



# KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED

(A Government of India Enterprise)



**37th Annual Report 2017-18**

*Quality Keeps us Moving*





Shri Jai Priye Prakash, IAS, Department of Pharmaceuticals, Government of India is received by Ms. Nirja Saraf, Managing Director-KAPL and Dr. Mukesh Kumar, GM(Pharma-Instn) during his visit to KAPL Factory.



Sr. Officers along with Shri Jawaid Akhtar, IAS, Chariman-KAPL and Principal Secretary, Health & Family Welfare Department, Government of Karnataka during his visit to KAPL Factory.





**Shri Jawaid Akhtar, IAS**



**Shri Jitendra Trivedi**



**Ms. Nirja Saraf**



**Smt. Gunjan Krishna, IAS**





## BOARD OF DIRECTORS (AS ON 17.09.2018)

### **Shri Jawaid Akhtar, IAS**

Chairman - KAPL and Principal Secretary  
Health & Family Welfare Dept. Government of Karnataka  
Vikas Soudha, Bengaluru - 560 001  
From : 06.08.2018

### **Shri K M Prasad**

Managing Director, Karnataka Antibiotics and  
Pharmaceuticals Limited, Dr Rajkumar Road, 1<sup>st</sup> Block,  
Rajajinagar, Bengaluru – 560 010  
Upto : 31.01.2018

### **Ms. Nirja Saraf**

Managing Director, Karnataka Antibiotics and  
Pharmaceuticals Limited, Dr. Rajkumar Road, 1<sup>st</sup> Block  
Rajajinagar, Bengaluru – 560 010  
From : 01.02.2018

### **Shri Ajay Seth, IAS**

Chairman, KAPL and Additional Chief Secretary  
Health and Family Welfare Department  
Govt. of Karnataka, Vikas Soudha, Bengaluru – 560 001  
Upto : 06.08.2018

### **Shri Jitendra Trivedi**

Director, Ministry of Chemicals & Fertilizers  
Department of Pharmaceuticals  
Shastri Bhavan, New Delhi - 110 001  
From : 02.12.2016

### **Smt. P. Hemalatha, IAS**

Managing Director, Karnataka State Industrial and  
Infrastructure Devp. Corporation Ltd., Khanija Bhavan,  
4<sup>th</sup> Floor, East Wing, 49, Race Course Road, Bengaluru-560 001  
Upto : 07.09.2017

### **Smt Gunjan Krishna, IAS**

Managing Director, Karnataka State Industrial and  
Infrastructure Devp. Corporation Ltd., Khanija Bhavan,  
4<sup>th</sup> Floor, East Wing, 49, Race Course Road, Bengaluru-560 001  
From: 06.08.2018

### **Shri N. Jayaram, IAS**

Managing Director, Karnataka State Industrial and  
Infrastructure Devp Corporation Ltd., Khanija Bhavan,  
4<sup>th</sup> Floor, East Wing, 49, Race Course Road, Bengaluru-560 001  
Upto: 06.08.2018

### **Dr. Shalini Rajneesh, IAS**

Chairperson – KAPL and Principal Secretary  
Health & Family Welfare Dept. Government of Karnataka  
Vikas Soudha, Bengaluru – 560 001  
Upto: 20.11.2017

### **JAGADEESH C HIREMATH**

Company Secretary & General Manager (HR & Admn.)

#### **STATUTORY AUDITORS**

M/s. Dagliya & Co.  
Chartered Accountants  
'L' Block, Unity Building  
J C Road, Bengaluru - 560 002

#### **BANKERS**

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

#### **INTERNAL AUDITORS**

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

#### **STATE BANK OF INDIA**

S.M.E. Branch  
St. Marks Road  
Bengaluru – 560 025

### **REGISTERED & CORPORATE OFFICE**

Nirman Bhavan, Dr. Rajkumar Road, 1st Block, Rajajinagar, Bengaluru – 560 010  
Website : [www.kaplindia.com](http://www.kaplindia.com)



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## NOTICE OF THE THIRTY SEVENTH ANNUAL GENERAL MEETING

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

DAY : Monday  
DATE : 17<sup>th</sup> September 2018  
TIME : 1630 Hours  
VENUE : Regd. & Corp Office,  
Dr Rajkumar Road, 1<sup>st</sup> Block  
Rajajinagar, Bengaluru-560010

to transact the following business:

### A. Ordinary Business

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31<sup>st</sup> March 2018 and the Audited Profit and Loss Statement for the year ended on that date along with the Auditors' Report thereon.
2. To declare dividend.

The route map of the Venue of the meeting is enclosed.

By Order of the Board of Directors

**(JAGADEESH C HIREMATH)**

Company Secretary and  
General Manager(HR & Admn).

Place : Bengaluru  
Date : 23.08.2018

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 139(7) of the Companies Act 2013, the Comptroller and Auditor General of India has appointed M/s. Dagliya & Co. as Statutory Auditors for the year ending 31.03.2019.

### AREA ROUTE MAP

RAJAJINAGAR I BLOCK

ORION MALL

VIVEKANANDA COLLEGE

TOWARDS YESHWANTPUR

← DR. RAJKUMAR ROAD →

TOWARDS NAVRANG/MAJESTIC/  
RAILWAY STATION

### KAPL CORPORATE OFFICE

Nirman Bhavan, Ground Floor & First Floor

### 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 STRENGTH THE MARKETING EFFORTS TO ACHIEVE 15% 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 AND EFFICIENCY.



**SPEECH DELIVERED BY CHAIRMAN, AT THE 37<sup>th</sup> ANNUAL GENERAL MEETING OF THE COMPANY HELD AT BENGALURU ON 17<sup>th</sup> SEPTEMBER 2018.**

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. The performance of your Company in Financial Year 2017-18 is Rs. 353.83 Cr less as compared to last year. The Directors' Report and accounts of the company for the year ended 31<sup>st</sup> March 2018 have already been provided to all the share-holders, and with permission of all present here, I shall consider them as read.

## RESERVES & SURPLUS

(Rs. in Lakhs)



## 3. MACRO ECONOMIC SETTING

During the year 2017-18, the Indian Economy witnessed GDP growth of 6.5% as compared to last year 7.1%. The Industrial Sector grew by 5.8% and the service sector grew by 8.3%.



Non-Officers attending Training Programme at Factory Training Centre

## 4. OPERATIONAL PERFORMANCE

Your Company achieved production value of Rs. 36,682 lakhs (previous year Rs.40,551 lakhs). The Company achieved sales turnover of Rs 35,383 lakhs (previous year Rs. 38,627 lakhs).



Non-Officers attending Training Programme at Factory Training Centre

## 5. FINANCIAL RESULTS

Your Company has achieved a Profit Before Tax of Rs. 2,322 lakhs (previous year Rs. 4,707 lakhs) And Profit After Tax of Rs. 1,455 lakhs (previous year Rs. 3,033 lakhs). The Book Value per share (Face Value of Rs.100/-) is Rs. 1,258/- (previous year Rs. 1,172/-). The Earning per share is Rs. 108/- on a Face Value of Rs 100/-

## NET WORTH

(Rs. in Lakhs)



## 6. DIVIDEND

As you are aware KAPL is the only Pharmaceutical Company in the Central Drug Sector to consistently declare dividend for the past 28 years. For the year 2017-18, Directors have recommended a dividend of 20% as compared to 18% last year.



## 7. CORPORATE SOCIAL RESPONSIBILITY

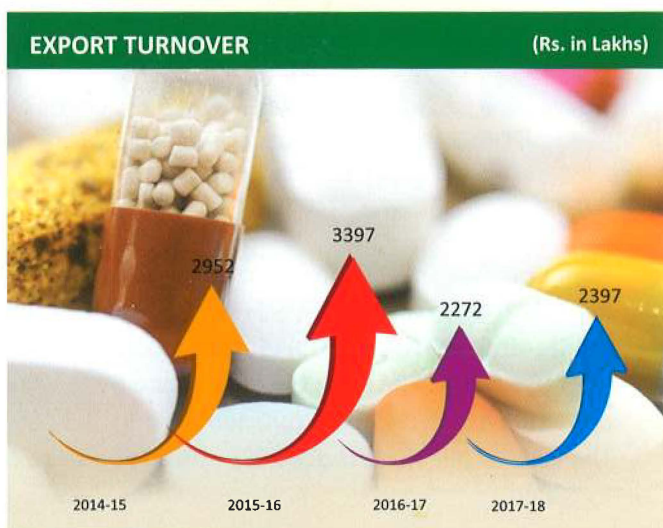
Corporate Social Responsibility (CSR) is an integral part of Corporate Business Strategy of the Company. Medical Health Check up Camps were conducted for the benefit of General Public.

## 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.



KAPL has been awarded State Export Excellence Award by Govt. of Karnataka for the year 2015-16.



## 9. ACKNOWLEDGEMENT

9.1 At the outset, I place on record my sincere thanks to various departments of Govt. of India, Government of Karnataka and other State Governments for the constant support, guidance and counsel.



Hindi Pakhwada Celebration on 14th September 2017 at Corporate Office

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 the results.

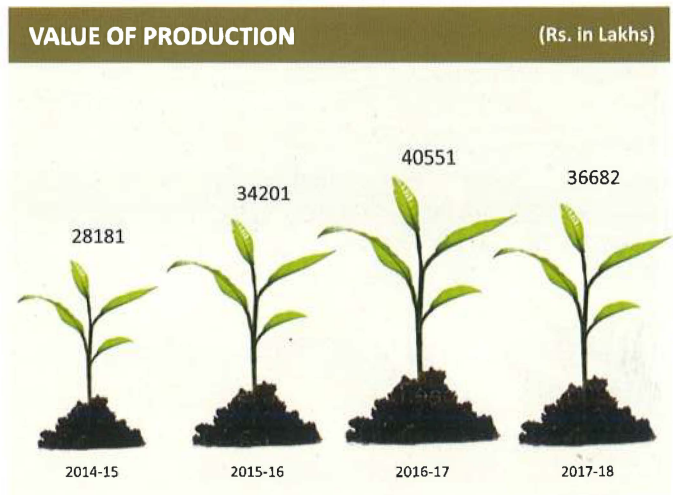
9.4 I am grateful for the immense contribution made by your Auditors and the Legal Advisors.

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 31.03.2018, Profit and Loss Statement for the year ended on that date and the Directors' Report for the adoption.

Place : Bengaluru  
Date : 17.09.2018

**Chairman**



## DIRECTOR'S REPORT

To  
The Shareholders  
Karnataka Antibiotics and Pharmaceuticals Limited

Ladies/Gentlemen,

We are delighted to present our Report on behalf of the Board, on the business and operations of the Company for the year ended 31<sup>st</sup> March 2018.

### 1. HIGHLIGHTS

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

**Table I**

PERFORMANCE HIGHLIGHTS		(Rs. in Lakhs)		
Sl. No.	Particulars	2015-2016	2016-2017	2017-2018
1.	Production*	34201	40551	36682
2.	Sales	32692	38627	35383
3.	Exports (included in Sl. No.2 above)	3397	2272	2397
4.	Profit before Tax	3019	4707	2322
5.	Profit after Tax	1951	3033	1455
6.	Reserves and Surplus	11432	14465	15628
7.	Paid up Share Capital	1349	1349	1349
8.	Dividend (%)	15	18	20
9.	Earning per Share (Rs.) (Face value Rs. 100/-)	145	225	108
10.	Book value of the Share (Rs.) (Face value Rs. 100/-)	947	1172	1258

\*includes the value of Contract manufacturing

### 2. SHARE CAPITAL

The authorized capital is Rs. 1500 lakhs and paid up capital continues to be Rs. 1349 lakhs.

### 3. FINANCE

Your Company has been sanctioned Rs. 800 lakhs towards term loan for Cephalosporin Project by Vijaya Bank and as on 31.03.2018 out of which Rs. 678 lakhs has been paid and outstanding is Rs. 122 lakhs. In addition, Company has also been sanctioned Rs. 1500 lakhs towards term loan for Oral Solid Dosage (New NP) Project by Vijaya Bank out of which Rs. 1300 lakhs has been drawn as on 31.03.2018.

As on 31.03.2018, the borrowing from Banks for working capital requirements was Rs. 66 lakhs. (Previous year

Rs. 310 Lakhs). The interest burden for the year was at Rs. 19 lakhs (previous year Rs. 12 lakhs).

### 4. PRODUCTION

Your Company achieved the production value of Rs. 36682 lakhs (previous year Rs. 40551 lakhs). The annual



Kannada Rajyotsava Celebration at  
Factory on 1st November, 2017

production value per factory employee per annum was Rs. 176 lakhs (previous year Rs 194 lakhs).

### 5. CAPACITY UTILISATION

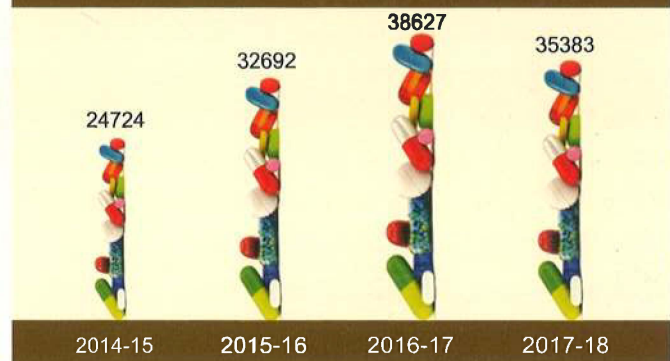
The details of capacity utilization, for the last three years are furnished in Table – II.

