



# Annual Report

2010-11



ISO 9001

## KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LTD.



Quality Keeps us Moving





Shri P. Rajeeve, Hon'ble Chairman, Committee on Government Assurance, Rajya Sabha, with the other members of the Committee during their visit to Bangalore



Shri S. L. Phadke, Managing Director, KAPL seen with Officers of Dept. of Pharmaceuticals and other Officers of KAPL during meeting with Committee on Govt. Assurance, Rajya Sabha during their visit to Bangalore

BOARD OF DIRECTORS (AS ON 22.09.2011)



Dr. E.V. Ramana Reddy, IAS



Shri S.L. Phadke



Dr. Raj Kumar Khatri, IAS



Shri R.C. Jha



Dr. B.R. Jagashetty



Shri R.K. Kureel

**BOARD OF DIRECTORS (AS ON 22.09.2011)**

<b>Dr. E.V. RAMANA REDDY, IAS</b> Chairman – KAPL and Secretary , Health & Family Welfare Dept. Government of Karnataka, Vikas Soudha, BANGALORE - 560 001 From: 13.01.2010	<b>Shri R. K. KUREEL</b> Under Secretary Department of Chemicals & Petrochemicals Shastri Bhavan New Delhi - 110 011  From: 09.08.2011
<b>Dr. RAJ KUMAR KHATRI, IAS</b> Managing Director Karnataka State Industrial Infrastructure and Development Corpn. Ltd.,Khanija Bhavan, 4th Floor East Wing, 49 Race Course Road, BANGALORE-560 001 From: 11.07.2011	<b>Smt. VANDITHA SHARMA, IAS</b> Managing Director, Karnataka State Industrial Infrastructure and Development Corpn. Ltd., Khanija Bhavan, 4th Floor East Wing, 49 Race Course Road, BANGALORE 560 001 Upto : 22.03.2011
<b>Shri S. L. PHADKE</b> Managing Director Karnataka Antibiotics & Pharmaceuticals Limited Dr Rajkumar Road, 1st Block, Rajajinagar BANGALORE – 560 010 From: 01.04.2007	<b>Smt. ASHA RANI RUNGTA</b> Director (Finance Division) Department of Chemicals & Petrochemicals Shastri Bhavan New Delhi - 110 011 Upto 23.06.2011
<b>Dr. B.R. JAGASHETTY</b> Drugs Controller for the State of Karnataka, Palace Road, Bangalore - 560 001  From 22.05.2008	<b>Shri M MAHESHWAR RAO, IAS</b> Managing Director Karnataka State Industrial Infrastructure and Development Corpn. Ltd., Khanija Bhavan, 4th Floor, East Wing, 49 Race Course Road, BANGALORE - 560 001 Upto: 11.07.2011
<b>Shri R.C. JHA</b> Director Department of Pharmaceuticals Shastri Bhavan New Delhi - 110 011 From: 08.11.2010	<b>Shri PAWAN GUPTA</b> Dy. Secretary Department of Chemicals & Petrochemicals Shastri Bhavan New Delhi - 110 011 Upto : 09.08.2011

**JAGADEESH C HIEMATH**

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, Cannught 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)



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## TH ANNUAL GENERAL MEETING

**Dr. E.V. RAMANA REDDY, IAS**  
Chairman – KAPL and Secretary  
Health & Family Welfare Dept  
Government of Karnataka  
Vikas Soudha,  
BANGALORE  
From 30.08.2011

ing of the Members of the Company will be held as

BER 2011

JRS

& Corp. Office,  
Rajkumar Road, 1st Block, Rajajinagar, Bangalore – 560 010.



A.

1. To read and adopt the Directors' Report, Audited Balance Sheet as on 31st March 2011 and Audited Profit and Loss Account for the year ended on that date along with the Auditor's Report thereon.
2. To declare dividend.

By Order of the Board of Directors

**(JAGADEESH C HIREMATH)**

Company Secretary and  
Asst.General Manager(Admn).

Place : Bangalore  
Date : 30.08.2011

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 will be appointing the Statutory Auditors for the year ending 31.03.2012.



## NOTICE OF THE THIRTIETH ANNUAL GENERAL MEETING

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

DAY : THURSDAY  
DATE : 22<sup>nd</sup> SEPTEMBER 2011  
TIME : 1600 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 2011 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

**(JAGADEESH C HIREMATH)**

Company Secretary and  
Asst.General Manager(Admn).

Place : Bangalore

Date : 30.08.2011

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 will be appointing the Statutory Auditors for the year ending 31.03.2012.

**SPEECH DELIVERED BY CHAIRMAN, AT THE 30<sup>TH</sup> ANNUAL GENERAL MEETING OF THE COMPANY HELD AT BANGALORE ON 22-09-2011.**

1. On behalf of the Board of Directors' and on my personal behalf, I take pleasure in extending a warm welcome to each one of you to the Annual General Meeting of your Company.

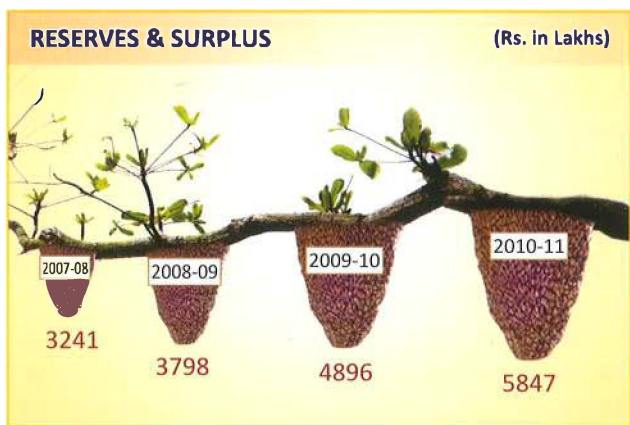
2. It gives me great pleasure to report to you on the performance of your Company in fiscal year 2010-11. Company's turnover continued to be in excess of Rs.200 crore for third successive year. During the year your company has been upgraded from schedule ' D '



Head of the Departments during 'Vigilance Period' Observations

**3. MACRO ECONOMIC SETTING:**

During the year 2010-11, the Indian Economy grew at 8.5% as compared to 8% in 2009-10. Major macro – economic parameters such as industrial growth and manufacturing have remained steady. Agriculture and exports have shown good growth as compared to previous year.



CPSE to schedule 'C' CPSE by the Government of India vide communication dated 22.07.2010. The Directors' Report and the Accounts of the Company for the year ended 31st March, 2011 have already been provided to all the share-holders, and with permission of all present here, I shall consider them as read.



Employees participating in Hindi Workshop



**4. OPERATIONAL PERFORMANCE:**

I am delighted in informing you that , your Company achieved production of the value of Rs.24031 lakhs – the annual production per factory employee being Rs.112 lakhs (previous year Rs.102 lakhs). The Company achieved sales turnover of Rs.21004 lakhs during the year 2010-11.

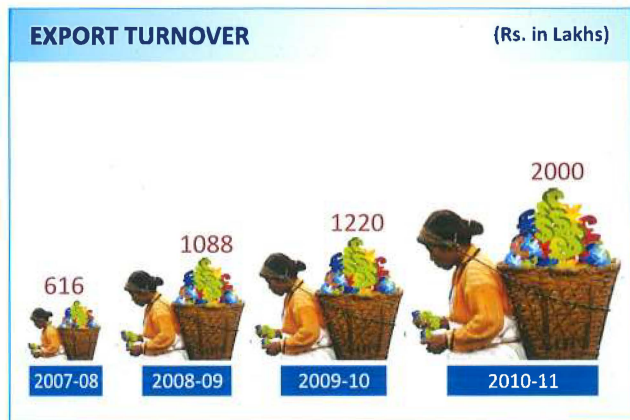
**5. FINANCIAL RESULTS:**

Your Company achieved a cash profit of Rs.20.45 crores (previous year Rs.18.23 crores). The Company has achieved a profit before tax of Rs.18.51 crores (previous year Rs. 16.42 crores) and profit after tax of





Rs.10.56 crores. The book value per share ( a face value of Rs.100/- ) is Rs.881 (previous year Rs.3386) – on expanded capital base of Rs. 7.49 crores ( last year Rs. 1.49 crores). The earning per share on expanded capital base is Rs.141 on a face value of Rs.100/-.



**6. DIVIDEND:**

As you are aware, KAPL is the only pharmaceutical Company in the Central Drug Sector to consistently declare dividend for the past 21 years. For the year 2010-11, your Directors have recommended a dividend of Rs.12/- for every equity share of Rs.100/-.

**7. "EXCELLENT" RATING :**

Based on self appraisal, your Company has achieved "Excellent " rating for the achievement of targets under the Memorandum of Understanding [ MOU ] entered into by the Company for the year 2010-11.



Sr. Management Team participating in Training Programme



**8. 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.

**9. ACKNOWLEDGEMENT :**

9.1 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, guidance and counsel.

9.2 My deep gratitude is due to your valued customers for their trust in the Company.

9.3 On behalf of the Board as well as on my personal behalf, I thank all the employees and the Management for having helped the Company to reach greater heights.

9.4 I am grateful for the immense contribution made by your Auditors and the Legal Advisors.

9.5 I am 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 glorious performance.

10. I now commend the Balance Sheet as on 31.03.2011, Profit and Loss Account for the year ended on that date and the Directors' Report for the adoption.

Place: Bangalore  
Date: 22.09.2011

**Chairman**

## DIRECTORS' REPORT

To  
The Shareholders,  
Karnataka Antibiotics & Pharmaceuticals Limited  
Gentlemen,

Your Directors have pleasure in presenting the Report on the business and operations of the Company for the year ended 31<sup>st</sup> March 2011.

