



Quality Keeps us Moving

KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LTD.



33rd

Annual Report 2013-14



Shri K.M Prasad, Managing Director, KAPL seen along with Cine Actor Shri Srinath and other Dignitaries during Rajyothsava Celebration.



Shri K.M Prasad, Managing Director, KAPL distributing Uniform and Books to Government School Children as a part of CSR Activity.

BOARD OF DIRECTORS (AS ON 17.11.2014)



Shri N. Sivasailam, IAS



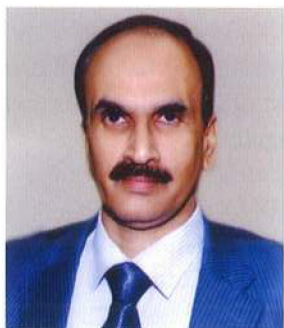
Shri K. M. Prasad



Shri V. P. Baligar, IAS



Ms. Monika Verma



Shri Raghurama Bhandary



Shri V.K. Mehta



BOARD OF DIRECTORS (AS ON 17.11.2014)

Shri N. Sivasailam, IAS

Chairman – KAPL and
Principal Secretary, Health & Family Welfare Dept.
Govt. of Karnataka, Vikas Soudha, Bangalore – 560 001
From: 13.03.2014

Shri K M Prasad

Managing Director
Karnataka Antibiotics & Pharmaceuticals Limited
Dr Rajkumar Road, Rajajinagar 1st Block
Bangalore – 560 010
From 15.05.2013

Shri V P Baligar, IAS

Chairman & Managing Director
Karnataka State Industrial & Infrastructure Development
Corporation Ltd., Khanija Bhavan, 4th Floor,
East Wing, 49 Race Course Rd, BANGALORE 560 001
From : 23.06.2014

Ms. Monika Verma

Director (PSU), Dept. of Pharmaceuticals
Ministry of Chemicals & Fertilizers
Government of India, Shastri Bhavan, New Delhi
From : 23.06.2014

Shri Raghurama Bhandary

Drugs Controller for the State of Karnataka,
Palace Road, Bangalore – 560 001
From 28.11.2013

Shri V K Mehta

Director (Finance)
Department of Chemicals & Petrochemicals
Government of India
Shastri Bhavan, New Delhi – 110 001
From 28.11.2013

Shri M Madan Gopal, IAS

Chairman – KAPL and
Principal Secretary, Health &
Family Welfare Dept., Government of Karnataka
Vikas Soudha, Bangalore – 560 001
Upto : 13.03.2014

Shri P B Ramamurthy, IAS

Managing Director
Karnataka State Industrial & Infrastructure Development
Corporation Ltd., Khanija Bhavan, 4th Floor,
East Wing, 49 Race Course Rd,
BANGALORE 560 001
Upto 23.06.2014

Shri Pradeep Yadav, IAS

Joint Secretary
Department of Pharmaceuticals
Ministry of Chemicals & Fertilizers
Government of India
Shastri Bhavan, New Delhi
Upto 23.06.2014

JAGADEESH C HIREMATH

Company Secretary & Dy. Gen. Manager (Admn.)

STATUTORY AUDITORS

M/s. Manian & Rao, Chartered Accountants
No. 361, 1 Floor, 7th Cross, 1st Block
Jayanagar, Bangalore - 560 011

INTERNAL AUDITORS

M/s. MSSV & CO.
Chartered Accountants
2nd Floor, No. 63/2, Railway Parallel Road
Kumara Park West, Bangalore - 560 020

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.kapindia.com

Description	Page No.
Notice	4
Chairman's Speech	5
Directors' Report	7
Auditors' Report	18
Comments of C&AG	23
Significant Accounting Policies	24
Balance Sheet	26
Profit & Loss Statement	28
Notes No. 1 to 36	29
Cash Flow Statement	58
Figures at a Glance	60



NOTICE OF THE THIRTY THIRD ANNUAL GENERAL MEETING

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

DAY : MONDAY
DATE : 17th NOVEMBER 2014
TIME : 1200 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 2014 and the Audited Profit and Loss Statement for the year ended on that date along with the Auditors' Report thereon.
2. To declare dividend.

B. Special Business

3. To consider and, if thought fit, to pass with or without modifications, the following as an Ordinary Resolution:
"RESOLVED that pursuant to section 148 of the Companies Act, 2013 read with Rule 14 of the Companies Act (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the remuneration of of M/s. Rao, Murthy and Associates, Cost Accountants, Cost Auditors of the Company for the financial year ending 31st March 2015 at a remuneration of Rs. 40,000/- plus out of pocket expenses not exceeding Rs. 2500/- and applicable tax as approved by the Board of Directors through Circular Resolution dated 28.03.2014 on the terms and conditions set out in the Explanatory Statement annexed to the Notice, be and is hereby ratified and confirmed".
"RESOLVED FURTHER that, Board of Directors of the Company are hereby authorized to fix remuneration and terms and conditions of appointment of Cost Auditor as per the provisions".

By Order of the Board of Directors

Place : Bangalore
Date : 21.10.2014

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

To: Members

Note:

1. A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote on his behalf, only on a poll. Such a proxy need not be a member of the Company.
2. As per Section 619(2) of the Companies Act, 1956, the Comptroller and Auditor General of India has appointed M/s. Manian & Rao, Chartered Accountant as Statutory Auditors for the year ending 31.03.2015.

ANNEXURE TO THE NOTICE

Statement pursuant to Section 102 of Companies Act, 2013 Item No. 3

The Board of Directors through Circular Resolution dated 28.03.2014, on the recommendation of the Audit Committee, had appointed M/s. Rao, Murthy & Associates, Cost Accountants, Bangalore, as Cost Auditor for the financial year ending 31st March 2015.

M/s. Rao, Murthy and Associates, Bangalore shall be Cost Auditor of the Company on a remuneration of Rs. 40,000 (Rupees Forty thousand only) and out of pocket expenses, not exceeding Rs. 2500/- and applicable Service Tax which was paid for the year 2013-14.

In accordance with the provisions of Section 148 of the Companies Act, 2013 read with Rule 14 of Companies (Audit and Auditors) Rules 2014, the remuneration payable to the Cost Auditors has to be fixed by the members and as the Board has already approved appointment. The subject is placed for ratification by the Members of the Company. Further, members may authorize Board of Directors to fix remuneration to Cost Auditor from time to time.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 3 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending 31st March 2015 and also authorize Board of Directors to fix remuneration payable and terms and conditions of appointment.

None of the members or Key Managerial Personnel of the Company are interested in the resolution set out in item No. 3 of the Notice.

By Order of the Board of Directors

Place : Bangalore
Date : 21.10.2014

(JAGADEESH C HIREMATH)

Company Secretary and

To: Members

Dy. General Manager (Admn).

VISION

TO ACHIEVE EXCELLENCE IN THE FIELD OF MANUFACTURE AND MARKETING OF QUALITY DRUGS AND HEALTH CARE PRODUCTS AT AFFORDABLE PRICES FOR ALL.

MISSION

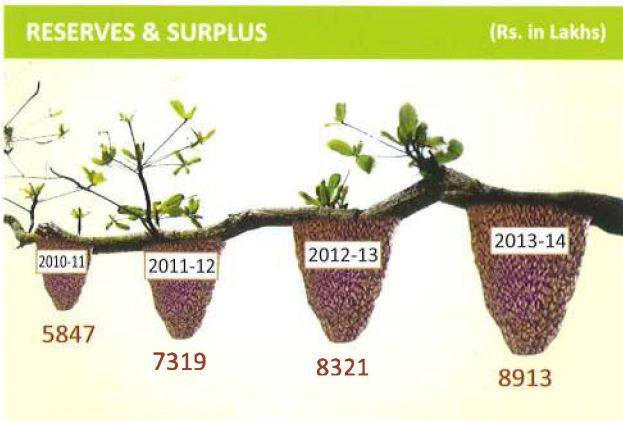
1. TO HAVE MANUFACTURING FACILITIES COMPLYING WITH INTERNATIONAL STANDARDS.
2. TO STRENGTHEN THE MARKETING EFFORTS TO ACHIEVE 10% GROWTH IN EXPORTS AND PRIVATE TRADE MARKET EVERY YEAR.
3. TO CONTINUOUSLY IMPROVE THE QUALITY OF PRODUCTS AND SERVICES TO ENHANCE CUSTOMER SATISFACTION.
4. TO DEVELOP HIGHLY MOTIVATED MULTI SKILLED HUMAN RESOURCES TO INCREASE PRODUCTIVITY.

SPEECH DELIVERED BY CHAIRMAN, AT THE 33rd ANNUAL GENERAL MEETING OF THE COMPANY HELD AT BANGALORE ON 17.11.2014

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 immense pleasure to report to you on the performance of your company in financial year 2013-14. Your company has increased almost 10% of its production and 8% of its sales compared to its previous year (2012-13). The Directors' Report and accounts of the company for the year ended 31st



Non-officers attending training programme at Training Centre



March 2014 have already been provided to all the share-holders, and with permission of all present here, I shall consider them as read.

3. MACRO ECONOMIC SETTING

During the year 2013-14, the Indian Economy witnessed GDP growth of 4.9% as compared to last year 5%. Farm sector has registered a healthy growth



Shri K.M. Prasad, Managing Director addressing during "Vigilance Awareness Week" at Corporate Office

of 4.6%, a deep slow down continued in the mining and manufacturing sectors that suffered from low investment sentiment.

The service sector that accounts for nearly 60% of the economy is expected to grow 6.9% slightly lower than the previous year expansion of 7.0%.



4. OPERATIONAL PERFORMANCE

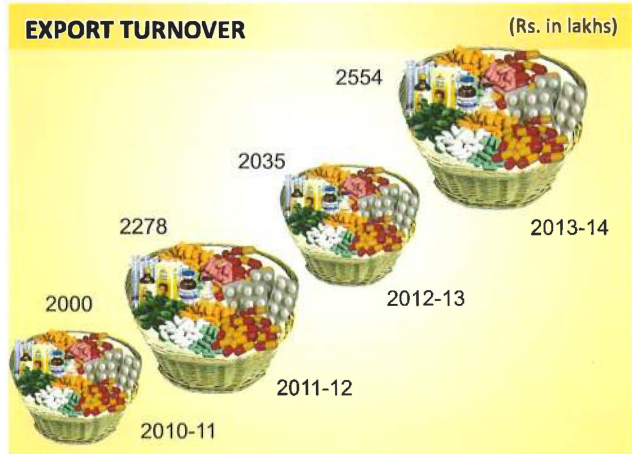
I am delighted in informing you that your company achieved production value of Rs. 27573 lakhs (previous year Rs. 24739 lakhs). The company achieved sales turnover of Rs 24159 lakhs (previous year Rs. 22358 lakhs)

5. FINANCIAL RESULTS

Your company has achieved a Profit Before Tax of Rs.1207 lakhs (previous year Rs. 1519 lakhs) And Profit After Tax of Rs. 776 lakhs (previous year Rs.1129 lakhs). The Book Value per share (Face Value of Rs.100/-) is Rs. 761/- (previous year Rs. 717/-). The Earning per share is Rs. 58 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 24 years. For the year 2013-14, Directors have recommended a dividend of 20% on Profit after tax of the year 2013-14.

7. "GOOD" RATING

Based on self-appraisal, your company has achieved "Good" rating for the achievements of targets under Memorandum Of Understanding (MOU) entered into by the company for the year 2013-14.

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 the Department of Public Enterprises, Government of India.



Managing Director Shri K. M. Prasad addressing during Hindi Workshop



Training to Heads of Department on Risk Management Policy

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 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 31.03.2014, Profit and Loss Statement for the year ended on that date and the Directors' Report for the adoption.

Place: Bangalore
Date : 17.11.2014

Chairman

DIRECTORS' REPORT

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

Your Board of Directors are pleased to present the 33rd Report on the performance and achievements of the Company together with the Audited Balance Sheet as on 31.03.2014, the Profit and Loss Statement for the year ended on that date and the report of the Statutory Auditors thereon.