**Table II**

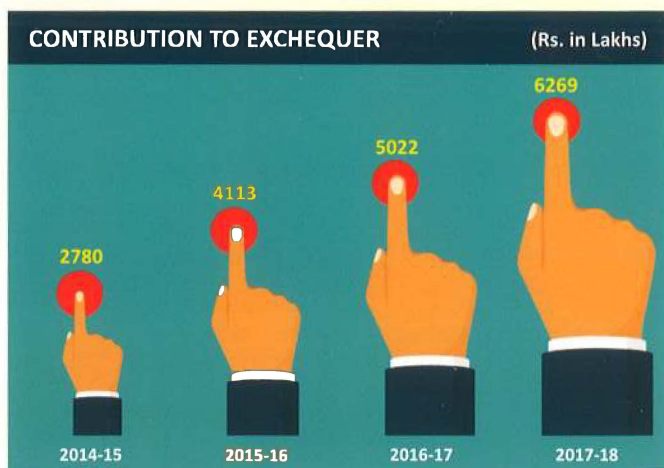
CAPACITY UTILISATION		(in %)		
Sl. No.	Particulars	2015-2016	2016-2017	2017-2018
1.	Liquid Parenterals	121	96	129
2.	Vials	89	83	91
3.	Tablets	157	188	175
4.	Capsules	223	213	165

### SALES TURNOVER

(Rs. in Lakhs)







### 6. SALES TURNOVER

Company achieved a sales turnover of Rs. 35383 Lakhs – as against Rs. 38627 lakhs achieved during 2016-17. For the financial year 2018-19 Company has proposed Rs.42500 Lakhs turnover. Company has installed Dedicated facilities for Ayurvedic products at Dharwad. Government of India has reserved manufacture of Oxytocin Formulation for domestic use exclusively by Public Sector Undertaking or Companies. With this, the company will be able to achieve proposed turnover of Rs.42500 Lakhs.

With respect to the performance in Branded and Generic segments, the sales under the Brand “Grenil” achieved Rs.1215 lakhs compared to previous year Rs. 1468 lakhs. Sales Turnover of Cyfolac group achieved Rs. 482 lakhs as against Rs. 485 lakhs in the previous year. The sales of “Remcc” brands achieved sales of Rs.310 lakhs compared to sales of Rs. 334 lakhs in the previous year. Sales turnover of “Verclav” has touched to Rs.255 lakhs as against 204 lakhs. Sales turnover of Zinfe Group has touched to Rs.176 lakhs as against Rs. 180 lakhs and Pop-e touched 198 lakhs as against Rs. 209 lakhs. Agrovot Products K-Cycline has achieved Rs. 382 lakhs. Kalvimin has achieved turnover of Rs. 372 lakhs compared to sales of Rs. 264 lakhs in the previous year and K Live has achieved Rs. 246 lakhs as against Rs. 227 lakhs in the previous year. Turnover of Cetriax, K-Cythrin, Cal-K, K-Flox, Gentabiotics and Pensbiotic has 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	2015-2016	2016-2017	2017-2018
1	Liquid Parenterals	3257	2671	3294
2	Liquid Orals and Dry Syrup	626	979	1065
3	Vials	8885	8652	8731
4	Tablets	9407	11890	11488
5	Capsules	3320	3536	3027
6	Others	7197	10899	7778
	<b>Total</b>	<b>32692</b>	<b>38627</b>	<b>35383</b>

### 7. NEW PRODUCTS

The Company introduced the following products:

#### I. Pharma:

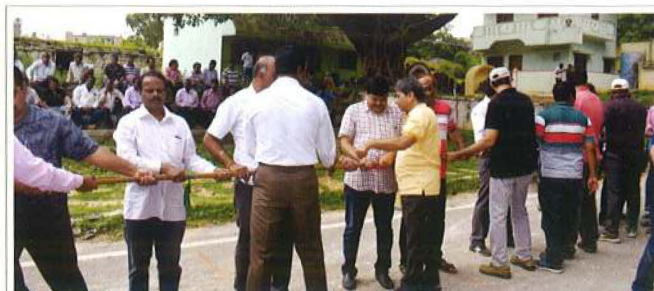
- RemCC FC Syrup (Cough and Cold Syrup)
- Remcc Plus tablets (Cough and cold tablet)
- Inj. Verpenem 1 gram
- Inj. Cefpar SB 1.5g
- Pop-e Syrup

#### II. Agrovot:

- Cetriax-Tazo 4.5gm
- Cal K Plus DS 1Lit, 5 Lit & 20 Lit
- Kalvimin Gold 10kg & 24 kg

### 8. EXPORTS

Your Company achieved an export turnover of Rs. 2397 lakhs. Exports were made to 17 countries such as Malaysia, Phillipines, Uganda, Sri Lanka, Russia, Kazakhstan, Zimbabwe, Sudan, Namibia, Guatemala, Thailand, Vietnam, Bhutan, Botswana, Cambodia, Ethiopia and Yemen and Company has planned to export the medicines to additional Countries, such as Tanzania, Rwanda, Uzbekistan, and Nepal.



KAPL Employees are participating in 'Tug of War' during picnic to Devarayana Durga

**9. FINANCIAL RESULTS**

The summarized financial results for the year 2017-18 are furnished below in Table – IV:

**Table IV**

FINANCIAL RESULTS		(Rs. in lakhs)		
Particulars	2015-2016	2016-2017	2017-2018	
Profit before interest, depreciation and tax	3373	5137	2854	
Less : Interest expenses	15	29	55	
Cash Profit	3358	5108	2799	
Less : Depreciation	339	401	477	
Profit before tax	3019	4707	2322	
Less: Provision for taxation	1068	1674	867	
Profit after tax and adjustment	1951	3033	1455	

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

**Table V**

KEY RATIOS			
Particulars	2015-2016	2016-2017	2017-2018
Earning per Share-Rs. (face value Rs 100/-)	145	225	108
Book value per share – Rs. (face value Rs 100/-)	947	1172	1258
Turnover to gross Fixed assets (%)	777	477	323
Finance cost to turnover (%)	0.14	0.18	0.22



Vigilance Week Celebration at KAPL Corporate Office

**11. DIVIDEND**

Your Company has been declaring dividend for the last 28 years. For the financial year 2017-18, your Directors have pleasure in recommending a dividend @ 20% on the Paid up Capital of Company.

**12. RESERVES & SURPLUS**

Your Directors propose to transfer Rs. 1000 lakhs to the General Reserves. You will be glad to note that the cumulative reserves and surplus as on 31.03.2018 were Rs.15628 lakhs. The reserves and surplus were 12 times of the paid up equity capital of Rs. 1349 lakhs. As on 31.03.2018, the net worth of your Company stood at Rs.16977 lakhs.

**13. INVENTORIES AND DEBTORS**

The value of total inventories consisting of raw materials, Work in Progress and Finished Goods were Rs. 5141 lakhs which worked out to 14.52% (previous year 13.86%) of sales turnover. As on 31.03.2018, debtors were Rs. 10324 lakhs which was equivalent to 106 days of sales.

**14. PERFORMANCE AGAINST MEMORANDUM OF UNDERSTANDING**

The Company signs a Memorandum of Understanding (MoU) every year. The MoU for 2018-19 is already signed as per Government of India directions.

**15. CONTRIBUTION TO PUBLIC EXCHEQUER**

Your Company has contributed a sum of Rs. 6269 lakhs (previous year Rs. 5022 lakhs) to the exchequer of Central and State Governments by way of Income Tax, Customs Duty, GST etc.



Officers and Non-officers during Swachh Bharat Phakhwada 2018 at KAPL Factory



**16. ENCOURAGEMENT TO MICRO, 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 and Small Enterprises. As per the Order, minimum 20% of total annual purchases 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 2017-18 to the extent of Rs. 1851 lakhs.

**17. FOREIGN TRAVEL**

During the year 2017-18, one employee was deputed abroad for business purposes. The expenditure incurred in this connection by the Company was Rs. 2.32 lakhs.

**19. HUMAN RESOURCES**

The total manpower of the Company as on 31.03.2018 was 717 Nos. consisting of 241 Officers and 476 Non Officers as against 731 Nos. consisting of 244 Officers and 487 Non-Officers as on 31.03.2017.

**20. HUMAN RESOURCE DEVELOPMENT**

Employees are most valuable tangible assets of the Company. We have created a favourable work environment. Investing in people's competencies for the business requirements of tomorrow is very much important. In order to keep pace with the latest changing scenario, and the need to update the knowledge and skills of human resources to stay ahead and emerge as a successful organization, the Company has taken various initiatives.



The Company continues to organize the training programmes both in house as well as through Institutes / Consultants enabling the employees to interact with other Professionals and to acquire better capabilities and skills.

During 2017-18, training was provided to the extent of 455 mandays. The expenditure incurred for Training and Development during the year amounted to Rs. 9 lakhs.

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

The strength of employees belonging to SC/ST category, as on 31.03.2018 was 108 Nos. (previous year 117 Nos.)

**21 A. REPRESENTATION OF MINORITIES AND PERSONS WITH DISABILITY**

The strength of employees belonging to Minorities category as on 31.03.2018 was 40 Nos. (previous year 45 Nos.).

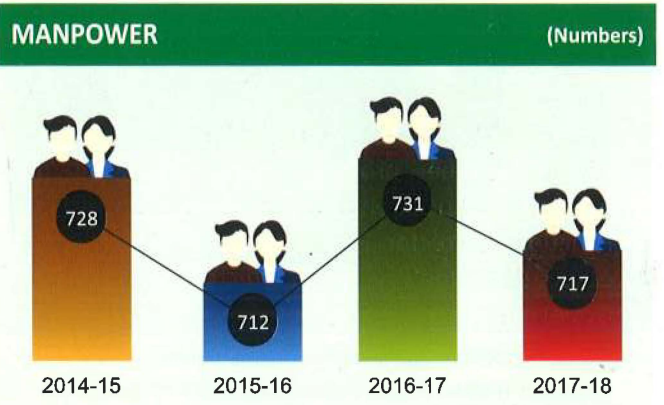
The strength of employees belonging to persons with Disability category as on 31.03.2018 is 5 Nos. (previous year 5 Nos.)

**22. HUMAN RELATIONS:**

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

**23. EMPLOYEE WELFARE**

The Company continues various welfare facilities to its employees. The expenditure on the provision of welfare and other amenities during the year amounted to Rs. 688 lakhs (Rs. 710 lakhs during 2016-17).





**24. DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORK PLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT 2013**

The Company has in place an Anti Sexual Harassment Policy in line with requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and disposed off during financial year.

No. of complaints received : Nil

No. of complaints disposed off : NA

**25. EXTRACT OF ANNUAL RETURN**

The extract of Annual Return is enclosed at Annexure-A (Format No. MGT-9).

**26. BOARD MEETINGS**

During the year 2017-18, four Board Meetings were held on 29.06.2017, 07.09.2017, 29.12.2017 and 28.03.2018.

**27. 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.

**28. RISK MANAGEMENT POLICY:**

Company has a Risk Management Policy. The risks are identified and mitigation plan for the risks are also drawn and action is taken.

**29. PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 134 (3) OF THE COMPANIES ACT, 2013.**

The particulars of employees to be furnished as per Section 134(3) of the Companies Act, 2013, read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are Nil.

**30. RESPONSIBILITY STATEMENT OF BOARD OF DIRECTORS**

To the best of their knowledge and belief and according to the information and explanations obtained by them from respective HODs and auditors, your Directors make the following statement in terms of Section 134(3) (c) of the Companies Act, 2013 :

- 30.1 That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- 30.2 That such accounting policies have been selected and applied consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31<sup>st</sup> March 2018 and of the profit of the Company for that period.



Shri Jawaid Akhtar, IAS, Chairman - KAPL and Principal Secretary, HFW, Govt. of Karnataka during his visit to KAPL Plant





Ms. Nirja Saraf, MD, KAPL delivering a speech on the closing day celebration of HINDI PAKHWADA on 14.09.2018

30.3 That proper and sufficient care is taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, or safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

30.4 That the annual accounts for the year ended 31<sup>st</sup> March 2018 have been prepared on a going concern basis.

30.5 That the Company had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

30.6 That proper systems are devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

31. In terms of Notification No: GSR/E) dated 05.06.2013, issued by Ministry of Corporate Affairs, the Government Companies are exempted from the provisions of Section 164(2) of the Companies Act, 2013.

### 32. SAFETY

This is 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.

### 33. ENVIRONMENT PROTECTION AND SUSTAINABILITY MEASURES

The following steps have been taken for the environment protection and sustainability.

- Dharwad Plant : 100 Saplings are planted.
- Ayush Medicinal Farm : 50 Saplings are planted
- Disposal of Hazardous waste for which authorized Incinerators are identified who are approved by KSPCB.

- Bringing awareness programme in factory for less usage of plastic materials.
- Training programme on Environment and its importance are conducted to all employees at Factory Training Centre.

### 34. 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.

### 35. ENTERTAINMENT AND PUBLICITY

During the year under review, the Company has incurred Rs. 12 lakhs on entertainment and Rs. 6 lakhs on advertisement and publicity.