### 1. HIGHLIGHTS

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

Table I

PERFORMANCE HIGHLIGHTS		Rs. in Lakhs		
Sl. No.	Particulars	2008-2009	2009-2010	2010-2011
1.	Production*	25092	21875	24031
2.	Sales	22501	21282	21004
3.	Exports (included in Sl. No.2 above)	1088	1220	2000
4.	Profit before Tax	968	1642	1851
5.	Profit after Tax	600	1150	1056
6.	Dividend	25%	30%	12%
7.	Reserves and Surplus	3798	4896	5847
8.	Paid up Share Capital	149	149	749
9.	Earning per Share(Rs.) (Face value Rs.100/-)	403	772	141
10.	Book value of the Share (Rs.) (Face value Rs.100/-)	2649	3386	881

\* includes the value of Contract manufacturing

### 2. SHARE CAPITAL

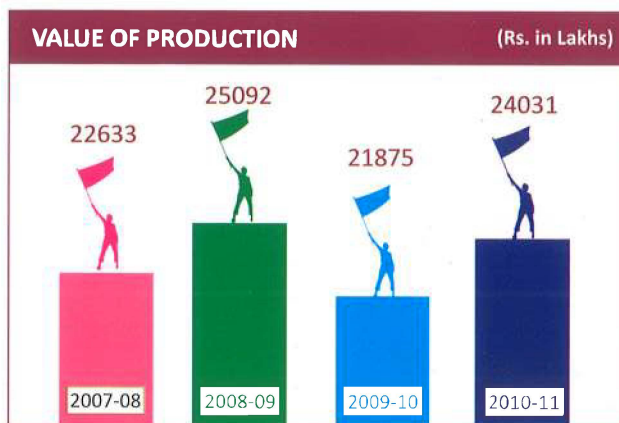
The authorised capital is Rs. 1500 lakhs and the paid-up capital is Rs. 749 lakhs.

Both the promoters have contributed additional equity of Rs.1200 lakhs. As per communication dated 18.03.2009 of Government of India, 6,00,000 Nos. of equity shares of Rs. 100/- were allotted to the President of India and KSIIDC.

### 2A. UPGADATION TO SCHEDULE "C" COMPANY

Your Directors have pleasure in informing that, during the year, Government of India vide their communi-

cation dated 22.07.2010 have upgraded the Company from Schedule "D" CPSE to Schedule "C" CPSE.



### 3. FINANCE

The Company availed Rs. 347.09 lakhs from Vijaya Bank towards term loan in order to upgrade its facilities.

Further your Company has been sanctioned Rs. 800 lakhs term loan for Cephalosporin Project by Vijaya Bank and so far an amount of Rs. 48.00 lakhs has been drawn by the Company.

As on 31.03.2011, the borrowing from Banks for working capital requirements was Rs. 270.81 lakhs. (previous year Rs.177.65 lakhs). The interest on this account is Rs. 8.85 lakhs (previous year 13.76 lakhs).

### 4. PRODUCTION

Your Company achieved the production of the value of Rs. 24031 lakhs (previous year Rs. 21875 lakhs).



Officers participating in the Training Programme

**5. CAPACITY UTILISATION**

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

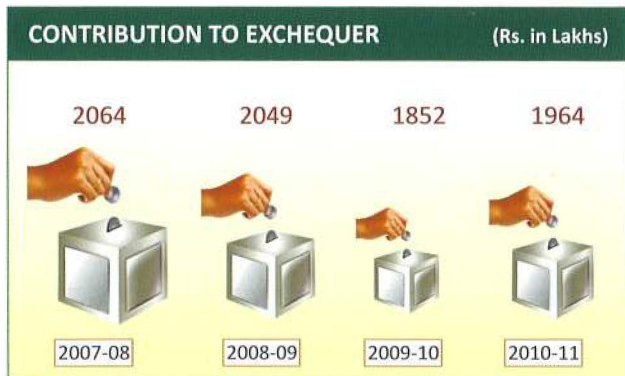
**Table II**

CAPACITY UTILISATION (in %)				
Sl. No.	Particulars	2008-2009	2009-2010	2010-2011
1	Liquid Parenterals	85	123	145
2	Vials	87	74	100
3	Tablets	141	192	178
4	Capsules	129	177	205

**6. SALES TURNOVER**

Your Company achieved a Sales turnover of Rs. 21004 lakhs as against Rs. 21282 lakhs achieved during 2009-10. 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 good. 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. 941 lakhs compared to previous year Rs. 740 lakhs. Sale of "Cetriax" achieved Rs. 510 lakhs compared to previous year Rs. 432 lakhs. "Remcc" brands achieved sales of Rs.586 lakhs compared to Rs. 399 lakhs in the previous year. Sales Turnover of Cyfolac group achieved Rs. 391 lakhs as against Rs. 328 lakhs in the previous year and Sales turnover of each of the brands viz "Maxiflam group" "Vitalpha", "Cefpar", "Zinfe", & "Verixime" exceeded Rs. 100 lakhs each.



Faculty addressing the Heads of the Departments during 'Vigilance Period' Observation

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

**Table III**

SALES TURNOVER (Rs. in lakhs)				
Sl. No.	Particulars	2008-2009	2009-2010	2010-2011
1	Liquid Parenterals	1516	1943	2038
2	Liquid Orals and Dry Syrup	337	379	542
3	Vials	4382	4852	5770
4	Tablets	2576	3185	3395
5	Capsules	696	831	1004
6	Others	12880	10013	8094
7	Loan Licence	114	79	161
<b>Total</b>		<b>22501</b>	<b>21282</b>	<b>21004</b>

**7. NEW PRODUCTS**

To improve the sales volume and the margins, the Company introduced the following products during 2010-11 :

- a) Zinfe XT Tablets – Haematinic Tablets
- b) Zinfe Syrup – Haematinic Syrup
- c) Ketrimide Cream – 30g & 100g
- d) Ivermec Injection – 10ml & 50ml pack
- e) K-Grand Vet Powder – 250g & 1kg pack
- f) Taspin- MP Bolus
- g) Cal-K Plus Suspension-500ml, 1 ltr & 5 ltr

**8. EXPORTS**

You will be glad to know that Company achieved an export turnover of Rs.2000 lakhs as against Rs. 1220 lakhs of previous year. Exports were made to countries such as Netherland, Phillipines, SriLanka, Malaysia, Thailand, Costarica, Guatemala, Namibia, Mozambique, Zimbabwe, Uganda, Ethiopia, Zambia, Sudan, Russia etc. Efforts for registration of products in non-tapped countries are being made on continuing basis.

**9. FINANCIAL RESULTS**

The Company achieved Profit before tax of Rs.1851 lakhs as against Rs. 1642 lakhs earned during 2009-10. The profit after tax earned during 2010 -11 is Rs.1056 lakhs. The financial results for the year 2010-11 are furnished here under in Table-IV

**Table IV**

FINANCIAL RESULTS <span style="float: right;">(Rs in lakhs)</span>			
Particulars	2008-2009	2009-2010	2010-2011
Profit before interest, depreciation and tax:	1245	1922	2136
Less : Interest and other financial charges	113	98	91
Cash Profit	1132	1824	2045
Less : Depreciation	164	182	194
Profit before tax	968	1642	1851
Less : Provision for taxation	368	492	795
Profit after tax and adjustment	600	1150	1056



Employees enjoying in Picnic at "Sangam"

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

**Table V**

KEY RATIOS			
Particulars	2008-2009	2009-2010	2010-2011
Earning per Share - Rs. (face value Rs. 100/-)	403	772	141
Book value per share - Rs. (face value Rs. 100/-)	2649	3386	881
Turnover to gross Fixed assets %	651	597	578
Finance cost to turnover %	0.50	0.46	0.43

**11. DIVIDEND**

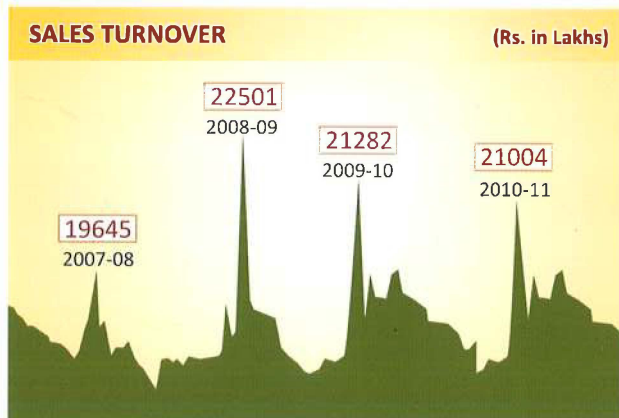
The Company has been declaring dividend for the last 21 years. For the financial year 2010-11, your Directors have pleasure in recommending a dividend @ 12% on the enhanced equity share capital.

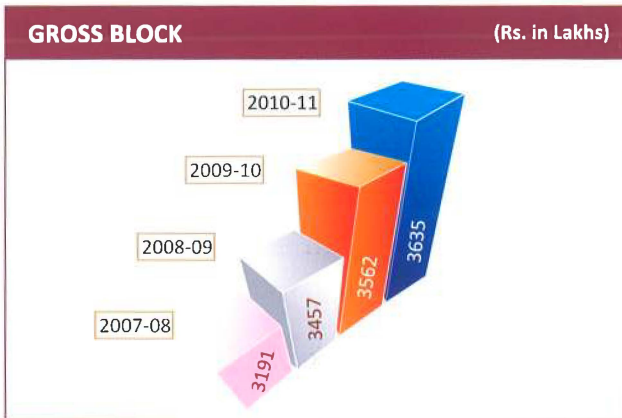
**12. RESERVES & SURPLUS**

We propose to transfer Rs. 930 lakhs to the General Reserves. The members will be glad to note that the cumulative reserves and surplus, as on 31.03.2011 were Rs. 5847 lakhs. The reserves and surplus were 7.81 times of the paid-up equity capital of Rs.749 lakhs. As on 31.03.2011, the net worth of your Company stood at Rs. 6596 lakhs.