1. PERFORMANCE HIGHLIGHTS

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

Table I

PERFORMANCE HIGHLIGHTS		Rs. in Lakhs		
Sl. No.	Particulars	2011-2012	2012-2013	2013-2014
1.	Production*	25100	24739	27573
2.	Sales	23089	22358	24159
3.	Exports (included in Sl. No.2 above)	2278	2035	2554
4.	Profit before Tax	2410	1519	1207
5.	Profit after Tax	1602	1129	776
6.	Reserves and Surplus	7319	8321	8913
7.	Paid up Share Capital	749	1349	1349
8.	Dividend	15%	8%	20**
9.	Earning per Share(Rs.) (Face value Rs.100/-)	214	108	58
10.	Book value of the Share (Rs.) (Face value Rs.100/-)	1077	717	761

*Includes the value of Contract manufacturing
**% on PAT

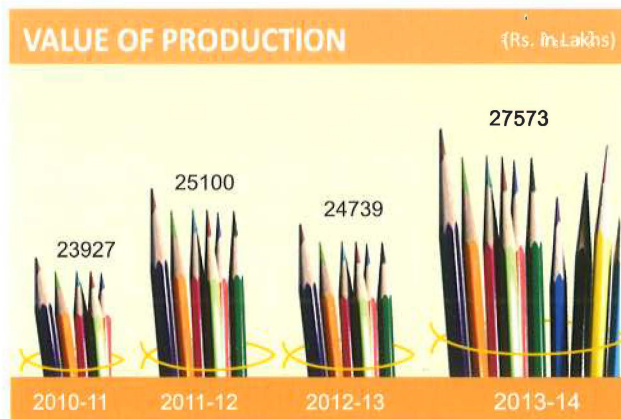
2. SHARE CAPITAL

The authorized and the paid-up share capital of the Company, continue to be at Rs. 1500 lakhs and Rs. 1349 lakhs respectively.

3. FINANCE

Your Company has been sanctioned Rs. 800 lakhs from Vijaya Bank towards term loan for Cephalosporin

Project and outstanding as on 31.03.2014 is Rs. 498 lakhs. As on 31.03.2014, the borrowing from Banks for working capital requirements was Rs.497 lakhs. (previous year Rs.438 Lakhs). The interest burden, during the year was Rs. 20 lakhs (previous year Rs. 18 lakhs) towards working capital.



4. PRODUCTION

During the year under review, your Company achieved the production of value of Rs. 27573 lakhs (previous year 24739 lakhs), up by 11.45 % over the previous year. The annual production value per factory employee per annum was Rs. 123 lakhs (previous year Rs. 110 lakhs).

5. CAPACITY UTILISATION:

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

Table II

CAPACITY UTILISATION		(in %)		
Sl. No.	Particulars	2011-2012	2012-2013	2013-2014
1.	Liquid Parenterals	146	172	140
2.	Vials	95	81	82
3.	Tablets	203	212	127
4.	Capsules	182	150	148

6. SALES TURNOVER

During 2013-14 your Company was able to achieve the higher sales turnover of Rs. 24159 Lakhs – an increase of

CONTRIBUTION TO EXCHEQUER

(Rs. in Lakhs)



8% over the previous year. The performance in Branded and Generic segments was excellent. You will be delighted to know that the sales under the Brand "Grenil" exceeded Rs. 1024 lakhs compared to previous year Rs. 1000 lakhs. "Cetriax" exceeded to Rs. 885 lakhs compared to previous year Rs. 387 lakhs. Sales Turnover of Cyfolac group exceeded to Rs. 691 lakhs compared to previous year Rs. 405 lakhs. "Remcc" brands, exceeded Rs. 420 lakhs compared to previous year Rs. 516 lakhs. Sales turnover of K-Cycline (Agro) was Rs. 305 lakhs and Verclav was Rs. 237.84 lakhs. Sales turnover of each of the brands viz "Maxiflam group" "Pipmax" "Cefpar", "Zinfe" and under Agrovet K-Live Oral, Kalvimin Mineral Mixture, Pensbiotic Injection, Cetriax Injection and K-Flox Injection exceeded Rs. 100 lakhs each.

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

Table III

SALES TURNOVER		Rs. in lakhs		
Sl. No.	Particulars	2011-2012	2012-2013	2013-2014
1	Liquid Parenterals	2232	2603	2361
2	Liquid Orals and Dry Syrup	613	584	615
3	Vials	6920	6505	6855
4	Tablets	4906	4630	4958
5	Capsules	1958	1790	1950
6	Others	6460	6246	7420
	Total	23089	22358	24159

7. NEW PRODUCTS

With the object of increasing the sales volume and the margin, the Company continues to introduce new

products. The new products launched during 2013-14 were:

VITATROL PLUS Tablets	KLOXAMP 4GM Injection
VITALPHA C Tablets	CETRIAX 4 GM Injection

8. EXPORTS

The Company is giving continuous thrust to export sales. You will be happy to note that, during the year, your Company achieved an export turnover of Rs. 2554 Lakhs. Exports were made to 19 countries such as Botswana, Costarica, Ethiopia, Mozambique, Guatemala, Kenya, Malaysia, Namibia, Netherlands, Philippines, Russia, Srilanka, Sudan, Thailand, Uganda, Tajakistan, Zambia, Zimbabwe, Kazakistan.

The Company has planned to export the medicines to additional Countries, such as Belarus, Brunei, Cambodia, Nigeria & Ukraine.

9. FINANCIAL RESULTS :

The summarised financial results for the year 2013-14 are furnished below in Table – IV:

Table IV

FINANCIAL RESULTS		(Rs. in lakhs)		
Particulars	2011-2012	2012-2013	2013-2014	
Profit before interest, depreciation and tax:	2711	1783	1428	
Less : Interest and other financial charges	112	71	29	
Cash Profit	2599	1712	1399	
Less : Depreciation	189	193	192	
Profit before tax	2410	1519	1207	
Less : Provision for taxation	808	390	431	
Profit after tax and adjustment	1602	1129	776	



Jr. Executives, Executives and Asst. Managers attending Training Programme at Training Centre at factory

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

Table V

KEY RATIOS			
Particulars	2011-2012	2012-2013	2013-2014
Earning per Share - Rs. (face value Rs. 100/-)	214	108	58
Book value per share - Rs. (face value Rs. 100/-)	1077	717	761
Turnover to gross Fixed assets %	624	592	627
Finance cost to turnover %	0.49	0.32	0.12

11. DIVIDEND

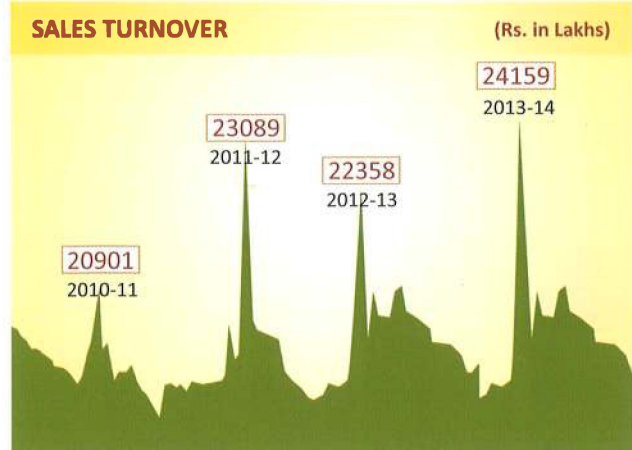
Your Company has been declaring dividend for the last 24 years. For the financial year 2013-14, your Directors have pleasure in recommending a dividend @ 20 % on PAT of 2013-14.

12. RESERVES & SURPLUS :

We have immense pleasure in informing you that the cumulative reserves and surplus as on 31.03.2014 were Rs. 8913 lakhs. The reserve and surplus were 6.61 times of the paid-up equity capital of Rs. 1349 lakhs. As on 31.03.2014, the networth of your Company stood at Rs. 10262 lakhs.

13. INVENTORIES AND DEBTORS

The value of total inventories consisting of raw materials, work in progress and finished goods were Rs. 3759 lakhs which worked out 15.55 % (previous



year 14.44%) of sales turnover. As on 31.3.2014, debtors were Rs. 6994 lakhs which was equivalent to 105 days of sales.

14. PERFORMANCE AGAINST MEMORANDUM OF UNDERSTANDING:

The Company signs a Memorandum of Understanding (MOU) every year. The Company's performance under the MOU, for the year 2013-14, based on internal evaluation, is " Good". The MOU for 2014-15 has also been signed.

15. CONTRIBUTION TO PUBLIC EXCHEQUER

Your Company has contributed a sum of Rs. 2757 lakhs (previous year Rs. 2920 lakhs) to the exchequer of Central and State Governments by way of Income Tax, Sales Tax, Excise Duty, Customs Duty, Entry Tax, Service Tax etc.

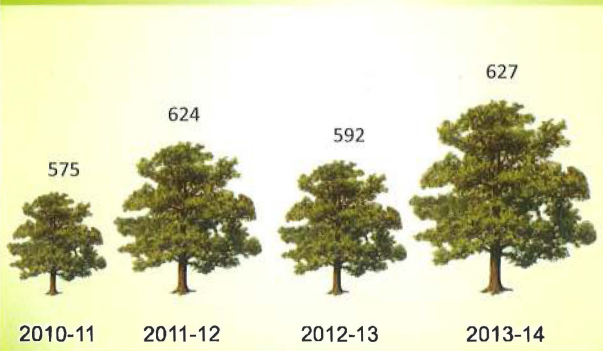
16. ENCOURAGEMENT TO MEDIUM, SMALL ENTERPRISES

Government of India vide Order No. S.O.581(6) dated 23.03.2012 has notified a new Public Procurement Policy for Micro, Small Enterprises. As per the Order, minimum 20% of total annual purchases of products or services produced by Micro, Small Enterprises has to be procured from MSEs including reservation of 20% to units owned by Scheduled Caste/Scheduled Tribe Entrepreneurs. Your Company has procured goods from Micro, Small Enterprises during 2013-14 to the extent of Rs, 6,05,324 which is beyond 20% as stipulated.



KAPL conducted Free Medical Check-up Camp

TURNOVER TO GROSS FIXED ASSETS (%)



17. DUES PAYABLE TO MICRO AND SMALL ENTERPRISES

Amount payable to Micro and Small Enterprises due as on 31.03.14 are:

1	Art Print & Pack, Bangalore	651632
2	Balaji Pharma Pack, Bangalore	43384
3	Card Box, Bangalore	178559
4	Creative Aromatics Spl Pvt Ltd., B'lore	35270
5	Dhariyal Polymers Pvt Ltd., Ahmedabad	256720
6	Gargia Enterprises, Bangalore	41756
7	G R V Merchandising, Bangalore	369791
8	Health Encare Pvt Ltd., Bangalore	22900
9	Kishore Pharma, Bangalore	777740
10	Lotus Printers, Bangalore	17724
11	Lisa Ampoules, Hyderabad	343
12	Lasa Laboratories, Thane	5930493
13	Nataraj Poly Pack, Bangalore	87987
14	Meditop, Bangalore	598377
15	Organic Industries, Bangalore	874985
16	Padma Chemicals, Bangalore	97060
17	Paragon Vial Caps, Bangalore	1770511



Lady Employees participating in Sports Event during picnic

18	Polynova Packers, Bangalore	26148
19	Prashanthi Polymers, Bangalore	46468
20	Resil Chemicals P Ltd., Bangalore	113214
21	Rosswell Industries, Ahmedabad	334050
22	Ramsons Print N Pack, Bangalore	1170582
23	Rajashree Offset Packaging, Bangalore	154102
24	R M Graphics, Bangalore	110434

TOTAL 13710230

18. FOREIGN TRAVEL

During the year 2013-14, one employee was deputed abroad for business purposes. The expenditure incurred in this connection by the Company was Rs. 1.72 lakhs.

19. HUMAN RESOURCES

The total manpower of the Company as on 31.03.2014 was 738 Nos. consisting of 240 Officers and 498 Non-Officers.

20. HUMAN RESOURCE DEVELOPMENT

In a fast changing Scenario, there is an imperative need to update the knowledge and skills of human resources to stay ahead and emerge as a successful Organisation. Accordingly, various initiatives were taken during the year. All the employees of the Company have been exposed for the training programmes. MOU target for training of the employees were achieved resulting in excellent rating.