### 36. CHANGES IN THE BOARD

36.1 The Board welcomed the appointment of the following new Directors on the Board.

Sl.No.	Name	w e f
01	Shri Ajay Seth, IAS	20.11.2017
02	Ms. Nirja Saraf	01.02.2018
03	Shri N Jayaram, IAS	20.11.2017
04	Shri B T Khanapure	20.11.2017



Shri K.M. Prasad, then Managing Director, KAPL seen during Independence Day Celebration at Factory



36.2. The following ceased to be Director on the Board with effect from date shown against the name :

Sl.No.	Name	w e f
01.	Dr. Shalini Rajneesh, IAS	20.11.2017
02.	Shri K M Prasad	31.01.2018

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

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

The particulars, as prescribed under Sub-Section 3(m) of Section 134 of the Companies Act, 2013 read with the Companies (Accounts) Rules 2014, are set out in the Annexure –B included in this report.

**38. RELATED PARTY TRANSACTIONS**

The information of particulars of contracts or arrangements with related parties referred to in sub section (i) of Section 188 in the Form AOC-2 is nil.

**39. KEY MANAGERIAL PERSONNEL (KMP)**

Company has appointed Key Managerial Personnel as per the provisions of the Companies Act, 2013. In addition to Managing Director, Company Secretary and General Manager (Finance) are appointed as Key Managerial Personnel.

**40. ENERGY CONSERVATION MEASURES:**

Following steps have been taken in this direction:

Bengaluru Plant:

- a) Complete Light Fitting at OSD Plant are LED
- b) 10 Nos of LED is used at Near Canteen Shelter
- c) Planning to replace CFL street lights to LED.

**41. ANNUAL GENERAL MEETING**

The 36<sup>th</sup> Annual General Meeting of the Company was held on 07.09.2017.

**42. 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.



Visit of Shri Jai Priye Prakash, IAS, Secretary Department of Phamaceuticals to Factory.

Forms and Circulars, Notices have been made bilingual. Annual Report of the Company for 2016-17 has been printed in Hindi also.

**43. CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABLE DEVELOPMENT:**

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 Board of Directors have approved CSR Policy to the Company. Board's CSR Committee has also been constituted under Charimanship of Managing Director, KAPL, Drugs Controller of Karnataka and Managing Director, KSIIDC are other members.

**44. VISIT OF DIGNITARIES**

Following dignitaries visited Company during the year

- a) Dr. G N Singh, Drugs Control General of India on 15<sup>th</sup> February 2018.
- b) Shri Jai Priye Prakash, IAS, Secretary, Department of Pharmaceuticals, Government of India, New Delhi on 22<sup>nd</sup> March 2018.

**45. AUDITORS**

The Comptroller Auditor General of India, appointed M/s. Dagliya & Co., Chartered Accountants, as Statutory Auditors for auditing the accounts of the Company for the year 2017-18:

**46. COST AUDITOR**

M/s. N.S and Associates were appointed as Cost Auditor for 2017-18. The Cost Audit Report in respect



of Cost Accounts of the formulations of the Company for the year ended 31.03.2018 will be filed to Govt. of India in due course.

**47. SECRETARIAL AUDITOR**

Company has appointed Shri K N Nagesha Rao, Company Secretary in Practice as Secretarial Auditor for the year 2017-18. The Secretarial Audit Report is appended.

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

Comments under Section 143(6) of the Companies Act, 2013, of the Comptroller and Auditor General of India on the accounts of the Company, for the year ended 31.03.2018 is appended.

**49. COMPUTERIZATION ACTIVITIES:**

During 2017-18, the following activities were undertaken;

- a) Software changes incorporated to meet GST Requirement.
- b) Software enhanced to meet Digital Payment to the suppliers.
- c) Online Reporting System introduced for Pharma Trade Field Force.
- d) Dharwad Unit computerized.
- e) Seamless Wireless connectivity implemented at Corporate Office.
- f) Export transactions computerized.

**50. ACKNOWLEDGEMENTS**

50.1 Your Directors place on record their gratitude to Government of India, particularly Department of

Pharmaceuticals and other Departments of Government of India and Government of Karnataka, particularly Health and Family Welfare Department including Drugs Controller, Commissioner of Health & Family Welfare Services, Addl Director, Karnataka State Drug Logistics & Warehousing Society, Karnataka State Industrial and Infrastructure Development Corporation Limited for their active support and co-operation.

50.2 The Board is grateful to the Comptroller and Auditor General of India and Director General of Commercial Audit and Ex-Officio Member Audit Board, M/s. Dagliya & Co., Chartered Accountants, the Statutory Auditors, M/s. MSSV & Co., the Internal Auditors, M/s. N. S. and Associates, Cost Auditor, Shri K N Nagesha Rao, Secretarial Auditor, Central as well as Karnataka Pollution Control Boards & others.

50.3 The Board extends thanks to M/s Vijaya Bank, State Bank of India, ICICI Bank Ltd., and Corporation Bank for their support.

50.4 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.

50.5 Your Directors place on record its appreciation for the dedicated work put forth by the employees at all levels without which the results arrived would not have been possible.

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

Place : Bengaluru  
Date : 17.09.2018

**Jitendra Trivedi**  
Director

**Nirja Saraf**  
Managing Director

**THE COMPANIES (MANAGEMENT & ADMINISTRATION) RULES, 2014**
**FORM NO. MGT-9  
EXTRACT OF ANNUAL RETURN**

**As on the financial year ended on 31<sup>st</sup> March 2018**  
**[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the**  
**Companies (Management and Administration) Rules, 2014 ]**

**I. REGISTRATION AND OTHER DETAILS:**

- (i) CIN : U24231KA1981GOI004145  
(ii) Registration Date : 13.03.1981  
(iii) Name of the Company : Karnataka Antibiotics & Pharmaceuticals Ltd  
(iv) Category/Sub-Category of the Company : Pharmaceutical  
(v) Address of the Registered Office and Contact details : Nirman Bhavan, Dr. Rajkumar Road, Rajajinagar 1st Block, Bangalore – 560 010  
(vi) Whether listed Company Yes/No : No  
(vii) Name, Address and Contact details of Registrar and Transfer Agent, if any : NIL

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:**

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:

Sl.No.	Name and Description of main products/Services	NIC code of the Product/Service	% to total turnover of the Company
1	Pharmaceuticals	210	99%

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES - NIL**

Sl.No.	Name and address of the Company	CIN/GLN	Holding/Subsidiary/Associate	% of shares held	Applicable Section
1					
2					



**FORM MGT-9 COMPANIES (MANAGEMENT & ADMINISTRATION) RULES, 2014**
**IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**
**(i) Category-wise Share Holding**

Category of Share Holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total Share	Demat	Physical	Total	% of total Share	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual / HUF									
b) Central Govt.	-	798180	798180	59.17	-	798180	798180	59.17	Nil
c) State Govt.(s)	-	550820	550820	40.83	-	550820	550820	40.83	Nil
d) Bodies Corp.									
e) Banks/Fl									
f) Any other									
<b>Sub Total (A)(1):</b>	-	<b>13,49,000</b>	<b>1349000</b>	<b>100</b>	-	<b>1349000</b>	<b>1349000</b>	<b>100</b>	<b>Nil</b>
<b>(2) Foreign</b>									
a) NRIs Individuals									
b) Others Individuals									
c) Bodies Corp.									
d) Banks/Fl									
e) Any Other....									
<b>Sub Total (A)(2) :</b>									
Total Shareholding of Promoter									
(A) = (A)(1) + (A)(2)	-	<b>13,49,000</b>	<b>1349000</b>	<b>100</b>	-	<b>1349000</b>	<b>1349000</b>	<b>100</b>	<b>Nil</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds									
b) Banks/Fl									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
<b>Sub-Total (B)(1) :</b>									

Category of Share Holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total Share	Demat	Physical	Total	% of total Share	
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual Shareholders Holding nominal share capital upto Rs. 1 lakh									
ii) Individual Shareholders holding nominal share capital in excess of Rs. 1 lakh									
c) Others (specify)									
<b>Sub-Total (B)(2) :</b>									

**FORM MGT-9 COMPANIES  
(MANAGEMENT & ADMINISTRATION) RULES, 2014**

Category of Share Holders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of total Share	Demat	Physical	Total	% of total Share	
Total Public Shareholding (B)=(B)(1) + (B)(2)									
C. Shares held by Custodian for GDRs & ADRs									
<b>Grand Total (A+B+C)</b>		1349000	1349000	100		1349000	1349000	100	



**(ii) Shareholding of Promoters**

Sl. No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			
		No. of Shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No. of Shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	% change in share holding during the year
1	President of India	798180	59.17	Nil	798180	59.17	-	Nil
2	KSIIDC	550820	40.83	Nil	550820	40.83	-	Nil

**(iii) Change in Promoters' Shareholding (please specify, if there is no change) : N.A.**

Sl. No.		Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
	At the beginning of the year				
	Date wise Increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (eg. Allotment/transfer/bonus/sweat equity etc.)				
	At the end of the year				

**(iv) Shareholding pattern of top ten Shareholders**
**(other than Directors, Promoters and Holders of GDRs and ADRs)**

No Change

Sl. No.		Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
	At the beginning of the year				
	Date wise Increase/ Decrease in Share holding during the year specifying the reasons for increase/ decrease (eg. Allotment/transfer/bonus/Sweat equity etc)				
	At the end of the year (or on the date of separation, if separated during the year)				

**(v) Shareholding of Directors and Key Managerial Personnel:**

Sl. No.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
	At the beginning of the year				
	Dr. Shalini Rajneesh	1	0.00007	1	0.00007
	K. M. Prasad	1	0.00007	1	0.00007
	Jitendra Trivedi	1	0.00007	1	0.00007
	B. T. Khanapure	1	0.00007	1	0.00007
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/ decrease (eg. Allotment / transfer/ bonus/Sweat equity etc.)				
	At the end of the year				
	Ajay Seth	1	0.00007	1	0.00007
	K. M. Prasad	1	0.00007	1	0.00007
	Jitendra Trivedi	1	0.00007	1	0.00007
	B. T. Khanapure	1	0.00007	1	0.00007

**V. INDEBTEDNESS**
**Indebtedness of the Company including interest outstanding/accrued but not due for** (Amount in Rs.)

	Secured Loans excluding deposits	Unsecured Loans	Deposit	Total Indebtedness
Indebtedness at the beginning of the Financial Year				
(i) Principal Amount	3,10,48,482			3,10,48,482
(ii) Interest due but not paid	-			-
(iii) Interest accrued but not due	-			-
Total (I + ii + iii)	3,10,48,482			3,10,48,482
Change in Indebtedness during the financial year				
• Addition	13,00,00,000			13,00,00,000
• Reduction	1,88,48,710			1,88,48,710
Net Change	11,11,51,290			11,11,51,290
Indebtedness at the end of the Financial year				
(i) Principal Amount	14,21,99,772			14,21,99,772
(ii) Interest due but not paid	-			-
(iii) Interest accrued but not due	-			-
Total (I + ii + iii)	14,21,99,772			14,21,99,772



**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total amount
1.	<b>Gross Salary</b>	K M Prasad			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	Rs. 30.71 Lakhs			Rs. 30.71 Lakhs
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	Rs. 2.54 Lakhs			Rs. 2.54 Lakhs
	(c) Profits in lieu of Salary under Section 17(3) Income Tax Act, 1961				
2	Stock Option				
3	Sweat Equity				
4	Commission - as % of Profit - other, specify				
5	Others, please specify				
	Total (A)	Rs. 33.25 Lakhs			Rs. 33.25 Lakhs
	Ceiling as per the Act				

**B. Remuneration to other Directors : NIL**

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total amount
1.	Independent Directors Fee for attending board / Committee meetings Commission Others, please specify				
	Total (1)				
2.	Other Non-Executive Directors Fee for attending board / Committee meetings Commission Others, please specify				
	Total (2)				
	Total (B) = (1+2)				
	Total Managerial Remuneration				
	Overall Ceiling as per the Act				

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD :**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Company Secretary	CFO	Total
1	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961		Rs. 17.34 Lakhs	Rs. 20.83 Lakhs	Rs. 38.17 Lakhs
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961		Rs. 1.27 Lakhs	Rs. 2.05 Lakhs	Rs. 3.32 Lakhs
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961				
2	Stock Option				
3	Sweat Equity				
4	Commission – as % of profit				
	Others, specify				
5	Others, Please specify				
	TOTAL		Rs. 18.61 Lakhs	Rs. 22.88 Lakhs	Rs. 41.49 Lakhs

**VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NIL**

Type	Section of the Companies Act	Brief Description	Details of Penalty/ punishment/ compounding fees imposed	Authority (RD/NCLT/COURT)	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty					
Punishment					
Compounding					
<b>B. DIRECTORS</b>					
Penalty					
Punishment					
Compounding					
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty					
Punishment					
Compounding					

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

Place : Bengaluru  
Date : 17.09.2018

**Jitendra Trivedi**  
Director

**Nirja Saraf**  
Managing Director



Information pursuant to the Companies (Accounts) Rules, 2014.

### 1. CONSERVATION OF ENERGY

Following steps have been taken in this direction:

- Complete Light Fitting at OSD Plant are LED.
- 10 Nos. of LED is used at Near Canteen Shelter.
- Planning to replace CFL street lights to LED.