**13. INVENTORIES AND DEBTORS**

The value of total inventories consisting of raw materials, work in process and finished goods were





Rs. 2716.76 lakhs which worked out to 13% (previous year 9%) of sales turnover. As on 31.03.2011, debtors were Rs. 7611.13 lakhs which was equivalent to 132 days of sales.

**14. MEMORANDUM OF UNDERSTANDING FOR 2011-12**

As you are aware, the Company has been signing the Memorandum of Understanding (MOU) with Government of India every year. For the year 2011-12, Company has signed Memorandum of Understanding with Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers.

**15. CONTRIBUTION TO PUBLIC EXCHEQUER**

Your Company has contributed a sum of Rs. 1964 lakhs (previous year Rs. 1852 lakhs) to the exchequer of Central and State Governments by way of Income Tax, Excise Duty, Customs Duty, VAT (Sales Tax), Entry Tax etc.

**16. ENCOURAGEMENT TO SMALL SCALE INDUSTRIES**

The 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 31.03.2011 are :

Sl.No.	Party's Name	Rs. in lakhs
01	M/s. Resil Chemicals Pvt. Ltd.,	1.65
02	M/s. Essee Enterprises	2.06
03	M/s. Colour Shade	5.34
04	M/s. Card Box	2.37
05	M/s. Geekay Impressions	0.02
06	M/s. Sri R.M. Graphics	3.95
07	M/s. GRV Merchandising	8.40
08	M/s. Prashanthi Polymers	1.63
09	M/s. Padma Chemicals	0.58
10	M/s. Dinesh Printers	0.01
11	M/s. Onyx Advertising and Print	0.12
12	M/s. Alutop	0.15
13	M/s. Ramsons Print N Pack	6.20
14	M/s. Foils Pack	2.85
15	M/s. Swastic Packaging	3.27
16	M/s. Sri Dhariyal Polymers	0.28
17	M/s. Creative Aeromatics	0.10
18	M/s. Wincoat Colours	1.75
19	M/s. Amsar Private Limited	1.14
<b>Total</b>		<b>41.87</b>



Non-Executive (Technical) participating in Training Programme



**18. FOREIGN TRAVEL**

During the year 2010-11, two employees were deputed abroad for business purposes. The expenditure incurred in this connection by the Company was Rs. 9.09 lakhs.

**19. HUMAN RESOURCES**

The total manpower of the Company, as on 31.03.2011 was 715 Nos. consisting of 214 Officers and 501 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 2010-11, training under in-house training programmes as well as outside training programmes was provided to the extent of 949 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. 9.25 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 31.03.2011, was 103 Nos. (previous year 109 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. 382.41 lakhs (Rs. 377.23 lakhs during 2009-10).

**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.

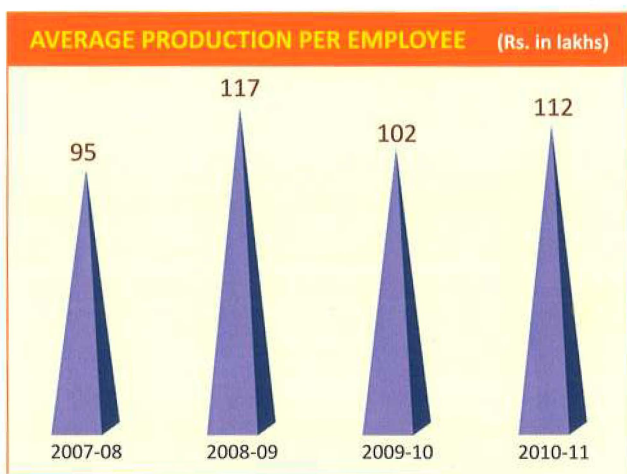
**25. RESPONSIBILITY STATEMENT OF BOARD OF DIRECTORS**

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;



Employees during Picnic along with Shri S. L. Phadke, Managing Director

- 25.1 That in the preparation of the annual accounts for the year ended 31st March 2011, 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, 2011 and of the profit of the Company for that year.



- 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 2011 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.



Faculty addressing Officers during Training Programme

**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;

- i. Planting of saplings in the premises.
- ii. Installation of sand filters for making the treatment more efficient.
- iii. Exercising control measures like disposal of scrap through authorized agencies after checking and segregating them for necessary treatment.
- iv. Addition of scrubbers and filters in compression and coating units for reduction and arrest of fine powders before leaving to environment.
- v. Ensuring reduction in pollution from vehicles by allowing only vehicles with emission test reports.
- vi. Growing of Medicinal Herbs at KAPL land at Kadabagere to utilize available land for better land usage and getting allied medicinal produce.

**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. 12.08 lakhs on Entertainment and Rs.4.10 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	Dr. E V RAMANA REDDY, IAS	13.01.2010
02	SMT. VANDITA SHARMA, IAS	24/27.01.2011
03	DR. B R JAGASHETTY	24/27.01.2011
04	SHRI R C JHA	08.11.2010
05	SMT. ASHA RANI RUNGTA	08.11.2010
06	SHRI M MAHESHWAR RAO, IAS	22.03.2011

31.2 The following ceased to be the Directors on the Board

Sl.No.	Name	Wef
01	SMT. VANDITA SHARMA, IAS	22.03.2011

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

**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.

**33. ENERGY CONSERVATION MEASURES**

Following steps have been taken in this direction;

- i. Usage of CFL Lamps to reduce lighting units at Production areas in SVP and DPP I areas.
- ii. Usage of energy efficient variable frequency drives for NP/DPP/SVP areas.
- iii. Addition of Capacitor Banks to maintain Power Factor to maintain optimal energy consumption thereby reducing the energy consumption.
- iv. Addition of heat recovery system from condensate of steam supplied to Auto-coater.
- v. Addition of Steam line to canteen area for reduction of LPG consumption.

**34. BOARD MEETING**

During the year 2010 – 11, four Board Meetings were held. The 29th Annual General Meeting of the Company was held on 23.09.2010.

**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 2009-10 has been printed in Hindi also.

**36. CORPORATE SOCIAL RESPONSIBILITY**

Corporate Social Responsibility (CSR) is an integral part of the Company's business strategy. As a responsible corporate citizen, we take charge of our social and environmental footprint. An amount of Rs. 11.31 lakhs has been spent towards conducting of Medical Camps, supply of free medicine during Mega Health Camps and Pollution Control Activities.

**37. VISIT OF DIGNITARIES**

Shri Srikant Kumar Jena, Hon'ble Minister of State for Chemicals & Fertilizers, Government of India visited Corporate Office of the Company.

**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 2010-11.



Blood Donation Camp conducted at Bangalore



**39. COST AUDITOR**

The reports of M/s. Rao, Murthy & Associates, Cost Accountants in respect of Cost Accounts of the formulations of the Company for the year ended 31.03.2011 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 31.03.2011 will be appended on receipt of the same.

**41. COMPUTERIZATION ACTIVITIES**

During 2010-11, the following activities were undertaken;

- a) Installation of New Sun M4000 Server
- b) Creation of single database for HO and Factory for IIS Operation.
- c) The Database Server Software upgraded to Sybase 15.0.3 version from existing Sybase ASE 11.5.1 Version.
- d) Implementation of Centralized Backup solution to QAD Lab Analysis Data.
- e) Bar code Label system has been introduced, implemented and being maintained to suit International and Domestic customers.

**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 Karnataka, particularly Health and Family Welfare Department including Drugs Controller, Commissioner for Health & Family Welfare Services, Additional Director, Karnataka State Drugs Logistics & Warehousing Society and Karnataka State Industrial Infrastructure & Development Corporation 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 & Swami, the Internal Auditors, M/s, Rao, Murthy & Associates, Cost 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.



Shri S. L. Phadke, Managing Director, KAPL during Independence Day Celebration at Factory

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

Place : Bangalore      **Dr. B.R. Jagashetty**      **S.L. Phadke**  
 Date : 08.07.2011      Director      Managing Director

## ANNEXURE TO DIRECTORS' REPORT



### 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:

- Usage of CFL Lamps to reduce lighting units at Production areas in SVP and DPP I areas
- Usage of energy efficient variable frequency drives for NP/DPP/SVP areas.
- Addition of Capacitor Banks to maintain Power Factor to maintain optimal energy consumption thereby reducing the energy consumption.
- Addition of heat recovery system from condensate of steam supplied to Auto-coater.
- Addition of Steam line to canteen area for reduction of LPG consumption.