To inculcate better business practices required under the changed environment, Training programmes were organized both inhouse as well as through institutes enabling the employees to interact with other professionals and to acquire capabilities for

VALUE OF CLOSING INVENTORY TO SALES (%)





performing with a higher degree of motivation and commitment.

During 2013-14, training was provided to the extent of 954 mandays. The expenditure incurred for Training and Development during the year amounted to Rs. 10.82 lakhs.

21. REPRESENTATION OF SC & ST CANDIDATES

The Company continues special drives for recruitment of candidates belonging to SC/ST category. The strength of employees belonging to SC/ST category, as on 31.03.2014, was 122 nos (previous year 108 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, subsidized transport, uniforms, interest subsidy on house building loan, death-cum-retirement gratuity, washing allowance, education allowance, incentives for higher education etc., were continued. The expenditure on the provision of welfare and other amenities amounted to Rs. 565 lakhs (Rs. 508 lakhs during 2012-13).

24. BOARD MEETINGS:

During the year 2013-14, four Board Meetings were held on 28.06.2013, 24.09.2013, 17.12.2013 and 21.03.2014.

25. APPOINTMENT OF DIRECTORS:

Appointment of Directors is notified by Government of India as per provisions of Memorandum and Articles of Association of Company. There is only one Functional Director i.e. Managing Director and all others are Non-Executive Directors (Nominees of Government). The remuneration payable to Managing Director is fixed by Government of India as per the norms.

26. RISK MANAGEMENT POLICY:

Company had appointed a Consultant to study and suggest a Risk Management Policy to the Company. Consultant has given report and based on the same, Risk Management Policy will be placed for Boards consideration.

27. 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.

28. 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 :



28.1 That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.

28.2 That such accounting policies as mentioned in annual accounting has 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



Jr. Executives, Executives and Asst. Managers attending Training Programme at Training Centre at factory

Company at the end of the financial year ended 31st March 2014 and of the profit of the Company for that year.

28.3 That proper and sufficient care is 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.

28.4 That the annual accounts for the year ended 31st March 2014 have been prepared on a going concern basis.

29. 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.

30. SAFETY

We are glad to inform you that there were no fatal accidents during the year. The Company continues its

focus on safety in operation. Employees have been provided with safety gadgets. Company also observed "Safety Day".

31. ENVIRONMENT PROTECTION MEASURES

The following steps have been taken for the environment protection:

- i. Continuous operation and maintenance of Effluent Treatment for better environment protection.
- ii. Additional tree plantation and maintenance.
- iii. Waste segregation according to the Environmental norms and disposal system.
- iv. Bio-medical and hazardous waste sent to authorized approved agency (by pollution control Board) for destruction.



Independence Day Celebration at Factory
Shri K. M. Prasad, MD, seen during Celebration

32. 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.

33. ENTERTAINMENT AND PUBLICITY

During the year under review, the Company has incurred Rs. 10.22 lakhs on entertainment and Rs. 5.23 lakhs on advertisement and publicity.

34. CHANGES IN THE BOARD

34.1 The Board welcomed the appointment of the following new Directors on the Board:

Sl.No.	Name	Wef
01	Shri N. Sivasailam, IAS	13.03.2014
02	Shri P.B. Ramamurthy, IAS	28.11.2013
03	Shri Pradeep Yadav, IAS	28.11.2013
04	Shri Raghurama Bhandary	28.11.2013
05	Shri V.K. Mehta	28.11.2013

34.2 Shri M Madan Gopal, IAS has ceased to be Chairman and Director of the Board with effect from 13.03.2014. Dr B R Jagashetty has ceased to be the Director on the Board with effect from 24.09.2013.

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

35. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

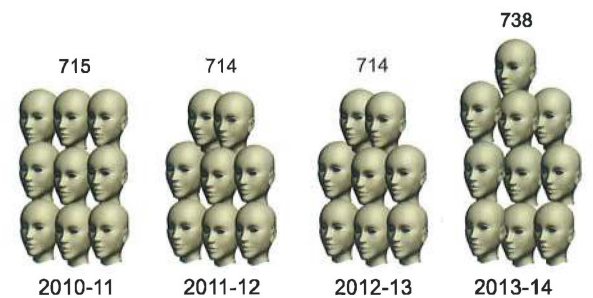
The particulars, as prescribed under Sub Section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules 1988, are set out in the annexure included in this report.

36. ENERGY CONSERVATION MEASURES

Following steps have been taken in this direction:

1. In Quality Control Wet Lab-II, CFL lamps are provided.
2. 90 watts and 250 watts DC motors in DPP I and DPP II are replaced with 40 watts energy efficient motors thereby saving energy of 260 watts.

MAN POWER



37. ANNUAL GENERAL MEETING

The 32nd Annual General Meeting of the Company was held on 24.09.2013.

38. OFFICIAL LANGUAGE

During the year under review, efforts were made for effective and successful implementation of the Official Language Policy of the Government. Workshops, essay writing competitions were held. 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 2012-13 has been printed in Hindi also.

39. 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. The social welfare activities undertaken by the Company include



Managing Director Sri K. M. Prasad seen during Dr. Ambedkar Birthday Celebration at factory with other dignitaries



Non-Executives (Non-technical) attending the Training Programme

- a) Distribution of Medicines during emergency situation.
- b) Conduct of free Cardiac/Diabetic camp.

An amount of Rs. 34 lakhs has been allocated and Rs. 19 lakhs has been spent towards CSR activities.

40. VISIT OF DIGNITARIES

Following dignitaries visited Company during the year

- a) Shri Pradeep Yadav, IAS, Joint Secretary (Pharma), Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers, New Delhi.
- b) Shri Prabhuling Kavalikatti, Additional Director, Karnataka State Drugs Logistics & Warehousing Society, Bangalore.
- c) Shri Manoj Tripathi, Project Director, Karnataka State Aids Prevention Society, Bangalore.

41. AUDITORS

The Comptroller Auditor General of India, appointed M/s. Manian & Rao, Chartered Accountants, as Statutory Auditors for auditing the accounts of the Company for the year 2013-14.

42. COST AUDITOR

The reports of M/s. Rao, Murthy and Associates, Cost Accountants in respect of Cost Accounts of the formulations of the Company for the year ended 31.3.2014 will be submitted to the Central Government in due course.

43. 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 2014 will be appended on receipt of the same.

44. COMPUTERIZATION ACTIVITIES

During 2013-14, the following activities were undertaken;

- a) IT Audit carried out for CFA locations of EAST and SOUTHERN India and trained CFA staff and Branch Executives on secure operation of computerized system.
- b) KAPL own private cloud Pilot Project undertaken and completed successfully.
- c) Secured wireless Internet access implemented in factory location and Enabled external visitors to access WIFI Internet facility.

45. ACKNOWLEDGEMENTS

- 45.1 Your Directors place on record their gratitude to Govt. of India, particularly Dept. of Pharmaceuticals and other Depts. of Govt. of India and Govt. of Karnataka, particularly Health and Family Welfare Dept. including Drugs Controller, Commissioner for Health & Family Welfare Services, Addl. Director, Karnataka State Drug Logistics & Warehousing Society, Karnataka State Industrial and Infrastructure Develop. Corporation Limited for their active support and co-operation.
- 45.2 The Board is grateful to the Comptroller and Auditor General of India and Principal Director of Commercial Audit, M/s. Manian & Rao, Chartered Accountants, the Statutory Auditors, M/s MSSV & Co., the Internal Auditors, Central as well as Karnataka State Pollution Boards and the others.
- 45.3 The Board extends thanks to M/s Vijaya Bank, State Bank of India, ICICI Bank Ltd., HDFC Bank and Corporation Bank for their support.
- 45.4 The Directors are thankful to the valued customers and suppliers in India and outside India for their support and confidence. We look forward to the continued support in future.
- 45.5 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.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore	Raghurama Bhandary	K.M. Prasad
Date : 06.08.2014	Director	Managing Director

ANNEXURE TO DIRECTORS' REPORT

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

1 CONSERVATION OF ENERGY

Following steps have been taken in this direction:

1. In Quality Control Wet Lab-II, CFL lamps are provided.
2. 90 watts and 250 watts DC motors in DPP-I and DPP-II are replaced with 40 watts energy efficient motors thereby saving energy of 260 watts.

POWER AND FUEL CONSUMPTION

PARTICULARS	Current Year	Previous Year
Electricity		
a. Purchase (units)	37,44,250	38,12,050
Total amount (Rs.)	2,38,78,477	2,33,68,367
Rate / Unit (Rs.)	6.38	6.13
b. Own Generation		
i. Through diesel generator Units	1,66,000	1,63,392
Diesel cost (Rs.)	28,43,157	14,90,416
Unit per litre of diesel oil	3.46	4.54
Cost / Unit (Rs.)	17.13	9.12
ii. Coal		
Quantity (Tonnes)	—	—
Total Cost (Rs.)	—	—
Average rate (Rs.)	—	—
iii. Furnace Oil		
Quantity (litres)	1,22,864	1,15,500
Total Cost (Rs.)	61,95,672	55,48,639
Average rate(Rs.)	50.43	48.04
iv. Others / Internal Generation		
Quantity	—	—
Total Cost (Rs.)	—	—
Rate / Unit (Rs.)	—	—



Dy. Managers, Managers and Sr. Managers training in progress at Training Centre at Factory.

CONSUMPTION, PER LAKH OF PRODUCTION VALUE:

Particulars	Current Year	Previous year
Electricity :		
Rupees	801	959
Units	136	157
Furnace Oil :		
Rupees	225	228
Ltrs	4.50	4.70

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

The Company has not been able to carry out Research and Development work due to huge Investment involved. The Company has continued Strategic Alliance with premier research institutions for R & D activities. 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
TOTAL FOREIGN EXCHANGE USED AND EARNED		
On import of raw material spare parts and capital goods	452	168
Expenditure in foreign currencies for business travels, subscription, consumables stores goods for resale, commission on export sale, etc.	74	50
Remittance during the year in foreign currency on account of dividend	—	—
TOTAL FOREIGN EXCHANGE EARNED (FOB Value)	2450	1980

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore

Raghurama Bhandary

K.M. Prasad

Date : 06.08.2014

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 2014 the Board consisted of six Directors of which one Non-Executive Chairman and Whole time Managing Director, two part-time Non-Executive Directors from the Department of Pharmaceuticals, Department of Chemicals & Petrochemicals, Ministry of Chemicals and Fertilizers and two Non-Executive Directors from Government of Karnataka.
- b) During the year 2013-14, four Board Meetings were held on 28.06.2013, 24.09.2013, 17.12.2013 and 21.03.2014.

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 31.03.2014	No.of outside Board Committee Membership/ Chairmanship as on 31.03.2014
Shri N Sivasailam, IAS	Chairman	1/1	-	Nil	Nil
Shri M Madan Gopal, IAS	Chairman	3/3	Yes	Nil	Nil
Shri. K M Prasad	Managing Director	4/4	Yes	Nil	Nil
Shri P B Ramamurthy, IAS	Non-Executive Director	4/4	Yes	9	5
Shri Pradeep Yadav, IAS	Non-Executive Director	2/4	Yes	2	Nil
Shri V K Mehta	Non-Executive Director	2/4	Yes	1	Nil
Dr B R Jagashetty	Non-Executive Director	2/2	Yes	Nil	Nil
Shri Raghurama Bhandary	Non-Executive Director	2/2	-	Nil	Nil

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

d) Code of Conduct:

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

3. Audit Committee:

The Paid up Capital of Company as on date is Rs. 13.49 crores. As per the Provisions of Companies Act, Audit Committee has been constituted. Shri P.B. Ramamurthy, IAS is the Chairman of Audit Committee. Seven Meetings were held during 2013-14.

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 2013-14 was as follows :

REPORT ON CORPORATE GOVERNANCE (Contd.)