### POWER AND FUEL CONSUMPTION

PARTICULARS	Current Year	Previous Year
Electricity		
a. Purchase (units)	63,18,610	50,51,500
Total amount (Rs.)	5,20,94,028	3,80,07,522
Rate / Unit (Rs.)	8.24	7.52
b. Own Generation		
i. Through diesel generator units	1,56,470	95,680
Diesel cost (Rs.)	3,05,68,27.83	18,04,586.29
Unit per litre of diesel oil	5.28	5.28
Rate / Unit (Rs.)	19.54	18.86
ii. Coal		
Quantity (Tonnes)	—	—
Total Cost (Rs.)	—	—
Average rate (Rs.)	—	—
iii. Furnace Oil		
Quantity (litres)	1,77,912	1,68,000
Total Cost (Rs.)	53,86,876.03	45,66,604.90
Average rate(Rs.)	30.28	27.18
iv. Others / Internal Generation		
Quantity	—	—
Total Cost (Rs.)	—	—
Rate / Unit (Rs.)	—	—

### CONSUMPTION, PER LAKH OF PRODUCTION VALUE:

Particulars	Current Year	Previous year
<b>Electricity :</b>		
Rupees	1420	1281
Units	169	153
<b>Furnace Oil :</b>		
Rupees	147	112
Ltrs	4.85	4.00

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

Strategic Alliance with premier research institutions for R&D activities is under consideration. The Company has not manufactured any Bulk drug. However, your Company is developing new formulations, year after year, in order to meet the competition. The expenditure incurred towards these activities for the year is Rs. 127.43 lakhs

### 3. TOTAL FOREIGN EXCHANGE USED AND EARNED

(Rs. in Lakhs)

Particulars	Current Year	Previous Year
<b>TOTAL FOREIGN EXCHANGE USED AND EARNED</b>		
On import of raw material spare parts and capital goods	375	604
Expenditure in foreign currencies for business travels, subscription, consumables stores goods for resale, commission on export sale, etc.	80	82
Remittance during the year in foreign currency on account of dividend	—	—
<b>TOTAL FOREIGN EXCHANGE EARNED (FOB Value)</b>	2397	2235

### FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bengaluru  
Date : 17.09.2018

**Jitendra Trivedi**  
Director

**Nirja Saraf**  
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 31<sup>st</sup> March 2018, the Board consisted of 5 Directors of which and one Whole time Managing Director, one part-time Non-Executive Chairperson/Chairman, one part-time Non-Executive Director from the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers and two Non-Executive Directors from Government of Karnataka.
- b) During the year 2017-18, four Board Meetings were held on 29.06.2017, 07.09.2017, 29.12.2017 & 28.03.2018.

**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 31.03.2018	No. of outside Board Committee Membership/ Chairmanship as on 31.03.2018
Dr. Shalini Rajneesh, IAS	Chairperson	2/2	Yes	Nil	Nil
Shri Ajay Seth, IAS	Chairman	2/2	NA	Nil	Nil
Shri. K M Prasad	Managing Director	3/3	Yes	1	1
Smt. Hemalatha	Non-Executive Director	1/2	No	9	5
Shri N Jayaram, IAS	Non-Executive Director	1/2	No	9	5
Shri Jitendra Trivedi	Non-Executive Director	4/4	Yes	2	2
Shri B T Khanapure	Non-Executive Director	4/4	Yes	Nil	Nil
Ms. Nirja Saraf	Managing Director	1/1	No	5	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](http://www.kaplindia.com).

**3. Audit Committee:**

The Paid up Capital of Company as on date is Rs. 13.49 crores. As per Provisions of Section 177 of Companies Act 2013, Audit Committee has been constituted.

**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 2017-18 was as follows:



(Rs. in lakhs)

Name of the Director	Salary	Benefits	PF Contribution	Perquisites	Total
K. M. Prasad	29.00	0	2.00	2.00	33.00

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

Sl. No.	Name of the Director	Sitting Fee paid for Board Meeting (Rs.)	Sitting Fee paid for Audit Committee Meeting (Rs.)	Sitting Fee paid for CSR Committee Meeting(Rs.)
01.	Dr. Shalini Rajneesh, IAS	Rs. 2,000/-	-	-
02.	Shri Ajay Seth, IAS	Rs. 2,000/-	-	-
03.	Smt. P. Hemalatha, IAS	Rs. 1,000/-	-	-
04.	Shri N. Jayaram, IAS	Rs. 1,000/-	-	-
05.	Shri Jitendra Trivedi	Rs. 4,000/-	-	-
06.	Shri B T Khanapure	Rs. 4,000/-	Rs. 1,000/-	-

Part time Directors hold shares as nominee of Government 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
2016-2017	07.09.2017	1230 hrs	Corp Office, Bengaluru
2015-2016	14.10.2016	1230 hrs	Corp Office, Bengaluru
2014-2015	17.11.2015	1300 hrs	Corp Office, Bengaluru

No Special resolutions were taken up in the last Annual General Meeting. 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.kapindia.com](http://www.kapindia.com)

b) **Plant Location :**

Plot No: 14, 2<sup>nd</sup> Phase, Peenya Industrial Area, Bengaluru – 560 058

c) **Address for Correspondence:**

The address of the Regd. Office of the Company is

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

The Shareholders may send correspondence to the above address.

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

Place : Bengaluru  
Date : 17.09.2018

**Jitendra Trivedi**  
Director

**Nirja Saraf**  
Managing Director

**QUALIFICATION OF SECRETARIAL AUDITORS FOR 2017-18**

Para No.	Audit observation	Management Reply
8.1	Did not appoint any Independent Directors on its Board as required under Section 149 of the Companies Act, 2013	As per the provisions of Memorandum and Articles of Association of the Company, Power to appoint Directors is with Government of India. Action was taken by Company to amend its Articles to provide for two Independent Directors as per the provisions of Companies Act 2013. Proposal for appointment of Independent Directors was sent to Government of India and matter is being followed up periodically.
8.2	In the absence of Independent Directors, the Company could not validity hold and conduct Meetings of Audit Committee.	Audit Committee has been constituted with three members from the Directors appointed by Government of India. While Audit Committee was constituted, it was informed to the Board that, the Audit Committee will be re-constituted once the Independent Directors are appointed on the Board by Government.

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

Place : Bengaluru  
Date : 17.09.2018

**Jitendra Trivedi**  
Director

**Nirja Saraf**  
Managing Director



## Independent Auditors' Report

### The Members of

**Karnataka Antibiotics and Pharmaceuticals Limited,  
Bengaluru**

### Report on the Financial Statements

We have audited the accompanying financial statements of **KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED**, which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under the Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the company as at 31st March 2018, and of its profit and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

- I. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, based on such checks as we considered appropriate and according to the information and explanations given to us, we state that:
  - (i) (a) The Company has maintained proper records of fixed assets with full particulars including quantity and location.

- (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion is reasonable, having regard to the size of the Company and nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such physical verification.
- (c) The title deeds of immovable properties are held in the name of the Company, except as stated below:
1. **Kadabagere Plant:** Out of total land of 24 acres and 20 guntas granted by the Government of Karnataka, RTC in respect of 4 acres and 20 guntas in Survey No 22 (New No 196) is not obtained. Moreover encroachment to the extent of approx 4 acres and 25 guntas was made by different parties as observed by the management and one of such party has filed civil suit against the company, which is being contested. (Refer Note 9.1 to the financial statements)
  2. **Dharwad Project:** Registration of title in favour of the company for 6 Acres and 14 Guntas of land and buildings put up there on acquired under auction sale from KSFC is pending. Out of the above land 26 Guntas is short as per survey report. More over entire property is under dispute, as Elvina Pharmaceuticals Ltd has filed a writ petition seeking quashing the auction sale and restraintment for putting structures by the company. (Refer Note No. 9.2)
- (ii) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable considering the size and nature of the company's operations. Discrepancies noticed on physical verification were not material, and have been properly dealt with in the books of account.
- (iii) The Company has not granted any loans to companies, firms or other parties covered in the register maintained u/s 189 of the Act, hence the question of default in recovery of principal and interest and steps for recovery of overdue amount does not arise.
- (iv) The Company has not granted any loans nor made any investments nor provided any guarantees or security to any party. Hence compliance with the requirements of sec 185 and 186 of the Act and the requirements of clause (iv) of the Order are not applicable to the Company.
- (v) The Company has not accepted any deposits from public; hence, the question of compliance with the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under as per clause (v) of the Order does not arise.
- (vi) 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 sub-section (1) of Section 148 of the Act read with Companies (Cost Records & Audit) Rules, 2013. We are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine the accuracy or completeness of the same.
- (vii) (a) According to the records of the Company, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Goods and Services Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and other material statutory dues to the extent applicable to it.
- (b) There are no undisputed amounts payable in respect of Income Tax, Goods and Services Tax, Service Tax, Sales Tax, Value



Added Tax, Duty of Customs, Duty of Excise or Cess which have remained outstanding as at 31<sup>st</sup> March 2018 for a period of more than six months from the date they became payable.

(c) There are no dues of income tax, sales tax, Service Tax, duty of excise, duty of customs and cess, which have not been deposited on account of any dispute except for sales tax and duty of excise as detailed below:

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 and bandages, Feed supplements & tax imposed – LST.	1996-97	JCCT, Patna	0.34
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – LST.	1997-98	JCCT, Patna	1.32
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – CST.	1998-99	JCCT, Patna	1.74
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – LST.	1998-99	JCCT, Patna	0.37
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – LST.	1999-00	JCCT, Patna	7.33
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – CST.	1999-00	JCCT, Patna	0.19
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – LST.	2000-01	JCCT, Patna	7.14
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements 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	2.26
<b>Excise Duty Case :</b> Demand received from CCE towards ED & Penalty besides interest (not quantified) u/s 11D of CE Act, 1944 covering sale of certain products.	2007-08 to 2011-12	CESTAT, Bengaluru	1036.00

(viii) The Company has not defaulted in repayment of loans or borrowings from banks. The company has neither borrowed any loans from Financial Institutions, Government nor issued any debentures and consequently the question of default in repayment does not arise.

(xi) No money was raised by way of initial public offer or further public offer and the company has applied the money raised by term loans from Banks for the purpose for which it was raised.

(x) To the best of our knowledge and according to the information and explanations given to us, no

fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

- (xi) The company being a government company, the provisions of Section 197 of the Act, regarding managerial remuneration does not apply in terms of the Notification G.S.R. 463(E) dated 05<sup>th</sup> June, 2015. Hence, the provisions of clause (xi) of the Order are not applicable.
  - (xii) The Company is not a Nidhi Company. Therefore the provisions of clause (xii) of the Order are not applicable to the Company.
  - (xiii) The Company has not entered into any transactions with related parties as defined in the Act, hence, the requirement of compliance to provisions of Sections 177 and 188 of the Act and the disclosure of such transactions in the Financial Statements etc., as required by applicable Accounting Standards as per clause (xiii) of the Order does not arise.
  - (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year, hence the requirement of compliance with provisions of Section 42 of the Act and utilisation of amounts so raised for the purpose for which the funds were raised as per clause (xiv) of the Order does not arise.
  - (xv) In our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them; hence the requirement of compliance to provisions of Section 192 of the Act as per clause (xv) of the Order does not arise.
  - (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Therefore the provisions of clause (xvi) of the Order are not applicable to the Company.
- II. As required under Section 143(5) of the Act, based on such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us we give in "**Annexure A**" a statement on the directions issued by the Comptroller & Auditor General of India.
- III. As required by Section 143 (3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (c) The balance sheet, statement of profit & loss and cash flow statement referred to in this report are in agreement with the books of account;
  - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) The Company being a government Company the provision of Section 164(2) of the Act, regarding disqualification of Directors does not apply in terms of Notification G.S.R. 463(E) dated 05<sup>th</sup> June, 2015 issued by the Ministry of Company Affairs.
  - (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate report in "**Annexure B**"; and
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 as amended, in our opinion and to the best of our information and according to the explanations given to us:
    - i) The Company has disclosed the impact of pending litigations, if any, on its financial position in its financial statements - Refer Note 19.1 to the Financial Statements.
    - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;



iii) There are no dues required to be transferred, to the Investor Education and Protection Fund by the Company.

iv) The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 with regard to Specified Bank Notes is not applicable to the Company for the year.

Place: Bengaluru  
Date: 29.06.2018

for **DAGLIYA & CO.**  
Chartered Accountants  
(FRN 000671S)

**(P. MANOHARA GUPTA)**  
Partner  
Membership No.: 16444

### ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT

ANNEXURE A - TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED

#### Report on the Directions issued by the Comptroller & Auditor General of India

We report as follows :

Sl. No.	Directions	Reply
1.	Whether company is holding original title deeds for free hold land.	The Company is holding original title deeds for the freehold land in respect of Peenya Industrial Estate & Kabadgere. However, in respect of Kabadgere Land, RTC in respect of land at Sy No 22 to the extent of 4 acres & 20 guntas is yet to be received by the Company (Refer para I.i.c.1. under "Report on Legal and other Regulatory requirements" of our Independent Auditors Report and Note 9.1 to the Financial Statements). Further in case of land for Dharwad Project the company has obtained possession letter, but registration of such land is pending (Refer para I.i.c.2 under "Report on Legal and other Regulatory requirements" of our Independent Auditors Report & Note 9.2 to the Financial Statements).
2.	Please report whether there are any cases of waiver/write-off of debts/loans/interests. If yes, the reasons there for and the amount invested.	The Company has written off book-debts amounting to Rs 5.32 Lacs being old outstanding debts not recoverable and the same being duly approved by the Board.
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	Proper records are maintained for inventories lying with third parties and land granted by the Government of Karnataka. However no assets are received as gift from government or other authorities during the year 2017-18.