#### POWER AND FUEL CONSUMPTION

PARTICULARS	Current Year	Previous Year
Electricity		
a. Purchase (units)	35,25,750	31,59,140
Total amount (Rs.)	1,91,28,341	1,60,90,213
Rate / Unit (Rs.)	5.43	5.09
b. Own Generation		
i. Through diesel generator Units	3,20,000	2,74,428
Diesel cost (Rs.)	25,78,368	18,83,319
Unit per litre of diesel oil	4.44	4.57
Cost / Unit (Rs.)	8.06	6.86
ii. Coal		
Quantity (Tonnes)	-	-
Total Cost (Rs.)	-	-
Average rate (Rs.)	-	-
iii. Furnace Oil		
Quantity (litres)	94,500	73,500
Total Cost (Rs.)	30,64,034	19,97,151
Average rate(Rs.)	32.42	27.17
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	903	961
Units	160	183
<b>Furnace Oil :</b>		
Rupees	128	107
Ltrs	3.90	3.93

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

During the year Company continued 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 import of raw material spare parts and capital goods	646	421
Expenditure in foreign currencies for business travels, subscription, consumable stores, goods for resale, commission on export sale, etc.	62	37
Remittance during the year in foreign currency on account of dividend	-	-
<b>TOTAL FOREIGN EXCHANGE EARNED</b>	1944	1208

#### FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore    **Dr. B.R. Jagashetty**    **S.L. Phadke**  
 Date : 08.07.2011    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:**

- a) As on 31st March 2011 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.
- b) During the year 2010-11, four Board Meetings were held on 25.06.2010, 23.09.2010, 16.12.2010, 11.03.2011.
- c) 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 31.03.11	No.of outside Board Committee Membership/ Chairmanship as on 31.03.11
Dr. E.V. Ramana Reddy, IAS	Chairman	4/4	Yes	Nil	Nil
Shri. S.L.Phadke	Managing Director	4/4	Yes	Nil	Nil
Smt. Vandita Sharma, IAS	Non-Executive Director	2/4	Yes	11	4
Dr B R Jagashetty	Non-Executive Director	4/4	Yes	Nil	Nil
Shri R C Jha	Non-Executive Director	4/4	Yes	2	Nil
Smt. Asha Rani Rungta	Non-Executive Director	3/4	No	1	Nil
Shri M Maheshwar Rao, IAS	Non-Executive Director	NA	No	11	5

## REPORT ON CORPORATE GOVERNANCE (Contd.)



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.kaplindia.com](http://www.kaplindia.com).

### 3. Audit Committee:

The Paid up Capital of Company as on date is Rs. 7.49 crores. As per the provisions of Section 292A of Companies Act 1956 Audit Committee has been constituted. Smt. Asha Rani Rungta is the Chairperson of Audit Committee. Dr. B R Jagashetty, Director and Shri S L Phadke, Managing Director are the other Members of Audit Committee. One meeting was held and all the Members were present at the meeting.

### 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 2010-11 was as follows:

Rs. in lakhs

Name of the Director	Salary	Benefits	PF Contribution	Perquisites	Total
S.L.Phadke	12.70	0.17	1.13	-	14.00

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

SL No	Name of the Director	Sitting Fee paid (Rs.)	Audit Committee Sitting Fee (Rs.)
01	Dr. E. V. Ramana Reddy, IAS	2000/-	Nil
02	Dr. B. R. Jagashetty	2000/-	500/-
03	Smt. Vandita Sharma, IAS	1000/-	Nil
04	Shri R. C. Jha	2000/-	Nil
05	Smt. Asha Rani Rungta	1500/-	500/-

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



## REPORT ON CORPORATE GOVERNANCE (Contd.)

### 5. ANNUAL GENERAL MEETINGS

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

Financial Year	Date	Time	Venue
2009-2010	23.09.10	1300 hrs	Corp Office, Bangalore
2008-2009	23.09.09	1300 hrs	Corp Office, Bangalore
2007-2008	19.09.08	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.kaplindia.com](http://www.kaplindia.com)

b) **Plant Location :**

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  
“Nirman Bhavan”, 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 : 08.07.2011

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

**S.L. Phadke**  
Managing Director



**REPLY OF THE COMPANY TO THE COMMENTS OF THE STATUTORY AUDITORS CONTAINED IN THEIR REPORT DATED 07.07.2011.**

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, 2011 include receivables from the Madhya Pradesh State Government aggregating Rs. 1216.52 lakhs which are overdue, which is net of Rs. 1000 lakhs received as an 'Interim payment which would be subject to the final outcome of the case' as directed by the Honourable High Court of MP. 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 (without considering the 'Interim Payment') 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. 1216.52 lakhs is against the supply of Medicine Kits to Madhya Pradesh State Government after adjusting a sum of Rs. 1000 lakhs received pursuant to the interim order of Hon'ble High Court of Madhya Pradesh in the writ petition filed by the Company. Against the amount receivable as stated herein, there is a corresponding liability of Rs. 1573.01 lakhs to be paid to the vendor. As per the agreement with the vendor, the said amount is payable only upon realization of full outstanding. In view of the above facts and also based on the legal advise, the Management believes that the balance outstanding with the Madhya Pradesh State Government is wholly recoverable and as such no provision is considered necessary.</p>

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Bangalore

Dated: 16th August, 2011

**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, 2011** 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, 2011 include receivables from the Madhya Pradesh state government aggregating Rs. 1216.52 lakhs which are overdue, which is net of Rs. 1000 lakhs received as an 'Interim payment which would be subject to the final outcome of the case' as directed by the Honourable High Court of MP. 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 (without considering the 'Interim Payment') 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, 2011;
- 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 : 004542S)

**Unnikrishnan Menon**  
Partner  
Membership No: 205703

Bangalore  
Date : 7th July 2011

## 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, 2011

- 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	Sales Tax Appellate Tribunal, Mumbai	3.63
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)	0.89
Calculation error at the time of Assessment – West Bengal Sales Tax Act	2005-06	Deputy Commissioner of Commercial Taxes – Kolkata	1.74

- 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)

Bangalore  
Date : 7th July, 2011

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



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2011**

The preparation of financial statements of **Karnataka Antibiotics & Pharmaceuticals Limited, Bangalore** for the year ended **31 March 2011** 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 07 July 2011.

I, on behalf of the Comptroller and Auditor General of India have **decided not to review the report of the Statutory Auditors on the accounts of Karnataka Antibiotics & Pharmaceuticals Limited, Bangalore** for the year ended 31st March 2011 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

**(C.H. KHARSHIING, IA & AS)**  
Pr. Director of Commercial Audit  
& ex-officio Member, Audit Board, Bangalore.

Bangalore  
Dated: 19 July, 2011



## SIGNIFICANT ACCOUNTING POLICIES

### 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 : 07.07.2011

**BALANCE SHEET AS AT 31st MARCH, 2011**

(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>SCHEDULE NO.</b>	<b>AS AT 31.03.2011</b>	<b>AS AT 31.03.2010</b>
<b>SOURCES OF FUNDS :</b>			
Share holders' funds :			
Share Capital	1	749.00	149.00
Share Application Money		600.00	910.00
Reserves and Surplus	2	5847.12	4895.84
Loan funds :			
Secured Loans	3	665.90	618.73
<b>TOTAL</b>		<b>7862.02</b>	<b>6573.57</b>
<b>APPLICATION OF FUNDS :</b>			
Fixed assets :			
Gross Block	4	3634.72	3562.46
Less:Depreciation		1357.60	1171.84
Net Block		2277.12	2390.62
Capital Work In Progress		789.04	417.35
		3066.16	2807.97
Deferred Tax Asset (Net)		197.34	395.02
<b>Current Assets, Loans &amp; Advances :</b>			
Inventories	5	2716.76	1819.50
Sundry Debtors	6	7611.13	9318.18
Cash and Bank Balances	7	4568.44	3249.02
Loans and advances	8	2344.61	1469.41
Interest Accrued on Deposits	9	52.81	30.66
		<b>17293.75</b>	<b>15886.77</b>

**BALANCE SHEET AS AT 31st MARCH, 2011**

(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>SCHEDULE NO.</b>	<b>AS AT 31.03.2011</b>	<b>AS AT 31.03.2010</b>
<b>Less : Current liabilities &amp; Provisions :</b>			
Current Liabilities	10	8988.39	8897.62
Provisions	11	3706.84	3618.57
		12695.23	12516.19
Net Current Assets		4598.52	3370.58
<b>TOTAL</b>		<b>7862.02</b>	<b>6573.57</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 : 07.07.2011PLACE : BANGALORE  
DATE : 7th July 2011



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

(Rs.in Lakhs)			
PARTICULARS	SCHEDULE NO.	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
<b>INCOME :</b>			
Sales and Operating Income		21003.55	21281.57
Less : Excise Duty		579.09	517.94
		<b>20424.46</b>	<b>20763.63</b>
Other Income	12	589.37	477.27
		<b>21013.83</b>	<b>21240.90</b>
<b>EXPENDITURE :</b>			
Cost of Materials	13	11467.64	11984.37
Manufacturing Expenses	14	564.37	475.37
Salaries and Wages	15	3709.33	3977.46
Administration, Selling and General Expenses	16	2957.83	2757.89
Financial Expenses	17	90.88	98.49
Other Expenses	18	116.84	127.10
Depreciation		193.95	181.64
		19100.84	19602.32
Profit for the year		1912.99	1638.58
Prior period Adjustments	19	-62.14	3.20
<b>NET PROFIT FOR THE YEAR</b>		<b>1850.85</b>	<b>1641.78</b>
Less: Provision for Taxation - Current		600.00	760.00
Less : Provision for Taxation - Deferred		197.68	-265.06
		<b>1053.17</b>	<b>1146.84</b>

