.35	32.34	20.12	8.83	5.74
Actuarial Losses/(gains)	437.62	270.41	-0.51	1.69	-10.65	15.49	-1.34	10.97
Benefits Paid/Availed	-43.20	-37.84	-26.44	-31.32	-51.84	-56.07	-15.96	-20.00
Closing Obligation	1738.99	1162.00	22.53	14.33	630.48	430.17	183.33	118.30

e) Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows : (Rs.in Lakhs)

Particulars	Gratuity	
	As at 31.3.2010	As at 31.3.2009
Opening Balance	492.86	396.64
Interest credited	47.12	37.85
Assets distributed on Settlement/Benefits paid	-43.20	-37.84
Contribution by company	43.35	96.21
Closing Balance	540.13	492.86

Gratuity is funded through a policy with Life Insurance Corporation of India.

**SCHEDULE NO. 20 (Contd.)**

f) Principal Actuarial assumptions at the Balance Sheet Date :

(Rs.in Lakhs)

PARTICULARS	Gratuity		Earned Leave		Sick leave	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Mortality Rate			LIC (1994-96)			
Discount rate	8%	8%	8%	7%	8%	7%
Estimate of salary increases	11%	11%	11%	11%	11%	11%

The estimates of salary increases considered in actuarial valuation takes into account inflation, Seniority, Promotion and other relevant factors.

PARTICULARS	Current Year	Previous Year
	Rs. in Lakhs	Rs. in Lakhs
2. Estimated amount of contracts remaining to be executed on capital account and not provided for	890.39	542.67
3. Contingent liabilities not provided for in respect of :-		
i) Letter of Credit	6.96	22.32
ii) Bank Guarantee	125.01	178.00
iii) Claims against the Company not acknowledged as debts.	2.83	2.33
iv) Difference in Sales Tax for Non receipt of Statutory Forms	209.60	17.52
v) Liability towards Sales Tax pending appeal before various Appellate Authorities relating to earlier years :		

NATURE OF THE DUES	Amount Rs. in Lakhs	Period to Which The Amount Relates	Forum Where Dispute Is Pending
1) Supplies to Government departments at concessional rate of tax-forms not received from the departments - Maharashtra Sales Tax Act	2.86 (0.00) 3.71 (0.00)	2003-2004 2004-2005	Assistant Commissioner of Sales Tax (Appeals)
2) Sales returns disallowed. Feed Supplement and Agro Chemicals Taxed at higher rate - Tamil Nadu Sales Tax Act.	1.17 (1.17)	2003-2004	Appellate Assistant Commissioner(CT)V Tamil Nadu Sales Tax Act (Chennai).
3) Stock transfer from Bangalore - penalty levied for non-filling of columns in road permit.	11.68 (0.00)	2008-2009	Joint Commissioner of Commercial Taxes Lucknow
4) Sales Tax demand on free goods - West Bengal Sales Tax Act.	0.00 (0.75)	2003-2004	Deputy Commissioner of Commercial Taxes (Kolkata).
5) Calculation error at the time of assessment-West Bengal Sales Tax Act.	1.74 (1.74)	2005-2006	
(Figures in bracket represent previous year figures) Total	21.16 (3.66)		