Place: Bengaluru  
Date: 29.06.2018

for **DAGLIYA & CO.**  
Chartered Accountants  
(FRN 000671S)

**(P. MANOHARA GUPTA)**  
Partner  
Membership No.: 16444

ANNEXURE B - TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED

**Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls with reference to financial statements of **KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED** ("the Company") as of March 31, 2018 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

**Meaning of Internal Financial Controls with reference to financial statements**

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable



assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls With reference to financial statements**

Because of the inherent limitations of internal financial controls with reference to financial statements , including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2018, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

Place: Bengaluru  
Date: 29.06.2018

for **DAGLIYA & CO.**  
Chartered Accountants  
(FRN 000671S)

**(P. MANOHARA GUPTA)**  
Partner  
Membership No.: 16444

## Secretarial Audit Report

For the Financial Year ended 31st March 2018

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

### To the Members of Karnataka Antibiotics and Pharmaceuticals Limited

1. We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Karnataka Antibiotics and Pharmaceuticals Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.
2. Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, and subject to our separate letter attached hereto as the Annexure, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended 31st March 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.
3. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on 31st March 2018 according to the provisions of:
  - (a) The Companies Act, 2013 (the Act) and the Rules made there under;
  - (b) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under;
  - (c) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
  - (d) Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
  - (f) Drugs and Cosmetics Act, 1940 and Rules framed thereunder;
  - (g) The Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954 and Rules framed thereunder and
  - (i) Drugs (Prices Control) Order, 1995
  - (j) Indian Copyright Act, 1957
  - (k) The Patents Act, 1970
  - (l) The Trade Marks Act, 1999
  - (m) Indian Copyright Act, 1957
  - (n) Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by the Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India.



4. We have also examined compliance with the applicable clauses of the Secretarial Standards namely SS-1 and SS-2 issued by the Institute of Company Secretary of India on Meetings of the Board of Directors and General Meeting namely.
5. We have not examined compliance by the Company with applicable financial laws, like direct and indirect tax laws, since the same have been subject to review by statutory financial audit and other designated professionals.
6. During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above subject to the qualifications mentioned in paragraph 8 below :
7. Subject to the qualifications mentioned in paragraph 8, we further report as below:
  - 7.1 that, -
    - (a) proper advance notices for Board and Committee meetings were issued to Directors during the year; such notices accompanied detailed notes on agenda items and draft minutes of respective meetings; the Company adopts a system to enable Directors to seek and obtain required information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.
    - (b) the Company followed proper Board processes in convening and conduct of Meetings Members and Directors; the Company has maintained proper Books to record Proceedings of General Meetings of Members, Minutes of Meetings of Board and Committee of Directors; resolutions passed by e-voting, if any, are recorded in the Minutes Book of General Meetings.
  - 7.2 that, the changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act;
  - 7.3 There were no instances of:
    - (i) Public, Preferential Issue of Shares or Debentures or Sweat Equity;
    - (ii) redemption buy-back of securities;
    - (iii) major decisions taken by the Members in pursuance to Section 180 of the Companies Act, 2013;
    - (iv) merger, amalgamation, reconstruction etc.;
    - (v) foreign technical collaborations.
8. **Qualification:**
  - 8.1 **The Company did not appoint any Independent Directors on its Board as required under Section 149 of the Companies Act, 2013**
  - 8.2 **In the absence of Independent Directors, the Company could not validly hold and conduct Meetings of Audit Committee.**

Bengaluru  
12<sup>th</sup> July, 2018

**K N Nagesha Rao**  
Practising Company Secretary  
FCS 3000 CP 12861

**The Annexure to the Secretarial Audit Report  
for the Financial Year 2017-18**

**To the Members of Karnataka Antibiotics and Pharmaceuticals Limited**

Our Secretarial Audit Report of even date is to be read along with this letter.

1. Maintenance of Secretarial records and compliance of the provisions of corporate and other applicable laws, rules, regulations, standards are the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records and compliance based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices we followed provide reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.

Wherever required, we obtained the management representation on the compliances of laws, rules and regulations as well on happening of events.

Bengaluru  
12<sup>th</sup> July, 2018

**K N Nagesha Rao**  
Practising Company Secretary  
FCS 3000 CP 12861



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2018**

The preparation of financial statements of Karnataka Antibiotics and Pharmaceuticals Limited, Bangalore for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of Act is responsible for expressing opinion on the financial statements under Section 143 of the Act based on the independent audit in accordance with the Standards on Auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 June 2018.

I, on behalf of the Comptroller and Auditor General of India, have decided not to conduct the supplementary audit of the financial statements of Karnataka Antibiotics and Pharmaceuticals Limited, Bangalore for the year ended 31 March 2018 under Section 143(6)(a) of the Act.

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



**(L. Tochhawng)**

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

**Place: Hyderabad  
Date: 06 July 2018**

### Company Overview:

Karnataka Antibiotics and Pharmaceuticals Limited ('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 Bengaluru started its commercial production during the year 1984 for the manufacture of Dry Powder Vials, Liquid Parenterals, Tablets, Capsules, etc.

### SIGNIFICANT ACCOUNTING POLICIES:

#### 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 (GAAP) on accrual basis to comply in all material aspects with the accounting standards specified under section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2014 and relevant provisions of the Companies Act, 2013 as applicable.

#### 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 of 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. Property, Plant and Equipment (PPE):

PPE are stated at cost net of accumulated depreciation. The cost comprises of 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.

#### 4. Depreciation:

Depreciation on tangible fixed assets is provided on Straight Line Method over the useful life of the assets as prescribed under Part C of schedule II of the Companies Act, 2013 except in case of certain used assets purchased for which useful life has been determined based on technical advice. Depreciation is calculated on pro-rata basis from the date of Installation till the date the asset is sold or otherwise disposed.

Assets individually costing Rs.10,000/- or less are fully depreciated in the year of purchase.



**5. Impairment of Assets:**

At each Balance Sheet date, the Company assesses whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to the Statement of Profit and Loss. If, at the Balance Sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

**6. Borrowing Costs:**

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

**7. Investments:**

Long term investments are stated at cost. However, provision for diminution is made to recognize a decline in value 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 Statement of Profit and Loss.

**8. Inventories:**

- 8.1 Raw materials are valued at lower of cost and net realisable value. Materials held for use in the production of finished goods are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. The cost is determined on First-in-First out basis. Cost includes taxes, duties and freight and is net of Goods and Services Tax (GST). Raw materials identified as obsolete are written off as provided for.
- 8.2 Work in progress is valued at lower of cost and net realisable value. Cost represents material cost plus fixed and variable production overheads as a percentage of direct labour and appropriate fixed and variable production overheads.
- 8.3 Finished goods are valued at lower of cost and net realisable value. Cost represents materials, direct labour and appropriate fixed and variable production overheads.
- 8.4 Stock of spares and tools of unit value Rs.5,000/- and above (based on materiality) is valued at landed cost and reckoned as at the end of the year.
- 8.5 Closing stock of Physician samples is valued as NIL. The value of Physician samples is included/ accounted for under material consumption.

**9. Revenue Recognition:**

- 9.1 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 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.

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

### 10. 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 and 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. The benefits are after taking into consideration actuarial gains or losses in the year in which they arise. Actuarial gains or losses are recognized in the Statement of Profit and Loss.
- d) Termination Benefits (including under VRS) are charged in the year of termination of employment.

### 11. 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 except exchange differences of monetary items in relation to depreciable assets which are added or deducted from cost of such assets.

### 12. Taxes on Income:

- a) Provision for Current tax is made on the basis of taxable income estimated in accordance with the provisions of the 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 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. The deferred tax asset is recognised and carried forward for timing difference only to the extent that there is a reasonable certainty that the assets can be realised in future. However, in case of unabsorbed depreciation and carry forward losses, deferred taxes are recognised only if there is virtual certainty that there will be sufficient taxable income to realise the assets.

**13. 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".

**14. 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 i) 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 or ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made 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**

**NIRJA SARAF**  
MANAGING DIRECTOR

**JITENDRA TRIVEDI**  
DIRECTOR

Refer our report of even date  
**For DAGLIYA & CO.**  
Chartered Accountants  
FRN: 00671S

**N. SANTHANA GOPALA KRISHNAN**  
General Manager-Finance

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

**P. MANOHARA GUPTA**  
Partner  
Membership No. 16444

PLACE : BENGALURU  
DATE : 29.06.2018

PLACE : BENGALURU  
DATE : 29.06.2018

(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>NOTE NO.</b>	<b>AS AT 31.03.2018</b>	<b>AS AT 31.03.2017</b>
<b>EQUITY AND LIABILITIES</b>			
Share holders' funds			
Share Capital	1	1349	1349
Reserves and Surplus	2	15628	14465
		<b>16977</b>	<b>15814</b>
Non-current Liabilities :			
Long term borrowings	3	1300	122
Deferred Tax Liabilities (Net)	11	34	0
Long term provisions	4	2006	1816
		<b>3340</b>	<b>1938</b>
Current Liabilities			
Short term borrowings	5	66	310
Trade payables	6		
a) Total outstanding dues of Micro Enterprises and small enterprises		198	148
b) Total outstanding dues of Creditors other than Micro Enterprises and small enterprises		7482	7311
Other current Liabilities	7	3289	2744
Short-term provisions	8	612	571
		11647	11084
<b>Grand Total</b>		<b>31964</b>	<b>28836</b>



(Rs.in Lakhs)

PARTICULARS	NOTE NO.	AS AT 31.03.2018	AS AT 31.03.2017
<b>ASSETS</b>			
<b>Non-current Assets :</b>			
Fixed assets			
Property, Plant and Equipments (PPE)	9	7527	5062
Capital work-in-progress	10	589	865
Deferred tax assets (net)	11	0	118
Long-term loans and advances	12	203	211
Other Non-Current Assets	13	1428	1256
<b>Total</b>		<b>9747</b>	<b>7512</b>
<b>Current assets:</b>			
Inventories	14	5141	5352
Trade receivables	15	10324	9180
Cash and Bank balances	16	5273	6166
Short-term loans and advances	17	1466	601
Other current assets	18	13	25
<b>Total</b>		<b>22217</b>	<b>21324</b>
<b>Grand Total</b>		<b>31964</b>	<b>28836</b>

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**

**NIRJA SARAF**  
MANAGING DIRECTOR

**JINTENDRA TRIVEDI**  
DIRECTOR

Refer our report of even date  
**For DAGLIYA & CO.**  
Chartered Accountants  
FRN: 00671S

**N. SANTHANA GOPALA KRISHNAN**  
General Manager-Finance

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

**P. MANOHARA GUPTA**  
Partner  
Membership No. 16444

PLACE : BENGALURU  
DATE : 29.06.2018

PLACE : BENGALURU  
DATE : 29.06.2018

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	YEAR ENDED 31.03.2018	YEAR ENDED 31.03.2017
<b>INCOME</b>			
Revenue from operations	20	35416	37232
Other Income	21	287	371
<b>Total Revenue</b>		<b>35703</b>	<b>37603</b>
<b>EXPENDITURE</b>			
Cost of materials consumed	22	13432	13480
Purchases of Stock-in-Trade	23	3349	4044
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	-271	-295
Employee benefits expense	25	7877	6478
Finance costs	26	79	68
Depreciation and amortization expense	9	477	401
Prior period items	27	-24	1
Other expenses	28	8462	8719
<b>Total Expenses</b>		<b>33381</b>	<b>32896</b>
Profit before Tax		2322	4707
Tax Expense :			
1) Current tax		715	1611
2) Deferred tax		152	54
<b>Profit for the Year</b>		<b>1455</b>	<b>3042</b>
Less : Tax adjustment for prior years		0	9
<b>Profit After Tax</b>		<b>1455</b>	<b>3033</b>
Earnings per equity share :			
1) Basic Earning per share (Rs.) of Rs. 100 each	29	108	225
2) Diluted Earnings per share (Rs.) of Rs. 100 each	29	108	225

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**

**NIRJA SARAF**  
MANAGING DIRECTOR

**JITENDRA TRIVEDI**  
DIRECTOR

Refer our report of even date  
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Membership No. 16444

PLACE : BENGALURU  
DATE : 29.06.2018

PLACE : BENGALURU  
DATE : 29.06.2018



(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2018	AS AT 31.03.2017
<b>1 SHARE CAPITAL :</b>		
<b>Authorised :</b>		
15,00,000 (previous year 15,00,000) Equity shares of Rs. 100/-each	1500	1500
<b>Issued, subscribed and fully paid up :</b>		
13,49,000 (previous year 13,49,000) Equity shares of Rs. 100/- each fully paid up	1349	1349
<b>Total</b>	<b>1349</b>	<b>1349</b>

**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	1349000
Shares issued during the year	0	0
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 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 31<sup>st</sup> March, 2018, Final dividend proposed for distribution to Equity Shareholders is Rs. 20 (Previous Year - Rs. 18) 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.