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011**



(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>SCHEDULE NO.</b>	<b>YEAR ENDED 31.03.2011</b>	<b>YEAR ENDED 31.03.2010</b>
Add : Excess provision for taxation of earlier years		2.91	3.58
<b>PROFIT AFTER TAX</b>		<b>1056.08</b>	<b>1150.42</b>
Surplus brought forward from previous year		90.20	71.90
<b>Profit available for appropriation</b>		<b>1146.28</b>	<b>1222.32</b>
<b>APPROPRIATION</b>			
Transfer to General Reserve		930.00	1080.00
Proposed Dividend		89.88	44.70
Tax on proposed Dividend		14.92	7.42
Balance Carried to Balance Sheet		111.48	90.20
		<b>1146.28</b>	<b>1222.32</b>
Number of Equity Shares		749000.00	149000.00
Basic Earnings per Shares (Rs.)		141.00	772.09
Diluted Earnings per Share (Rs.)		78.29	85.28
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 : 07.07.2011

PLACE : BANGALORE  
DATE : 7th July, 2011





(Rs.in Lakhs)		
PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
<b>SCHEDULE NO. 1</b>		
<b>SHARE CAPITAL :</b>		
<b>AUTHORISED :</b>		
15,00,000 (previous year 15,00,000) Equity Shares of Rs. 100/-each.	1500.00	1500.00
<b>ISSUED, SUBSCRIBED AND PAID UP:</b>		
7,49,000 (previous year 1,49,000) Equity Shares of Rs.100/- each fully paid up.	749.00	149.00
	749.00	149.00
<b>SCHEDULE NO. 2</b>		
<b>RESERVES AND SURPLUS :</b>		
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	4805.64	3725.64
Add : Transfer from Profit and Loss Account	930.00	1080.00
	5735.64	4805.64
Surplus being balance in Profit and Loss Account	111.48	90.20
	5847.12	4895.84
<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	270.81	177.65
<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.	395.09	441.08
	665.90	618.73

**SCHEDULE NO. 4**

**FIXED ASSETS**

(Rs.in Lakhs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	TOTAL AS AT 1.4.10	ADDITIONS DURING THE YEAR	ADJUSTMENTS/ DELETIONS DURING THE YEAR	TOTAL AS AT 31.3.11	AS AT 1.4.10	FOR THE YEAR	ADJUSTMENTS/ DELETIONS DURING THE YEAR	TOTAL AS AT 31.3.11	AS AT 31.3.11	AS AT 31.3.10
LAND :										
FREE HOLD	23.02	0.00	0.00	23.02	0.00	0.00	0.00	0.00	23.02	23.02
BUILDINGS	1029.38	4.10	0.00	1033.48	253.43	32.66	0.00	286.09	747.39	775.95
PLANT AND MACHINERY	2147.56	69.07	0.00	2216.63	732.29	133.78	0.00	866.07	1350.56	1415.27
FURNITURE & FIXTURES	123.12	1.53	0.07	124.58	68.11	6.47	0.07	74.51	50.07	55.01
OFFICE EQUIPMENTS	199.43	21.46	5.90	214.99	109.76	18.77	5.14	123.39	91.60	89.68
CANTEEN EQUIPMENTS	8.97	0.03	0.00	9.00	4.65	0.42	0.00	5.07	3.93	4.31
VEHICLES	30.98	0.00	17.96	13.02	3.60	1.85	2.98	2.47	10.55	27.38
<b>TOTAL</b>	<b>3562.46</b>	<b>96.19</b>	<b>23.93</b>	<b>3634.72</b>	<b>1171.84</b>	<b>193.95</b>	<b>8.19</b>	<b>1357.60</b>	<b>2277.12</b>	<b>2390.62</b>
PREVIOUS YEAR	3456.80	113.53	7.87	3562.46	999.30	181.64	9.10	1171.84	2390.62	2457.50

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
<b>SCHEDULE NO. 5</b>		
<b>INVENTORIES :</b>		
Raw materials -in Stock	1026.24	495.41
-in Transit	86.10	16.10
Less: Provision for obsolescence	22.89	21.25
	1089.45	490.26
Stores and Spares	15.54	14.76
Finished goods -in-Stock	1031.06	923.07
-in-Transit	223.95	110.99
Work-in-process	356.76	280.42
	2716.76	1819.50

(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>AS AT 31.03.2011</b>	<b>AS AT 31.03.2010</b>
<b>SCHEDULE NO. 6</b>		
<b>SUNDRY DEBTORS :</b>		
UNSECURED		
Over six months		
Considered good	2574.52	4264.16
Considered doubtful	47.99	60.90
Others -considered good	5036.61	5054.02
	<b>7659.12</b>	<b>9379.08</b>
Less: Provision for doubtful debts	47.99	60.90
	<b>7611.13</b>	<b>9318.18</b>

**SCHEDULE NO. 7**
**CASH AND BANK BALANCES :**

Cash, Stamps and Coupons on hand	6.23	4.30
Remittances-in-transit	159.51	278.29
Balances with scheduled banks		
- in Current account	398.95	199.95
- in Fixed Deposit Account	3939.25	2628.42
(Refer Note No.8 of Schedule No.20)		
Margin Money - in Fixed Deposits	64.50	138.06
	<b>4568.44</b>	<b>3249.02</b>

(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>AS AT 31.03.2011</b>	<b>AS AT 31.03.2010</b>
<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	187.85	60.11
Advance to staff including imprest to field staff (Due by Directors and other Officers Rs.0.29 lacs, previous year Rs.0.49 lacs. Maximum outstanding anytime during the year Rs.0.29 lacs, previous year Rs. 0.49 lacs)	68.02	65.87
Pre-paid expenses	11.09	14.90
Other advances	23.43	25.82
Other receivables	31.52	2.02
Advance payment of Income Tax	1618.37	1101.76
Advance payment of Fringe Benefit Tax	0.00	47.09
	<b>1940.28</b>	<b>1317.57</b>
<b>DEPOSITS WITH GOVERNMENT DEPARTMENTS :</b>		
<b>UNSECURED</b>		
Considered good	404.33	151.84
Considered Doubtful	4.97	0.00
	<b>409.30</b>	<b>151.84</b>
Less : Provision for doubtful deposits	4.97	0.00
	404.33	151.84
	<b>2344.61</b>	<b>1469.41</b>
<b>SCHEDULE NO. 9</b>		
<b>INTEREST ACCRUED ON DEPOSITS :</b>		
Interest accrued on deposits	52.81	30.66
	<b>52.81</b>	<b>30.66</b>



(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2011	AS AT 31.03.2010
<b>SCHEDULE NO. 10</b>		
<b>CURRENT LIABILITIES :</b>		
Acceptances	165.76	16.00
<b>SUNDRY CREDITORS :</b>		
Dues to Micro and Small enterprises (refer note 9 of schedule no.20)	41.87	25.19
Others	6975.34	6924.66
Outstanding Expenses	1193.08	1197.81
	8210.29	8147.66
E M D and Security Deposits received	216.08	211.41
Advance received from Customers	129.29	244.32
Other Liabilities (Refer Note No.10 of Schedule No.20)	266.97	278.23
	8988.39	8897.62

**SCHEDULE NO. 11****PROVISIONS :**

(refer Note Nos. 13 and 14 of Schedule No. 20)

Provision for Taxation	2040.00	1440.00
Provision for Fringe Benefit Tax	0.00	50.00
Provision for Proposed Dividend	89.88	44.70
Provision for Tax on Proposed Dividend	14.92	7.42
Provision for Earned Leave	779.31	653.01
Provision for Gratuity	512.44	1198.87
Provision for Sick Leave	187.11	183.33
Provision for CSR Fund	23.20	0.00
Provision for Contingencies	59.98	41.24
	<b>3706.84</b>	<b>3618.57</b>

(Rs.in Lakhs)

PARTICULARS	YEAR ENDED 31.03.2011	YEAR ENDED 31.03.2010
<b>SCHEDULE NO. 12</b>		
<b>OTHER INCOME :</b>		
Interest Received - Banks	213.49	127.49
- Others	96.28	81.55
(Tax deducted Rs.18.31 Lakhs, Previous year Rs.22.94 Lakhs)		
Exchange rate fluctuation	13.98	9.49
Miscellaneous Receipts	77.35	174.84
Withdrawal of provisions no longer required	188.27	83.90
	<b>589.37</b>	<b>477.27</b>

**SCHEDULE NO. 13****COST OF MATERIALS :**

Materials consumed	6709.30	5037.25
Purchase of Finished Goods	5026.16	6064.08
Increase/Decrease in Finished Goods and Work-in-Process :		

**FINISHED GOODS :**

Opening Stock	1034.06	1958.14
Closing Stock	1255.01	1034.06
	-220.95	924.08

**WORK-IN-PROCESS :**

Opening Stock	280.42	291.82
Closing Stock	356.76	280.42
	-76.34	11.40
(Increase) / Decrease	-297.29	935.48
Excise Duty on Inventory Change	29.47	-52.44
Net (Increase) / Decrease	-267.82	883.04

	<b>11467.64</b>	<b>11984.37</b>
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**SCHEDULES**

(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>YEAR ENDED 31.03.2011</b>	<b>YEAR ENDED 31.03.2010</b>
<b>SCHEDULE NO. 14</b>		
<b>MANUFACTURING EXPENSES :</b>		
Processing charges	187.03	150.09
Power and Fuel	247.71	199.71
Laboratory expenses	23.13	24.68
Repairs and Maintenance		
-Building	7.70	4.74
-Machinery and electrical	44.72	46.78
Stores,spares & tools consumed	39.46	33.82
Other expenses	14.62	15.55
	<b>564.37</b>	<b>475.37</b>