**SCHEDULE NO. 20 (Contd.)**

- 4 a) Pursuant to the decision of the Board, the Management had requested for additional equity share capital of Rs. 1200 lakhs from its promoters in the existing share holding pattern towards financing Cephalosporin injectable project. In this regard the Company received Rs. 95 Lakhs during 2007-08 from M/s Hindustan Antibiotics Ltd., Pune. Subsequently vide Government of India O.M.No. 34018/1/2009 dated 18.3.09, Government of India released Rs. 615 Lakhs to M/s Hindustan Antibiotics Ltd., Pune for investment in Karnataka Antibiotics and Pharmaceuticals Ltd., which was received by the Company on 2.4.2009. As per the O.M. dated 18.3.2009, the said amount is to be considered as Share Application Money and also no interest is to be levied on the application money till date of allotment. As per the said O.M. dated 18.3.2009 50% of the Application Money is to be converted into equity on 1.10.2010 and balance 50% to be converted in to equity on 1.10.2012 at par value. Government of Karnataka vide its order No. CI/31/CMI/2009 dated 25.7.2009 has approved for additional equity contribution of Rs. 490 Lakhs through Karnataka State Industrial & Investment Corporation (KSIIDC). Company has already received Rs. 200 lakh as part contribution on 23.01.2010. The receipt of Rs. 910 lakhs as on 31.3.2010 is exhibited as Share Application Money under the head "Share holders funds" in the Balance Sheet.
- b) Board at its 126th meeting held on 18.12.2008 approved Cephalosporin Project at a cost of Rs. 2223 Lakhs. The Promoters are contributing Rs. 1200 Lakhs as additional equity. The balance amount is to be raised by way of term loan of Rs. 800 Lakhs besides utilising internal accruals to the extent of Rs. 223 Lakhs. The project work is under progress.
5. Government of Karnataka has granted 20 acres of land in Survey No.80 (New No.197) and 4 acres and 20 guntas in Survey No. 22 (New No. 196) at Kadabagere village, Dasanpura Hobli, Bangalore North Taluk, Bangalore. The RTC in respect of Survey No.80 (New No.197) has been received and in respect of Survey No. 22 (New No.196) is yet to be received. The Company had applied for survey report from the Government of Karnataka for the above survey numbers. Survey report in respect of Survey No. 80(New No. 197) has been received and encroachment to the extent of 3 acres and 25 guntas is reported. Besides the encroachment shown in survey report, there is an encroachment to the extent of 1 Acre (approx.) in Survey No. 80 (New No.197) which has not been shown in survey report. The company has taken up the matter with revenue authorities for mentioning this additional encroachment in their report and eviction of all encroachments. The Company has since fenced the remaining portion of the land. Out of the encroachments of 3 acres and 25 guntas shown in the survey report, one of the encroached party has filed a Civil Suit in Civil Judge Court, Bangalore against the Company, which is being contested by the Company. The Company has applied for survey of Survey No.22 (New No. 196) during Dec 2008 and survey is yet to be carried out. Matter is being persued.
- 6 a) The Company has no leasing arrangements under finance lease. In respect of premises obtained under operating lease. The leases are cancellable at the option of the company.
- b) Loss on sale/discarding of assets includes Rs. NIL lakhs (previous year Rs. 1.39 lakhs) of certain obsolete Fixed Assets recognised as impaired and charged off.
- 7 a) 'Sundry Debtors' includes Rs. 6460.05 lakhs (previous year Rs. 4834.47 lakhs) due from Government institutions/bodies in respect of which confirmation of balances is awaited.
- b) Included in the above, a sum of Rs. 2216.52 lakhs is due from Government of Madhya Pradesh (M.P. Govt.) against supply of Medicine Kits during financial year 2007-08. The Company has filed writ petition for recovery of the above dues before the Hon'ble High Court of Madya Pradesh. In its order dated 20th March 2010, the court had directed the M.P. Govt. to make an interim payment of Rs. 1000 lakhs which would be subject to the final outcome of the case. The High Court of Madhya Pradesh had further directed the parties to form a committee to resolve the matter.

Corresponding to the receivables referred to above, there exists a net liability of Rs. 1573.01 Lakhs due to the vendor payable only against realisation of the sale proceeds. Considering the facts of the case and based on the

legal advise, the management believes that the balance is wholly recoverable and hence of the opinion that no provision for doubtful debts is required in this regard.