PARTICULARS	AS AT 31.03.2018	AS AT 31.03.2017
<b>1.3 The details of the shareholders holding more than 5% of the shares :</b>		
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
<b>2 RESERVES AND SURPLUS :</b>		
<b>Reserves :</b>		
General Reserve :		
As per last Balance Sheet	13568	11068
Add: Transfer from statement of Profit & Loss	1000	2500
<b>Sub-Total (A)</b>	<b>14568</b>	<b>13568</b>
<b>CSR fund Reserve :</b>		
As per last Balance Sheet	93	93
<b>Sub-Total (B)</b>	<b>93</b>	<b>93</b>
Sustainable Development Fund Reserve :		
As per last Balance Sheet	17	17
<b>Sub-Total (C)</b>	<b>17</b>	<b>17</b>
<b>TOTAL (A+B+C)</b>	<b>14678</b>	<b>13678</b>
Surplus in Statement of Profit and Loss		
As per last Balance Sheet	787	254
Add : Profit for the year	1455	3033
<b>Sub-Total (D)</b>	<b>2242</b>	<b>3287</b>



(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2018	AS AT 31.03.2017
LESS :		
Dividend Paid	243	0
Tax on Dividend Paid	49	0
<b>Sub-Total (E)</b>	<b>292</b>	<b>0</b>
<b>TOTAL (D - E)</b>	<b>1950</b>	<b>3287</b>
<b>Appropriations :</b>		
Transfer to General Reserve	1000	2500
<b>Sub-Total (F)</b>	<b>1000</b>	<b>2500</b>
Balance in Statement of Profit and Loss	950	787
<b>GRAND TOTAL</b>	<b>15628</b>	<b>14465</b>

2.1 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 of previous year towards Research and Development Fund amounting to Rs. 15.17 lakhs.

As the company has spent amount of Rs. 127.43 lakhs (Previous Year Rs. 79.35 lakhs), no appropriation has been made towards this fund.

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2018	AS AT 31.03.2017
<b>3. LONG TERM BORROWINGS :</b>		
<b>Term Loan:</b>		
From Vijaya Bank : Secured (Refer Note No. 7)		
a) Term Loan I	0	122
b) Term Loan II	1300	0
Secured against hypothecation of specific fixed assets and continuing security of the Company's other fixed assets on pari passu basis with SBI for working capital limits		
	1300	122

**3.1 The Company has been sanctioned term loan from Vijaya Bank. The details of balance of term loan as at 31<sup>st</sup> March, 2018 and the terms of repayment are as under:**

PARTICULARS	Balance outstanding As on 31 <sup>st</sup> March, 2018	Balance outstanding As on 31 <sup>st</sup> March, 2017
<b>Term Loan I :</b>	0	122
Current Rs. 122.00 lakhs (Refer Note. No. 7) (Previous year Rs. 188.27 lakhs)		
Non-Current Rs. 0.00 lakhs (previous year Rs. 122.21 lakhs)		
<b>Terms of repayment :</b>		
84 equated monthly instalments after 18 months repayment holiday-Rate of Interest - 12.50% - As on 31 <sup>st</sup> March 2018, 7 Instalments are remaining to be paid. There is no default in repayment of the above Term Loan.		
<b>Term Loan II :</b>	1300	0
Current Rs. 0.00 lakhs (Refer Note. No. 7) (Previous year Rs. 0.00 lakhs)		
Non-Current Rs. 1300.00 lakhs (previous year Rs. 0.00 lakhs)		
<b>Terms of repayment :</b>		
20 equal quarterly instalments of Rs. 75 lakhs each commencing from May, 2019. Rate of Interest 9.00%. As on 31st March 2018. 20 Instalments are remaining to be paid (also refer Note No. 9.3) There is no default in repayment of the above Term Loan. Since the repayment is yet to commence.		
<b>Total</b>	<b>1300</b>	<b>122</b>



(Rs.in Lakhs)

PARTICULARS	As at 31 <sup>st</sup> March, 2018	As at 31 <sup>st</sup> March, 2017
<b>4. LONG-TERM PROVISIONS :</b>		
<b>Provision for employee benefits:</b>		
<b>Provision for Gratuity (Refer Note No. 4.1 and 25.2)</b>	628	382
Provision for Earned Leave	1103	1193
Current Rs. 393.22 lakhs (Refer Note. No. 8) (Previous year Rs. 234.81 lakhs)		
Non-Current Rs. 1102.53 lakhs (previous year Rs. 1192.84 lakhs)		
<b>Provision for Sick Leave</b>	275	241
Current Rs. 14.26 lakhs (Refer Note. No. 8) (Previous year Rs. 12.78 lakhs)		
Non-Current Rs. 275.49 lakhs (previous year Rs. 241.27 lakhs)		
<b>Total</b>	<b>2006</b>	<b>1816</b>
 4.1 The total liability towards Gratuity to employees as at 31.3.2018 as per actuarial valuation is Rs. 3226.42 Lakhs (Previous year Rs. 2750.40 Lakhs) out of which Rs. 2540.74 Lakhs (Previous Year Rs. 2308.60 lakhs) is Non-Current and Rs. 685.68 Lakhs (Previous year Rs. 441.80 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.		
4.2 The Fair value of plan assets of Gratuity is Rs. 2598 Lakhs (Previous Year Rs. 2368.00 Lakhs)		
<b>5. SHORT-TERM BORROWINGS :</b>		
Working Capital Loans from banks : (Secured and repayable on demand)	66	310
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 balances. The above borrowings is towards post-shipment credit in foreign currency of Rs. 66.29 Lakhs (Previous Year Rs. 310.31 Lakhs). The interest is linked to LIBOR.		
<b>Total</b>	<b>66</b>	<b>310</b>

(Rs.in Lakhs)

PARTICULARS	As at 31 <sup>st</sup> March, 2018	As at 31 <sup>st</sup> March, 2017
<b>6. TRADE PAYABLES :</b>		
Acceptances	66	81
Dues to Micro, Small and Medium enterprises ( Refer Note No. 6.1 )	198	148
Others	7416	7230
<b>Total</b>	<b>7680</b>	<b>7459</b>

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 outstanding	198	148
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. 5886.95 Lakhs (Previous Year 5957.10 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 31 <sup>st</sup> March, 2018	As at 31 <sup>st</sup> March, 2017
<b>7. OTHER CURRENT LIABILITIES :</b>		
Current maturities of Long term loan (Refer Note No.3)		
Term Loan I	122	188
EMD and security deposits received	328	319
Sundry Creditors for Capital Works	1090	394
Other payables		
Statutory	210	393
Outstanding Expenses	1422	847
Others	19	96
Advance received from customers	98	507
<b>Total</b>	<b>3289</b>	<b>2744</b>
 7.1 "Others" under Other Payables include Rs. 7.64 Lakhs (Previous year Rs. 5.94 lakhs) being the amount payable towards Executive Welfare Fund Rs. 4.04 lakhs (previous year Rs. 2.88 lakhs) and Non-executive welfare fund Rs. 3.60 Lakhs (Previous year Rs. 3.06 lakhs) which are administered by the committee consisting of the members from Management and the employees.		
<b>8 SHORT TERM PROVISIONS :</b>		
Provision for Taxation (Net of Advance Tax and TDS)	0	119
Provision for Earned leave (Refer Note No.4)	393	235
Provision for sick leave (Refer Note No.4)	15	13
Provision for contingencies (Refer Note No. 8.1)	204	204
<b>TOTAL</b>	<b>612</b>	<b>571</b>

**8.1 MOVEMENT OF PROVISIONS DURING THE YEAR**

(Refer Note 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 Contingencies :				
a) Disputed legal cases	184	20	0	204
b) Disputed statutory demands	20	0	20	0
<b>Total</b>	<b>204</b>	<b>20</b>	<b>20</b>	<b>204</b>

**9 PROPERTY, PLANT AND EQUIPMENTS (PPE) :**

(Rs.in Lakhs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	TOTAL AS AT 01.4.2017	ADDITIONS DURING THE YEAR	ADJUSTMENTS DELETIONS/IMPAIRMENT DURING THE YEAR	TOTAL AS AT 31.3.2018	TOTAL AS AT 01.4.2017	FOR THE YEAR	ADJUSTMENTS DELETIONS/IMPAIRMENT DURING THE YEAR	TOTAL AS AT 31.3.2018	AS AT 31.3.2018	AS AT 31.3.2017
FREE HOLD LAND	355	0	0	355	0	0	0	0	355	355
BUILDINGS	2521	1395	0	3916	534	97	0	631	3285	1987
PLANT AND MACHINERY	4756	1508	80	6184	2134	344	73	2405	3779	2622
FURNITURE & FITTINGS	171	32	0	203	125	15	0	140	63	46
OFFICE EQUIPMENT	253	14	0	267	221	17	0	238	29	32
CANTEEN EQUIPMENTS	15	0	0	15	13	2	0	15	0	2
VEHICLES	21	0	0	21	3	2	0	5	16	18
<b>TOTAL</b>	<b>8092</b>	<b>2949</b>	<b>80</b>	<b>10961</b>	<b>3030</b>	<b>477</b>	<b>73</b>	<b>3434</b>	<b>7527</b>	<b>5062</b>
<b>PREVIOUS YEAR</b>	<b>4204</b>	<b>3901</b>	<b>13</b>	<b>8092</b>	<b>2640</b>	<b>401</b>	<b>11</b>	<b>3030</b>	<b>5062</b>	



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, BENGALURU North Taluk, BENGALURU. 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) was received and encroachment to the extent of approximately 3 acres and 25 Guntas was 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. In the mean time, the said survey report has been quashed. 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, BENGALURU against the company which is being contested by the company. Subsequently, the case has been transferred to Nelamangala. Further Board had in its 131st Board Meeting held on 19.02.2010, decided to grow medicinal plants in 10 acres in Phase I. Accordingly medicinal plants are being grown at Kadabagere Land.

Company has made application for survey of land of both survey numbers by paying necessary fee and continuously following up with Revenue Department. Letters were addressed to Principal Secretary, Revenue Department by Managing Director of the company requesting for survey and eviction of encroachment vide letters dated 18.10.2017 and 27.01.2018 . Further we have requested Tahashildar, BENGALURU North Taluk vide letter dated 27.01.2018 for survey of land. Matter is being pursued.

## 9.2 Dharwad Plant :

9.2.1 Board at its 157th Meeting held on 26.09.2016 had approved purchase of Pharmaceutical Unit at Dharwad (on 6 Acres and 14 Guntas of land) through e-auction by Karnataka State Financial Corporation (KSFC) and authorised Managing Director to decide the Bid amount. Accordingly, against an advertisement appeared in Vijayawani dated 24.10.2016 of KSFC, company participated in e-auction and had quoted price of Rs. 517.37 lakhs towards land and building and Rs. 93.64 lakhs towards plant and machinery. The bid of the company was accepted by KSFC as intimated vide letter dated 08.12.2016. After making the payment of the Bid amount, the possession of land, building, plant and machinery was taken on 12.12.2016 in as is where is basis. The registration is yet to be done. In pursuance of the Board approval, the activities of renovation were completed and manufacture of Ayurvedic Products were commenced.

9.2.2 Company before making registration, requested vide letter dated 17.01.2017 to Tahashildar, Dharwad and also vide letter dated 18.01.2017 to General Manager, M/s Karnataka State Financial Corporation, BENGALURU to survey and fix the Boundary of Survey No. 429/1 and Survey No. 429/2A at Kotur vilage, NH4, P.B.Road, Belur Industrial Area. As per the letter

No.KSFC/BO/DWR/2605/ 2016-17 dated 04.02.2017 of M/s Karnataka State Financial Corporation (KSFC), the land shown was 6 acres and 14 guntas in total in both the survey Nos. that is under Survey No. 429/1 (5 acres and 18 guntas) and under Survey No. 429/2A (36 Guntas). Based on the request to Survey Department, the Survey of land was got done on 16.03.2017. Based on the Survey Report, noticing that, there is a shortage of land to the extent of 26 Guntas, the company requested M/s Karnataka State Financial Corporation (KSFC) to consider the revised land available for the purpose of the cost of the land and refund the differential amount and also register the property in our name. Company has been pursuing with Karnataka State Financial Corporation(KSFC) for refund and registration of the property.

9.2.3 In view of the above, Company is continuously following it up with M/s KSFC, Dharwad and BENGALURU vide our letters dated 07.06.2017, 05.12.2017 and 29.01.2018 to speed up the matter of refunding the differential amount and for registering the property in the name of M/s Karnataka Antibiotics and Pharmaceuticals Limited (KAPL).

9.2.4 In the mean time, M/s Elvina Pharmaceuticals Limited and two of its directors filed a Writ Petition before Honourable High Court of Karnataka, Dharwad Bench vide Writ Petition No. 100258/2018 against M/s Karnataka State Financial Corporation (KSFC), represented by its Deputy General Manager, Rayapur, Dharwad Dist. First Party, The Deputy General Manager, M/s Karnataka State Financial Corporation (KSFC) Rayapur, Dharwad Dist. 2nd Party and M/s Karnataka Antibiotics and Pharmaceuticals Limited (KAPL) Represented by its Managing Director, BENGALURU,3rd Party seeking quashing of e auction against KSFC and further development of property by KAPL which is being contested by the company.