Rs. in lakhs

Name of the Director	Salary	Benefits	PF Contribution	Perquisites	Total
K. M. Prasad	15.31	1.76	1.67	0.47	19.21

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

Sl. No.	Name of the Director	Sitting Fee Paid (Rs.)
01.	Shri N. Sivasailam	500/-
02.	Shri M. Madan Gopal	1,500/-
03.	Shri P.B. Ramamurthy	5,500/-
04.	Shri Pradeep Yadav	1,000/-
05.	Shri V. K. Mehta	2,000/-
06.	Dr. B.R. Jagashetty	3,500/-
07.	Shri Raghurama Bhandary	2,000/-

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

5. ANNUAL GENERAL MEETINGS

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

Financial Year	Date	Time	Venue
2012-2013	24.09.2013	1230 hrs	Corp Office, Bangalore
2011-2012	29.11.2012	1230 hrs	Corp Office, Bangalore
2010-2011	22.09.2011	1600 hrs	Corp Office, Bangalore

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

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

Dr. Rajkumar Road, 1st Block, Rajajinagar, Bangalore – 560 010

The Shareholders may send correspondence to the above address.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore
Date : 06.08.2014

K. M. Prasad
Managing Director

Raghurama Bhandary
Director

**Independent Auditors' Report****To the Members of Karnataka Antibiotics & Pharmaceuticals Limited**

We have audited the accompanying financial statements of KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED ("the Company"), which comprise the Balance sheet as at March 31, 2014, the Statement of Profit and Loss and Cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to:

- i) Note no.6.2 regarding non confirmation of balances towards trade payables to the extent of Rs.6315.74 lakhs and that the Company has adopted the balance as per books of accounts for the preparation of financial statements after necessary reconciliations in cases where differences are noticed.
- ii) Note no.15.2 regarding a sum of Rs.1216.52 lakhs due from Govt. of Madhya Pradesh and based on the Court proceedings and legal advice obtained, the Company is of the opinion that no provision is required against this receivable and also corresponding to the receivable, there exists a net liability of Rs.1572.94 lakhs due to the vendors payable only against the realization of the receivable.
- iii) Note no. 15.3 regarding non confirmation of balances towards trade receivables to the extent of Rs. 1868.02 lakhs and that the Company has adopted the balance as per books of accounts for the preparation of financial statements after necessary reconciliations in cases where differences are noticed.
- iv) Note no. 17.1 regarding non confirmation of balances to the extent of Rs.37.91lakhs in respect of deposit with Govt. departments and that the Company has adopted the balance as per books of accounts for the



preparation of financial statements after necessary reconciliations in cases where differences are noticed.

- v) Note 19.1.5 to the financial statements regarding excise duty demand of Rs.1036 lakhs received from Commissioner of Central Excise & Service tax, LTU, Bangalore towards excise duty & penalty under section 11D of the Central Excise Act, 1944 in addition to interest (not quantified) covering sale of certain products pertaining to the period from 2007-08 to 2011-12 and non-provision of the same in the accounts based on legal opinion and on the belief that the matter will be settled in Company's favour and that the Company has preferred an appeal with CESTAT against the said order.
- vi) Note 19.1.6 regarding liability towards sales tax pending in appeal before various authorities relating to earlier years amounting to Rs.206.78 lakhs.

Our opinion is not qualified in respect of the above matters.

Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge

and belief were necessary for the purpose of our audit;

- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956 read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
- e. As per Notification No.GSR 829(E), dt. 21/10/03 issued by the Central Government, the requirements under the provisions of Sec 274(1)(g) of the Companies Act, 1956, regarding disqualification of directors are not applicable to this Company.

For **MANIAN & RAO**
Chartered Accountants
(Firm Registration Number : 0019835)

R. SRIKANTH
Partner
Membership No: 203138

Bangalore
July 22, 2014



THE ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED ("THE COMPANY") FOR THE YEAR ENDED 31ST MARCH, 2014. WE REPORT THAT:

1. FIXED ASSETS

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets in conformity with the Companies Act 1956.
- b) The Company has a regular system for physical verification of its fixed assets by which the 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 nature of its assets. As per the certification issued by the management and relied upon by us, no material discrepancies were noticed on such verification warranting adjustments in the books of accounts.
- c) In our opinion and according to the information provided to us, the company has not disposed of any substantial part of Fixed Assets during the year to affect the "Going Concern" status of the company.

2. INVENTORIES

- a) The management has conducted physical verification of inventory other than those in transit at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records for inventory. As informed by management, discrepancies noted on physical verification of inventories were not material, and have been properly dealt with in the books of account.

3. LOANS AND ADVANCES

- a) As informed to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of Companies Act of 1956. Accordingly, the provisions of clause 4(iii) (a) to (d) of the Order are not applicable to the Company.
- b) As informed to us, the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of Companies Act of 1956. Accordingly, the provisions of clause 4(iii) (e) to (g) of the Order are not applicable to the Company.

4. INTERNAL CONTROL

In our opinion and according to information given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

5. TRANSACTIONS COVERED UNDER SEC 301 OF COMPANIES ACT

According to information provided by the management, we are of the opinion that there are no transactions which need to be entered into the register maintained under Section 301 of the Companies Act, 1956 and hence the question of ascertaining whether these transactions have been made at prices which are reasonable having regard to the prevailing market prices does not arise.

6. The company has not accepted any deposits from the public.
7. The Company has an internal audit system, the scope of which in our opinion is commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act and 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.

9. STATUTORY DUES

- a) According to the information provided to us and relied upon by us, the Company, according to its records, is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Customs duty, Excise duty, Service Tax, Cess and other statutory dues. 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, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other Statutory dues which have not been deposited on account of any dispute with the exception of Sales tax/ VAT as detailed below:

Nature of Dues	Financial Year to which the matter pertains	Forum where dispute is pending	Amount (Rs. in Lakhs.)
West Bengal Sales Tax Act – Calculation error at the time of assessment.	2009-10	Sr. Commissioner of Commercial Taxes, Behala, Kolkata	0.44
Tamil Nadu Sales Tax Act – Sales returns disallowed, Feed Supplement and Agro Chemicals taxed at higher rate.	2003-04	Appellate Asst. Commissioner (CT) V, Chennai	1.17
Uttar Pradesh VAT Act – Supplies made to Govt. Departments at concessional rate of tax – Forms submitted not considered in assessment.	2005-06	Asst. Commissioner of Commercial Taxes (Appeals), Lucknow	10.75
Uttar Pradesh VAT Act – Tax imposed for not producing original purchase records during assessment - LST.	2008-09	Addl. Commissioner Appeal (2)	11.08
Uttar Pradesh VAT Act – Tax imposed for not producing original purchase records during assessment - CST.	2008-09	Addl. Commissioner Appeal (2)	16.25
Uttar Pradesh VAT Act – Tax imposed for not producing original purchase records during assessment - LST.	2009-10	Addl. Commissioner Appeal (2)	5.92
Uttar Pradesh VAT Act – Tax imposed for not producing original purchase records during assessment - CST.	2009-10	Addl. Commissioner Appeal (2)	6.87
Jharkand VAT Act – 'F' Forms submitted during assessment not considered – LST.	2010-11	Commercial Tax Tribunal - Ranchi, Jharkand	4.81
Jharkand VAT Act – 'F' Forms submitted during assessment not considered – CST.	2010-11	Commercial Tax Tribunal - Ranchi, Jharkand	1.20
Maharashtra VAT Act – Non production of 'C' Forms during assessment – LST.	2008-09	Dy. Commissioner of Sales tax, Nagpur	89.37
Maharashtra VAT Act – Non production of 'C' Forms during assessment – CST.	2008-09	Dy. Commissioner of Sales tax, Nagpur	28.76
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – LST.	1999-00	JCCT, Patna	7.33
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – CST.	1999-00	JCCT, Patna	0.15



ANNEXURE TO THE AUDITORS' REPORT (Contd.)

Nature of Dues	Financial Year to which the matter pertains	Forum where dispute is pending	Amount (Rs. in Lakhs.)
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – LST.	2000-01	JCCT, Patna	7.14
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – CST.	2000-01	JCCT, Patna	3.73
Bihar VAT Act – Exempted sales of feed supplements disallowed and tax imposed.	2002-03	JCCT, Patna	1.76

10. 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.
11. According to the explanations and information given to us and on the basis of examination of books of accounts, the company has not defaulted in repayment of dues to financial institution or bank during the year. The Company has not issued any debentures.
12. According to information and explanations given to us, the company has not granted any loans and advances on the basis of the security by way of pledge of shares, debentures and other securities.
13. The company is not a Chit Fund or a Nidhi / Mutual Benefit Fund / Society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) Order 2003 is not applicable to the company.
14. In our opinion and according to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Therefore, clause 4(xiv) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
15. According to information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. 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.
17. On the basis of an overall examination of the Balance Sheet of the Company as at 31st March 2014, in our opinion and according to the information and explanations given to us, no funds raised on short term basis have been utilized for long-term investments.
18. The company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures requiring creation of securities, during the year.
20. The Company has not raised any money by way of public issue during the year.
21. Based on the audit procedures performed for the purpose of reporting true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud by or on the company has been noticed or reported during the year.

For **MANIAN & RAO**
Chartered Accountants
(Firm Registration Number : 001983S)

(**R. SRIKANTH**)
Partner
Membership No: 203138

Bangalore
July 22, 2014



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2014

The preparation of financial statements of Karnataka Antibiotics and Pharmaceuticals Limited, Bangalore for the year ended on 31 March 2014 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 the independent audit in accordance with the Standards on Auditing 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 22 July 2014.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Karnataka Antibiotics and Pharmaceuticals Limited, Bangalore for the year ended on 31 March 2014. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

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

A handwritten signature in black ink, appearing to read 'Arabinda Das', written in a cursive style.

(Arabinda Das)

**Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board,
Hyderabad**

**Place: Hyderabad
Date: 14 October 2014**



Company Overview:

Karnataka Antibiotics & Pharmaceuticals Limited (or 'the Company') was incorporated in the year 1981 as a Govt. of India Enterprise with the objective of supplying life saving drugs at affordable prices. The Company's manufacturing facility at Bangalore started its commercial production during the year 1984 for the manufacture of Dry Powder Vials, Liquid Parenterals, Tablets, Capsules, etc.

1. Basis for preparation of financial statements:

The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India on accrual basis to comply in all material aspects with the notified accounting standards by the Companies Accounting Standard Rules, 2006 (as amended) and relevant provisions of the Companies Act, 1956 as adopted by consistently by the Company.

2. Use of Estimates:

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported balances revenues, expenses, assets, and liabilities and disclosures relating to contingent liabilities at the end of the reporting period. However, these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets and liabilities in future periods.

3. Fixed Assets:

Fixed assets values stated are at cost net of accumulated depreciation. The cost comprises purchase price, non-refundable taxes and duties, borrowing cost if capitalization criteria are met and other directly attributable cost for bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

3.1 Capitalization:

All direct expenses identifiable to the project during the construction period are capitalized. 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 along with equipment/machinery by the suppliers are capitalized.

4. 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.

5. Borrowing Costs:

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized 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 Statement of the year in which they are incurred.

6. 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 Statement.

7. Inventories:

7.1 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 are provided for.

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

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

Finished Goods whose shelf life expires within six months from the date of Balance Sheet are not valued.

7.4 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.

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

8. Revenue Recognition:

8.1 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. In respect

SIGNIFICANT ACCOUNTING POLICIES (Contd.)



of sale transactions nearing the end of the financial year, actual delivery evidenced by acknowledgement from customers/certificate of delivery is also considered.

- 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.

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

9. Employee Benefits:

- a) Employee Benefits are recognised, measured and disclosed as per Accounting Standard-15 (Revised 2005) – "Employee Benefits".
- b) Employee Benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit & Loss in the year in which the contributions are due.
- c) 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 Statement.
- d) Termination Benefits (including under VRS) are charged in the year of termination of employment.
- e) The benefits are after taking into consideration actuarial gains or losses.