- c) Confirmation of balances called for by the Company from sundry debtors other than Government institutions/bodies is awaited to an aggregate extent of Rs. 804.28 lakhs (previous year Rs. 548.42 lakhs) of such debtors. Confirmation of balances from sundry creditors is awaited to an aggregate extent of Rs. 4147.70 lakhs (Previous year Rs. 3144.26 lakhs). In the cases where differences are noticed in the confirmations received from Debtors and Creditors, the Company has adopted the balance as per Books of Accounts for preparation of Financial Statements, after carrying out necessary reconciliations.
  - d) Confirmation of balances in respect of Deposit with Government departments amounting to Rs. 29.78 lakhs is awaited (Previous Year Rs. 23.99 lakhs).
  - e) However, in the opinion of the Company, non receipt of confirmation of balances will not have any material effect on the financial position of the Company.
8. Fixed deposit account under cash and bank balances includes the following :
- i) An amount of Rs. 1.42 Lakhs (Previous Year Rs. 1.42 lakhs) held in Vijaya Bank, Secunderabad as per the orders of High Court of Andhra Pradesh in connection with a case filed by an ex-employee.
  - ii) An amount of Rs. 2.00 lakhs (Previous Year Rs. 2.00 lakhs) held with Vijaya Bank, Bangalore in respect of a welfare fund constituted for the welfare of the employees.
9. There are no Micro and Small Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2010. This information as required to be disclosed under Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

Following are the details of the parties with outstanding as at 31st March, 2010.

Sl. No.	PARTY'S NAME	As at 31.3.10 (Rs. Lakhs)	As at 31.3.09 (Rs. Lakhs)	Sl. No.	PARTY'S NAME	As at 31.3.10 (Rs. Lakhs)	As at 31.3.09 (Rs. Lakhs)
1	M/s Shakthi printech	0.01	0.80	12	M/s. Thirupathi Adhesives	0.01	0.01
2	M/s Resil Chemicals Pvt. Ltd.,	0.66	0.78	13	M/s. Padma Chemicals	0.52	0.52
3	M/s Esscee Enterprises	1.07	0.94	14	M/s. Dinesh printers	1.47	0.87
4	M/s. Colour Shade	4.88	8.15	15	M/s. Onyx Advertising and Print	2.06	0.00
5	M/s. Card Box	2.07	2.51	16	M/s. Alutop	0.70	0.40
6	M/s. Geekay Impressions	0.02	0.02	17	M/s. Sri Venkateswara Engg.	0.06	0.16
7	M/s. Hiral chemicals	0.38	0.00	18	M/s. Janta Ayurvedic Aushadi Prathishtan	0.24	0.88
8	M/s. Sri R.M.Graphics	2.00	2.24	19	M/s. Amishi Drugs	0.23	0.00
9	M/s. Polynova Packers	0.68	1.49	20	M/s. Basin Packwell (P) Ltd.	0.58	0.00
10	M/s GRV Merchandising	3.03	3.68	21	M/s. Ramsons Print N Pack	1.00	0.00
11	M/s. Prashanthi Polymers	2.45	0.00		<b>Total</b>	<b>24.12</b>	<b>23.45</b>

No interest is payable during the year

- 10. "Other liabilities" under Schedule No.10 includes Rs.6.23 lakhs (Previous Year Rs.5.45 Lakhs) being the amount payable towards Executives Welfare fund Rs.2.00 lakhs (Previous Year Rs.1.95 Lakhs) and Non-executives welfare fund Rs.4.23 Lakhs (Previous year Rs.3.50 Lakhs) which are administered by the committee consisting of the members from Management and the employees. Out of Rs.4.23 lakhs (Previous Year Rs.3.50 Lakhs) non-executives welfare fund, a sum of Rs.2.00 Lakhs (Previous Year Rs.2.00 Lakhs) is held in the form of Term deposit with Vijaya Bank, Bangalore as stated under 8(ii) above.

**SCHEDULE NO. 20 (Contd.)**

11. Major components of deferred tax assets and liabilities arising on account of timing differences are as under :

(Rs.in Lakhs)

PARTICULARS	Upto 31.3.2010	Upto 31.3.2009
<b>Deferred Tax Liabilities :</b>		
a) Fixed Assets -Written Down Value Difference	323.39	310.11
b) Others	0.00	8.85
	<b>323.39</b>	<b>318.96</b>
<b>Less : Deferred Tax Assets :</b>		
a) Provisions for doubtful debts,claims etc.,	20.22	11.67
b) Leave Salary	277.81	191.30
c) Gratuity	398.24	227.44
d) Others	22.14	18.51
	718.41	448.92
<b>Net Deferred Tax Asset</b>	<b>395.02</b>	<b>129.96</b>