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

Salaries, Wages and Bonus	3075.65	2788.01
Voluntary Retirement Scheme expenses	0.00	10.77
Contribution to Provident and other funds	251.27	801.45
Staff Welfare	382.41	377.23
	<b>3709.33</b>	<b>3977.46</b>

(Rs.in Lakhs)

PARTICULARS	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>SCHEDULE NO. 16</b>		
<b>ADMINISTRATION, SELLING AND GENERAL EXPENSES :</b>		
Recruitment	15.12	9.28
Seminar and training	9.25	8.91
Motor vehicle expenses	1.45	3.83
Travelling and conveyance	67.87	57.92
Computer maintenance and stationery	47.75	37.14
Postage,telegram and telephones	28.71	28.24
Electricity and water	6.46	5.51
Advertisement	4.10	6.96
Insurance	9.43	11.20
General Maintenance	72.51	70.98
Sales promotion	73.08	82.09
Rent	44.24	42.85
Rates and taxes	47.52	37.45
Auditors Remuneration :		
As Auditor(including Service Tax)	1.79	1.65
Directors' sitting fee	0.10	0.05
Directors' travelling and conveyance	8.90	6.91
Books and periodicals	5.11	4.42
Legal & Professional charges	43.75	26.56
Interest-others	19.36	15.92
Carriage outwards	221.78	142.57
Commission and Discounts	1559.10	1544.18
Marketing Travelling	389.57	389.15
Others	280.88	224.12
	<b>2957.83</b>	<b>2757.89</b>





(Rs.in Lakhs)

PARTICULARS	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>SCHEDULE NO. 17</b>		
<b>FINANCIAL EXPENSES :</b>		
Interest on Term Loan	40.49	47.65
Interest on other bank borrowings	8.85	13.76
Bank charges	35.29	34.14
Finance charges	6.25	2.94
	<b>90.88</b>	<b>98.49</b>
<b>SCHEDULE NO. 18</b>		
<b>OTHER EXPENSES :</b>		
Sundry Receivable Written Off	18.70	39.60
Research and Development Expenditure	8.97	10.24
Loss on sale/discarding of assets (refer Note 6(b) of Schedule No.20)	3.23	0.00
Provision for Doubtful Deposits	4.97	0.00
Provision for Doubtful debts	26.73	41.66
Provision for CSR Fund	23.20	0.00
Provision for Contingencies	18.73	0.50
Kadabagere Land Expenditure	6.24	0.00
Others	6.07	35.10
	<b>116.84</b>	<b>127.10</b>
<b>SCHEDULE NO. 19</b>		
<b>PRIOR YEARS ADJUSTMENTS :</b>		
<b>PRIOR YEARS INCOME</b>		
General Maintenance	0.00	0.43
Depreciation	0.00	4.05
Others	0.09	0.00
	<u>0.09</u>	<u>4.48</u>

(Rs.in Lakhs)

PARTICULARS	Year Ended 31.03.2011	Year Ended 31.03.2010
<b>PRIOR YEARS EXPENDITURE:</b>		
Commission & Discounts	10.44	1.28
Purchase of Finished Goods	41.53	0.00
Repairs and Maintenance - Machinery and Electrical	1.10	0.00
Salaries, Wages and Bonus	1.70	0.00
Export Marketing Expenses	2.37	0.00
Legal & Professional charges	4.19	0.00
Sales reversal	0.90	0.00
	62.23	1.28
	<b>-62.14</b>	<b>3.20</b>

**SCHEDULE NO. 20**

NOTES ANNEXED TO AND FORMING INTEGRAL  
PART OF THE BALANCE SHEET AS AT 31ST MARCH 2011  
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 31.3.2011	As at 31.3.2010	Availment		Encashment		As at 31.3.2011	As at 31.3.2010
			As at 31.3.2011	As at 31.3.2010	As at 31.3.2011	As at 31.3.2010		
Present value of obligations	1737.23	1739.00	37.85	22.53	741.46	630.48	187.11	183.33
Fair value of Plan Assets	1224.79	540.13	—	—	—	—	—	—
Present value of unfunded obligations (Net Liability)	512.44	1198.87	37.85	22.53	741.46	630.48	187.11	183.33
Net Assets/(Liability) recognised in Balance Sheet	-512.44	-1198.87	-37.85	-22.53	-741.46	-630.48	-187.11	-183.33

**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	
			Availment		Encashment			
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Current Service Cost	124.17	89.61	43.60	35.06	184.39	230.46	56.03	73.50
Interest on obligation	139.12	92.96	-1.71	0.09	46.12	32.34	13.24	8.83
Expected Return on Plan Assets	-72.09	-47.12	-	-	-	-	-	-
Net Actuarial Losses/(gains) recognised in the year	-213.52	437.62	61.28	-0.51	-11.56	-10.65	-30.04	-1.34
Total included in Employee benefits	-22.32	573.07	103.17	34.64	218.95	252.15	39.23	80.99
Benefits availed included under Salaries, Wages and Bonus	-	-	-87.84	-26.44	-218.95	-	-35.45	-15.96
Net charged to Profit and Loss Account	-22.32	573.07	15.33	8.20	218.95	252.15	3.78	65.03
Actual Return on Plan Assets for the year	9.30%	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	
			Availment		Encashment			
	As at 31.3.2011	As at 31.3.2010	As at 31.3.2011	As at 31.3.2010	As at 31.3.2011	As at 31.3.2010	As at 31.3.2011	As at 31.3.2010
Opening Obligation	1739.00	1162.00	22.53	14.33	630.48	430.17	183.33	118.30
Current Service Cost	124.17	89.61	43.60	35.06	184.39	230.46	56.03	73.50
Interest Cost	139.12	92.96	-1.71	0.09	46.12	32.34	13.24	8.83
Actuarial Losses/(gains)	-213.52	437.62	61.28	-0.51	-11.56	-10.65	-30.04	-1.34
Benefits Paid/Availed	-51.54	-43.20	-87.84	-26.44	-107.95	-51.84	-35.45	-15.96
Closing Obligation	1737.23	1738.99	37.86	22.53	741.48	630.48	187.11	183.33

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 31.3.2011	As at 31.3.2010
Opening Balance	540.13	492.86
Interest credited	72.09	47.12
Assets distributed on Settlement/Benefits paid	-51.54	-43.20
Contribution by company	664.11	43.35
Closing Balance	1224.79	540.13

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	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Mortality Rate			LIC (1994-96)			
Discount rate	8%	8%	8%	8%	8%	8%
Estimate of salary increases	13%	11%	13%	11%	13%	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	923.63	890.39
3. Contingent liabilities not provided for in respect of :-		
i) Letter of Credit	194.91	6.96
ii) Bank Guarantee	242.60	125.01
iii) Claims against the Company not acknowledged as debts.	3.33	2.83
iv) Difference in Sales Tax for Non receipt of Statutory Forms	338.84	209.60
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	1.67 (2.86) 1.96 (3.71)	2003-2004 2004-2005	Appellate Tribunal Mumbai
2) Sales returns disallowed. Feed Supplement and Agro Chemicals Taxed at higher rate - Tamil Nadu Sales Tax Act.	0.89 (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.	0.00 (11.68)		Joint Commissioner of Commercial Taxes Lucknow
4) Calculation error at the time of assessment - West Bengal Sales Tax Act.	1.74 (1.74)	2005-2006	Deputy Commissioner of Commercial Taxes (Kolkata).
(Figures in bracket represent previous year figures) Total	6.26 (21.16)		

**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 18.03.09, 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 02.04.2009. As per the O.M. dated 18.03.2009, 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 01.10.2010 and balance 50% to be converted into equity on 1.10.2012 at par value. Government of Karnataka vide its order No. CI/31/CMI/2009 dated 25.07.2009 has approved for additional equity contribution of Rs. 490 lakhs through Karnataka State Industrial and Infrastructure Development Corporation Limited (KSIIDC). Company received Rs. 200 lakhs as part contribution on 23.01.2010. Subsequently, on 18.08.2010, Company received further sum of Rs. 290 lakhs. 50% of share application money is converted as equity on 01.10.2010 by allotting shares to the President of India and KSIIDC. The balance of Rs. 600 lakhs as on 31.03.2011 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 will 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.
- c) Capital work in progress includes a sum of Rs. 5.47 Lakhs (previous year Rs. Nil) being the borrowing costs incurred during the year towards the term loan borrowed for the Cephalosporin Project.
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 the 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 pursued. Board, at its 131st Board Meeting held on 19.02.2010, decided to grow Medicinal Plants in 10 acres in Phase I. Accordingly Medicinal Plants are being grown at Kadabagere land.
- 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. 2.93 lakhs (previous year Rs. 0.00 lakhs) and Rs.0.29 lakhs of certain obsolete Fixed Assets recognised as impaired and charged off.
- 7 (a) 'Sundry Debtors' includes Rs. 4947.96 lakhs (previous year Rs. 6460.05 lakhs) due from Government institutions/bodies in respect of which confirmation of balances is awaited.
- (b) Included in the above, a sum of Rs. 1216.52 lakhs (Previous year 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 Honourable High Court of Madhya 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 said sum of Rs. 1000 lakhs has since been

received during the year. The High Court of Madhya Pradesh had further directed the parties to form a committee to resolve the matter. Against the Interim Order of the Honourable High Court, M.P. government had approached Supreme Court by filing SLP. The SLP was disposed off on 02.05.2011 by the Supreme Court.

Corresponding to the receivables referred to above, there exists a net liability of Rs. 1573.01 Lakhs (previous year 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 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. 847.81 lakhs (previous year Rs. 804.28 lakhs) of such debtors. Confirmation of balances from sundry creditors is awaited to an aggregate extent of Rs. 6036.85 lakhs (Previous year Rs. 4147.70 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. 42.38 lakhs is awaited (Previous Year Rs. 29.78 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, 2011. 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, 2011.

