



Quality Keeps us Moving

# KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LTD.



## 32<sup>ND</sup> ANNUAL REPORT

2012 - 2013



Hon'ble Chairman with other members of Parliamentary Standing Committee on Industry and Officers during their visit to Bangalore.



Hon'ble Chairman, Committee on Government Assurances, Rajya Sabha with the other members of the Committee and Officers during their visit to Bangalore.





Shri M. Madan Gopal, IAS



Shri K. M. Prasad



Shri P. B. Ramamurthy, IAS



Shri Pradeep Yadav, IAS



Dr. B.R. Jagashetty



Shri V.K. Mehta



## BOARD OF DIRECTORS (AS ON 24.09.2013)

### SHRI M. MADAN GOPAL, IAS

Chairman – KAPL and Principal Secretary  
Health & Family Welfare Department  
Government of Karnataka, Vikas Soudha  
BANGALORE – 560 001  
From: 03.10.2012

### SHRI P.B. RAMAMURTHY, IAS

Managing Director, Karnataka State Industrial and  
Infrastructure Development Corporation Ltd.,  
Khanija Bhavan, 4th Floor, East Wing, 49  
Race Course Road, Bangalore – 560 001  
From: 09.01.2013

### SHRI PRADEEP YADAV, IAS

Joint Secretary, Ministry of Chemicals & Fertilizers  
Department of Pharmaceuticals  
Shastri Bhavan, New Delhi – 110 001  
From : 08.03.2013

### DR. B.R. JAGASHETTY

Drugs Controller for the State of Karnataka  
Palace Road, Bangalore – 560 001  
From 22.05.2008

### SHRI V. K. MEHTA

Director (Finance), Ministry of Chemicals & Fertilizers  
Department of Chemicals & Petro Chemicals  
Government of India, New Delhi – 110 001  
From: 09.01.2013

### SHRI K. M. PRASAD

Managing Director  
Karnataka Antibiotics & Pharmaceuticals Limited  
Dr Rajkumar Road, 1<sup>st</sup> Block, Rajajinagar,  
BANGALORE – 560 010  
From 15.05.2013

### DR. A.J.V. PRASAD, IAS

Jt. Secretary, Ministry of Chemicals & Fertilizers  
Department of Chemicals & Petro Chemicals  
Shastri Bhavan, New Delhi  
Upto : 08.03.2013

### DR. RAJNEESH GOEL, IAS

Managing Director  
Karnataka State Industrial and Infrastructure  
Development Corporation Ltd., Khanija Bhavan, 4th Floor  
East Wing, 49, Race Course Road, Bangalore – 560 001  
Upto : 29.11.2012

### DR. RAJA SEKHAR VUNDRU, IAS

Jt. Secretary  
Ministry of Chemicals & Fertilizers  
Department of Pharmaceuticals, New Delhi  
Upto: 29.11.2012

### SHRI R. K. KUREEL

Under Secretary (IFD)  
Ministry of Chemicals & Fertilizers  
Department of Pharmaceuticals, New Delhi  
Upto : 29.11.2012

### JAGADEESH C HIEMATH

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

### STATUTORY AUDITORS

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

### INTERNAL AUDITORS

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

### BANKERS

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

### STATE BANK OF INDIA

Industrial Finance Branch  
Residency Road  
Bangalore – 560 025

### REGISTERED & CORPORATE OFFICE

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



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## NOTICE OF THE THIRTY SECOND ANNUAL GENERAL MEETING

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

DAY : TUESDAY  
DATE : 24<sup>th</sup> SEPTEMBER 2013  
TIME : 1230 HOURS  
VENUE : Regd. & Corp. Office,  
Dr. Rajkumar Road, 1st Block, Rajajinagar, Bangalore – 560 010.

to transact the following business:

A. Ordinary Business

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31st March 2013 and the Audited Profit and Loss Statement for the year ended on that date along with the Auditors' Report thereon.
2. To declare dividend.

By Order of the Board of Directors

**(JAGADEESH C HIREMATH)**

Company Secretary and  
Dy. General Manager (Admn).

Place : Bangalore  
Date : 22.08.2013

To:

1. The Members of the Company
2. Statutory Auditors

**Note:**

1. A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote on his behalf, only on a poll. Such a proxy need not be a member of the Company.
2. As per Section 619(2) of the Companies Act, 1956, the Comptroller and Auditor General of India will be appointing the Statutory Auditors for the year ending 31.03.2014.

### VISION

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

### MISSION

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



**SPEECH DELIVERED BY CHAIRMAN, AT THE 32<sup>nd</sup> ANNUAL GENERAL MEETING OF THE COMPANY HELD AT BANGALORE ON 24<sup>th</sup> SEPTEMBER, 2013.**

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

2. It gives me immense pleasure to report to you on the performance of your Company in fiscal year 2012-13. Your Company has got "Very Good" rating for MOU for the year 2011-12. The Directors' Report and the Accounts of the Company for the year ended 31st March, 2013 have already been

**RESERVES & SURPLUS**

(Rs. in Lakhs)



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

**3. MACRO ECONOMIC SETTING:**

During the year 2012-13, the Indian Economy witnessed GDP growth of 5% as compared to last



Sr. Officers attending  
"Vigilance Awareness Week" at Corporate Office



Hindi Workshop is in Progress

year 6.2%. Industrial Sector grew by 2.1% compared to 3.5% a year ago. Agriculture and Allied activities grew by 1.9% compared to 3.6% last year. Growth in Service Sector was at 7.1% against 8.2% in the previous year.

**NET WORTH**

(Rs. in Lakhs)



**4. OPERATIONAL PERFORMANCE:**

I am delighted in informing you that, your Company achieved production of the value of Rs. 24739 lakhs – the annual production per factory employee being Rs. 110 lakhs (previous year Rs.117 lakhs). The Company achieved sales turnover of Rs. 22358 lakhs.

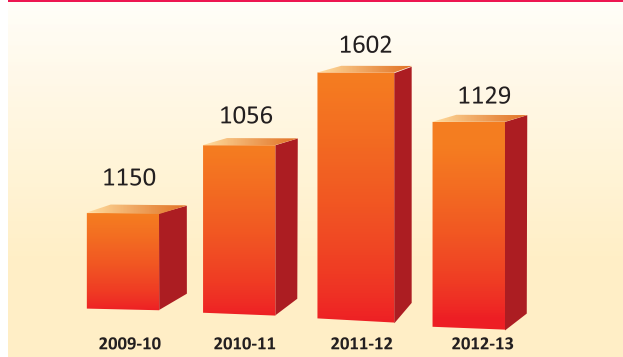
**5. FINANCIAL RESULTS:**

Your Company achieved a cash profit of Rs.17.12 crores (previous year Rs. 25.99 crores). The Company has achieved a profit before tax of Rs. 15.19 crores (previous year Rs. 24.10 crores) and profit after tax of Rs.11.29 crores. The book value per share (a face value of Rs.100/-) is Rs.717

(previous year Rs. 1077). The earning per share is Rs. 84 on a face value of Rs.100/-.

## PROFIT AFTER TAX

(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 23 years. For the year 2012-13, considering that paid up capital has increased in 2012-13, your Directors have recommended a dividend of Rs. 8/- for every equity share of Rs. 100/-.

## 7. "VERY GOOD" RATING :

Based on self appraisal, your Company has achieved "Very Good" rating for the achievement of targets under the Memorandum of Understanding [MOU] entered into by the Company for the year 2012-13.



Non-officers (Technical) participating in Training Programme



Republic Day Celebration at Corp. Office

## 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.

## 9. ACKNOWLEDGEMENT :

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

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

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

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

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

**10.** I now commend the Balance Sheet as on 31.03.2013, Profit and Loss Statement for the year ended on that date and the Directors' Report for the adoption.

Place: Bangalore

Date : 24.09.2013

**Chairman**



## DIRECTORS' REPORT

To:  
The Shareholders  
Karnataka Antibiotics & Pharmaceuticals Limited

Gentlemen,

Your Directors have pleasure in presenting the Report on the Business and Operations of the Company for the year ended 31<sup>st</sup> March 2013.

### 1. HIGHLIGHTS

The performance highlights of the Company are furnished in the Table – 1.

**Table I**

PERFORMANCE HIGHLIGHTS					Rs. in Lakhs
Sl. No.	Particulars	2010-2011	2011-2012	2012-2013	
1.	Production*	23927	25100	24739	
2.	Sales	20901	23089	22358	
3.	Exports (included in Sl. No.2 above)	2000	2278	2035	
4.	Profit before Tax –	1838	2410	1519	
5.	Profit after Tax	1056	1602	1129	
6.	Reserves and Surplus	5847	7319	8321	
7.	Paid up Share Capital	749	749	1349	
8.	Dividend	12%	15%	8%	
9.	Earning per Share(Rs.) (Face value Rs.100/-)	141	214	84**	
10.	Book value of the Share (Rs.) (Face value Rs.100/-)	881	1077	717	

\*includes the value of Contract manufacturing

\*\*Based on the No. of shares out standing as on 31.3.2013

### 2. SHARE CAPITAL

The authorized capital is Rs. 1500 lakhs and the paid up capital is Rs. 1349 lakhs.

### 3. FINANCE

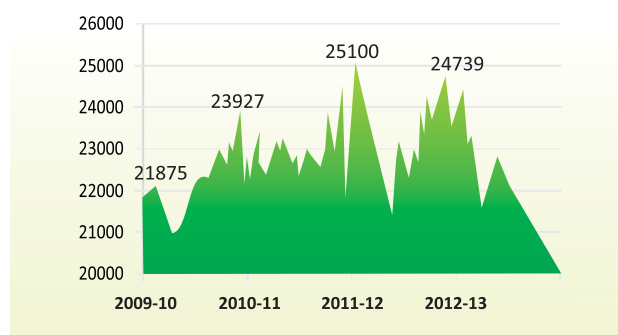
Rs. 132 lakhs is outstanding to Vijaya Bank towards term loan availed by the Company in order to upgrade its facilities.

Further your Company has been sanctioned Rs. 800 lakhs term loan for Cephalosporin Project by Vijaya Bank. As on 31.03.2013, an amount of Rs. 360 lakhs is drawn by the Company.