12. Administrative expenses include Managing Director's remuneration as under :

(Rs.in Lakhs)

PARTICULARS	Current Year	Previous Year
a) Salary	14.13	6.20
b) Contribution to PF	1.40	0.66
c) Leased Accomodation	0.40	1.49
d) Others	0.00	0.67
	<b>15.93</b>	<b>9.02</b>

## 13. Movement of Provisions during the year :

(Rs.in Lakhs)

PARTICULARS	Balance at the beginning of the year	Amount provided during the year	Amount Paid/ adjusted during the year	Balance at the end of the year
1. Provision for Taxation	676.80	760.00	-3.20	1440.00
2. Provision for Fringe Benefit Tax	76.00	0.00	26.00	50.00
3. Proposed Dividend	37.25	44.70	37.25	44.70
4. Provision for Tax on Proposed Dividend	6.33	7.42	6.33	7.42
5. Provision for Earned Leave	444.50	260.35	51.84	653.01
6. Provision for Gratuity	669.14	573.07	43.34	1198.87
7. Provision for Sick Leave	118.30	65.03	0.00	183.33
8. Provision for :				
a) Disputed Legal Cases	30.70	0.50	13.70	17.50
b) Disputed Statutory demands	23.74	0.00	0.00	23.74
<b>TOTAL</b>	<b>2082.76</b>	<b>1711.07</b>	<b>175.26</b>	<b>3618.57</b>

## 14. CAPACITIES &amp; STOCK OF GOODS PRODUCED :

Sl. No.	Particulars	Installed Capacity No. in lakhs	Opening stock as at 1.4.09		closing stock as at 31.3.10	
			Qty No. in lakhs	Value Rs.in lakhs	Qty No. in lakhs	Value Rs.in lakhs
1	Dry Powder Vials	617.50 (617.50)	61.55 (53.45)	576.32 (523.57)	33.41 (61.55)	309.45 (576.32)
2	Liquid Parenterals (Vials/Ampoules)	396.00 (396.00)	38.81 (42.66)	174.83 (194.62)	16.14 (38.81)	95.76 (174.83)
3	Tablets	2500.00 (2500.00)	420.23 (397.71)	247.57 (194.08)	155.08 (420.23)	60.06 (247.57)
4	Capsules	450.00 (450.00)	39.72 (95.42)	28.69 (59.44)	38.30 (39.72)	20.72 (28.69)
5	Dry Syrup & Suspension	30.00 (30.00)	4.62 (5.87)	30.43 (61.33)	3.33 (4.62)	25.02 (30.43)
6	Others			900.30 (656.56)		523.05 (900.30)
	<b>TOTAL</b>			<b>1958.14 (1689.60)</b>		<b>1034.06 (1958.14)</b>

**SCHEDULE NO. 20 (Contd.)**
**NOTE :**

1. Figures in brackets are in respect of the previous year.
2. Installed capacity in respect of vials is on double shift basis and others on single shift basis.
3. Installed capacities vary according to the product-mix since the facilities installed are multipurpose. The figures indicated above are based on current product-mix.
4. Installed capacities are as certified by CGM (Works).

**15. ACTUAL PRODUCTION (INCLUDES PHYSICIAN SAMPLES)**

DESCRIPTION	CURRENT YEAR		PREVIOUS YEAR	
	FOR OWN Nos. in lakhs	FOR OTHERS Nos. in lakhs	FOR OWN Nos. in lakhs	FOR OTHERS Nos. in lakhs
Dry Powder Vials	396.91	60.29	414.75	121.25
Liquid Parenterals	485.53	—	335.07	3.21
Tablets	4801.52	—	3515.30	—
Capsules	794.59	—	579.73	—
Dry Syrups & Suspension	32.37	—	27.86	—
Others	379.24	8.96	440.77	13.19

**16. PURCHASE OF FINISHED GOODS (INCLUDES PHYSICIAN SAMPLES)**

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	Quantity No. in Lakhs	Value Rs. in Lakhs	Quantity No. in Lakhs	Value Rs. in Lakhs
Medical and Surgical Kits	*	1305.91	*	6020.84
Others	*	4758.17	*	4207.88
		<b>6064.08</b>		<b>10228.72</b>

\* Enumeration of quantities not practicable.