Sl. No.	PARTY'S NAME	As at 31.3.11 (Rs. Lakhs)	As at 31.3.10 (Rs. Lakhs)	Sl. No.	PARTY'S NAME	As at 31.3.11 (Rs. Lakhs)	As at 31.3.10 (Rs. Lakhs)
1	M/s Resil Chemicals Pvt., Ltd.,	1.65	0.66	11	M/s Onyx Advertising & Print	0.12	2.06
2	M/s Esscee Enterprises	2.06	1.07	12	M/s Alutop	0.15	0.70
3	M/s Colour Shade	5.34	4.88	13	M/s Ramsons Print N Pack	6.20	1.00
4	M/s Card Box	2.37	2.07	14	M/s Foils Pack	2.85	0.00
5	M/s Geekay Impressions	0.02	0.02	15	M/s Swastik Packaging	3.27	0.00
6	M/s Sri R.M. Graphics	3.95	2.00	16	M/s Dhariyal Polymers	0.28	0.25
7	M/s GRV Merchandising	8.40	3.03	17	M/s Creative Aeromatics	0.10	0.12
8	M/s Prashanthi Polymers	1.63	2.45	18	M/s Wincoat Colours	1.75	2.33
9	M/s Padma Chemicals	0.58	0.52	19	M/s Amsar Private Limited	1.14	0.56
10	M/s Dinesh Printers	0.01	1.47		<b>Total</b>	<b>41.87</b>	<b>25.19</b>

No interest is payable during the year

10. "Other liabilities" under Schedule No.10 includes Rs. 7.46 lakhs (Previous Year Rs. 6.23 Lakhs) being the amount payable towards Executives Welfare fund Rs. 1.89 lakhs (Previous Year Rs.2.00 Lakhs) and Non-executives welfare fund Rs. 5.57 Lakhs (Previous year Rs. 4.23 Lakhs) which are administered by the committee consisting of the members from Management and the employees. Out of Rs. 5.57 Lakhs (Previous Year Rs. 4.23 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 31.3.2011	Upto 31.3.2010
<b>Deferred Tax Liabilities :</b>		
a) Fixed Assets -Written Down Value Difference	331.59	323.39
	331.59	323.39
<b>Less : Deferred Tax Assets :</b>		
a) Provisions for doubtful debts,claims etc.,	15.57	20.22
b) Leave Salary	313.56	277.81
c) Gratuity	166.26	398.24
d) Others	33.54	22.14
	528.93	718.41
<b>Net Deferred Tax Asset</b>	<b>197.34</b>	<b>395.02</b>

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

(Rs.in Lakhs)

PARTICULARS	Current Year	Previous Year
a) Salary	12.87	14.13
b) Contribution to PF	1.13	1.40
c) Leased Accomodation	0.00	0.40
d) Others	0.00	0.00
	14.00	15.93

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	1440.00	600.00	0.00	2040.00
2. Provision for Fringe Benefit Tax	50.00	0.00	50.00	0.00
3. Proposed Dividend	44.70	89.88	44.70	89.88
4. Provision for Tax on Proposed Dividend	7.42	14.92	7.42	14.92

**Movement of Provisions during the year (Contd.)**

(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
5. Provision for Earned Leave	653.01	234.28	107.98	779.31
6. Provision for Gratuity	1198.87	0.00	686.43	512.44
7. Provision for Sick Leave	183.33	6.07	2.29	187.11
8. CSR Fund	0.00	23.20	0.00	23.20
9. Provision for :				
a) Disputed Legal Cases	17.50	3.00	0.00	20.50
b) Disputed Statutory demands	23.74	15.74	0.00	39.48
<b>TOTAL</b>	<b>3618.57</b>	<b>987.09</b>	<b>898.82</b>	<b>3706.84</b>

14. As per the requirements of O.M. No.F.No.15(3)/2007-DPE(GM)GL-99 dated 9th April 2010, issued by Department of Public Enterprises, Government of India, the Company is required to allocate a sum of Rs. 34.51 lakhs for the year 2010-11 towards Corporate Social responsibility (CSR) activities being 3% of the Profit After Tax for the year 2009-10.

Accordingly, the Company has made a provision of Rs. 23.20 lakhs (Previous Year Rs. Nil) as on 31.3.2011 after considering the actual amount spent during the year 2010-11 i.e., Rs. 11.31 Lakhs towards CSR activities in the nature of expenses on Medical camps, Supply of free Medicines during Mega Health camps and Pollution control activities.

**15. CAPACITIES & STOCK OF GOODS PRODUCED :**

Sl. No.	Particulars	Installed Capacity Nos. in lakhs	Opening stock as at 1.4.10		Closing stock as at 31.3.11	
			Qty Nos. in lakhs	Value Rs.in lakhs	Qty Nos. in lakhs	Value Rs.in lakhs
1	Dry Powder Vials	617.50 (617.50)	33.41 (61.55)	309.45 (576.32)	35.08 (33.41)	412.98 (309.45)
2	Liquid Parenterals (Vials/Ampoules)	396.00 (396.00)	16.14 (38.81)	95.76 (174.83)	25.79 (16.14)	124.76 (95.76)
3	Tablets	3600.00 (2500.00)	155.08 (420.23)	60.06 (247.57)	234.59 (155.08)	97.40 (60.06)
4	Capsules	450.00 (450.00)	38.30 (39.72)	20.72 (28.69)	44.74 (38.30)	30.40 (20.72)
5	Dry Syrup & Suspension	30.00 (30.00)	3.33 (4.62)	25.02 (30.43)	6.28 (3.33)	45.29 (25.02)
6	Others			523.05 (900.30)		544.18 (523.05)
	<b>TOTAL</b>			<b>1034.06 (1958.14)</b>		<b>1255.01 (1034.06)</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 GM (Works).

**16. 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	508.52	106.83	396.91	60.29
Liquid Parenterals	569.04	4.82	485.53	-
Tablets	6405.00	-	4801.52	-
Capsules	923.79	-	794.59	-
Dry Syrups & Suspension	42.31	-	32.37	-
Others	361.73	0.07	379.24	8.96

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

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	Quantity Nos. in Lakhs	Value Rs. in Lakhs	Quantity Nos. in Lakhs	Value Rs. in Lakhs
Medical and Surgical Kits	*	684.14	*	1305.91
Others	*	4342.02	*	4758.17
		<b>5026.16</b>		<b>6064.08</b>

\* Enumeration of quantities not practicable.

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

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	Quantity* Nos. in Lakhs	Value Rs. in Lakhs	Quantity* Nos. in Lakhs	Value Rs. in Lakhs
<b>A. SALES</b>				
Dry Powder Vials	506.85	5769.78	425.05	4851.94
Liquid Parenterals	559.39	2038.18	508.20	1943.24
Tablets	6325.49	3394.53	5066.67	3184.56
Capsules	917.35	1004.00	796.01	831.02
Dry Syrups & Suspension	39.36	541.87	33.66	378.39
Others		8094.55		10013.26
Sub-Total		20842.91		21202.41
<b>B. LOAN LICENCE CONVERSION</b>				
		160.64		79.16
		160.64		79.16
<b>Net Sales (A+B)</b>		<b>21003.55</b>		<b>21281.57</b>

\* includes physician samples and Free Goods.

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

Sl. No.	PRODUCT NAME	CURRENT YEAR		PREVIOUS YEAR	
		QUANTITY (Kgs/Bus)	VALUE % Rs. Lakhs	QUANTITY (Kgs/Bus)	VALUE % Rs. Lakhs
<b>A. RAW MATERIALS :</b>					
<b>I. INDIGENOUS :</b>					
1.	CEFTRIAZONE	5938.030	552.40	4186.120	365.85
2.	CEFOTAXIME SODIUM	6502.991	496.93	4358.885	309.44
3.	CIPROFLOXACIN	16024.687	258.64	13523.095	181.30
4.	AMOXYCILLIN TH (COMP)	15871.570	247.94	11162.420	176.96
5.	PARACETAMOL	99910.750	205.16	79869.505	172.44
6.	AMPICILLIN SOD. ST.	6268.960	191.03	6821.440	225.76
7.	CEFADROXYL IP (COMP)	6239.000	179.14	4099.600	124.13
8.	AMICACIN SULPHATE	3647.638	168.59	2239.689	117.11
9.	CHLORAMPHENICOL SOD. SUCC.	4053.700	137.21	2173.000	70.69
10.	SULPHAMETHOXAZOLE	22400.000	123.04	17604.000	95.40
11.	CEFTAZADINE IP/USP ST.	775.705	120.61	688.000	109.07
12.	GENTAMYCIN SULPHATE	2660.967	110.56	2652.665	111.63
13.	OTHERS		1988.32		1471.34
<b>TOTAL</b>			<b>4779.57 90</b>		<b>3531.12 90</b>
<b>II. IMPORTED :</b>					
1.	POTTASIIUM CLAUVALNATE	1221.240	175.96	860.280	130.46
2.	HYDROCARTISONE SOD.	260.000	88.88	250.000	75.38
3.	STREPTOMYCIN SULPHATE	2895.000	47.29	3495.000	60.41
4.	BENZATHENE PENCILLIN	2089.545	42.63	1911.855	47.80
5.	CEFOTAXIME SODIUM	560.000	39.43	0.000	0.00
6.	CHLORAMPHENICOL SOD. SUCC.	1080.000	34.23	0.000	0.00
7.	OTHERS		127.60		64.37
<b>TOTAL</b>			<b>556.02 10</b>		<b>378.42 10</b>
<b>TOTAL OF I &amp; II</b>			<b>5335.59 100</b>		<b>3909.54 100</b>