10. Foreign Exchange Transactions:

- a) **Initial recognition:** Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction.
- b) **Conversion:** Foreign currency monetary items under assets and liabilities are reported at year-end exchange rates.
- c) **Exchange differences:** Exchange differences arising on the settlement of monetary items or on reporting monetary items of assets and liabilities at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

11. Taxes on Income:

- a) Provision for Current tax is made on the basis of taxable income estimated in accordance with the provisions of Income tax Act, 1961.
- b) Deferred tax resulting from timing differences between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date.
- c) Deferred tax assets arising from timing differences are recognized to the extent there is virtual certainty that these would be realized in future. Deferred tax Assets are carried forward to the extent it is reasonably/virtually certain that future taxable profit will be available against which such deferred tax assets can be realized. Deferred tax assets are reviewed at each balance sheet date and written down/written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

12. Prior Period Transactions:

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

13. Provisions and contingent liabilities:

Obligations, which in the assessment of the company exist on the Balance sheet date and probably require an outflow of resources are considered as liabilities and provided for. Contingent Liabilities being a possible obligation as a result of past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly in the control of the Company, are not recognized in the accounts. The nature of such liabilities and an estimate of its financial effect are disclosed in the notes to the financial statements. Contingent assets are neither recognized nor disclosed in the financial statements.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

K.M. PRASAD
MANAGING DIRECTOR

RAGHURAMA BHANDARY
DIRECTOR

Refer our report of Even date
For **Manian & Rao**
Chartered Accountants
FRN : 001983S

R. RADHAKRISHNAN
General Manager - Finance

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

SRIKANTH R.
Partner
Membership No. 203138

Place : Bangalore
Date : 22.07.2014

Place : Bangalore
Date : 22.07.2014

**BALANCE SHEET AS AT 31st MARCH, 2014**

PARTICULARS	NOTE NO.	(Rs.in Lakhs)	
		AS AT 31.03.2014	AS AT 31.03.2013
EQUITY AND LIABILITIES			
Share holders' funds			
Share Capital	1	1349	1349
Reserves and Surplus	2	8913	8321
		10262	9670
Non-current liabilities			
Long term borrowings	3	412	311
Long term provisions	4	1514	1277
		1926	1588
Current Liabilities			
Short term borrowings	5	497	438
Trade payables	6	7457	7249
Other current Liabilities	7	1794	1874
Short-term provisions	8	384	318
		10132	9879
Grand Total		22320	21137

BALANCE SHEET AS AT 31st MARCH, 2014

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	AS AT 31.03.2014	AS AT 31.03.2013
ASSETS			
Non-current Assets :			
Fixed assets			
Tangible assets	9	1969	2047
Capital work-in-progress	10	1961	1632
Deferred tax assets (net)	11	100	81
Long-term loans and advances	12	803	674
Other Non-Current Assets	13	595	402
Total		5428	4836
Current assets:			
Inventories	14	3759	3278
Trade receivables	15	6994	7288
Cash and Bank balances	16	5333	4986
Short-term loans and advances	17	714	668
Other current assets	18	92	81
Total		16892	16301
Grand Total		22320	21137

Significant Accounting Policies and Notes on financial statements 1 to 36 form an integral part of accounts.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

K. M. PRASAD
MANAGING DIRECTOR

RAGHURAMA BHANDARY
DIRECTOR

Refer our report of even date
For MANIAN & RAO
Chartered Accountants
FRN: 001983S

R. RADHAKRISHNAN
General Manager-Finance

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

SRIKANTH R.
Partner
Membership No. 203138

PLACE : BANGALORE
DATE : 22.07.2014

PLACE : BANGALORE
DATE : 22.07.2014



PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31st MARCH, 2014

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	YEAR ENDED 31.03.2014	YEAR ENDED 31.03.2013
INCOME			
Revenue from operations	20	23419	21626
Other Income	21	409	417
Total Revenue		23828	22043
EXPENDITURE			
Cost of materials consumed	22	9219	8353
Purchases of Stock-in-Trade	23	3699	2914
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	-311	-132
Employee benefits expense	25	5175	4435
Finance costs	26	55	70
Depreciation and amortization expense		192	193
Prior period items	27	3	-1
Other expenses	28	4589	4692
Total Expenses		22621	20524
Profit before Tax		1207	1519
Tax Expense :			
1) Current tax		450	355
2) Deferred tax		-19	145
Profit for the Year		776	1019
Add : Excess Provision for taxes of earlier years withdrawn		0	110
Profit After Tax		776	1129
Earnings per equity share :			
1) Weighted Average Earnings per share (Rs.)	29	58	108
2) Diluted Earnings per share (Rs.)	29	58	108

Significant Accounting Policies and Notes on financial statements 1 to 36 form an integral part of accounts.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

K. M. PRASAD
MANAGING DIRECTOR

RAGHURAMA BHANDARY
DIRECTOR

R. RADHAKRISHNAN
General Manager-Finance

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

PLACE : BANGALORE
DATE : 22.07.2014

Refer our report of even date
For MANIAN & RAO
Chartered Accountants
FRN: 001983S

SRIKANTH R.
Partner
Membership No. 203138

PLACE : BANGALORE
DATE : 22.07.2014



PARTICULARS	(Rs.in Lakhs)	
	AS AT 31.03.2014	AS AT 31.03.2013
1 SHARE CAPITAL :		
Authorised :		
15,00,000 (previous year 15,00,000) Equity shares of Rs. 100/-each	1500	1500
Issued, subscribed and fully paid up :		
13,49,000 (previous year 13,49,000) Equity shares of Rs. 100/- each fully paid up	1349	1349
Total	1349	1349

1.1 Reconciliation of the number of shares outstanding at the beginning and as at the end of the year

Opening number of shares outstanding	1349000	749000
Shares issued during the year	0	600000
Closing number of shares outstanding	1349000	1349000

1.2 Terms/Rights attached to Equity Shares :

The Company has only one class of Equity Shares having a par value of Rs. 100 per share. Each holder of Equity Shares is entitled to one vote per share. The company declares and pays dividends in Indian Rupees. The dividend recommended by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2014, Final dividend proposed for distribution to Equity Shareholders is Rs. 11 (Previous Year - Rs. 8) per share.

In the event of liquidation of the company, the holders of Equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2014

PARTICULARS	(Rs.in Lakhs)	
	AS AT 31.03.2014	AS AT 31.03.2013
1.3 The details of the shareholders holding more than 5% of the shares :		
a) President of India		
No.of Shares	798180	798180
% held	59.17	59.17
b) KSIIDC Limited		
No. of Shares	550820	550820
% held	40.83	40.83
2 RESERVES AND SURPLUS :		
Reserves :		
General Reserve :		
As per last Balance Sheet	8086	7066
Add: Transfer from statement of Profit & Loss	500	1020
Total (A)	8586	8086
CSR fund Reserve :		
As per last Balance Sheet	78	42
Less : Utilised during the year	3	0
	75	42
Add : Transfer from Statement of Profit & Loss	18	36
Total (B)	93	78
Sustainable Development Fund Reserve :		
As per last Balance Sheet	11	5
Add: Transfer from Statement of Profit & Loss	6	6
Total (C)	17	11
GRAND TOTAL (A+B+C)	8696	8175
Surplus in Profit and Loss Statement :		
As per last Balance Sheet	146	205
Add : Balance in Profit & Loss Statement	776	1129
Total (D)	922	1334



PARTICULARS	(Rs.in Lakhs)	
	AS AT 31.03.2014	AS AT 31.03.2013
Appropriations :		
Transfer to General Reserve	500	1020
Proposed Dividend	155	108
Tax on Proposed Dividend	26	18
Transfer to CSR Fund Reserve	18	36
Transfer to Sustainable Development Fund Reserve	6	6
Total (E)	705	1188
Balance in Statement of Profit & Loss (D - E)	217	146
Total	8913	8321

2.1 As per the requirement of O.M.No.F.No.15(7)/2012 - DPE(GM)-GL-104 dated 12th April, 2013 issued by Department of Public Enterprises, Government of India, the company is required to allocate 3%-5% of the profit after tax of the previous year towards Corporate Social Responsibility (CSR) and Sustainability activities.

Accordingly, the company has appropriated a sum of Rs. 17.75 lakhs (previous year Rs. 35.47 lakhs) for the year 2013-14 after considering the actual amount spent during the year 2013-14 ie., Rs. 16.12 lakhs (previous year Rs. 12.59 lakhs) towards CSR activities in the nature of expenses on Medical camps, supply of free medicines during Mega Health camps and pollution control activities and the company has appropriated a sum of Rs. 5.65 lakhs (previous year Rs. 5.73 lakhs) for the year 2013-14 after considering the actual amount spent during the year 2013-14 at Rs. 0.00 Lakhs (Previous year Rs. 2.28 lakhs) towards sustainable development activities.

2.2 As per the requirement of O.M.No.F.No.3(9)/2010 - DPE(MOU) dated 23rd September, 2011 issued by Department of Public Enterprises, Government of India, the company is required to allocate 0.50 % of the profit after tax for the year towards Research and Development Fund.

As the company has already spent the required amount, no appropriation has been made towards this fund.



(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2014	AS AT 31.03.2013
3. LONG TERM BORROWINGS :		
Term Loan:		
From banks : Secured Refer Note No. 7		
From Vijaya Bank		
Secured against hypothecation of specific fixed assets and continuing security of the Company's other fixed assets on pari passu basis with State Bank of India	412	311
	412	311

3.1 The Company has been sanctioned term loans from Vijaya Bank. The details of balances of each term loan as at 31st March,2014 and the terms of repayment is as under:

PARTICULARS	Balance outstanding As on 31st March, 2014	Balance outstanding As on 31st March, 2013
Term Loan No.2	412	311
Current Rs. 85.59 lakhs (Refer Note. No. 7) (Previous year Rs. 48.71 lakhs)		
Non-Current Rs. 411.72 lakhs (previous year Rs. 311.02 lakhs)		
Terms of repayment :		
84 equated monthly instalment after 18 months repayment holiday-Rate of Interest - 12.75% - As on 31st March 2014, 59 Instalments are remaining to be paid		
There is no default in repayment of the above Term Loan		
Total	412	311



(Rs.in Lakhs)

PARTICULARS	As at 31st March, 2014	As at 31st March, 2013
4. LONG-TERM PROVISIONS :		
(Refer Note No. 8.1)		
Provision for employee benefits:		
Provision for Gratuity (Refer Note No. 4.1)	392	217
Provision for Earned Leave	923	881
Current Rs. 47.42 lakhs (Refer Note. No. 8) (Previous year Rs. 54.34 lakhs)		
Non-Current Rs. 923.33 lakhs (previous year Rs. 880.70 lakhs)		
Provision for Sick Leave	199	179
Current Rs. 11.13 lakhs (Refer Note. No. 8) (Previous year Rs. 9.80 lakhs)		
Non-Current Rs. 198.41 lakhs (previous year Rs. 178.75 lakhs)		
Total	1514	1277
4.1 The total liability towards Gratuity to employees as at 31.3.2014 as per actuarial valuation is Rs. 2247 lakhs (Previous year Rs. 1973 lakhs) out of which Rs. 2037 lakhs (Previous Year Rs. 1815 lakhs) is Non-Current and Rs. 210 lakhs (Previous year Rs. 158 lakhs) is Current. The provision towards unfunded portion of the Gratuity is of Non-Current in nature and has been reflected accordingly in Note No. 4 above		
5. SHORT-TERM BORROWINGS :		
Working Capital Loans from banks : (Secured and repayable on demand)	497	438
Working Capital facilities from scheduled banks are 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 fixed assets charged to Vijaya Bank for Term loan. Debit balances under Cash Credit Hypothecation account are disclosed under Cash and Bank balance. The above facility includes post-shipment credit in foreign currency of Rs. 464.86 lakhs (Previous year Rs. 348.44 lakhs) with banks, the interest on which is linked to LIBOR.		
Total	497	438



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 20

(Rs.in Lakhs)

PARTICULARS	As at 31st March, 2014	As at 31st March, 2013
6. TRADE PAYABLES :		
Acceptances	66	15
Dues to Micro, Small and Medium enterprises (Refer Note No. 6.1)	137	151
Others	7254	7083
Total	7457	7249

6.1 The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the company is as follows :

Principal amount due and remaining unpaid	-	-
Interest due on above and the unpaid interest	-	-
Interest paid	-	-
Payment made beyond the appointed day during the year	-	-
Interest due and payable for the period of delay	-	-
Interest accrued and remaining unpaid	-	-
Amount of further interest remaining due and payable in succeeding years	-	-

6.2 Confirmation of balances towards Trade Payables is awaited to an aggregate extent of Rs. 6315.74 Lakhs (Previous Year 5362.92 Lakhs). In the cases where differences are noticed in the confirmation received, the Company has adopted the balance as per Books of Accounts for the preparation of Financial Statements after carrying out necessary reconciliations.