As on 31.03.2013, the borrowing from Banks for working capital requirements was Rs. 438 lakhs (previous year Rs. 784 lakhs). Due to continuous monitoring of funds position, inventory levels and improved sales realization, the interest burden was Rs. 18 lakhs (previous year Rs. 26 lakhs).

### VALUE OF PRODUCTION

(Rs. in Lakhs)



### 4. PRODUCTION

The Company achieved the production of the value of Rs. 24739 lakhs (previous year Rs. 25100 lakhs). The annual production value per factory employee per annum was Rs. 110 lakhs (previous year Rs. 117 lakhs)

### 5. CAPACITY UTILISATION

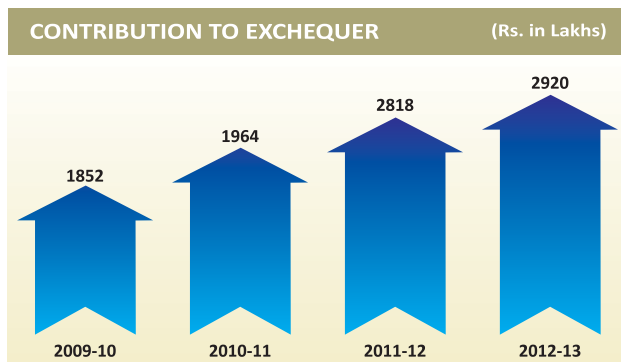
The particulars of capacity utilization, during the last three years, are furnished in the Table – II.

**Table II**

CAPACITY UTILISATION					(in %)
Sl. No.	Particulars	2010-2011	2011-2012	2012-2013	
1.	Liquid Parenterals	145	146	172	
2.	Vials	100	95	81	
3.	Tablets	178	203	212	
4.	Capsules	205	182	150	

### 6. SALES TURNOVER

During the year under review, your Company achieved a sales turnover of Rs. 22358 Lakhs as against Rs. 23089 lakhs achieved during 2011-12.



The members would be delighted to know that the sales under the Brand "Grenil" achieved Rs. 1000.01 lakhs compared to previous year Rs. 1022 lakhs. The sales of "Rem-cc" achieved Rs. 516.16 lakhs compared to previous year Rs. 601 lakhs. "Cyfolac" achieved Rs. 405.55 lakhs compared to Rs. 410 lakhs previous year. Cetriax Group achieved Rs. 386.87 lakhs sales during the year. Sales turnover of "Verclav", exceeded Rs. 200 lakhs and "Numol" group, "Zinfe" group, "Cefpar" group, "Maxiflam-SP" group, "K-Cycline" (Agro product) "Cetrix" group Inj (vet) and "K-Live Liquid (Vet)" exceeded Rs. 100 lakh each.

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

**Table III**

SALES TURNOVER		Rs. in lakhs		
Sl. No.	Particulars	2010-2011	2011-2012	2012-2013
1	Liquid Parenterals	2048	2232	2603
2	Liquid Orals and Dry Syrup	544	613	584
3	Vials	5796	6920	6505
4	Tablets	3410	4906	4630
5	Capsules	1009	1958	1790
6	Others	8094	6460	6246
	<b>Total</b>	<b>20901</b>	<b>23089</b>	<b>22358</b>

## 7. NEW PRODUCTS

With the object of increasing the sales volume and the margin, the Company continues to introduce new products. The new products launched during 2012-13 were:

TOPRAZOL –D CAPSULE  
GLIMKAP-PM1 TAB  
GLIMKAP-PM2 TAB  
KALVIMIN GOLD – 1KG & 5 KG

## 8. EXPORTS

The Company achieved an export turnover of Rs. 2035 lakhs. Exports were made to 18 countries such as Botswana, Costa Rica, Ethiopia, El-Salvador, Guatemala, Kenya, Malaysia, Namibia, Netherlands, Philippines, Russia, Sri Lanka, Sudan, Thailand, Uganda, Vietnam, Zambia, Zimbabwe. Efforts for registration of products in un-tapped countries are being made on continuing basis.

The Company has planned to export the medicines to additional Countries, such as Argentina, Belorussia, Cambodia, Nigeria and Kazakhstan and expects a higher export turnover during coming years.

## 9. FINANCIAL RESULTS:

The financial results for the year 2012-13 are furnished hereunder in Table – IV.

**Table IV**

FINANCIAL RESULTS		(Rs. in lakhs)		
Particulars	2010-2011	2011-2012	2012-2013	
Profit before interest, depreciation and tax:	2142	2711	1783	
Less : Interest and other financial charges	110	112	71	
Cash Profit	2032	2599	1712	
Less : Depreciation	194	189	193	
Profit before tax	1838	2410	1519	
Less : Provision for taxation (Net)	782	808	390	
Profit after tax and adjustments	1056	1602	1129	



Non-Officers attending Training Programme at Training Centre



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

**Table V**

KEY RATIOS			
Particulars	2010-2011	2011-2012	2012-2013
Earning per Share - Rs. (face value Rs. 100/-)	141	214	84*
Book value per share - Rs. (face value Rs. 100/-)	881	1077	717
Turnover to gross Fixed assets %	575	624	592
Finance cost to turnover %	0.53	0.49	0.32

\* Based on the No. of Shares outstanding as on 31.03.2013

#### 11. DIVIDEND

Your Company has been declaring dividend for the last 23 years. For the financial year 2012-13, your Directors have pleasure in recommending a dividend @ 8%.

#### 12. RESERVES & SURPLUS

The members will be glad to note that the cumulative reserve and surplus as on 31.03.2013 were Rs. 8321 lakhs. The reserve and surplus were 6.17 times of the paid up equity capital of Rs. 1349 lakhs. As on 31.03.2013, the net worth of your Company stood at Rs. 9670 lakhs.

#### 13. INVENTORIES AND DEBTORS

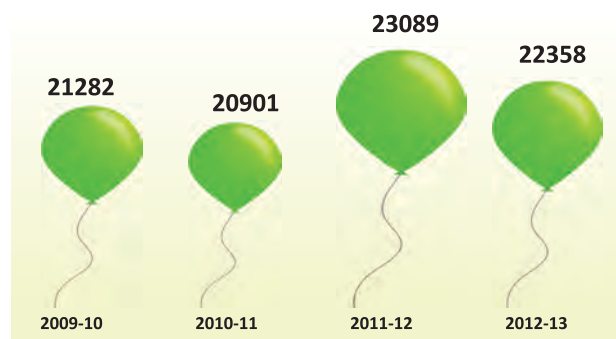
The value of total inventories consisting of raw materials, work in process and finished goods were Rs. 3278 lakhs which worked out to 14.66% (previous



Shri Pradeep Yadav, IAS, Jt. Secretary Dept. of Pharmaceuticals along with Shri K. M. Prasad, MD during visit to factory.

#### SALES TURNOVER

(Rs. in Lakhs)



year 12.57%) of sales turnover. As on 31.03.2013, debtors were Rs. 7288 lakhs which was equivalent to 119 days of sales.

#### 14. PERFORMANCE AGAINST MEMORANDUM OF UNDERSTANDING

As the members are aware, the Company has been signing the Memorandum of Understanding (MOU) with Government of India every year. The Company's performance under the MOU, for the year 2012-13, based on internal evaluation, is "Very Good". The MOU for 2013-14 has also been signed.

#### 15. CONTRIBUTION TO PUBLIC EXCHEQUER

The Company has contributed a sum of Rs. 2920 lakhs (previous year Rs. 2818 lakhs) to the exchequer of Central and State Governments by way of Income Tax, VAT (Sales Tax), Excise Duty, Customs Duty, Turnover Tax etc.

#### 16. ENCOURAGEMENT TO SMALL SCALE INDUSTRIES

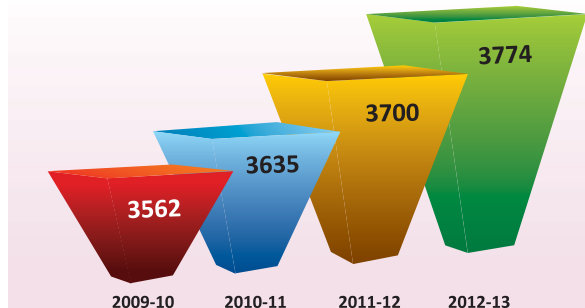
Your Company does not have any ancillary unit. Your Company continues to patronize the local Small Scale Industries for the packing material. In view of introduction of VAT, the encouragement for local SSI Units is increased to avail VAT benefit.

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

Amount payable to Micro and Small Enterprises as on 31.03.2013 are :

**GROSS BLOCK**

(Rs. in Lakhs)



Sl.No.	Supplier Name	Amount ( in Rs.)
01	M/s. Alutop	100688
02	M/s. Art Print & Pack	1286436
03	M/s. Balaji Pharma Pack	35364
04	M/s. Card Box	343974
05	M/s. Creative Aromatics Spl Pvt Ltd	18418
06	M/s. Dhariyal Polymers Pvt Ltd	413159
07	M/s. Essem Technologies Pvt Ltd	96609
08	M/s. GRV Merchandising	649264
09	M/s. G M Products	34726
10	M/s. Hiral Chemical Industries	50420
11	M/s. Kishore Pharma	907966
12	M/s. Lotus Printers	45576
13	M/s. Lisa Ampoules	1668227
14	M/s. Leuchtstoffwerk India Pvt Ltd	70197
15	M/s. Lasa Laboratories	3204417
16	M/s. Maple Biotech Pvt Ltd	222051
17	M/s. Meditop	792492
18	M/s. Organic Industries	1028860
19	M/s. Padma Chemicals	83345
20	M/s. Paragon Vial Caps	886974



Lady Employees participating in Sports Event during picnic

21	M/s. Polynova Packers	158253
22	M/s. Prashanthi Polymers	170259
23	M/s. Resil Chemicals Pvt Ltd	39625
24	M/s. Rosswell Industries	324156
25	M/s. Ramsons Print N Pack	906494
26	M/s. Rajashree Offset Packaging	9925
27	M/s. Saikripa	192068
28	M/s. R M Graphics	369227
29	M/s. Swastik Packaging Pvt Ltd	156578
30	M/s. Vial Seals	52719
31	Wincoat Colours & Coatings (P) Ltd	770733

**Total**
**15089200**
**18. FOREIGN TRAVEL**

During the year 2012-13, two employees were deputed abroad for Business purpose. The expenditure incurred in this connection by the Company was Rs. 1.50 lakhs.