**SCHEDULE NO. 20 (Contd.)**
**17. DETAILS OF TURNOVER**

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	Quantity* No. in Lakhs	Value Rs. in Lakhs	Quantity* No. in Lakhs	Value Rs. in Lakhs
<b>A. SALES</b>				
Dry Powder Vials	425.05	4851.94	406.65	4382.11
Liquid Parenterals	508.20	1943.24	338.92	1515.73
Tablets	5066.67	3184.56	3492.78	2576.27
Capsules	796.01	831.02	635.43	696.17
Dry Syrups & Suspension	33.66	378.39	29.11	336.88
Others		10013.26		12879.73
Sub-Total		<b>21202.41</b>		<b>22386.89</b>
<b>B. LOAN LICENCE</b>				
CONVERSION		79.16		114.11
		79.16		114.11
<b>Net Sales (A+B)</b>		<b>21281.57</b>		<b>22501.00</b>

\* includes physician samples and Free Goods.

**SCHEDULE NO. 20 (Contd.)**
**18. MATERIALS CONSUMED :**

Sl. No.	PRODUCT NAME	CURRENT YEAR			PREVIOUS YEAR		
		QUANTITY (Kgs/Bus)	VALUE Rs. Lacs	%	QUANTITY (Kgs/Bus)	VALUE Rs. Lacs	%
<b>A. RAW MATERIALS :</b>							
<b>I. INDIGENOUS :</b>							
1.	CEFTRIAXONE	4186.120	365.85		3705.000	311.76	
2.	CEFOTAXIME SODIUM	4358.885	309.44		4221.500	311.17	
3.	AMPICILLIN SOD. ST.	6821.440	225.76		7060.240	272.13	
4.	CIPROFLOXACIN	13523.095	181.30		21878.180	307.21	
5.	AMOXYCILLIN TH (COMP)	11162.420	176.96		13494.700	237.78	
6.	PARACETAMOL	79869.505	172.44		97772.930	245.37	
7.	CEFEXIME	1054.986	117.31		1704.702	197.34	
8.	AMICACIN SULPHATE	2239.689	117.11		3234.814	161.08	
9.	GENTAMYCIN SULPHATE	2652.665	111.63		2930.197	121.69	
10.	SULPHAMETHOXAZOLE	17604.000	95.40		25236.000	138.36	
11.	ALBENDAZOLE	7261.599	80.93		10511.000	125.10	
12.	OTHERS		1576.99			1268.42	
<b>TOTAL</b>			<b>3531.12</b>	<b>90</b>		<b>3697.41</b>	<b>89</b>
<b>II. IMPORTED :</b>							
1	POTTASIAM CLAUVALNATE	860.280	130.46		915.330	112.97	
2	HYDROCARTISONE SOD.	250.000	75.38		113.115	28.87	
3	STREPTOMYCIN SULPHATE	3495.000	60.41		2822.280	40.56	
4	BENZATHENE PENC	1911.855	47.80		66.975	1.51	
5	FORT PROC PENICILLIN	2089.687	29.10		0.000	0.00	
6	BENZYL PENICILLIN	1361.517	16.09		673.35	9.34	
7	OTHERS		19.18			243.46	
TOTAL:			<b>378.42</b>	<b>10</b>		<b>436.71</b>	<b>11</b>
TOTAL OF I & II			<b>3909.54</b>	<b>100</b>		<b>4134.12</b>	<b>100</b>