9.2.5 The details of useful life of the used assets purchased is as follows :

ASSET	USEFUL LIFE		
	As per Companies Act, 2013	As per Technical Advice	Adopted by Company
Buildings	30	39	30
Plant and Machinery	15	12	12
Electrical Installations	10	12	10
Office Equipment	5	3	3
Computers and Peripherals	3	2	2
Furniture and Fittings	10	2	2

### 9.3 Non-Parenteral Facility :

The creation of additional Non-Parenteral facility for manufacture of Tablets at a cost of Rs. 2237.18 Lakhs has been completed and commercial production has commenced on 10.03.2018. Interest paid on Term Loan borrowed for creation of the above facility amounting to Rs. 31.65 lacs has been capitalised. For this Project the company has availed a Term Loan of Rs. 1300 lakhs as on 31st March, 2018 as against Rs. 1500 lakhs sanctioned by Vijaya Bank, Mayo Hall, BENGALURU.



PARTICULARS	AS AT 31.03.2018	AS AT 31.03.2017
<b>10. CAPITAL WORK-IN-PROGRESS :</b>		
QA and QC facility at Cephalosporin plant and others	589	865
<b>Total</b>	<b>589</b>	<b>865</b>
<b>11. Major components of deferred tax assets and liabilities arising on account of timing differences are as under.</b>		(Rs.in Lakhs)
PARTICULARS	Upto 31.03.2018	Upto 31.03.2017
<b>Deferred Tax Liabilities :</b>		
a) Fixed Assets - Written Down Value Difference	478	270
	<b>478</b>	<b>270</b>
<b>Deferred Tax Assets :</b>		
a) Provisions for doubtful debts, claims etc.,	19	23
b) Leave Salary	24	59
c) Gratuity	219	132
d) Others	182	174
	<b>444</b>	<b>388</b>
Net Deferred Tax Asset / (Liability)	-34	118
<b>12. LONG TERM LOANS AND ADVANCES :</b>		
<b>Capital Advances:</b>		
Unsecured, Considered good Advance for capital items	128	145
Prepaid expenses	3	5
Current Rs. 22.28 lakhs (Refer Note. No. 17) (Previous year Rs. 42.43 lakhs)		
Non-Current Rs. 2.79 lakhs (Previous year Rs. 4.95 lakhs)		
Deposit with Government Departments	72	61
Current Rs. 61.56 lakhs (Refer Note. No. 17 and 17.1) (Previous year Rs. 64.00 lakhs)		
Non-Current Rs. 72.74 lakhs (Previous year Rs.60.95 lakhs)		
<b>Total</b>	<b>203</b>	<b>211</b>

PARTICULARS	(Rs.in Lakhs)	
	AS AT 31.03.2018	AS AT 31.03.2017
<b>13. OTHER NON-CURRENT ASSETS :</b>		
Rights under Group Leave Encashment Scheme Insurance Policy (Ref. Note No. 25.2)	1428	1256
<b>Total</b>	<b>1428</b>	<b>1256</b>
<b>14. INVENTORIES :</b>		
Raw Materials - in Stock-KAPL	1985	2245
Raw Materials - LL PARTIES	131	267
Raw Materials - IN TRANSIT	155	24
<b>Sub-Total</b>	<b>2271</b>	<b>2536</b>
Less : Provision for obsolescence	114	78
Total of Raw Materials	2157	2458
Work-in-progress - KAPL	842	978
Finished Goods - in Stock	1427	1551
- in Transit	676	331
Stores and spares	39	34
<b>Total</b>	<b>5141</b>	<b>5352</b>
<b>15. TRADE RECEIVABLES :</b>		
Unsecured		
Outstanding for a period exceeding six months (From the date they have fallen due)		
Considered good	1024	638
Considered doubtful	55	58
Less : Provision for doubtful	55	58
	1024	638
Others - Considered good	9300	8542
<b>Total</b>	<b>10324</b>	<b>9180</b>

- 15.1 'Sundry Debtors' includes Rs. 7474.43 Lakhs (Previous year Rs. 7183.70 lakhs) due from Government Institutions/bodies in respect of which confirmation of balances is awaited.
- 15.2 Confirmation of balances called for by the Company towards Trade Receivables other than Government institutions/bodies is awaited to an aggregate extent of Rs. 2520.16 lakhs (previous year Rs. 1642.17 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.
- 15.3 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 31.03.2018	AS AT 31.03.2017
<b>16. CASH AND BANK BALANCES :</b>		
<b>A. Cash and cash equivalents:</b>		
Balances with banks		
- in Current/Cash Credit Account	343	730
- in fixed deposit account		
With maturity less than 3 months	4289	2979
(An amount of Rs. 4.88 Lakhs (previous year Rs. 4.88 Lakhs) held with Vijaya Bank, Bengaluru in respect of a welfare fund constituted for the welfare of the employees is included in Fixed Deposit Account).		
Cash on hand	1	1
Remittances - in - transit	450	162
<b>Sub-Total (A)</b>	<b>5083</b>	<b>3872</b>
<b>B. Other Bank balances</b>		
- in fixed deposit account		
With maturity more than 3 months	101	2178
- in fixed deposit account		
Other Commitments	3	3
(Held in Vijaya Bank, Secunderabad as per the orders of High Court of Andhra Pradesh in connection with a case filed by an employee)		
Margin money in fixed deposits		
- With maturity more than 3 months	86	113
<b>Sub-Total (B)</b>	<b>190</b>	<b>2294</b>
<b>Total (A) + (B)</b>	<b>5273</b>	<b>6166</b>

PARTICULARS	(Rs.in Lakhs)	
	AS AT 31.03.2018	AS AT 31.03.2017
<b>17 SHORT TERM LOANS AND ADVANCES :</b>		
Advances		
Unsecured, recoverable in cash or kind or for value to be received		
Considered good		
Advance to employees including imprest to field employees	64	69
Current Rs. 64.17 lakhs (Previous year Rs. 69 Lakhs)		
Non-Current Rs. 0.00 lakhs (previous year Rs. 0.00 lakhs)		
Pre-paid expenses (Refer Note No.12)	22	43
Advance Income Tax (Net of Provision)	159	0
Other advances	89	25
Other receivables	273	67
<b>Sub Total (A)</b>	<b>607</b>	<b>204</b>
Deposits with Government Departments (Refer Note No.12 and 17.1)		
Considered good	62	64
Considered doubtful	7	7
	69	71
Less: Provision for Doubtful deposits	7	7
	62	64
Balances with Government Authorities (GST/Excise/Vat)	797	333
<b>Sub Total (B)</b>	<b>859</b>	<b>397</b>
<b>TOTAL (A)+(B)</b>	<b>1466</b>	<b>601</b>

17.1 Confirmation of balances in respect of Deposit with Government departments amounting to Rs. 68.69 lakhs is awaited (Previous Year Rs. 54.64 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.



(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2018	AS AT 31.03.2017
<b>18 OTHER CURRENT ASSETS :</b>		
Interest Accrued on Bank Deposits	13	25
<b>Total</b>	<b>13</b>	<b>25</b>

**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	77	72
19.1.2	Difference in sales tax for non-receipt of Statutory forms	25	54
19.1.3	Income Tax Appeal 2009-10 (Amounts adjusted against refund) 2013-14 (Amounts adjusted against refund)	13 5	13 5
19.1.4	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. The Company had preferred an appeal with CESTAT against the order. The said case were heard on 7th Jan. 2015 and stay was granted in favour of the Company.	1036	1036
19.1.5	Liability towards sales tax pending in appeal before various appellate Authorities relating to earlier years:		

NATURE OF DUES	AMOUNT Rs. in Lakhs	Period to which the amount relates
Sales returns disallowed. Feed supplement and Agro Chemicals Taxed at higher rate - Tamil Nadu Sales Tax Act The Dispute is pending with Appellate Assistant Commissioner (CT)V (Chennai)	0.00 (1.17)	2003-2004
Exempted Sales of Gauge & Bandages disallowed & tax imposed	0.34 (0.34)	1996-1997
Exempted Sales of Gauge & Bandages disallowed & tax imposed	1.32 (1.32)	1997-1998
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST)	1.74 (1.74)	1998-1999

NATURE OF DUES	AMOUNT Rs. in Lakhs	Period to which the amount relates
Exempted Sales of Gauge & Bandages, Feed Supplements Export sales disallowed & tax imposed (CST)	0.37 (0.37)	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)	3.73 (3.73)	2000-2001
Exempted Sales of Feed Supplements disallowed & tax imposed	2.26 (2.26)	2002-2003
The Disputes are pending with JCCT, Patna - Bihar VAT Act. (figures in brackets represent previous year figures)		
<b>Total</b>	<b>24.42</b> <b>(25.59)</b>	

PARTICULARS	Year ended 31.03.2018	Year ended 31.03.2017
	Rs. in Lakhs	Rs. in Lakhs
<b>19.2 COMMITMENTS:</b>		
19.2.1 Estimated amount of contracts remaining to be executed on capital account and not provided for	473	1284
<b>20. REVENUE FROM OPERATIONS :</b>		
Sale of Products*	35383	38627
Less : Excise Duty**	538	1693
	34845	36934
Other Operating Revenues	571	298
<b>Total</b>	<b>35416</b>	<b>37232</b>
* Refer Note No. 30		
** Excise Duty for the current year is upto 30.6.2017		
<b>21. OTHER INCOME :</b>		
Interest received from banks	252	365
Profit on sale of asset	0	1
Exchange Rate fluctuation (Net)	18	0
Miscellaneous receipts	17	5
<b>Total</b>	<b>287</b>	<b>371</b>



**22. MATERIALS CONSUMED :**

Sl. No.	PRODUCT NAME	CURRENT YEAR		PREVIOUS YEAR	
		VALUE (Rs. in Lakhs)	%	VALUE (Rs. in Lakhs)	%
<b>A. RAW MATERIALS :</b>					
I.	<b>INDIGENOUS</b>	11656		11502	
	<b>TOTAL</b>	<b>11656</b>	<b>97</b>	<b>11502</b>	<b>96</b>
<b>RAW MATERIALS</b>					
II.	<b>IMPORTED</b>	343		487	
	<b>TOTAL</b>	<b>343</b>	<b>3</b>	<b>487</b>	<b>4</b>
	<b>TOTAL OF I &amp; II</b>	<b>11999</b>	<b>100</b>	<b>11989</b>	<b>100</b>
<b>B. PACKING MATERIALS (all indigenous)</b>					
	<b>TOTAL</b>	<b>3429</b>		<b>3111</b>	
	<b>TOTAL OF A &amp; B</b>	<b>15428</b>		<b>15100</b>	
	LESS : CENVAT CREDIT	803		1547	
	LESS : GST CREDIT	1178		0	
	LESS : VAT CREDIT	15		73	
	<b>NET CONSUMPTION</b>	<b>13432</b>		<b>13480</b>	

**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	*	1470	*	1715
Others	*	1879	*	2329
<b>Total</b>		<b>3349</b>		<b>4044</b>

\*Enumeration of quantities not practicable

PARTICULARS	(Rs.in Lakhs)	
	Year ended 31.03.2018	Year ended 31.03.2017
<b>24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE;</b>		
FINISHED GOODS AND STOCK-IN-TRADE :		
Opening Stock	1882	1505
Closing Stock	2103	1882
	-221	-377
WORK-IN-PROGRESS :		
Opening Stock	978	992
Closing Stock	842	978
	136	14
(Increase) / Decrease	-85	-363
Excise Duty on Inventory Change	-186	68
<b>Net (Increase) / Decrease</b>	<b>-271</b>	<b>-295</b>
<b>25. EMPLOYEE BENEFITS EXPENSE :</b>		
Salaries and Wages	6299	5156
Contribution to Provident and other funds	890	612
Staff welfare expenses	688	710
<b>Total</b>	<b>7877</b>	<b>6478</b>
<b>25.1 Employee Benefit expenses include remuneration to Mr. K.M. Prasad, Managing Director upto 31.01.2018 as under: (Key Managerial Personnel as per Accounting Standard-18)</b>		
a) Salary and allowances	29	21
b) Contribution to PF	2	2
c) Others	2	3
<b>Total</b>	<b>33</b>	<b>26</b>



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 31.3.2018	As at 31.3.2017	As at 31.3.2018	As at 31.3.2017	As at 31.3.2018	As at 31.3.2017	As at 31.3.2018	As at 31.3.2017
Present value of obligations	3226	2750	72	71	1424	1357	290	254
Fair value of Plan Assets	2598	2368	0	0	0	0	0	0
Present value of unfunded obligations (Net Liability)	628	382	72	71	1424	1357	290	254
Net Assets/(Liability) recognised in Balance Sheet	-628	-382	-72	-71	-1424	-1357	-290	-254