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.



(Rs.in Lakhs)

PARTICULARS	As at 31st March, 2014	As at 31st March, 2013
7. OTHER CURRENT LIABILITIES :		
Current maturities of Long term loan (Refer Note No.3)		
Term Loan 1	0	132
Term Loan 2	86	49
EMD and security deposits received	237	229
Sundry Creditors for Capital Works	643	554
Other payables		
Statutory	157	212
Outstanding Expenses	507	512
Others	55	68
Advance received from customers	109	118
Total	1794	1874

7.1 "Others" under Other Payables include Rs. 7.27 Lakhs (Previous year Rs.6.19 lakhs) being the amount payable towards Executive Welfare Fund Rs. 2.78 lakhs (previous year Rs. 2.77 lakhs) and Non-Executive Welfare Fund Rs. 4.49 Lakhs (Previous year Rs. 3.42 lakhs) which are administered by the committee consisting of the members from Management and the employees. Out of Rs. 4.49 lakhs (Previous year 3.42 lakhs) Non-Executive Welfare Fund, a sum of Rs. 2.00 Lakhs (previous year 2.00 lakhs) is held in the form of Term Deposit with Vijaya Bank, Bangalore.

8 SHORT TERM PROVISIONS :

Provision for proposed dividend (Dividend proposed is Rs. 11 Per Equity share of face value Rs. 100, Previous year Rs. 8 per equity share of face value Rs. 100)	155	108
Provision for tax on proposed dividend	26	18
Provision for Earned leave (Refer Note No.4)	48	54
Provision for sick leave (Refer Note No.4)	11	10
Provision for contingencies	144	128
TOTAL	384	318



8.1 MOVEMENT OF PROVISIONS DURING THE YEAR

(Refer Note 4 and 8)

(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
Provision for Taxation (Net)	-125	455	473	-143
Proposed Dividend	108	155	108	155
Provision for tax on proposed dividend	18	26	18	26
Provision for Earned Leave	935	202	166	971
Provision for Gratuity	217	208	33	392
Provision for Sick Leave	189	21	0	210
Provision for Contingencies :				
a) Disputed legal cases	108	16	0	124
b) Disputed statutory demands	20	0	0	20
Total	1470	1083	798	1755

Note : The sum of Rs. 143 lakhs being Income Tax refund due has been shown under short term loans and advances.

9 TANGIBLE ASSETS :

(Rs.in Lakhs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	TOTAL AS AT 01.4.13	ADDITIONS DURING THE YEAR	ADJUSTMENTS DELETIONS/ IMPAIRMENT DURING THE YEAR	TOTAL AS AT 31.3.14	TOTAL AS AT 01.4.13	FOR THE YEAR	ADJUSTMENTS DELETIONS/ IMPAIRMENT DURING THE YEAR	TOTAL AS AT 31.3.14	AS AT 31.3.14	AS AT 31.3.13
LAND :										
FREE HOLD	23	0	0	23	0	0	0	0	23	23
BUILDINGS	1043	3	0	1046	352	33	0	385	661	691
PLANT AND MACHINERY	2321	102	0	2423	1120	136	0	1256	1167	1201
FURNITURE & FIXTURES	131	5	0	136	85	5	0	90	46	46
OFFICE EQUIPMENTS	229	4	35	198	159	17	35	141	57	70
CANTEEN EQUIPMENTS	14	0	1	13	6	0	1	5	8	8
VEHICLES	13	0	0	13	5	1	0	6	7	8
TOTAL	3774	114	36	3852	1727	192	36	1883	1969	2047
PREVIOUS YEAR	3700	76	2	3774	1536	193	2	1727	2047	2164



9.1 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. Subsequently the case has been transferred to Nelamangala. The Company has applied for survey of survey No. 22 (New No.196) during December 2008 and survey is to be carried out. Matter is being pursued. Considering the request of the Company, Survey Settlement and Land Records Department has asked the concerned Tahasildar vide letter dated 13.02.2013 and 13.3.2013 to take suitable action in the matter and submit report. Vide letter dated 17.2.2014, reminder was sent to Revenue Department Principal Secretary. Vide letter dated 26.3.2014, reminder was also sent to Tahalsildar Bangalore North Taluk. Further Board at its 131st Board Meeting held on 19.02.2010, decided to grow Medicinal Plant in 10 acres in Phase 1. Accordingly, medicinal plants are being grown at Kadabagere Land.

10. CAPITAL WORK-IN-PROGRESS :

10.1 Board, at its 126th meeting held on 18.12.2008, approved Cephalosporin project at a cost of Rs. 2223 lakhs. The promoters have contributed Rs. 1200 lakhs as additional equity. The balance amount is to be funded by way of Term loan of Rs. 800 lakhs and internal accruals of Rs. 223 lakhs. The project work is under progress.

10.2 Capital work in progress includes a sum of Rs. 91.68 lakhs (previous year Rs. 37.15 lakhs) being the borrowing costs incurred during the year towards the term loan borrowed for the Cephalosporin project.

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

(Rs.in Lakhs)

PARTICULARS	Upto 31.03.2014	Upto 31.03.2013
Deferred Tax Liabilities :		
a) Fixed Assets - Written Down Value Difference	340	344
	340	344
Deferred Tax Assets :		
a) Provisions for doubtful debts, claims etc.,	39	33
b) Leave Salary	114	244
c) Gratuity	133	74
d) Others	154	74
	440	425
Deferred Tax Asset (Net)	100	81



PARTICULARS	(Rs.in Lakh)	
	AS AT 31.03.2014	AS AT 31.03.2013
12. LONG TERM LOANS AND ADVANCES :		
Capital Advances:		
Unsecured, Considered good		
Advance for capital items	761	626
Advance to employees	1	1
Current Rs. 79.74 lakhs (Refer Note. No. 17) (Previous year Rs. 68.37 lakhs)		
Non-Current Rs. 0.82 lakhs (Previous year Rs. 0.62 lakhs)		
Prepaid expenses	1	2
Current Rs. 26.89 lakhs (Refer Note. No. 17) (Previous year Rs. 25.64 lakhs)		
Non-Current Rs. 0.89 lakhs (Previous year Rs. 1.40 lakhs)		
Deposit Rent - Non current	0	5
Deposit with Government Departments	40	40
Current Rs. 304.76 lakhs (Refer Note. No. 17 and 17.1) (Previous year Rs. 335.79 lakhs)		
Non-Current Rs. 40.12 lakhs (Previous year Rs.40.12 lakhs)		
Total	803	674
13. OTHER NON-CURRENT ASSETS :		
Rights under Group Leave Encashment Scheme	595	397
Insurance Policy (Ref. Note No. 25.2)		
Others (Refer Note No. 16)	0	5
Held as Fixed Deposit with the State Bank of India as Margin Money Rs. 0.00 Lakhs (Previous year Rs. 5.00 lakhs)		
Total	595	402
14. INVENTORIES :		
Raw Materials - in Stock	1541	1368
- in Transit	99	126
Less : Provision for obsolescence	61	28
	1579	1466
Work-in-progress	596	661
Finished Goods - in Stock	1200	786
- in Transit	355	350
Stores and spares	29	15
Total	3759	3278



PARTICULARS	(Rs.in Lakhs)	
	AS AT 31.03.2014	AS AT 31.03.2013
15. TRADE RECEIVABLES :		
Unsecured		
Outstanding for a period exceeding six months		
Considered good	2096	2208
Considered doubtful	103	96
Less : Provision for doubtful	103	96
	2096	2208
Others - Considered good	4898	5080
Total	6994	7288

15.1 'Sundry Debtors' includes Rs. 5108.92 Lakhs(Previous year Rs. 5016.45 lakhs)due from Government Institutions/bodies in respect of which confirmation of balances is awaited.

15.2 Included in the above, a sum of Rs.1216.52 Lakhs(Previous year Rs. 1216.52 Lakhs) is due from Government of Madhya Pradesh (M.P.Govt) against supply of Medicine Kits during the financial year 2007-08. The Company had filed a 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 was received during the year 2010-11. The Honourable 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 an SLP. The SLP was disposed off on 02.05.2011 by the Supreme Court. Finally, the matter was decided in our favour by Honourable High Court of Madhya Pradesh, vide order dated 01.11.2012. Company had filed Caveat in Honourable Supreme Court. Government of Madhya Pradesh filed SLP challenging Honourable High Court of Madhya Pradesh order which was dismissed by Honourable Supreme Court on 29.04.2013. Company had requested Madhya Pradesh Government to pay dues as per Court Order vide letter dated 08.05.2013. Subsequently, Contempt Petition was filed during January 2014 at Honourable High Court of Madhya Pradesh, Jabalpur Bench.

Corresponding to the receivables referred to above, there exists a net liability of Rs.1572.94 lakhs (Previous year Rs.1572.94 lakhs) due to the vendor payable only against realisation of the sale proceeds. Considering the facts of the case and based on the legal advise, the management believes that the balance is wholly recoverable and hence of the opinion that no provision for doubtful debts is required in this regard.

15.3 Confirmation of balances called for by the Company towards Trade Receivables other than Government institutions/bodies is awaited to an aggregate extent of Rs. 1868.02 lakhs (previous year Rs. 1096.17 lakhs) of such receivables . In the cases where differences are noticed in the confirmations received from receivables , the Company has adopted the balance as per Books of Accounts for preparation of Financial Statements, after carrying out necessary reconciliation.

15.4 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.



PARTICULARS	(Rs.in Lakhs)	
	AS AT 31.03.2014	AS AT 31.03.2013
16. CASH AND BANK BALANCES :		
Cash and cash equivalents:		
Balances with banks		
- in Current/Cash Credit Account	998	633
- in fixed deposit account		
With maturity less than 3 months	3119	3518
Other Bank balances		
- in fixed deposit account		
With maturity more than 3 months	1006	700
a) 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 employee.		
b) 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.		
Cash, Stamps and Coupons on hand	2	2
Margin money in fixed deposits		
- With maturity more than 3 months	58	53
Rs. 0.00 Lakhs (Previous Year Rs. 5.00 lakhs) being Non-current portion of margin money, is reflected under other Non-current Asset-Refer Note No. 13		
Remittances - in - transit	150	80
Total	5333	4986



PARTICULARS	(Rs.in Lakhs)	
	AS AT 31.03.2014	AS AT 31.03.2013
17 SHORT TERM LOANS AND ADVANCES :		
Advances		
Others		
Unsecured, recoverable in cash or kind or for value to be received Considered good		
Advance to employees including imprest to field employees (Refer Note No.12)	80	68
Pre-paid expenses (Refer Note No.12)	28	26
Advance Income Tax (Net)	148	125
Other advances	46	36
Other receivables	113	81
Total	415	336
Deposits with Government Departments (Refer Note No.12 and 17.1)		
Considered good	299	332
Considered doubtful	6	4
	305	336
Less: Provision for Doubtful Deposits	6	4
	299	332
Total	714	668

17.1 Confirmation of balances in respect of Deposit with Government Departments amounting to Rs. 37.91 lakhs is awaited (Previous Year Rs. 44.20 lakhs).

In the cases where differences are noticed in the confirmations received, the Company has adopted the balance as per Books of Accounts for preparation of Financial statements, after carrying out necessary reconciliations.

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.