**19. HUMAN RESOURCES**

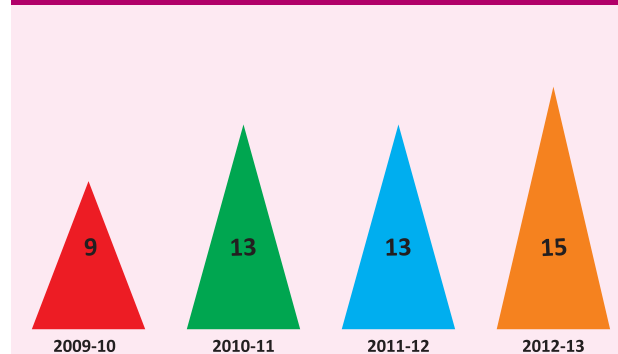
The total manpower of the Company, as on 31.03.2013 was 714 Nos. consisting of 239 Officers and 475 Non-Officers.

**20. HUMAN RESOURCE DEVELOPMENT**

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

**VALUE OF CLOSING INVENTORY TO SALES**

(%)



**Average Sales per Professional Sales Employee (Rs. in Lakhs)**



Training programmes were organized both in-house as well as through Institutes / Consultants enabling the employees to interact with other professions and to acquire capabilities for performing with a higher degree of motivation and commitment. During 2012-13, training under in-house training programmes as well as outside training programmes was provided to the extent of 951 man-days. The expenditure incurred for Training and Development during the year amounted to Rs. 7.48 lakhs.

## 21. REPRESENTATION OF SC & ST CANDIDATES

The Company continued special drives for recruitment of candidates belonging to SC/ST category. The strength of employees belonging to SC/ST category, as on 31.03.2013, was 108 Nos. (previous year 101 employees).

## 22. HUMAN RELATIONS

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

## 23. EMPLOYEE WELFARE

In your Company, Welfare facilities such as reimbursement of medical expenses, subsidized canteen, transport subsidy, uniforms, interest subsidy on house building advance, washing allowance, education allowance, incentives for higher education etc., were continued. The expenditure on the provision of welfare and other amenities amounted to Rs. 508 lakhs (Rs. 430 lakhs during 2011-12).

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

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

## 25. RESPONSIBILITY STATEMENT OF BOARD OF DIRECTORS

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

- 25.1. That in the preparation of the annual accounts for the year ended 31<sup>st</sup> March 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- 25.2. That such accounting policies as mentioned in the Annual Accounts have been selected and applied consistently and made judgement 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, 2013 and the profit of the Company for that year.
- 25.3. That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

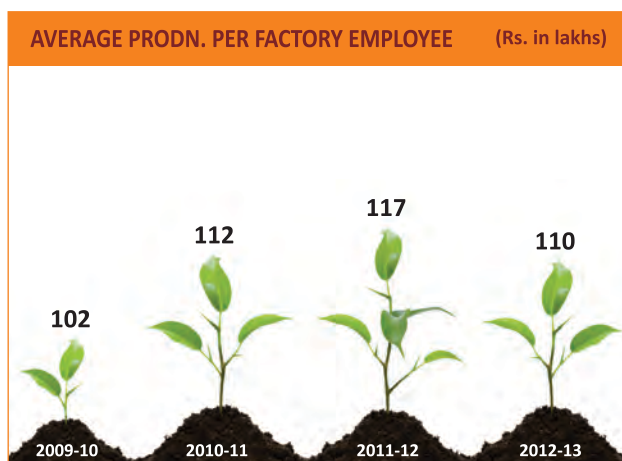


Shri K. M. Prasad & Shri M.N. Vijayakumar  
seen during Picnic



25.4. That the annual accounts for the year ended 31<sup>st</sup> March 2013 have been prepared on a going concern basis.

26. In terms of Notification No: GSR/829(E) dated 21.10.03, issued by Department of Company Affairs, Ministry of Law, Justice and Company Affairs, the nominee Directors appointed on the Boards by the Central Government are exempted from the provisions of Section 274(1)(g) of the Companies Act, 1956.



## 27. SAFETY

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

## 28. ENVIRONMENT PROTECTION MEASURES

The following steps have been taken for the environment protection:

1. Frequency of Air & Water testing is being continuously monitored to bring down pollution level
2. Continuous maintenance of Effluent Treatment Plant and Gardening
3. Boiler is being maintained to bring down smoke level. Hence pollution is avoided.
4. Efficiently maintaining rain water harvesting for 2 nos. of Borewells.

## 28A. SUSTAINABLE DEVELOPMENT

Sustainable Development is development that meets the needs of the present without compromising the

ability of future generations to meet their own needs. Sustainable Development involves an enduring and balanced approach to economic activity, social progress and environmental responsibility.

An amount of Rs. 5.73 lakhs is appropriated towards Sustainable Development in 2012-13, after considering the activities undertaken by the Company like Solar Street Lighting both at Factory and Kadabagere land.

## 29. FIXED DEPOSITS

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

## 30. ENTERTAINMENT AND PUBLICITY

During the year under review, the Company has incurred Rs. 10.03 lakhs on Entertainment and Rs. 9.28 lakhs on advertisement and publicity.

## 31. CHANGES IN THE BOARD

31.1. The Board welcomes the appointment of the following new Directors on the Board:

Sl.No.	Name	Wef
01	Shri P.B. Ramamurthy, IAS	09.01.2013
02	Shri Pradeep Yadav, IAS	08.03.2013
03	Shri V. K. Mehta	09.01.2013
04	Shri K. M. Prasad	15.05.2013

31.2. The following ceased to be the Directors on the Board with effect from date shown against their name:



Independence Day Celebration at Factory  
Shri K. M. Prasad attending the Celebration

Sl.No.	Name	Wef
01	Dr. Rajasekhar Vundru, IAS	29.11.2012
02	Dr. Rajneesh Goel, IAS	29.11.2012
03	Shri R. K. Kureel	29.11.2012

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

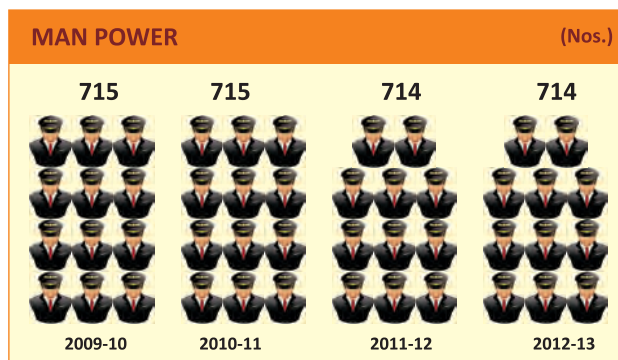
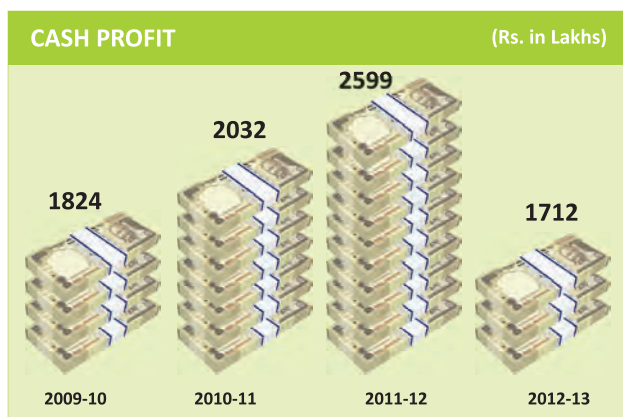
### 32. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

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

### 33. ENERGY CONSERVATION MEASURES

Following steps have been taken in this direction:

1. Compact Fluorescent Lamps (CFL) installed at DPP-II and NP Sections, resulting in power saving of 500 watts/hour.
2. Light Emitting Diodes (LED) Lamps trial was taken for 72 watts in place of 250 watts Sodium Vapour Lamps, resulting in power saving of 178 watts/hours. Further activities for implementation is in progress.
3. DPP-II Inspection Machine 40 watts motor is incorporated in place of 250 watts. Hence power saving of 210 watts/hour.
4. For Inspection Table in SVP Section 40 watts Tube Lights replaced with energy efficient lamps. Hence, power saving of 50%.



### 34. BOARD MEETING

During the year 2012-13, four Board Meetings were held. The 31<sup>st</sup> Annual General Meeting of the Company was held on 29.11.2012 after taking extension of time for 3 months to conduct AGM as per provision of Companies Act, 1956.

### 35. OFFICIAL LANGUAGE

Your Company has taken steps for implementation of the Official Language Policy of the Government. Workshops and essay writing competitions were held during the year under review. The Company has been deputing employees for Hindi Examination conducted by the Hindi Teaching Scheme, Government of India. Forms and Circulars, Notices have been made bilingual. Annual Report of the Company for 2011-12 has been printed in Hindi also.

### 36. CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is an integral part of the Company's business strategy. As a responsible



Employees at the Hindi Day Celebration at Corporate Office



Shri K. M. Prasad, lighting the lamp during the Kannada Rajyotsava

corporate citizen, we take charge of our social and environmental footprint. The social welfare activities under taken by the Company include

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

### 37. VISIT OF DIGNITARIES

Shri Kailash Pati, Economic Advisor, Department of Pharmaceuticals, Ministry of Chemicals & Fertilizers, New Delhi

### 38. AUDITORS

The Comptroller and Auditor General of India, appointed M/s. Manian & Rao, Chartered Accountants, as Statutory Auditors for auditing the accounts of the Company for the year 2012-13.

### 39. COST AUDITOR

The reports of M/s. Rao, Murthy and Associates, Cost Accountants in respect of Cost Accounts of the formulations of the Company for the year ended 31.03.2013 will be submitted to the Central Government in due course.