\*The reimbursement right under Group Leave Encashment Policy funded with Life Insurance Corporation of India towards encashment of Earned Leave is Rs. 1428 lakhs (Previous year Rs. 1256 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			
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Current Service Cost	151	133	72	71	95	92	12	3
Past Service Cost	697	0	0	0	0	0	0	0
Interest on obligation	183	188	0	0	87	92	17	18
Expected Return on Plan Assets	-179	-171	0	0	-96	-91	0	0
Return on Leave Encashment Policy	0	0	0	0	0	0	0	0
Net Actuarial Losses/(gains) recognised in the year	-380	45	0	0	116	-130	7	-9
Total included in Employee benefits	472	195	72	71	202	-37	36	12
Benefits availed included under Salaries, Wages & Bonus	0	0	0	0	0	0	0	0
Net charged to Profit and Loss Account	472	195	72	71	202	-37	36	12
Actual Return on Plan Assets for the year	7.51%	7.71%	-	-	7.65%	8.25%	-	-

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 31.3.2018	As at 31.3.2017	As at 31.3.2018	As at 31.3.2017	As at 31.3.2018	As at 31.3.2017	As at 31.3.2018	As at 31.3.2017
Opening Obligation	2750	2528	71	65	1357	1240	254	242
Current Service Cost	151	133	72	71	95	92	12	3
Past Service Cost	697	0	0	0	0	0	0	0
Interest Cost	183	188	0	0	87	92	17	18
Actuarial Losses/(gains)	-389	39	0	0	117	63	7	-9
Benefits Paid/Availed	-166	-138	-71	-65	-232	-130	0	0
Closing Obligation	3226	2750	72	71	1424	1357	290	254

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 31.3.2018	As at 31.3.2017
Opening Balance	2368	2287
Interest credited	169	166
Assets distributed on Settlement/Benefits paid (Net of Rs. 7 lakhs a adjusted by LIC)	-159	-139
Contribution by company	220	54
Closing Balance	2598	2368

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				
	2013-14	2014-15	2015-16	2016-17	2017-18
Present Value of defined benefit obligation	2247	2281	2528	2750	3226
Fair value of Plan assets	1855	2121	2287	2368	2598
(Surplus)/deficit in the Plan	392	160	241	382	628

**EARNED LEAVE :**

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2013-14	2014-15	2015-16	2016-17	2017-18
Present Value of defined benefit obligation	971	1109	1305	1428	1496
Rights under Group Leave Encashment Scheme Policy	595	724	1043	1256	1428
(Surplus)/deficit in the Plan	376	385	262	172	68

**SICK LEAVE :**

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2013-14	2014-15	2015-16	2016-17	2017-18
Present Value of defined benefit obligation	210	224	242	254	290
Fair value of Plan assets	0	0	0	0	0
(Surplus)/deficit in the Plan	210	224	242	254	290

- g) Principal Actuarial assumptions at the Balance Sheet Date :

PARTICULARS	Gratuity		Earned Leave		Sick Leave	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Mortality Rate	Indian Assured Lives Mortality (2006-08)					
Discount Rate	7.45%	6.85%	6.85%	6.85%	6.85%	6.85%
Estimate of salary increases	10.00%	10.25%	10.00%	10.25%	10.00%	10.25%

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



PARTICULARS	(Rs.in Lakhs)	
	Year ended 31.03.2018	Year ended 31.03.2017
<b>26. FINANCE COSTS :</b>		
Interest Expenses	55	29
Other Borrowing cost	24	39
<b>Total</b>	<b>79</b>	<b>68</b>
<b>27. PRIOR PERIOD ADJUSTMENTS :</b>		
<b>PRIOR YEAR INCOME :</b>		
Repairs and maintenance	27	0
	27	0
<b>PRIOR YEAR EXPENDITURE :</b>		
Other Miscellaneous Expenditure	3	1
	3	1
<b>Total</b>	<b>-24</b>	<b>1</b>
<b>28. OTHER EXPENSES :</b>		
Consumption of stores and spare parts	48	60
Power and fuel	653	466
Rent	123	109
Repairs to buildings	28	59
Repairs to machinery	217	208
Insurance	16	18
Rates and taxes	68	184
Auditor's remuneration:		
As auditor	6	6
Others	2	2
Travelling and Conveyance	610	561
Commission and discounts	2708	3289
Late Delivery Charges	799	1086
Carriage outwards	437	387
Other manufacturing expenses	1456	1092
Laboratory expenses	115	111
Communication expenses	32	22
Legal and professional charges	75	55

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2018	Year ended 31.03.2017
General maintenance expenses	223	163
Printing and Stationery	72	65
Recruitment and training expenses	18	31
Other selling expenses	551	586
Sundry Receivables written off	5	10
Other provisions	57	22
CSR Expenditure	64	40
Exchange Rate fluctuation	0	5
Other miscellaneous expenditure	79	82
<b>Total</b>	<b>8462</b>	<b>8719</b>

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.

**28.2 CSR EXPENDITURE :**

- (a) Gross amount required to be spent by the company during the year Rs. 63.06 lakhs.
- (b) Amount spent during the year : Rs. Lakhs

SL. NO.	PARTICULARS	IN CASH	YET TO BE PAID IN CASH	TOTAL
(i)	Construction/Aquisition of any asset	---	---	---
(ii)	On purposes other than (i) above	64.16	---	64.16

PARTICULARS	(Rs.in Lakhs)	
	Year ended 31.03.2018	Year ended 31.03.2017
<b>29. EARNINGS PER SHARE :</b>		
1 Profit After Tax for the year (Rs. in Lakhs)	1455	3033
2 Weighted Average number of Basic Equity Shares outstanding during the year (Numbers)	1349000	1349000
3 Weighted Average number of Diluted (Basic and Potential) Equity Shares outstanding during the year (Numbers)	1349000	1349000
4 Potential Equity Shares- Share Application Money Pending allotment (No.s)	0.00	0.00
5 Nominal Value of the Share Rs.	100.00	100.00
6 Earnings per share (Basic) (1/2) Rs.	108	225
7 Earnings per share (Diluted) (1/3) Rs.	108	225



**30. STATEMENT OF SALES AND STOCK :**

Sl.No.	PARTICULARS	Value (Rs. in Lakhs)		
		SALES	CLOSING STOCK	OPENING STOCK
1	Dry Powder Vials	8731 (8652)	514 (379)	379 (314)
2	Liquid Parenterals (Vials/Ampoules)	3294 (2671)	155 (115)	115 (159)
3	Tablets	11488 (11890)	666 (580)	580 (274)
4	Capsules	3027 (3536)	94 (116)	116 (111)
5	Dry Syrup & Suspension	1065 (979)	51 (82)	82 (37)
6	Others	7778 (10899)	623 (610)	610 (610)
	<b>TOTAL</b>	<b>35383 (38627)</b>	<b>2103 (1882)</b>	<b>1882 (1505)</b>

(Rs.in Lakhs)

Sl. No.	PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
<b>31.</b>	<b>SPARES CONSUMED</b>				
	Indigenous	48	100	60	100
	Imported	0	0	0	0
		48	100	60	100
<b>32.</b>	<b>VALUE OF IMPORTS ON CIF BASIS</b>				
	1. Raw Materials	288		535	
	2. Capital Goods	87		69	
<b>33.</b>	<b>EARNINGS IN FOREIGN EXCHANGE</b>				
	F.O.B. Value of Exports	2397		2235	
<b>34.</b>	<b>EXPENDITURE IN FOREIGN CURRENCY</b>				
	Travel	2		3	
	Foreign Agency Commission	72		51	
	Product Registration Fees	6		28	

**35 Segment Reporting :**

The company is primarily engaged in a single business segment of manufacturing and sale of pharmaceutical products and is managed as one entity for its various activities and is governed by a similar set of risk and return, hence there are no reportable primary segments.

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.

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

**NIRJA SARAF**  
MANAGING DIRECTOR

**JITENDRA TRIVEDI**  
DIRECTOR

Refer our report of even date  
**For DAGLIYA & CO.**  
Chartered Accountants  
FRN: 00671S

**N. SANTHANA GOPALA KRISHNAN**  
General Manager-Finance

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

**P. MANOHARA GUPTA**  
Partner  
Membership No. 16444

PLACE : BENGALURU  
DATE : 29.06.2018

PLACE : BENGALURU  
DATE : 29.06.2018

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018**

(Rs.in Lakhs)

	March 2018	March 2017
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX	2,322	4,707
<b>Adjustment for :</b>		
Depreciation	477	401
Interest received from Banks	(252)	(365)
Interest expense	55	29
Profit on Sale of Assets	-	(2)
Excess Provision Reversed	(23)	(61)
Bad Debts Written-off	-	10
Provision for Contingencies	20	20
Provision for Non-moving / Slow moving Inventory	36	2
Provision no longer required withdrawn	(227)	(44)
Unrealised Foreign Exchange Loss (gain)	(18)	5
<b>Sundry Creditors balances written back</b>	<b>(111)</b>	<b>(26)</b>
	<b>(43)</b>	<b>(31)</b>
<b>Operating Profit before Working Capital Changes</b>	<b>2,279</b>	<b>4,676</b>
<b>Adjustment for :</b>		
(Increase)/Decrease in Trade and other receivables	(1,961)	(329)
(Increase)/Decrease in inventories	175	(778)
(Increase)/Decrease in other Bank Balances	2,104	(1,428)
Increase/(Decrease) in trade payables & other liabilities	1,500	2,068
	<b>1,818</b>	<b>(467)</b>
Cash generated from Operations	4,097	4,209
Direct Taxes Paid	(993)	(1,515)
<b>Net cash from Operating activities (A)</b>	<b>3,104</b>	<b>2,694</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received from Banks	252	365
Purchase of Fixed assets, Capital WIP, Capital Advances	(2,666)	(2,143)
Sale of Fixed Assets	-	4
<b>Net cash from investing activities (B)</b>	<b>(2,414)</b>	<b>(1,774)</b>



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

(Rs.in Lakhs)

	March 2018	March 2017
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Term Loan availed during the year	1,300	-
Repayment of long term borrowings	(188)	(167)
Increase/(Decrease) in short term borrowings	(244)	(119)
Dividend paid on Equity Shares	(243)	(202)
Tax on Equity Dividend paid	(49)	(48)
Interest expenses	(55)	(29)
Net cash from financing activities (C)	521	(565)
<b>D. NET INCREASE /(DECREASE) (A+B+C)</b>	1,211	355
<b>E. Cash and Cash Equivalents at the beginning of the year</b>	3,872	3,517
	3,872	3,517
<b>F. Cash And Cash Equivalents at the end of the year</b>	5,083	3,872

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

**NIRJA SARAF**  
MANAGING DIRECTOR

**JITENDRA TRIVEDI**  
DIRECTOR

Refer our report of even date  
**For DAGLIYA & CO.**  
Chartered Accountants  
FRN: 00671S

**N. SANTHANA GOPALA KRISHNAN**  
General Manager-Finance

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

**P. MANOHARA GUPTA**  
Partner  
Membership No. 16444

PLACE : BENGALURU  
DATE : 29.06.2018

PLACE : BENGALURU  
DATE : 29.06.2018

(Rs. in Lakhs)

SL. NO.	PARTICULARS	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
01	Value of Production	24739	27573	28181	34201	40551	36682
02	Sales Turnover	22358	24159	24724	32692	38627	35383
03	Exports (included in 2 above)	2035	2554	2952	3397	2272	2397
04	Cash Profit	1712	1399	2071	3358	5108	2799
05	Profit before tax	1519	1207	1733	3019	4707	2322
06	Profit after tax	1129	776	1106	1951	3033	1455
07	Share Capital	1349	1349	1349	1349	1349	1349
08	Reserves & Surplus	8321	8913	9724	11432	14465	15628
09	Net Worth	9670	10262	11073	12781	15814	16977
10	Gross Block	3774	3852	3945	4204	8092	10961
11	Long Term borrowings	492	498	624	477	310	1300
12	Contribution to Exchequer	2920	2757	2780	4113	5046	6269
13	Manpower (No.)	714	738	728	712	731	717
14	Average Sales per Professional Sales employee (Rs.)	31	38	32	46	53	49
15	Average production per factory employee (Rs.)	110	123	128	162	194	176
16	Dividend (%)	8	20	14	15	18	20
17	Book Value per share (Rs.) (Face value of Rs. 100)	717	761	820	947	1172	1258
18	Earning per Share (Rs.) (Face Value of Rs. 100)	108	58	82	145	225	108
19	Sundry Debtors to sales (%)	33	29	26	25	24	29
20	Turnover to gross fixed Assets (%)	592	627	627	777	477	323
21	Value of closing inventory to Sales (%)	15	16	20	14	14	15
22	Finance cost to turnover (%)	0.32	0.12	0.06	0.04	0.18	0.22
23	Material cost to turnover (%)	50	50	48	47	45	47





Shri M N Vijayakumar, GM (Plant Operation) and Shri Jagadeesh C Hiremath, CS & GM (HR & Admn) honouring Shri Jagadish Hiremani, Hon'ble Member, National Commission for Safai Karmacharis, Ministry of Social Justice and Empowerment, during his visit to KAPL on 23.08.2018.



Shri Jagadish Hiremani, Hon'ble Member, National Commission for Safai Karmacharis, Ministry of Social Justice and Empowerment during his visit interacting with House Keeping Personnel at Factory.





Ms. Nirja Saraf, Managing Director, KAPL receiving Award from Shri Ananth Kumar, Hon'ble Minister for Chemicals & Fertilizers and Parliamentary Affairs on 5th February 2018 during India Pharma Exhibition. Shri Jai Priye Prakash, IAS, Secretary, Department of Pharmaceuticals is also seen.