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2014

PARTICULARS	(Rs.in Lakhs)	
	AS AT 31.03.2014	AS AT 31.03.2013
18 OTHER CURRENT ASSETS :		
Interest Accrued on deposits	92	81
Total	92	81
19 CONTINGENT LIABILITIES AND COMMITMENTS :		
(to the extent not provided for)		
19.1 Contingent Liabilities:		
19.1.1 Claims against the company not acknowledged as debts	65	65
19.1.2 Bank guarantees	156	181
19.1.3 Letter of Credit	32	106
19.1.4 Difference in sales tax for non-receipt of Statutory forms	344	447
19.1.5 Excise Duty Demand :		
Demand received from Commissioner of Central Excise towards Excise duty and penalty besides interest (not quantified) under Section 11D of Central Excise Act, 1944 covering sale of certain products pertaining to the period from 2007-08 to 2011-12.	1036	0
The Company has preferred an appeal with CESTAT against the order and based on the legal opinion obtained, there are sufficient grounds to believe that the matter will be settled in favour of the Company and hence no provision is considered necessary in the accounts in respect of the same.		
Note : During the year, the Company has modified the Accounting policy No. 13 "Provisions and Contingencies" appearing under "Significant Accounting Policies". Had the said Accounting Policy not been modified, the company ought to have provided in the Accounts the excise duty demand of Rs. 1036 lakhs pertaining to the period 2007-08 to 2011-12 (to the extent quantified) and the Profit for the year would have been lesser to that extent. Management is of the opinion that provision for disputed demand is not considered necessary and hence the modification in the policy.		



		(Rs.in Lakhs)	
PARTICULARS	AS AT 31.03.2014	AS AT 31.03.2013	
NATURE OF DUES	AMOUNT Rs. in Lakhs	Period to which the amount relates	
19.1.6 Liability towards sales tax pending in appeal before various Appellate Authorities relating to earlier years:			
Sales returns disallowed. Feed supplement and Agro Chemicals Taxed at higher rate - Tamil Nadu, Sales Tax Act	1.17 (0.89)	2003-2004	
The Dispute is pending with Appellate Assistant Commissioner (CT) V (Chennai)			
Supplies to govt. departments at concessional rate of tax-forms submitted not considered in assessment Uttar Pradesh VAT Act	10.75 (10.75)	2005-2006	
The Dispute is pending with Assistant Commissioner of Commercial Taxes (Appeals), Lucknow.			
Tax imposed for not producing original purchase records during Assessment (original purchase records retained by Excise department) - LST - UttarPradesh Vat Act.	11.08 (0.00)	2008-2009	
The Dispute is pending with Additional Commissioner Appeal (2), Lucknow.			
Tax imposed for not producing original purchase records during Assessment (original purchase records retained by Excise department) - CST	16.25 (0.00)	2008-2009	
The Dispute is pending with Additional Commissioner Appeal (2), Lucknow.			
Tax imposed for not producing original purchase records during Assessment (original purchase records retained by Excise department) -LST	5.92 (0.00)	2009-2010	
The Dispute is pending with Additional Commissioner Appeal (2), Lucknow.			
Tax imposed for not producing original purchase records during Assessment (original purchase records retained by Excise department) -CST	6.87 (0.00)	2009-2010	
The Dispute is pending with Additional Commissioner Appeal (2), Lucknow.			
F Forms submitted during Assessment not considered (LST)	4.81 (0.00)	2010-2011	

**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2014**

(Rs.in Lakhs)

NATURE OF DUES	AMOUNT Rs. in Lakhs	Period to which the amount relates
The Dispute is pending with Commercial Tax Tribunal, Ranchi, Jharkand VAT Act.		
C Forms submitted during Assessment not considered (CST)	1.50 (0.00)	2010-2011
The Dispute is pending with Commercial Tax Tribunal, Ranchi, Jharkand VAT Act.		
Non production of 'C' Forms during Assessment (LST)	89.37 (0.00)	2008-2009
The Dispute is pending with Deputy Commissioner of Sales Tax, Nagpur, Maharashtra VAT Act.		
Non production of 'C' Forms during Assessment (CST)	28.76 (0.00)	2008-2009
The Dispute is pending with Deputy Commissioner of Sales Tax, Nagpur, Maharashtra VAT Act.		
Value of Physician samples disallowed & tax imposed	2.05 (2.05)	1991-1992
The Dispute is pending at Tribunal, Patna		
Exempted Sales of Gauge & Bandages disallowed & tax imposed	0.49 (0.49)	1996-1997
Exempted Sales of Gauge & Bandages disallowed & tax imposed	1.89 (1.89)	1997-1998
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST)	2.49 (2.49)	1998-1999
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (CST)	0.53 (0.53)	1998-1999
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST)	7.33 (7.33)	1999-2000
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (CST)	0.19 (0.19)	1999-2000
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST)	7.14 (7.14)	2000-2001
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (CST)	4.74 (4.74)	2000-2001
Exempted Sales of Feed Supplements disallowed & tax imposed	3.01 (3.01)	2002-2003



(Rs.in Lakhs)

NATURE OF DUES	AMOUNT Rs. in Lakhs	Period to which the amount relates
The Disputes are pending with JCCT, Patna - Bihar VAT Act. Calculation error at the time of assessment - West Bengal Sales Tax act	0.44 (0.44)	2009-2010
The Disputes are pending with Senior Commissioner of Commercial Taxes , Behala, Kolkatta Note : Against the said liability, amount of Rs. 10.05 Lakhs is deposited with department. (figures in brackets represent previous year figures)		
Total	206.78 (41.94)	

19.2 COMMITMENTS:

19.2.1 Estimated amount of contracts remaining to be executed on capital account and not provided for	567	341
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PARTICULARS	Year ended 31.03.2014	Year ended 31.03.2013
20. REVENUE FROM OPERATIONS :		
Sale of Products	24159	22358
Other Operating Revenues	406	362
	24565	22720
Less : Excise Duty	1146	1094
Total	23419	21626
20.1 Particulars of Sale of Products :		
Dry Powder Vials	6855	6505
Liquid Parenterals (Vials/Ampoules)	2361	2603
Tablets	4958	4630
Capsules	1950	1790
Dry Syrup & Suspension	615	584
Others	7420	6246
Total	24159	22358
21. OTHER INCOME :		
Interest received	389	403
Exchange rate fluctuation	14	0
Miscellaneous receipts	6	14
Total	409	417

**22. MATERIALS CONSUMED :**

Sl. No.	PRODUCT NAME	CURRENT YEAR			PREVIOUS YEAR		
		QUANTITY (Kgs/Bus)	VALUE Rs. Lakhs	%	QUANTITY (Kgs/Bus)	VALUE Rs. Lakhs	%
A. RAW MATERIALS :							
I. INDIGENOUS :							
1	CEFTRIAXONE	6791.240	462		10997.700	723	
2	CIPROFLOXACIN	34594.348	661		30138.236	568	
3	CEFOTAXIME SODIUM	4668.510	324		5918.500	388	
4	ALBENDAZOLE	14681.700	234		24062.500	370	
5	PARACETAMOL	93222.124	250		138602.710	345	
6	AMOXYCILLIN TH (COMP)	13386.996	277		18080.765	335	
7	CEFADROXYL IP (COMP)	7881.125	269		9004.500	288	
8	AMICACIN SULPHATE	4339.513	262		3721.091	194	
9	CEPHALEXIN IP (COMP)	7552.295	268		3651.706	113	
10	AZITHROMYCIN	1806.554	136		0.000	0	
11	OTHERS		3941			3372	
	TOTAL		7084	94		6696	98
II. IMPORTED :							
1	STREPTOMYCIN SULPHATE (STERILE)	4090.000	110		0.000	00	
2	POTTASIMUM CLAUVALNATE	647.080	109		205.200	30	
3	HYDROCARTISONE SOD.	235.000	143		50.000	21	
4	OTHERS		66			114	
	TOTAL:		428	6		165	2
	TOTAL OF I & II		7512	100		6861	100



22. MATERIALS CONSUMED : (Contd.)

Sl. No.	PRODUCT NAME	CURRENT YEAR		PREVIOUS YEAR	
		QUANTITY (Kgs/Bus) (No. in lakhs)	VALUE Rs. Lakhs	QUANTITY (Kgs/Bus) (No. in lakhs)	VALUE Rs. Lakhs
B. PACKING MATERIALS : (all indigenous)					
1		824.72	781	925.40	874
2	OTHERS		1979		1635
	TOTAL		2760		2509
	TOTAL OF A & B		10272		9370
	LESS : CENVAT CREDIT		989		967
	LESS : VAT CREDIT		64		50
	NET CONSUMPTION		9219		8353

23. PURCHASES OF STOCK-IN-TRADE

PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
	QUANTITY No. in Lakhs	VALUE Rs. in Lakhs	QUANTITY No. in Lakhs	VALUE Rs. in Lakhs
Medical and Surgical Kits	*	2111	*	816
Others	*	1588	*	2098
Total		3699		2914

*Enumeration of quantities not practicable



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2014

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2014	Year ended 31.03.2013
24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
FINISHED GOODS AND STOCK-IN-TRADE :		
Opening Stock	1136	1248
Closing Stock	1555	1136
	-419	112
WORK-IN-PROCESS :		
Opening Stock	661	419
Closing Stock	596	661
	65	-242
(Increase) / Decrease	-354	-130
Excise Duty on Inventory Change	43	-2
Net (Increase) / Decrease	-311	-132
25. EMPLOYEE BENEFITS EXPENSE :		
Salaries and Wages	4011	3599
Voluntary Retirement Scheme Expenses	44	0
Contribution to Provident and other funds	555	328
Staff welfare expenses	565	508
Total	5175	4435
25.1 Employee Benefit expenses include Managing Director's remuneration as under :		
PARTICULARS		
a) Salary	15	0
b) Contribution to PF	2	0
c) Others	2	0
Total	19	0



25.2 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	
			Availment		Encashment			
	As at 31.3.2014	As at 31.3.2013	As at 31.3.2014	As at 31.3.2013	As at 31.3.2014	As at 31.3.2013	As at 31.3.2014	As at 31.3.2013
Present value of obligations	2247	1973	48	54	923	881	210	188
Fair value of Plan Assets	1855	1756	0	0	0	0	0	0
Present value of unfunded obligations (Net Liability)	392	217	48	54	328	484	210	188
Net Assets/(Liability) recognised in Balance Sheet	-392	-217	-48	-54	-923	-881	-210	-188

*The reimbursement right under Group Leave Encashment Policy funded with Life Insurance Corporation of India towards encashment of Earned Leave is Rs. 595 lakhs (Previous year Rs. 397 lakhs) and the same is disclosed separately under "Other Non-Current Assets".