## SCHEDULE NO. 20 (Contd.)

## 18. MATERIALS CONSUMED : (Contd.)

Sl. No.	PRODUCT NAME	CURRENT YEAR		PREVIOUS YEAR	
		QUANTITY (Kgs/Bus)	VALUE Rs. in Lacs	QUANTITY (Kgs/Bus)	VALUE Rs. inLacs
<b>B.</b>	<b>PACKING MATERIALS :</b>				
	(all indigenous)	(NO.IN LACS)		(NO.IN LACS)	
1	VIALS & AMPOULES	785.380	615.87	640.020	544.55
2	OTHERS		904.20		868.08
	TOTAL		1520.07		1412.63
	TOTAL OF A & B		5429.61		5546.75
	LESS : CENVAT CREDIT		377.93		577.54
	LESS : VAT CREDIT		14.43		8.31
	NET CONSUMPTION		5037.25		4960.90

(Rs. in Lakhs)

Sl. No.	PRODUCT NAME	CURRENT YEAR	%	PREVIOUS YEAR	%
<b>19</b>	<b>SPARES CONSUMED</b>				
	Indigenous	33.82	100	49.25	100
	Imported	0.00	0	0.00	0
		<b>33.82</b>	<b>100</b>	<b>49.25</b>	<b>100</b>
<b>20</b>	<b>VALUE OF IMPORTS ON CIF BASIS</b>				
	1. Raw Materials	417.25		368.92	
	2. Others	3.95		24.46	
<b>21</b>	<b>EARNINGS IN FOREIGN EXCHANGE</b>				
	F.O.B. Value of Exports	1208.22		1049.33	
<b>22</b>	<b>EXPENDITURE IN FOREIGN CURRENCY</b>				
	Travel and others	37.02		49.78	



**23. SEGMENT INFORMATION FOR THE YEAR ENDED 31ST MARCH 2010.**  
**PRIMARY SEGMENT : BUSINESS SEGMENT**

(Rs.in Lakhs)

PARTICULARS	PHARMACEUTICALS		OTHERS		TOTAL	
	31.03.10	31.03.09	31.03.10	31.03.09	31.03.10	31.03.09
<b>REVENUE</b>						
Sales	19445.27	16008.32	1836.30	6492.68	21281.57	22501.00
Segment Result	1982.44	1090.04	245.69	440.53	2228.13	1530.57
Unallocated Corporate Expenses					731.04	636.78
Operating Profit					1497.09	893.79
Interest Expense					64.35	80.29
Interest Income					209.04	154.91
Income Tax					760.00	464.00
Deferred Tax					265.06	83.62
Profit from Ordinary Activities					1146.84	588.03
Taxation Adjustments of Previous Year					3.58	11.82
Net Profit					1150.42	599.85
<b>OTHER INFORMATION</b>						
Segment Assets	10226.75	8253.40	3708.57	3948.40	13935.32	12201.80
Unallocated Corporate Assets					5154.44	2765.48
Total Assets					19089.76	14967.28
Segment Liabilities	8200.84	4900.41	2475.25	4276.98	10676.09	9177.39
Unallocated Corporate Liabilities					8413.67	5789.89
Total Liabilities					19089.76	14967.28
Capital Expenditure	392.88	228.33	0.00	0.00	392.88	228.33
Unallocated Capital Expenditure					61.98	77.76
Total Capital Expenditure	392.88	228.33	0.00	0.00	454.86	306.09
Depreciation *	155.70	144.04	0.53	0.53	156.23	144.57
Non-Cash Expenses other than Depreciation	0.00	0.00	0.00	0.00	0.00	0.00

\* does not include depreciation on common assets

**SECONDARY SEGMENT: GEOGRAPHICAL SEGMENT**

(Rs.in Lakhs)

	31.3.2010	31.3.2009
<b>REVENUE :</b>		
INDIA	20061.40	21412.75
OUTSIDE INDIA	1220.17	1088.25
TOTAL	<b>21281.57</b>	<b>22501.00</b>
<b>CARRYING AMOUNT OF SEGMENT ASSETS :</b>		
INDIA	13619.52	12036.90
OUTSIDE INDIA	315.80	164.90
TOTAL	<b>13935.32</b>	<b>12201.80</b>
<b>ADDITIONS TO FIXED ASSETS</b>		
INDIA	454.86	306.09
OUTSIDE INDIA	0.00	0.00
TOTAL	<b>454.86</b>	<b>306.09</b>

**NOTES :**
**1. BUSINESS SEGMENTS :**

The business segment has been considered as the primary segment for disclosure. The products included in each of the reported business segments are as follows:

- 1.1 PHARMACEUTICALS comprises of formulations of various dosage forms.
- 1.2 OTHERS comprises of agrochemicals, medical equipment, medical kits, diagnostics and income from contract manufacturing.