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

Comments if any, under Section 619(4) of the Companies Act, 1956, of the Comptroller and Auditor General of India on the accounts of the Company, for the year ended 31.03.2013 will be appended on receipt of the same.

### 41. COMPUTERIZATION ACTIVITIES

Field Management System software has been implemented and provided access to daily activity reports of Field Representatives to Corporate office Pharma Marketing Executives, Zonal Managers.

Created All India Database of KAPL Must See List of Doctors with important informations such as speciality, qualifications, Visit time etc. This will help KAPL Pharma Marketing to focus on doctors for generation of Business.

### 42. ACKNOWLEDGEMENTS

42.1. Your Directors place on record their gratitude to Government of India, particularly Department of Pharmaceuticals and other Departments of Government of India and Government of Karnataka, particularly, Health and Family Welfare Department including Drugs Controller, Commissioner for Health & Family Welfare Services, Additional Director, Karnataka State Drugs Logistics & Warehousing Society, Karnataka State Industrial Infrastructure and Development Corporation Limited for their active support and co-operation.

42.2. The Board is grateful to the Comptroller and Auditor General of India and Principal Director of Commercial Audit, M/s. Manian & Rao, Chartered Accountants, the Statutory Auditors, M/s. Rao & Swamy, the Internal Auditors, Central as well as Karnataka State Pollution Control Boards and the others.

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

42.4. The Directors are thankful to the valued customers and suppliers in India and outside India for their support and confidence. We look forward to their continued support in future.

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

### FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore  
Date : 20.07.2013

**Dr. B.R. Jagashetty** **Shri K.M. Prasad**  
Director Managing Director



**ANNEXURE TO DIRECTORS' REPORT**

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

**1 CONSERVATION OF ENERGY**

Following steps have been taken in this direction:

1. Compact Fluorescent Lamps (CFL) installed at DPP-II and NP Sections, resulting in power saving of 500 watts/hour.
2. Light Emitting Diodes (LED) Lamps trial was taken for 72 watts in place of 250 watts Sodium Vapour Lamps, resulting in power saving of 178 watts/hours. Further activities for implementation is in progress.
3. DPP-II Inspection Machine 40 watts motor is incorporated in place of 250 watts. Hence power saving of 210 watts/hour.
4. For Inspection Table in SVP Section 40 watts Tube Lights replaced with energy efficient lamps. Hence, power saving of 50%.

**POWER AND FUEL CONSUMPTION**

PARTICULARS	Current Year	Previous Year
Electricity		
a. Purchase (units)	35,12,050	35,77,750
Total amount (Rs.)	2,33,68,367	2,07,09,120
Rate / Unit (Rs.)	6.13	5.79
b. Own Generation		
i. Through diesel generator Units	1,63,392	1,66,000
Diesel cost (Rs.)	14,90,416	14,01,728
Unit per litre of diesel oil	4.54	4.61
Cost / Unit (Rs.)	9.12	8.44
ii. Coal		
Quantity (Tonnes)	—	—
Total Cost (Rs.)	—	—
Average rate (Rs.)	—	—
iii. Furnace Oil		
Quantity (litres)	1,15,500	1,05,920
Total Cost (Rs.)	55,48,639	47,13,018
Average rate(Rs.)	48.04	44.50
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	959	886
Units	147	150
<b>Furnace Oil :</b>		
Rupees	228	189
Ltrs	4.70	4.20

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

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

**3.0 TOTAL FOREIGN EXCHANGE USED AND EARNED**

Rs. in Lakhs

Particulars	Current Year	Previous Year
<b>TOTAL FOREIGN EXCHANGE USED AND EARNED</b>		
On import of raw material spare parts and capital goods	168	399
Expenditure in foreign currencies for business travels, subscription, goods for resale, commission on export sale, etc.	50	32
Remittance during the year in foreign currency on account of dividend	—	—
<b>TOTAL FOREIGN EXCHANGE EARNED</b>	1980	2209

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

Place : Bangalore  
Date : 20.07.2013

**Dr. B.R. Jagashetty** **Shri K.M. Prasad**  
Director Managing Director

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

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

## 2. Board of Directors:

- As on 31st March 2013 the Board consisted of 5 Directors of which one Non-Executive Chairman and two part-time Non-Executive Directors from Government of India, New Delhi and two part time Non-Executive Directors from Government of Karnataka.
- During the year 2012-13, four Board Meetings were held on 05.06.2012, 02.07.2012, 29.11.2012, & 07.03.2013

## 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 31.03.2013	No. of outside Board Committee Membership/ Chairmanship as on 31.03.13
Shri M. Madan Gopal, IAS	Chairman	2/2	Yes	Nil	Nil
Dr. E.V. Ramana Reddy, IAS	Chairman	2/2	NA	Nil	Nil
Dr. Raja Sekhar Vundru, IAS	Non-Executive Director	2/3	No	2	Nil
Shri P. B. Ramamurthy, IAS	Non-Executive Director	1/1	NA	10	4
Dr. B. R. Jagashetty	Non-Executive Director	4/4	Yes	Nil	Nil
Shri V. K. Mehta	Non-Executive Director	0/1	NA	1	Nil
Shri R. K. Kureel	Non-Executive Director	3/3	Yes	Nil	Nil

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

## d) Code of Conduct:

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

## 3. Audit Committee:

The Paid up Capital of Company as on date is Rs. 13.49 crores. As per the provisions of Section 292A of Companies Act 1956, Audit Committee has been constituted. Shri P.B. Ramamurthy, IAS is the Chairman of Audit Committee. Three meetings were held during 2012-13.

## 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 2012-13 was nil as Managing Director was not appointed.

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

Rs. in lakhs

Sl. No.	Name of the Director	Sitting Fee paid (Rs.)	Audit Committee Sitting Fee (Rs.)
01.	Shri M. Madan Gopal, IAS	1000/-	N.A.
02.	Dr. E. V. Ramana Reddy, IAS	1000/-	N.A.
03.	Dr. Raja Sekhar Vundru, IAS	Nil	N.A.
04.	Dr. Rajneesh Goel, IAS	Nil	N.A.
05.	Dr. B. R. Jagashetty	2000/-	1500/-
06.	Shri P. B. Ramamurthy, IAS	500/-	500/-
07.	Shri R. K. Kureel	1500/-	1000/-

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

## 5. ANNUAL GENERAL MEETINGS

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

Financial Year	Date	Time	Venue
2011-2012	29.11.2012	1230 hrs	Corp Office, Bangalore
2010-2011	22.09.2011	1600 hrs	Corp Office, Bangalore
2009-2010	23.09.2010	1300 hrs	Corp Office, Bangalore

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

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

## 6. Means of Communication:

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

b) **Plant Location :**

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

c) **Address for Correspondence:**

The address of the Regd. Office of the Company is

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

The Shareholders may send correspondence to the above address.

## FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore

Date : 20.07.2013

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

**Shri K. M. Prasad**  
Managing Director



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

We have audited the accompanying financial statements of **M/s. KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED** ("the Company"), which comprise the Balance sheet as at March 31, 2013, the Statement of Profit and Loss and Cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

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

- a) in the case of the Balance sheet, of the state of affairs of the Company as at March 31, 2013;
- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**Report on other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - e. As per Notification No.GSR 829(E), dt. 21/10/03 issued by the Central Government, the requirements under the provisions of Sec 274(1)(g) of the Companies Act, 1956, regarding disqualification of directors are not applicable to this Company.

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

Bangalore  
July 20, 2013

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

THE ANNEXURE REFERRED TO IN OUR REPORT OF EVEN DATE TO THE MEMBERS OF KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED ("THE COMPANY") FOR THE YEAR ENDED 31ST MARCH, 2013. WE REPORT THAT:

### 1. FIXED ASSETS

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets in conformity with the Companies Act 1956.
- b) The Company has a regular system for physical verification of its fixed assets by which the fixed assets are verified in a phased manner over a period of 3 years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification warranting adjustments in the books of accounts.
- c) In our opinion and according to the information provided to us, the company has not disposed of any substantial part of Fixed Assets during the year to affect the "Going Concern" status of the company.

### 2. INVENTORIES

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

### 3. LOANS AND ADVANCES

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

### 4. INTERNAL CONTROL

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

### 5. TRANSACTIONS COVERED UNDER SEC 301 OF COMPANIES ACT

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

- 6. The company has not accepted any deposits from the public.
- 7. The Company has an internal audit system, which in our opinion, is commensurate with the size and nature of its business.

8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine the accuracy or completeness of the same.

#### 9. STATUTORY DUES

- a) According to the information provided to us and relied upon by us, the Company, according to its records, is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Customs duty, Excise duty, Service Tax, Cess and other statutory dues. According to the information and explanations given to us, there are no undisputed statutory dues outstanding for a period exceeding six months from the date they became payable as at Balance Sheet date.
- b) In our opinion and according to information and explanations given to us, there are no dues of Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income tax, Wealth tax, Service tax, Customs duty, Excise duty, Cess and other Statutory dues which have not been deposited on account of any dispute with the exception of Sales tax/ VAT as detailed below:

Nature of Dues	Financial Year to which the matter pertains	Forum where dispute is pending	Amount (Rs. in Lakhs.)
West Bengal Sales Tax Act – Calculation error at the time of assessment.	2009-10	Sr. Commissioner of Commercial Taxes, Behala, Kolkata	0.44
Tamil Nadu Sales Tax Act – Sales returns disallowed, Feed Supplement and Agro Chemicals taxed at higher rate.	2003-04	Appellate Asst. Commissioner (CT), V, Chennai	0.89
Uttar Pradesh VAT Act – Supplies made to Govt. Departments at concessional rate of tax – Forms submitted not considered in Assessment.	2005-06	Asst. Commissioner of Commercial Taxes (Appeals), Lucknow	11.87

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in this financial year and in the immediately preceding financial year.
11. According to the explanations and information given to us and on the basis of examination of books of accounts, the company has not defaulted in repayment of dues to financial institution or bank during the year. The Company has not issued any debentures.
12. According to information and explanations given to us, the company has not granted any loans and advances on the basis of the security by way of pledge of shares, debentures and other securities.
13. The company is not a Chit Fund or a Nidhi / Mutual Benefit Fund / Society. Therefore, clause 4(xiii) of the Companies (Auditors' Report) Order 2003 is not applicable to the company.
14. In our opinion and according to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments. Therefore, clause 4(xiv) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
15. According to information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, on an overall basis, during the year, the term loans taken by the Company have been applied for the purposes for which they were obtained.