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			
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Current Service Cost	187	53	36	43	87	56	18	10
Interest on obligation	176	151	2	2	73	62	15	16
Expected Return on Plan Assets	-138	-125	0	0	0	0	0	0
Return on Leave Encashment Policy	0	0	0	0	-32	-2	0	0
Net Actuarial Losses/(gains) recognised in the year	-17	-54	15	13	45	80	42	-22
Total included in Employee benefits	208	25	53	58	173	196	75	4
Benefits availed included under Salaries, Wages & Bonus	0	0	0	0	0	0	-54	-21
Net charged to Profit and Loss Account	208	25	53	58	173	196	21	-17
Actual Return on Plan Assets for the year	8.85%	9.40%	-	-	8.85%	9.40%	-	-



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2014

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 31.3.2014	As at 31.3.2013	As at 31.3.2014	As at 31.3.2013	As at 31.3.2014	As at 31.3.2013	As at 31.3.2014	As at 31.3.2013
Opening Obligation	1973	1860	54	46	881	813	188	205
Current Service Cost	187	53	36	43	87	56	18	10
Interest Cost	176	151	2	2	73	62	15	16
Actuarial Losses/(gains)	-1	-36	15	13	50	82	42	-22
Benefits Paid/Availed	-88	-55	-59	-50	-168	-132	-53	-21
Closing Obligation	2247	1973	48	54	923	881	210	188

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 31.3.2014	As at 31.3.2013
Opening Balance	1756	1505
Interest credited	154	143
Assets distributed on Settlement/Benefits paid	-88	-55
Contribution by company	33	163
Closing Balance	1855	1756

Gratuity and Earned Leave are funded through policies with Life Insurance Corporation of India.



f) The particulars regarding present value of the defined benefit obligation, the fair value of plan assets and surplus/deficit in the plan are as under :

GRATUITY:

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2009-10	2010-11	2011-12	2012-13	2013-14
Present Value of defined benefit obligation	1739	1737	1860	1973	2247
Fair value of Plan assets	540	1225	1505	1756	1855
Surplus/deficit in the Plan	1199	512	355	217	392

EARNED LEAVE :

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2009-10	2010-11	2011-12	2012-13	2013-14
Present Value of defined benefit obligation	653	779	859	935	971
Rights under Group Leave Encashment Scheme Policy	0	0	0	397	595
Surplus/deficit in the Plan	653	779	859	538	376

SICK LEAVE :

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2009-10	2010-11	2011-12	2012-13	2013-14
Present Value of defined benefit obligation	183	187	205	188	210
Fair value of Plan assets	0	0	0	0	0
Surplus/deficit in the Plan	183	187	205	188	210

g) Principal Actuarial assumptions at the Balance Sheet Date :

PARTICULARS	Gratuity		Earned Leave		Sick Leave	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Mortality Rate	LIC (1994-96)					
Discount Rate	9.12%	8.25%	9.12%	8.25%	9.12%	8.25%
Estimate of salary increases	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

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



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2014

PARTICULARS	(Rs.in Lakhs)	
	Year ended 31.03.2014	Year ended 31.03.2013
26. FINANCE COSTS :		
Interest Expenses	29	42
Other Borrowing cost	26	28
Total	55	70
27. PRIOR PERIOD ADJUSTMENTS :		
PRIOR YEARS INCOME :		
Material Consumption	0	3
	0	3
PRIOR YEARS EXPENDITURE :		
Commission and Discounts	1	0
Printing & Stationery	0	0
General Maintenance Expenses	0	1
Other Selling Expenses	0	1
Legal & Professional Charges	1	0
Other Miscellaneous Expenditure	1	0
	3	2
Total	3	-1
28. OTHER EXPENSES :		
Consumption of stores and spare parts	53	40
Power and fuel	329	304
Rent	104	50
Repairs to buildings	30	14
Repairs to machinery	37	50
Insurance	10	16
Rates and taxes	64	38
Auditor's remuneration: as auditor (including service tax)	3	2
Travelling and Conveyance	532	515
Commission and discounts	1609	2109
Carriage outwards	242	241
Loss on sale/discarding of assets	0	0
Other manufacturing expenses	438	295
Laboratory expenses	40	38
Communication expenses	23	26



PARTICULARS	(Rs.in Lakhs)	
	Year ended 31.03.2014	Year ended 31.03.2013
Legal and professional charges	47	42
General maintenance expenses	124	120
Printing and Stationery	52	47
Recruitment and training expenses	37	49
Other selling expenses	399	316
Sundry Receivables written off	53	22
Exchange Rate Fluctuation	0	11
Other provisions	67	62
Other miscellaneous expenditure	296	285
Total	4589	4692

28.1 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.

PARTICULARS	Year ended 31.03.2014	Year ended 31.03.2013
29. EARNINGS PER SHARE :		
1. Profit After Tax for the year	776	1129
2. Weighted Average number of Basic Equity Shares outstanding during the year	1349000	1048178
3. Weighted Average number of Diluted (Basic and Potential) Equity Shares outstanding during the year	1349000	1349000
4. Potential Equity Shares - Share Application Money Pending allotment	0.00	0.00
5. Nominal Value of the Share Rs.	100.00	100.00
6. Earnings per share (Basic) (1/2)	58	108
7. Earnings per share (Dilluted) (1/3)	58	108



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2014

30. STATEMENT OF SALES AND STOCK :

(Rs.in Lakhs)

Sl.No.	PARTICULARS	Value Rs. in Lakhs		
		SALES	CLOSING STOCK	OPENING STOCK
1	Dry Powder Vials	6855 (6505)	377 (306)	306 (407)
2	Liquid Parenterals (Vials/Ampoules)	2361 (2603)	167 (142)	142 (56)
3	Tablets	4958 (4630)	279 (80)	80 (157)
4	Capsules	1950 (1790)	43 (34)	34 (58)
5	Dry Syrup & Suspension	615 (584)	32 (34)	34 (47)
6	Others	7420 (6246)	657 (540)	540 (523)
	TOTAL	24159 (22358)	1555 (1136)	1136 (1248)

Sl. No.	PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
31.	SPARES CONSUMED				
	Indigenous	53	100	40	100
	Imported	0	0	0	0
		53	100	40	100
32.	VALUE OF IMPORTS ON CIF BASIS				
	1. Raw Materials	452		155	
	2. Capital Goods	0		13	
	3. Others	12		0	
33.	EARNINGS IN FOREIGN EXCHANGE				
	F.O.B. Value of Exports	2517		1980	
34.	EXPENDITURE IN FOREIGN CURRENCY				
	Travel and others	63		50	



35. SEGMENT INFORMATION FOR THE YEAR ENDED 31ST MARCH 2014

PRIMARY SEGMENT : BUSINESS SEGMENT

(Rs.in Lakhs)

PARTICULARS	PHARMACEUTICALS		OTHERS		TOTAL	
	31.3.2014	31.3.2013	31.3.2014	31.3.2013	31.3.2014	31.3.2013
REVENUE						
Sales	21584	21361	2575	997	24159	22358
Income from Contract Manufacturing	-	-	122	157	122	157
Total Revenue	21584	21361	2697	1154	24281	22515
Segment Result	1515	1947	317	153	1832	2100
Unallocated Corporate Expenses					979	935
Operating Profit					853	1165
Interest Expense					35	49
Interest Income					389	403
Income Tax					450	355
Deferred Tax					-19	145
Profit from Ordinary Activities					776	1019
Taxation Adjustments of Previous Year					0	110
Net Profit					776	1129
OTHER INFORMATION						
Segment Assets	11878	12257	3899	2935	15777	15192
Unallocated Corporate Assets					6543	5945
Total Assets					22320	21137
Segment Liabilities	7267	7599	3286	2490	10553	10089
Unallocated Corporate Liabilities					11767	11048
Total Liabilities					22320	21137
Capital Expenditure	435	693	0	0	435	693
Unallocated Capital Expenditure					8	11
Total Capital Expenditure	435	693	0	0	443	704
Depreciation*	175	179	1	1	176	180
Non-cash Expenses other than Depreciation	0	0	0	0	0	0

* does not include depreciation on common assets



SECONDARY SEGMENT: GEOGRAPHICAL SEGMENT

(Rs.in Lakhs)

	31.3.2014	31.3.2013
REVENUE :		
INDIA	21727	20480
OUTSIDE INDIA	2554	2035
TOTAL	24281	22515
CARRYING AMOUNT OF SEGMENT ASSETS :		
INDIA	15135	14460
OUTSIDE INDIA	642	732
TOTAL	15777	15192
ADDITIONS TO FIXED ASSETS		
INDIA	443	704
OUTSIDE INDIA	0	0
TOTAL	443	704

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.

36. 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 lakh rupees.

Signature to Note Nos. 1 to 36

FOR AND ON BEHALF OF BOARD OF DIRECTORS

K. M. PRASAD
MANAGING DIRECTOR

RAGHURAMA BHANDARY
DIRECTOR

Refer our report of even date
For MANIAN & RAO
Chartered Accountants
FRN: 001983S

R. RADHAKRISHNAN
General Manager-Finance

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

SRIKANTH R.
Membership No. 203138

PLACE : BANGALORE
DATE : 22.07.2014

PLACE : BANGALORE
DATE : 22.07.2014



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2014

(Rs.in Lakhs)

	March 2014	March 2013
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX	1,207	1,519
Adjustment for :		
Depreciation	192	193
Interest Income	(389)	(403)
Interest expense	29	42
Provision for Bad Debts	16	40
Bad Debts Written-off	53	17
Provision for Contingencies	16	18
Provision for Doubtful Deposits, Advance & Claims	1	7
Provision for Non-moving / Slow moving Inventory	33	3
Provision no longer required withdrawn	241	127
Unrealised Foreign Exchange Loss (gain)	(14)	1
Sundry Creditors written back	18	8
	196	53
Operating Profit before Working Capital Change	1,403	1,572
Adjustment for :		
(Increase)/Decrease in Trade and other receivables	(155)	1,516
(Increase)/Decrease in inventories	(514)	(378)
Increase/(Decrease) in trade payables & other liabilities	154	424
	(515)	1,562
Cash generated from Operations	888	3,134
Direct Taxes paid (Net of refund)	(492)	(853)
Net cash from Operating activities (A)	396	2,281
B. CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	389	403
Purchase of Fixed assets, Capital WIP, Capital Advances	(443)	(1,330)
Net cash from investing activities (B)	(54)	(927)



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2014 (Contd.)

(Rs.in Lakhs)

	March 2014	March 2013
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in long term borrowings	101	(58)
Increase/Decrease in short term borrowings	59	(346)
Dividend paid on Equity Shares	(108)	(113)
Tax on Equity Dividend paid	(18)	(18)
Interest paid	(29)	(42)
Net cash from financing activities (C)	5	(577)
D. NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	347	777
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,986	4,209
F. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (D + E)	5,333	4,986
Cash and Cash Equivalents represent the Cash and Bank balances (Refer Note No. 16)		

FOR AND ON BEHALF OF BOARD OF DIRECTORS

K. M. PRASAD
MANAGING DIRECTOR

RAGHURAMA BHANDARY
DIRECTOR

Refer our report of even date
For MANIAN & RAO
Chartered Accountants
FRN: 0019835

R. RADHAKRISHNAN
General Manager-Finance

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

SRIKANTH R.
Partner
Membership No. 203138

PLACE : BANGALORE
DATE : 22.07.2014

PLACE : BANGALORE
DATE : 22.07.2014



FIGURES AT A GLANCE

SL. NO.	PARTICULARS	(Rs. in Lakhs)					
		2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
01	Value of Production	25092	21875	23927	25100	24739	27573
02	Sales Turnover	22501	21282	20901	23089	22358	24159
03	Exports (included in 2 above)	1088	1220	2000	2278	2035	2554
04	Cash Profit	1132	1824	2032	2599	1712	1428
05	Profit before tax	968	1642	1838	2410	1519	1207
06	Profit after tax	600	1150	1056	1602	1129	776
07	Share Capital	149	149	749	749	1349	1349
08	Reserves & Surplus	3798	4896	5847	7319	8321	8913
09	Net Worth	3947	5045	6596	8068	9670	10262
10	Gross Block	3457	3562	3635	3700	3774	3852
11	Long Term borrowings	526	441	395	503	492	498
12	Contribution to Exchequer	2049	1852	1964	2818	2920	2757
13	Manpower (No.)	695	715	715	714	714	738
14	Average Sales per Professional Sales employee (Rs.)	32	30	29	32	31	38
15	Average production per factory employee (Rs.)	117	102	112	117	110	123
16	Dividend (%)	25	30	12	15	8	20
17	Book Value per share (Rs.) (Face value of Rs. 100)	2659	3386	881	1077	717	761
18	Earning per Share (Rs.) (Face Value of Rs. 100)	403	772	141	214	108	58
19	Sundry Debtors to sales (%)	31	44	36	40	33	29
20	Turnover to gross fixed Assets (%)	751	597	575	624	592	627
21	Value of closing inventory to Sales (%)	12	9	13	13	15	16
22	Finance cost to turnover (%)	0.50	0.46	0.53	0.49	0.31	0.12
23	Material cost to turnover (%)	65	56	56	51	50	50



Shri K. M. Prasad, Managing Director, KAPL and other dignitaries during Nada Devathe Procession during Rajyothsava Celebration.



Shri K.M Prasad, Managing Director, KAPI seen along with Office Bearers of KAP SC/ST Welfare Association and Teachers of Govt. School during distribution of Uniform Function



Shri K.M. Prasad, Managing Director, KAPL (2nd from Left) receiving signed Memorandum of Understanding between KAPL and Bruhat Bangalore Mahanagara Palike from Shri Ananth Kumar, Hon'ble Minister for Chemicals & Fertilizers (Fourth from Right) at Bangalore for Maintenance of Park, near KAPL Corporate Office.