**2. GEOGRAPHICAL SEGMENTS :**

The geographical segments considered for disclosure are as follows :

- 2.1 Sales within India
- 2.2 Sales outside India

**3. SEGMENTAL ACCOUNTING POLICIES :**

- 3.1 Segment accounting policies are in line with the accounting policies of the Company.
- 3.2 Segment revenue, expenses, assets and liabilities which are directly attributable to the segment, are disclosed accordingly.
- 3.3 Unallocable corporate expenses, assets and liabilities relate to the Company as a whole and are not practicable to allocate to any segment.



24. a) Previous year's figures have been regrouped wherever necessary to make them comparable with current year figures.

b) Figures have been rounded off to nearest thousand rupees.

Signatures to Schedule 1 to 20

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**DR. B.R. JAGASHETTY**  
Director

**S L PHADKE**  
Managing Director

Refer our report of even date  
for **VASAN & SAMPATH**  
Chartered Accountants

**R.RADHAKRISHNAN**  
General Manager-Finance

**JAGADEESH C.HIREMATH**  
Assistant Gen.Manager (Admn) and  
Company Secretary

**UNNIKRISHNAN MENON**  
Partner  
Membership No. 205703

PLACE : BANGALORE  
DATE : 05-07-2010

PLACE : BANGALORE  
DATE : 05-07-2010



**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration No. : U24231KA1981GOI004145  
 State Code : 08  
 Balance Sheet Date : 31.03.2010

**II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. thousands)**

Public issue	Rights issue	Bonus issue	Private Placement
Nil	Nil	Nil	Nil

**III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. thousands)**

	Total Liabilities	Total Assets
	657357	657357
Source of Funds	Paid up Capital	Reserves and Surplus
	14900	489584
	Share Application Money	
	91000	
	Secured Loans	Unsecured Loans
	61873	Nil
Application of Funds	Net Fixed Assets	Investments
	280797	Nil
	Net Current Assets	Misc. Expenditure
	337058	Nil
	Accumulated Losses	Deferred Tax Asset
	Nil	39502

**IV. PERFORMANCE OF THE COMPANY (Amount in Rs. thousands)**

Turnover (Gross Revenue)	Total expenditure
2175884	2011706
+/- Profit/Loss before tax	+/- Profit/Loss after tax
164178	115042
Earnings per share in Rs.	Dividend rate %
772.09	30

**V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY**

(as per monetary terms)

Product Description	Item code No.(ITC Code)
Ceftriaxone	3004 20 19
Cefotaxime Sodium Inj.	3004 20 19
Ampicillin Sod. Sterile	3004 10 20

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**DR. B.R. JAGASHETTY**  
Director

**S L PHADKE**  
Managing Director

PLACE : BANGALORE  
DATE : 05-07-2010

**R.RADHAKRISHNAN**  
General Manager-Finance

**JAGADEESH C.HIREMATH**  
Assistant Gen.Manager (Admn) and  
Company Secretary


**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010**

(Rs.in Lakhs)