17. On the basis of an overall examination of the Balance Sheet of the Company as at 31st March 2013, in our opinion and according to the information and explanations given to us, no funds raised on short term basis have been utilized for long-term investments.
18. The company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. The Company has not issued any debentures requiring creation of securities, during the year.
20. The Company has not raised any money by way of public issue during the year.
21. Based on the audit procedures performed for the purpose of reporting true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud by or on the company has been noticed or reported during the year.

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

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

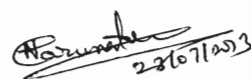
Bangalore  
July 20, 2013

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2013**

The preparation of financial statements of Karnataka Antibiotics & Pharmaceuticals Limited, Bangalore for the year ended 31 March 2013 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 20 July 2013.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of Statutory Auditor on the accounts of Karnataka Antibiotics & Pharmaceuticals Limited, Bangalore for the year ended 31 March 2013 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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



(N. Karunakaran)

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

Place: Hyderabad  
Date: 23 July 2013

**Company Overview:**

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

**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 on accrual basis to comply in all material aspects with the notified accounting standards by the Companies Accounting Standard Rules, 2006 (as amended) and relevant provisions of the Companies Act, 1956 as adopted consistently by the Company.

**2. Use of Estimates:**

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

**3. Fixed Assets:**

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

**3.1 Capitalization:**

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

**4. Depreciation:**

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

**5. Borrowing Costs:**

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as a part of the cost of the asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the Profit and Loss Statement of the year in which they are incurred.

**6. Investments:**

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

**7. Inventories:**

7.1 Raw materials are valued at lower of cost and net realisable value. The cost is determined on First-in-First out basis. Cost includes taxes, duties and freight and is net of Cenvat. Raw materials identified as obsolete are provided for.



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

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

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

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

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

### 8. Revenue Recognition:

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

- i) in the case of "F.O.R. Destination" sale contracts, where acknowledgements from customer/certificate of delivery are not on hand, sale is recognized based on the estimated average time taken for the consignment to reach the destination.
- ii) in the case of "FOB" sale contracts, sale is recognised based on the date of shipment of goods on Board.
- iii) in the case of sale contracts (other than "FOB" sale contracts) where documents against payment /acceptance are sent through bank, the sale is recognised based on the date of receipt of payment / notice of acceptance by the company.

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

### 9. Employee Benefits:

- a) Employee Benefits are recognised, measured

and disclosed as per Accounting Standard-15 (Revised 2005) – "Employee Benefits".

- b) Employee Benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit & Loss in the year in which the contributions are due.
- c) Measurement of obligation towards Post Employment Benefits under Defined Benefit Plans such as Gratuity and Long Term Benefits such as Leave and Sickness Benefits are determined on actuarial basis using Projected Unit Credit Method. Actuarial gains or losses are recognized in the Profit and Loss Statement.
- d) Termination Benefits (including under VRS) are charged in the year of termination of employment.
- e) The benefits are after taking into consideration actuarial gains or losses.

### 10. Foreign Exchange Transactions:

#### a) Initial recognition:

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction.

#### b) Conversion:

Foreign currency monetary items under assets and liabilities are reported at year-end exchange rates.

#### c) Exchange differences:

Exchange differences arising on the settlement of monetary items or on reporting monetary items of assets and liabilities at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

### 11. Taxes on Income:

- a) Provision for Current tax is made on the basis of taxable income estimated in accordance with the provisions of Income tax Act, 1961.

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

#### 12. Prior Period Transactions:

Prior years income and expenditure, above Rs.25,000/- in each case, on the concept of

materiality, is accounted under the head " Prior Period Items".

#### 13. Provisions and contingent liabilities:

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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**K.M. PRASAD**  
MANAGING DIRECTOR

**Dr. B.R. JAGASHETTY**  
DIRECTOR

Refer our report of Even date  
For **Manian & Rao**  
Chartered Accountants  
FRN : 0019835

**R. RADHAKRISHNAN**  
General Manager - Finance

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

**SRIKANTH R.**  
Partner  
Membership No. 203138

Place : Bangalore  
Date : 20.07.2013

Place : Bangalore  
Date : 20.07.2013

**BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2013**

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	AS AT 31.03.2013	AS AT 31.03.2012
<b>EQUITY AND LIABILITIES</b>			
Share holders' funds			
Share Capital	1	1349	749
Reserves and Surplus	2	8321	7319
		9670	8068
Share application money pending allotment		0	600
Non-current liabilities			
Long term borrowings	3	311	369
Long term provisions	4	1277	1364
		1588	1733
Current Liabilities			
Short term borrowings	5	438	784
Trade payables	6	7249	7105
Other current Liabilities	7	1874	1502
Short-term provisions	8	318	782
		9879	10173
<b>Grand Total</b>		<b>21137</b>	<b>20574</b>



# BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2013



(Rs.in Lakhs)

PARTICULARS	NOTE NO.	AS AT 31.03.2013	AS AT 31.03.2012
<b>ASSETS</b>			
<b>Non-current Assets :</b>			
Fixed assets			
Tangible assets	9	2047	2164
Capital work-in-progress	10	1632	1004
Deferred tax assets (net)	11	81	226
Long-term loans and advances	12	674	386
Other Non-Current Assets	13	402	5
<b>Total</b>		<b>4836</b>	<b>3785</b>
<b>Current assets:</b>			
Inventories	14	3278	2903
Trade receivables	15	7288	9184
Cash and Bank balances	16	4986	4209
Short-term loans and advances	17	668	419
Other current assets	18	81	74
<b>Total</b>		<b>16301</b>	<b>16789</b>
<b>Grand Total</b>		<b>21137</b>	<b>20574</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

**K. M. PRASAD**  
MANAGING DIRECTOR

**Dr. B. R. JAGASHETTY**  
DIRECTOR

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

**R. RADHAKRISHNAN**  
General Manager-Finance

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

**SRIKANTH R.**  
Partner  
Membership No. 203138

PLACE : BANGALORE  
DATE : 20.07.2013

PLACE : BANGALORE  
DATE : 20.07.2013



## PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	YEAR ENDED 31.03.2013	YEAR ENDED 31.03.2012
<b>INCOME</b>			
Revenue from operations	20	21626	22446
Other Income	21	417	386
<b>Total Revenue</b>		<b>22043</b>	<b>22832</b>
<b>EXPENDITURE</b>			
Cost of materials consumed	22	8353	8236
Purchases of Stock-in-Trade	23	2914	3424
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	-132	-42
Employee benefits expense	25	4435	4313
Finance costs	26	71	112
Depreciation and amortization expense		193	189
Prior period items	27	-1	-19
Other expenses	28	4691	4209
<b>Total Expenses</b>		<b>20524</b>	<b>20422</b>
Profit before Tax		1519	2410
Tax Expense :			
1) Current tax		355	840
2) Deferred tax		145	-29
Profit for the Year		<b>1019</b>	<b>1599</b>
Add : Excess Provision for taxes of earlier years withdrawn		110	3
Profit After Tax		1129	1602
Earnings per equity share :			
1) Weighted Average Earnings per share (Rs.)	29	108	214
2) Diluted Earnings per share (Rs.)	29	108	119
Significant Accounting Policies and Notes on financial statements 1 to 36 form an integral part of accounts.			

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**K. M. PRASAD**  
MANAGING DIRECTOR

**Dr. B. R. JAGASHETTY**  
DIRECTOR

**R. RADHAKRISHNAN**  
General Manager-Finance

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

PLACE : BANGALORE  
DATE : 20.07.2013

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

**SRIKANTH R.**  
Partner  
Membership No. 203138

PLACE : BANGALORE  
DATE : 20.07.2013

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2013	AS AT 31.03.2012
<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 7,49,000) Equity shares of Rs. 100/- each fully paid up	1349	749
<b>Total</b>	<b>1349</b>	<b>749</b>
<b>1.1 Reconciliation of the number of shares outstanding at the beginning and as at the end of the year</b>		
Opening number of shares outstanding	749000	749000
Shares issued during the year	600000	0
Closing number of shares outstanding	1349000	749000
<b>1.2 Terms/Rights attached to Equity Shares :</b>		
<p>The Company has only one class of Equity Shares having a par value of Rs. 100 per share. Each holder of Equity Shares is entitled to one vote per share. The company declares and pays dividends in Indian Rupees. The dividend recommended by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting.</p> <p>During the year ended March 31 ,2013 , Final dividend proposed for distribution to Equity Shareholders is Rs. 8 ( Previous Year - Rs.15) per share.</p> <p>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.</p>		





## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2013	AS AT 31.03.2012
<b>1.3 The details of the shareholders holding more than 5% of the shares :</b>		
a) President of India		
No.of Shares	798180	443180
% held	59.17	59.17
b) KSIIDC Limited		
No. of Shares	550820	305820
% held	40.83	40.83
<b>1.4 SHARE APPLICATION MONEY :</b>		
Pursuant to the decision of the Board, the management had requested for additional Equity share capital of Rs.1200 lakhs from its promoters in the existing share holding pattern towards financing Cephalosporin project. The said amount of Rs.1200 lakhs has been received from the promoters as per the details hereunder:		
a) Government of India Rs.710 lakhs	0	600
b) KSIIDC Rs.490 lakhs		
No interest is to be levied till the date of allotment. 50% of the application money is to be converted into equity on 01.10.2010 and balance 50% to be converted into equity on 01.10.2012 at par value. Accordingly, 3,55,000 shares have been allotted to the President of India on 01.10.2010 and 245000 shares have been allotted to KSIIDC on 01.10.2010 at par value. Further, 3,55,000 shares have been allotted to President of India at par value on 01.10.2012 and 2,45,000 shares have been allotted to KSIIDC at par value on 01.10.2012. The paid up equity capital after full allotment is Rs.1349 lakhs as against the Authorised share capital of Rs. 1500 lakhs.		