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

**19. MATERIALS CONSUMED : (Contd.)**

Sl. No.	PRODUCT NAME	CURRENT YEAR		PREVIOUS YEAR	
		QUANTITY (Kgs/Bus)	VALUE Rs. in Lakhs	QUANTITY (Kgs/Bus)	VALUE Rs. in Lakhs
<b>B.</b>	<b>PACKING MATERIALS :</b>				
	(all indigenous)	(Nos.in Lakhs)		(Nos. in Lakhs)	
1	VIALS, AMPOULES & BOTTLES	970.790	803.67	785.380	615.87
2	OTHERS		1195.59		904.20
	TOTAL		1999.26		1520.07
	TOTAL OF A & B		7334.85		5429.61
	LESS : CENVAT CREDIT		596.02		377.93
	LESS : VAT CREDIT		29.53		14.43
	NET CONSUMPTION		6709.30		5037.25

(Rs. in Lakhs)

Sl. No.	PRODUCT NAME	CURRENT YEAR	%	PREVIOUS YEAR	%
<b>20</b>	<b>SPARES CONSUMED</b>				
	Indigenous	39.46	100	33.82	100
	Imported	0.00	0	0.00	0
		<b>39.46</b>	<b>100</b>	<b>33.82</b>	<b>100</b>
<b>21</b>	<b>VALUE OF IMPORTS ON CIF BASIS</b>				
	1. Raw Materials	600.41		417.25	
	2. Others	45.75		3.95	
<b>22</b>	<b>EARNINGS IN FOREIGN EXCHANGE</b>				
	F.O.B. Value of Exports	1943.50		1208.22	
<b>23</b>	<b>EXPENDITURE IN FOREIGN CURRENCY</b>				
	Travel and others	62.05		37.02	



**24. SEGMENT INFORMATION FOR THE YEAR ENDED 31ST MARCH 2011**  
**PRIMARY SEGMENT : BUSINESS SEGMENT**

(Rs.in Lakhs)

PARTICULARS	PHARMACEUTICALS		OTHERS		TOTAL	
	31.03.11	31.03.10	31.03.11	31.03.10	31.03.11	31.03.10
<b>REVENUE</b>						
Sales	19865.70	19445.27	1137.85	1836.30	21003.55	21281.57
Segment Result	2201.90	1982.44	229.24	245.69	2431.14	2228.13
Unallocated Corporate Expenses					834.47	731.04
Operating Profit					1596.67	1497.09
Interest Expense					55.59	64.35
Interest Income					309.77	209.04
Income Tax					600.00	760.00
Deferred Tax					197.68	-265.06
Profit from Ordinary Activities					1053.17	1146.84
Taxation Adjustments of Previous Year					2.91	3.58
Net Profit					1056.08	1150.42
<b>OTHER INFORMATION</b>						
Segment Assets	11055.52	10226.75	2748.88	3708.57	13804.40	13935.32
Unallocated Corporate Assets					6752.85	5154.44
Total Assets					20557.25	19089.76
Segment Liabilities	7748.93	8200.84	2541.34	2475.25	10290.27	10676.09
Unallocated Corporate Liabilities					10266.98	8413.67
Total Liabilities					20557.25	19089.76
Capital Expenditure	444.89	392.88	0.00	0.00	444.89	392.88
Unallocated Capital Expenditure					22.99	61.98
Total Capital Expenditure	444.89	392.88	0.00	0.00	467.88	454.86
Depreciation *	165.65	155.70	0.53	0.53	166.18	156.23
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)

	31.3.2011	31.3.2010
<b>REVENUE :</b>		
INDIA	19003.22	20061.40
OUTSIDE INDIA	2000.33	1220.17
TOTAL	21003.55	21281.57
<b>CARRYING AMOUNT OF SEGMENT ASSETS :</b>		
INDIA	13328.89	13619.52
OUTSIDE INDIA	475.51	315.80
TOTAL	13804.40	13935.32
<b>ADDITIONS TO FIXED ASSETS</b>		
INDIA	467.88	454.86
OUTSIDE INDIA	0.00	0.00
TOTAL	467.88	454.86

**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.



25. 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 : 07.07.2011

PLACE : BANGALORE  
DATE : 7th July, 2011

## SCHEDULES



### 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	:	31.03.2011

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

Public issue	Rights issue	Bonus issue	Private Placement
Nil	60000	Nil	Nil

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

	Total Liabilities	Total Assets
	786202	786202
Source of Funds	Paid up Capital	Reserves and Surplus
	74900	584712
	Share Application Money	
	60000	
	Secured Loans	Unsecured Loans
	66590	Nil
Application of Funds	Net Fixed Assets	Investments
	306616	Nil
	Net Current Assets	Misc. Expenditure
	459852	Nil
	Accumulated Losses	Deferred Tax Asset
	Nil	19734

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

Turnover (Gross Revenue)	Total expenditure
2159292	1974207
+/- Profit/Loss before tax	+/- Profit/Loss after tax
185085	105608
Earnings per share in Rs.	Dividend rate %
141.00	12

#### 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
Ciprofloxacin	3004 10 20

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**DR. B R JAGASHETTY**  
Director

**S L PHADKE**  
Managing Director

PLACE : BANGALORE  
DATE : 07.07.2011

**R RADHAKRISHNAN**  
General Manager-Finance

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




**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011**

(Rs.in Lakhs)

	Current Year	Previous Year
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX	1850.85	1641.78
Adjustment for :		
Depreciation	193.95	181.64
Interest Income	(331.92)	(209.04)
Interest expenditure	49.34	64.35
(Profit)/ Loss on discarding of Assets	2.93	(0.23)
	(85.70)	36.72
Operating Profit before Working Capital Change	1765.15	1678.50
Adjustment for :		
(Increase)/Decrease in Trade and other receivables	1301.37	(2384.73)
(Increase)/Decrease in inventories	(897.26)	867.66
Increase/(Decrease) in creditors & other liabilities	(370.96)	1518.88
	33.15	1.81
Cash generated from operations	1798.30	1680.31
Direct Taxes paid(Net of refund)	(516.61)	(543.74)
Net cash from operating activities (A)	1281.69	1136.57
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	309.77	208.24
Purchase of Fixed assets	(467.88)	(454.86)
Sale of Assets	12.82	3.05
Net cash from investing activities (B)	(145.29)	(243.57)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Decrease in long term loan	(45.99)	(85.32)
Increase in short term loan	93.16	34.37
Dividend paid	(89.88)	(44.70)
Tax on distributed profits	(14.93)	(7.42)
Share Application Money received	290.00	815.00
Interest paid	(49.34)	(64.35)
Net cash from financing activities (C)	183.02	647.58
<b>D. NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	1319.42	1540.58

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2011 (Contd.)**

(Rs.in Lakhs)

	<b>Current Year</b>	<b>Previous Year</b>
E. CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR	3249.02	1708.44
F. CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR Cash and Cash equivalents represent the Cash and Bank balances (refer Schedule 7)	4568.44	3249.02
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 : 07.07.2011PLACE : BANGALORE  
DATE : 7th July, 2011



## FIGURES AT A GLANCE

(Rs.in Lakhs)

SL NO	PARTICULARS	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
01	Value of Production	12100	15493	22633	25092	21875	24031
02	Sales Turnover	8854	13112	19645	22501	21282	21004
03	Exports (included in 2 above)	1481	786	616	1088	1220	2000
04	Cash Profit	619	746	1008	1132	1824	2048
05	Profit before tax	557	674	852	968	1642	1851
06	Profit after tax	343	419	519	600	1150	1056
07	Share capital	149	149	149	149	149	749
08	Reserves & Surplus	2722	3098	3241	3798	4896	5847
09	Net Worth	2871	3247	3390	3947	5045	6596
10	Gross Block	1499	2892	3191	3457	3562	3635
11	Long term borrowings	250	641	596	526	441	395
12	Contribution to Exchequer	1302	1724	2064	2049	1852	1964
13	Manpower (nos.)	557	629	655	695	715	715
14	Average Sales per employee (Rs.)	16	21	30	32	30	29
15	Average production per employee (Rs.)	57	71	95	117	102	112
16	Dividend(%)	25	25	25	25	30	12
17	Book Value per share (Rs.) (Face value of Rs.100)	1927	2179	2275	2649	3386	881
18	Earning per Share (Rs.) (Face value of Rs.100)	230	281	349	403	772	141
19	Sundry Debtors to sales (%)	24	22	29	31	44	36
20	Turnover to net current assets (%)	591	663	1112	1099	631	457
21	Turnover to gross fixed Assets (%)	591	453	615	651	597	578
22	Value of closing inventory to Sales (%)	17	14	12	12	9	13
23	Finance cost to turnover (%)	0.40	0.35	0.49	0.50	0.46	0.43
24	Material cost to turnover (%)	52	60	68	65	56	55



Shri S. L. Phadke, Managing Director, KAPL, visiting Kadabagere Land along with other Senior Officers



View of the Medicinal Plants grown at Kadabagere Land



Shri S. L. Phadke, Managing Director seen with guests and employees during Kannada Rajyothsava Celebration at Factory.



Nada Devathe Bhuvaneshwari Devi being brought to dias in procession. Shri S. L. Phadke, Managing Director, KAPL seen with Shri N. Basavaradhya, Guest.