	Current Year	Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX	1641.78	968.41
Adjustment for :		
Depreciation	181.64	164.15
Interest Income	(209.04)	(154.91)
Interest expenditure	64.35	80.29
(Profit)/ Loss on discarding of Assets	(0.23)	1.67
	<b>36.72</b>	<b>91.20</b>
Operating Profit before Working Capital Change	1678.50	1059.61
Adjustment for :		
Increase in Trade and other receivables	(2384.73)	(665.11)
(Increase) /Decrease in inventories	867.66	(401.25)
Increase in creditors & other liabilities	1518.88	828.01
	<b>1.81</b>	<b>(238.35)</b>
Cash generated from operations	1680.31	821.26
Direct Taxes paid(Net of refund)	(543.74)	(319.37)
Net cash from operating activities (A)	<b>1136.57</b>	<b>501.89</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	208.24	149.92
Purchase of Fixed assets	(454.86)	(306.09)
Sale of Assets	3.05	2.89
Net cash from investing activities (B)	<b>(243.57)</b>	<b>(153.28)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Decrease in long term loan	(85.32)	(69.31)
Increase in short term loan	34.37	13.04
Dividend paid	(44.70)	(37.25)
Tax on distributed profits	(7.42)	(6.33)
Share Application Money received	815.00	—
Interest paid	(64.35)	(80.29)
Net cash from financing activities (C)	<b>647.58</b>	<b>(180.14)</b>
<b>D. NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>1540.58</b>	<b>168.47</b>



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2010 (Contd.)**

(Rs.in Lakhs)

	<b>Current Year</b>	<b>Previous Year</b>
E. CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR	1708.44	1539.97
F. CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR	3249.02	1708.44
Cash and Cash equivalents represent the Cash and Bank balances (refer Schedule 7)		
Direct Taxes are considered as operating activity		
Previous Year Figures are regrouped wherever necessary		

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**DR. B.R. JAGASHETTY**  
DIRECTOR**S.L.PHADKE**  
MANAGING DIRECTORRefer our report of even date  
For **VASAN & SAMPATH**  
Chartered Accountants**R.RADHAKRISHNAN**  
General Manager-Finance**JAGADEESH C. HIREMATH**  
Assistant Gen.Manager (Admn)  
and Company Secretary**UNNIKRISHNAN MENON**  
Partner  
Membership No. 205703PLACE : BANGALORE  
DATE : 05.07.2010PLACE : BANGALORE  
DATE : 05.07.2010


**FIGURES AT A GLANCE**

		(Rs.in Lakhs)					
SL NO	PARTICULARS	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	2009 2010
01	Value of Production	11569	12100	15493	22633	25092	21875
02	Sales Turnover	8886	8854	13112	19645	22501	21282
03	Exports (included in 2 above)	1667	1481	786	616	1088	1220
04	Cash Profit	595	619	746	1008	1132	1824
05	Profit before tax	532	557	674	852	968	1642
06	Profit after tax	327	343	419	519	600	1150
07	Share capital	149	149	149	149	149	149
08	Reserves & Surplus	2421	2722	3098	3241	3798	4896
09	Net Worth	2570	2871	3247	3390	3947	5045
10	Gross Block	1451	1499	2892	3191	3457	3562
11	Long term borrowings	0.00	250	641	596	526	441
12	Contribution to Exchequer	1336	1302	1724	2064	2049	1852
13	Manpower (nos.)	542	557	629	655	695	715
14	Average Sales per employee (Rs.)	16	16	21	30	32	30
15	Average production per employee (Rs.)	54	57	71	95	117	102
16	Dividend(%)	25	25	25	25	25	30
17	Book Value per share (Rs.) (Face value of Rs.100)	1725	1927	2179	2275	2649	3386
18	Earning per Share (Rs.) (Face value of Rs.100)	219	230	281	349	403	772
19	Sundry Debtors to sales (%)	16	24	22	29	31	44
20	Turnover to net current assets (%)	496	591	663	1112	1099	631
21	Turnover to gross fixed Assets (%)	612	591	453	615	651	597
22	Value of closing inventory to Sales (%)	18	17	14	12	12	9
23	Finance cost to turnover (%)	0.40	0.40	0.35	0.49	0.50	0.46
24	Material cost to turnover (%)	51	52	60	68	65	56



Shri S.L. Phadke, Managing Director, performing pooja  
at Kadabagere Land



Dr. E.V. Ramana Reddy, IAS, Chairman, KAPL, Secretary, HFW, interacting  
with Sr. Officers. Also seen Smt. Vandita Sharma, IAS, Managing Director, KSIIDC with  
Shri S.L. Phadke, Managing Director, KAPL