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2013	AS AT 31.03.2012
<b>2 RESERVES AND SURPLUS :</b>		
<b>Reserves :</b>		
General Reserve :		
As per last Balance Sheet	7066	5736
Add: Transfer from statement of Profit & Loss	1020	1330
<b>Total (A)</b>	<b>8086</b>	<b>7066</b>
<b>CSR fund Reserve :</b>		
As per last Balance Sheet	42	42
Add : Transfer from Statement of Profit & Loss	36	0
<b>Total (B)</b>	<b>78</b>	<b>42</b>
Sustainable Development Fund Reserve :		
As per last Balance Sheet	5	5
Add: Transfer from Statement of Profit & Loss	6	0
<b>Total (C)</b>	<b>11</b>	<b>5</b>
GRAND TOTAL (A+B+C)	8175	7113
Surplus in Profit and Loss Statement :		
As per last Balance Sheet	205	111
Add : Balance in Profit & Loss Statement	1129	1602
<b>Total (D)</b>	<b>1334</b>	<b>1713</b>



## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2013	AS AT 31.03.2012
<b>Appropriations :</b>		
Transfer to General Reserve	1020	1330
Proposed Dividend	108	113
Tax on Proposed Dividend	18	18
Transfer to CSR Fund Reserve 2010-11	0	22
2011-12	0	20
2012-13	36	0
Transfer to Sustainable Development Fund Reserve	6	5
Total (E)	1188	1508
Balance in Statement of Profit & Loss (D - E)	146	205
<b>Total</b>	<b>8321</b>	<b>7319</b>

- 2.1 As per the requirement of O.M.No.F.No.15(3)/2007 - DPE (GM)-99 dated 9th April, 2010 issued by Department of Public Enterprises, Government of India, the company is required to allocate 3% of the profit after tax of the previous year towards Corporate Social Responsibility (CSR) activities.

Accordingly, the company has appropriated a sum of Rs. 35.47 lakhs (previous year Rs. 20.30) for the year 2012-13 after considering the actual amount spent during the year 2012-13 ie., Rs. 12.59 lakhs (previous year Rs. 11.38 lakhs) towards CSR activities in the nature of expenses on Medical camps, supply of free medicines during Mega Health camps and Pollution control activities.

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

Accordingly, the company has appropriated a sum of Rs. 5.73 lakhs (previous year Rs. 5.28 lakhs) for the year 2012-13 after considering the actual amount spent during the year 2012-13 at Rs. 2.28 lakhs towards sustainable development activities.

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

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



(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2013	AS AT 31.03.2012
<b>3. LONG TERM BORROWINGS :</b>		
<b>Term Loan:</b>		
From banks : Secured Refer Note No. 7		
From Vijaya Bank		
Secured against hypothecation of specific fixed assets and continuing security of the Company's other fixed assets on pari passu basis with State Bank of India	311	369
	<b>311</b>	<b>369</b>

**3.1 The Company has been sanctioned two term loans from Vijaya Bank. The details of balances of each term loan as at 31st March, 2013 and the terms of repayment is as under:**

PARTICULARS	Balance outstanding As on 31st March, 2013	Balance outstanding As on 31st March, 2012
<b>Term Loan No.1</b>	0	137
Current Rs. 131.80 lakhs (Refer Note. No. 7) (Previous year Rs. 109.10 lakhs)		
Non-Current Rs. 0.00 lakhs (previous year Rs. 137.07 lakhs)		
Terms of repayment :		
84 equated monthly instalment after 12 months repayment holiday-Rate of Interest - 12.50% - As on 31st March 2013, 12 Instalments are remaining to be paid		
<b>Term Loan No.2</b>	311	232
Current Rs. 48.71 lakhs (Refer Note. No. 7) (Previous year Rs. 24.65 lakhs)		
Non-Current Rs. 311.02 lakhs (previous year Rs. 231.98 lakhs)		
Terms of repayment :		
84 equated monthly instalment after 18 months repayment holiday - Rate of Interest - 12.75% - As on 31st March 2013, 71 Instalments are remaining to be paid		
There is no default in repayment of the above Term Loans		
<b>Total</b>	<b>311</b>	<b>369</b>



## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

(Rs.in Lakhs)

PARTICULARS	As at 31st March, 2013	As at 31st March, 2012
<b>4. LONG-TERM PROVISIONS :</b> (Refer Note No. 8.1 )		
<b>Provision for employee benefits:</b>		
<b>Provision for Gratuity (Refer Note No. 4.1)</b>	217	355
Provision for Earned Leave	881	813
Current Rs. 54.34 lakhs (Refer Note. No. 8) (Previous year Rs. 46.31 lakhs)		
Non-Current Rs. 880.70 lakhs (previous year Rs. 812.71 lakhs)		
<b>Provision for Sick Leave</b>	179	196
Current Rs. 9.80 lakhs (Refer Note. No. 8) (Previous year Rs. 8.91 lakhs)		
Non-Current Rs. 178.75 lakhs (previous year Rs. 195.95 lakhs)		
<b>Total</b>	<b>1277</b>	<b>1364</b>
4.1 The total liability towards Gratuity to employees as at 31.3.2013 as per actuarial valuation is Rs. 1973 lakhs (Previous year Rs. 1860 lakhs) out of which Rs. 1815 lakhs (Previous Year Rs. 1709 lakhs) is Non-Current and Rs. 158 lakhs (Previous year Rs. 151 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		
<b>5. SHORT-TERM BORROWINGS :</b>		
Working Capital Loans from banks : (Secured and repayable on demand)	438	784
Working Capital facilities from scheduled banks are secured against hypothecation of stock-in-trade and book debts on pari passu basis and pari passu first charge on Company's entire fixed assets other than fixed assets charged to Vijaya Bank for Term loan. Debit balances under Cash Credit Hypothecation account are disclosed under Cash and Bank balance. The above facility includes post-shipment credit in foreign currency of Rs. 348.44 lakhs (Previous year Rs. 553.24 lakhs) with banks, the interest on which is linked to LIBOR.		
<b>Total</b>	<b>438</b>	<b>784</b>

(Rs.in Lakhs)

PARTICULARS	As at 31st March, 2013	As at 31st March, 2012
<b>6. TRADE PAYABLES :</b>		
Acceptances	15	15
Dues to Micro, Small and Medium enterprises ( Refer Note No. 6.1 )	151	81
Others	7083	7009
<b>Total</b>	<b>7249</b>	<b>7105</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 due and remaining unpaid	-	-
Interest due on above and the unpaid interest	-	-
Interest paid	-	-
Payment made beyond the appointed day during the year	-	-
Interest due and payable for the period of delay	-	-
Interest accrued and remaining unpaid	-	-
Amount of further interest remaining due and payable in succeeding years	-	-
6.2 Confirmation of balances towards Trade Payables is awaited to an aggregate extent of Rs. 5362.92 Lakhs (Previous Year 6103.07 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.		



## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

(Rs.in Lakhs)

PARTICULARS	As at 31st March, 2013	As at 31st March, 2012
<b>7. OTHER CURRENT LIABILITIES :</b>		
Current maturities of Long term loan (Refer Note No.3)		
Term Loan 1	132	109
Term Loan 2	49	25
EMD and security deposits received	229	225
Sundry Creditors for Capital Works	554	177
Other payables		
Statutory	212	197
Outstanding Expenses	512	487
Others	68	65
Advance received from customers	118	217
<b>Total</b>	<b>1874</b>	<b>1502</b>
7.1 "Others" under Other Payables include Rs. 6.19 Lakhs (Previous year Rs.7.49 lakhs) being the amount payable towards Executive Welfare Fund Rs. 2.77 lakhs (previous year Rs. 2.63 lakhs) and Non-Executive Welfare Fund Rs. 4.86 Lakhs (Previous year Rs. 3.42 lakhs) which are administered by the committee consisting of the members from Management and the employees. Out of Rs. 3.42 lakhs (Previous year 4.86 lakhs) Non-Executive Welfare Fund, a sum of Rs. 2.00 Lakhs (previous year 2.00 lakhs) is held in the form of Term Deposit with Vijaya Bank, Bangalore.		
<b>8 SHORT TERM PROVISIONS :</b>		
Provision for Taxation (Net)	0	481
Provision for proposed dividend (Dividend proposed is Rs. 8 Per Equity share of face value Rs. 100, Previous year Rs. 15 per equity share of face value Rs. 100)	108	113
Provision for tax on proposed dividend	18	18
Provision for Earned leave (Refer Note No.4)	54	46
Provision for sick leave (Refer Note No.4)	10	9
Provision for contingencies	128	115
<b>TOTAL</b>	<b>318</b>	<b>782</b>



### 8.1 MOVEMENT OF PROVISIONS DURING THE YEAR

(Refer Note 4 and 8)

(Rs.in Lakhs)

Particulars	Balance at the begin- ing of the year	Amount provided during the year	Amount paid/adjus- ted during the year	Balance at the end of the year
Provision for Taxation (Net)	481	355	961	-125
Proposed Dividend	113	108	113	108
Provision for tax on proposed dividend	18	18	18	18
Provision for Earned Leave	859	201	125	935
Provision for Gratuity	355	32	170	217
Provision for Sick Leave	205	0	16	189
Provision for Contingencies :				
a) Disputed legal cases	95	18	5	108
b) Disputed statutory demands	20	0	0	20
<b>Total</b>	<b>2146</b>	<b>732</b>	<b>1408</b>	<b>1470</b>

Note : The sum of Rs. 125 lakhs being Income Tax refund due has been shown under short term loans and advances.

### 9 TANGIBLE ASSETS :

(Rs.in Lakhs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	TOTAL AS AT 01.4.12	ADDITIONS DURING THE YEAR	ADJUST- MENTS DELETIONS/ IMPAIRMENT DURING THE YEAR	TOTAL AS AT 31.3.13	TOTAL AS AT 01.4.12	FOR THE YEAR	ADJUST- MENTS DELETIONS/ IMPAIRMENT DURING THE YEAR	TOTAL AS AT 31.3.13	AS AT 31.3.13	AS AT 31.3.12
LAND :										
FREE HOLD	23	0	0	23	0	0	0	0	23	23
BUILDINGS	1039	4	0	1043	319	33	0	352	691	720
PLANT AND MACHINERY	2265	56	0	2321	985	135	0	1120	1201	1280
FURNITURE & FIXTURES	126	5	0	131	80	5	0	85	46	46
OFFICE EQUIPMENTS	225	6	2	229	142	19	2	159	70	83
CANTEEN EQUIPMENTS	9	5	0	14	6	0	0	6	8	3
VEHICLES	13	0	0	13	4	1	0	5	8	9
<b>TOTAL</b>	<b>3700</b>	<b>76</b>	<b>2</b>	<b>3774</b>	<b>1536</b>	<b>193</b>	<b>2</b>	<b>1727</b>	<b>2047</b>	<b>2164</b>
<b>PREVIOUS YEAR</b>	<b>3635</b>	<b>79</b>	<b>14</b>	<b>3700</b>	<b>1358</b>	<b>189</b>	<b>11</b>	<b>1536</b>	<b>2164</b>	<b>2277</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, Bangalore North Taluk, Bangalore. The RTC in respect of Survey No.80 (New No.197) has been received and in respect of Survey No. 22 (New No.196) is yet to be received. The Company had applied for survey report from the Government of Karnataka for the above survey numbers. Survey report in respect of Survey No. 80 (New No. 197) has been received and encroachment to the extent of 3 acres and 25 guntas is reported. Besides the encroachment shown in survey report, there is an encroachment to the extent of 1 Acre (approx.) in Survey No. 80 (New No.197) which has not been shown in survey report. The Company has taken up the matter with revenue authorities for mentioning this additional encroachment in the report and eviction of all encroachments. The Company has since fenced the remaining portion of the land. Out of the encroachments of 3 acres and 25 guntas shown in the survey report, one of the encroached party has filed a Civil Suit in Civil Judge Court, Bangalore against the Company which is being contested by the Company. Subsequently the case has been transferred to Nelamangala. The Company has applied for survey of survey No. 22 (New No.196) during December 2008 and survey is yet to be carried out. Matter is being pursued. Considering the request of the Company, Survey Settlement and Land Records Department has asked the concerned Tahasildar vide letter dated 13.02.2013 and 13.3.2013 to take suitable action in the matter and submit report. The same is being followed up. Further Board, at its 131st Board Meeting held on 19.02.2010, decided to grow medicinal plants in 10 acres in Phase I. Accordingly Medicinal Plants are being grown at Kadabagere Land.

#### **10. CAPITAL WORK-IN-PROGRESS:**

- 10.1 Board, at its 126th meeting held on 18.12.2008, approved Cephalosporin project at a cost of Rs. 2223 lakhs. The promoters have contributed Rs. 1200 lakhs as additional equity. The balance amount is to be funded by way of Term loan of Rs. 800 lakhs and internal accruals of Rs. 223 lakhs. The project work is under progress.
- 10.2 Capital work in progress includes a sum of Rs. 37.15 lakhs (previous year Rs. 16.96 lakhs) being the borrowing costs incurred during the year towards the term loan borrowed for the Cephalosporin project.

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

(Rs.in Lakhs)

PARTICULARS	Upto 31.03.2013	Upto 31.03.2012
<b>Deferred Tax Liabilities :</b>		
a) Fixed Assets - Written Down Value Difference	344	335
	344	335
<b>Deferred Tax Assets :</b>		
a) Provisions for doubtful debts, claims etc.,	33	23
b) Leave Salary	244	345
c) Gratuity	74	115
d) Others	74	78
	425	561
Deferred Tax Asset (Net)	81	226

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2013	AS AT 31.03.2012
<b>12. LONG TERM LOANS AND ADVANCES :</b>		
<b>Capital Advances:</b>		
Unsecured, Considered good Advance for capital items	626	337
Advance to employees	1	2
Current Rs. 68.37 lakhs (Refer Note. No. 17) (Previous year Rs. 64.93 lakhs)		
Non-Current Rs. 0.62 lakhs (Previous year Rs. 1.52 lakhs)		
Prepaid expenses	2	2
Current Rs. 25.64 lakhs (Refer Note. No. 17) (Previous year Rs. 26.50 lakhs)		
Non-Current Rs. 1.40 lakhs (Previous year Rs. 1.90 lakhs)		
Deposit Rent - Non current	5	5
Deposit with Government Departments	40	40
Current Rs. 335.79 lakhs (Refer Note. No. 17 and 17.1) (Previous year Rs. 251.44 lakhs)		
Non-Current Rs. 40.12 lakhs (Previous year Rs.40.08 lakhs)		
<b>Total</b>	<b>674</b>	<b>386</b>
<b>13. OTHER NON-CURRENT ASSETS :</b>		
Rights under Group Leave Encashment Scheme Insurance Policy (Ref. Note No. 25.2)	397	0
<b>Others</b> (Refer Note No. 16)	5	5
Held as Fixed Deposit with the State Bank of India as Margin Money		
<b>Total</b>	<b>402</b>	<b>5</b>
<b>14. INVENTORIES :</b>		
Raw Materials - in Stock	1368	1092
- in Transit	126	152
Less : Provision for obsolescence	28	25
	1466	1219
Work-in-progress	661	419
Finished Goods - in Stock	786	1010
- in Transit	350	238
Stores and spares	15	17
<b>Total</b>	<b>3278</b>	<b>2903</b>

(Rs.in Lakhs)

<b>PARTICULARS</b>	<b>AS AT 31.03.2013</b>	<b>AS AT 31.03.2012</b>
<b>15. TRADE RECEIVABLES :</b>		
Unsecured		
Outstanding for a period exceeding six months		
Considered good	2208	2130
Considered doubtful	96	71
Less : Provision for doubtful	96	71
	2208	2130
Others - Considered good	5080	7054
<b>Total</b>	<b>7288</b>	<b>9184</b>

15.1 'Sundry Debtors' includes Rs. 5016.45 Lakhs (Previous year Rs.6497.41 lakhs) due from Government Institutions/bodies in respect of which confirmation of balances is awaited.

15.2 Included in the above, a sum of Rs.1216.52 Lakhs(Previous year Rs. 1216.52 Lakhs) is due from Government of Madhya Pradesh (M.P.Govt) against supply of Medicine Kits during the financial year 2007-08. The Company had filed a Writ petition for recovery of the above dues before the Honourable High Court of Madhya Pradesh. In its order dated 20th March 2010, the Court had directed the M.P.Govt. to make an interim payment of Rs.1000 lakhs which would be subject to the final outcome of the case. The said sum of Rs.1000 lakhs was received during the year 2010-11. The Honourable High court of Madhya Pradesh had further directed the parties to form a committee to resolve the matter. Against the interim order of the Honourable High Court, M.P.Government had approached Supreme Court by filing an SLP. The SLP was disposed off on 02.05.2011 by the Supreme Court. Finally,the matter was decided in our favour by Honourable High Court of Madhya Pradesh, vide order dated 01.11.2012. Company had filed Caveat in Honourable Supreme Court. Government of Madhya Pradesh filed SLP challenging Honourable High Court of Madhya Pradesh order which was dismissed by Honourable Supreme Court on 29.04.2013. Company has requested Madhya Pradesh Government to pay dues as per Court Order vide letter dated 08.05.2013.

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

15.3 Confirmation of balances called for by the Company towards Trade Receivables other than Government institutions/bodies is awaited to an aggregate extent of Rs. 1096.17 lakhs (previous year Rs. 1063.47 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 reconciliations.

15.4 However, in the opinion of the Company, non receipt of confirmation of balances will not have any material effect on the financial position of the Company.



(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2013	AS AT 31.03.2012
<b>16. CASH AND BANK BALANCES :</b>		
<b>Cash and cash equivalents:</b>		
Balances with banks		
- in Current/Cash Credit Account	633	164
- in fixed deposit account		
With maturity less than 3 months	3518	3050
Other Bank balances		
- in fixed deposit account		
With maturity more than 3 months	700	803
a) An amount of Rs. 1.42 Lakhs (previous year Rs.1.42 lakhs) held in Vijaya Bank, Secunderabad as per the orders of High Court of Andhra Pradesh in connection with a case filed by an employee.		
b) An amount of Rs. 2.00 Lakhs (previous year Rs.2.00 Lakhs) held with Vijaya Bank, Bangalore in respect of a welfare fund constituted for the welfare of the employees.		
Cash, Stamps and Coupons on hand	2	6
Margin money in fixed deposits		
- With maturity more than 3 months	53	53
Rs. 5.00 Lakhs, being Non-current portion of margin money, is reflected under other Non-current Asset-Refer Note No. 13		
Remittances - in - transit	80	133
<b>Total</b>	<b>4986</b>	<b>4209</b>



## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2013	AS AT 31.03.2012
<b>17 SHORT TERM LOANS AND ADVANCES :</b>		
Advances		
Others		
Unsecured, recoverable in cash or kind or for value to be received Considered good		
Advance to employees including imprest to field employees (Refer Note No.12)	68	65
Pre-paid expenses (Refer Note No.12)	26	27
Advance Income Tax (Net)	125	0
Other advances	36	19
Other receivables	81	62
<b>Total</b>	<b>336</b>	<b>173</b>
Deposits with Government Departments (Refer Note No.12 and 17.1)		
Considered good	332	246
Considered doubtful	4	5
	336	251
Less: Provision for Doubtful Deposits	4	5
	332	246
<b>Total</b>	<b>668</b>	<b>419</b>

17.1 Confirmation of balances in respect of Deposit with Government Departments amounting to Rs. 44.20 lakhs is awaited (Previous Year Rs. 47.97 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 31.03.2013	AS AT 31.03.2012
<b>18 OTHER CURRENT ASSETS :</b>		
Interest Accrued on deposits	81	74
<b>Total</b>	<b>81</b>	<b>74</b>
<b>19 CONTINGENT LIABILITIES AND COMMITMENTS :</b>		
(to the extent not provided for)		
<b>19.1 Contingent Liabilities:</b>		
19.1.1 Claims against the company not acknowledged as debts	65	53
19.1.2 Bank guarantees	181	124
19.1.3 Letter of Credit	106	33
19.1.4 Difference in sales tax for non-receipt of Statutory forms	447	404
19.1.5 Liability towards sales tax pending appeal before various Appellate Authorities relating to earlier years:		
<b>NATURE OF DUES</b>	<b>AMOUNT Rs. in Lakhs</b>	<b>Period to which the amount relates</b>
Sales returns disallowed. Feed supplement and Agro Chemicals Taxed at higher rate-Tamilnadu Sales Tax Act	0.89 (0.89)	2003-2004
The Dispute is pending with Appellate Assistant Commissioner (CT)V(Chennai)		
Supplies to Government Departments at concessional rate of tax-Forms submitted not considered in Assessment - Uttar Pradesh VAT Act	11.87 (11.87)	2005-2006
The Dispute is pending with Assistant Commissioner of Commercial Taxes (Appeals) Lucknow.		
Calculation error at the time of Assessment - West Bengal Sales Tax act	0.00 (1.74)	2005-2006
Value of Stock transfer excess taken in the Assessment West Bengal Sales Tax act	0.00 (15.71)	2008-2009
Calculation error at the time of Assessment - West Bengal Sales Tax act	0.44 (0.00)	2009-2010
The Disputes are pending with Senior Commissioner of Commercial Taxes , Behala, Kolkatta (figures in brackets represent previous year figures)		
<b>Total</b>	<b>13.20 (30.21)</b>	



## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2013	AS AT 31.03.2012
<b>19.2 COMMITMENTS:</b>		
19.2.1 Estimated amount of contracts remaining to be executed on capital account and not provided for	341	720

PARTICULARS	Year ended 31.03.2013	Year ended 31.03.2012
<b>20. REVENUE FROM OPERATIONS :</b>		
Sale of Products	22358	23089
Other Operating Revenues	362	266
	22720	23355
Less : Excise Duty	1094	909
<b>Total</b>	<b>21626</b>	<b>22446</b>

### 20.1 Particulars of Sale of Products :

Dry Powder Vials	6505	6920
Liquid Parenterals (Vials/Ampoules)	2603	2232
Tablets	4630	4906
Capsules	1790	1958
Dry Syrup & Suspension	584	613
Others	6246	6460
<b>Total</b>	<b>22358</b>	<b>23089</b>

### 21. OTHER INCOME :

Interest received	403	320
Profit on sale of assets	0	0
Miscellaneous receipts	14	49
Exchange rate fluctuation	0	17
<b>Total</b>	<b>417</b>	<b>386</b>



**22. MATERIALS CONSUMED :**

Sl. No.	PRODUCT NAME	CURRENT YEAR			PREVIOUS YEAR		
		QUANTITY (Kgs/Bus)	VALUE Rs. Lakhs	%	QUANTITY (Kgs/Bus)	VALUE Rs. Lakhs	%
<b>A.</b>	<b>RAW MATERIALS :</b>						
<b>I.</b>	<b>INDIGENOUS :</b>						
1	CEFTRIAXONE	10997.700	723		6590.000	414	
2	CIPROFLOXACIN	30138.236	568		25917.623	411	
3	CEFOTAXIME SODIUM	5918.500	388		8319.510	513	
4	ALBENDAZOLE	24062.500	370		12507.496	148	
5	PARACETAMOL	138602.710	345		110613.678	238	
6	AMOXYCILLIN TH (COMP)	18080.765	335		25550.320	391	
7	CEFADROXYL IP (COMP)	9004.500	288		9104.400	267	
8	AMICACIN SULPHATE	3721.091	194		3797.487	179	
9	GENTAMYCIN SULPHATE	2563.441	177		2401.073	113	
10	FENBENDAZOLE	10364.000	168		3786.400	63	
11	OTHERS		3140			3433	
	<b>TOTAL</b>		<b>6696</b>	<b>98</b>		<b>6170</b>	<b>93</b>
<b>II.</b>	<b>IMPORTED :</b>						
1	CEFTAZADIME	464.260	54		493.260	74	
2	POTTASIMUM CLAUVALNATE	205.200	30		150.000	54	
3	HYDROCARTISONE SOD.	50.000	21		700.000	81	
4	OTHERS		60			234	
	<b>TOTAL:</b>		<b>165</b>	<b>2</b>		<b>443</b>	<b>7</b>
	<b>TOTAL OF I &amp; II</b>		<b>6861</b>	<b>100</b>		<b>6613</b>	<b>100</b>

## 22. MATERIALS CONSUMED : (Contd.)

Sl. No.	PRODUCT NAME	CURRENT YEAR		PREVIOUS YEAR	
		QUANTITY (Kgs/Bus)	VALUE Rs. in Lakhs	QUANTITY (Kgs/Bus)	VALUE Rs. in Lakhs
<b>B.</b>	<b>PACKING MATERIALS :</b>				
	(all indigenous)	(Nos.in Lakhs)		(Nos. in Lakhs)	
1	VIALS, AMPOULES & BOTTLES	925.40	874	941.641	815
2	OTHERS		1635		1649
	TOTAL		2509		2464
	TOTAL OF A & B		9370		9077
	LESS : CENVAT CREDIT		967		791
	LESS : VAT CREDIT		50		50
	NET CONSUMPTION		8353		8236

## 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	*	816	*	1083
Others	*	2098	*	2341
<b>Total</b>		<b>2914</b>		<b>3424</b>

\*Enumeration of quantities not practicable

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2013	Year ended 31.03.2012
<b>24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE</b>		
FINISHED GOODS AND STOCK-IN-TRADE :		
Opening Stock	1248	1255
Closing Stock	1136	1248
	112	7
WORK-IN-PROCESS :		
Opening Stock	419	357
Closing Stock	661	419
	-242	-62
(Increase) / Decrease	-130	-56
Excise Duty on Inventory Change	-2	13
Net (Increase) / Decrease	-132	-42
<b>25. EMPLOYEE BENEFITS EXPENSE :</b>		
Salaries and Wages	3599	3363
Voluntary Retirement Scheme Expenses	0	138
Contribution to Provident and other funds	328	382
Staff welfare expenses	508	430
<b>Total</b>	<b>4435</b>	<b>4313</b>
<b>25.1 Employee Benefit expenses include Managing Director's remuneration as under :</b>		
PARTICULARS		
a) Salary	0	17
b) Contribution to PF	0	1
<b>Total</b>	<b>0</b>	<b>18</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 31.3.2013	As at 31.3.2012	As at 31.3.2013	As at 31.3.2012	As at 31.3.2013	As at 31.3.2012	As at 31.3.2013	As at 31.3.2012
Present value of obligations	1973	1860	54	46	881	813	188	205
Fair value of Plan Assets	1756	1505	0	0	0	0	0	0
Present value of unfunded obligations (Net Liability)	217	355	54	46	484	813	188	205
Net Assets/(Liability) recognised in Balance Sheet	-217	-355	-54	-46	-881	-813	-188	-205

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

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

Particulars	Defined Benefit Gratuity		Earned Leave				Sick Leave Availment	
			Availment		Encashment			
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Current Service Cost	53	92	43	39	56	154	10	41
Interest on obligation	151	143	2	0	62	58	16	14
Expected Return on Plan Assets	-125	-119	0	0	0	0	0	0
Return on Leave Encashment Policy	0	0	0	0	-2	0	0	0
Net Actuarial Losses/(gains) recognised in the year	-54	-10	13	34	80	-20	-22	2
Total included in Employee benefits	25	106	58	73	196	192	4	57
Benefits availed included under Salaries, Wages & Bonus	0	0	0	-65	0	-120	-21	-39
Net charged to Profit and Loss Account	25	106	58	8	196	72	-17	18
Actual Return on Plan Assets for the year	9.40%	9.40%	0.00	0.00	0.00	0.00	0.00	0.00



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

Particulars	Defined Benefit Gratuity		Earned Leave				Sick Leave Availment	
			Availment		Encashment			
	As at 31.3.2013	As at 31.3.2012	As at 31.3.2013	As at 31.3.2012	As at 31.3.2013	As at 31.3.2012	As at 31.3.2013	As at 31.3.2012
Opening Obligation	1860	1737	46	38	813	741	205	187
Current Service Cost	53	92	43	39	56	154	10	41
Interest Cost	151	143	2	0	62	58	16	14
Actuarial Losses/(gains)	-36	-10	13	34	82	-20	-22	2
Benefits Paid/Availed	-55	-102	-50	-65	-132	-120	-21	-39
Closing Obligation	1973	1860	54	46	881	813	188	205

- 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 31.3.2013	As at 31.3.2012
Opening Balance	1505	1225
Interest credited	143	119
Assets distributed on Settlement/Benefits paid	-55	-102
Contribution by company	163	263
Closing Balance	1756	1505

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				
	2008-09	2009-10	2010-11	2011-12	2012-13
Present Value of defined benefit obligation	1162	1739	1737	1860	1973
Fair value of Plan assets	493	540	1225	1505	1756
Surplus/deficit in the Plan	669	1199	512	355	217

**EARNED LEAVE :**

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2008-09	2009-10	2010-11	2011-12	2012-13
Present Value of defined benefit obligation	445	653	779	859	935
Rights under Group Leave Encashment Scheme Policy	0	0	0	0	397
Surplus/deficit in the Plan	445	653	779	859	538

**SICK LEAVE :**

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2008-09	2009-10	2010-11	2011-12	2012-13
Present Value of defined benefit obligation	118	183	187	205	188
Fair value of Plan assets	0	0	0	0	0
Surplus/deficit in the Plan	118	183	187	205	188

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

PARTICULARS	Gratuity		Earned Leave		Sick Leave	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Mortality Rate	LIC (1994-96)					
Discount Rate	8.25%	8.50%	8.25%	8.50%	8.25%	8.50%
Estimate of salary increases	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

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

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2013	Year ended 31.03.2012
<b>26. FINANCE COSTS :</b>		
Interest Expenses (refer Note No. 26.1)	42	83
Other Borrowing cost	28	25
Exchange Rate Fluctuation	1	4
<b>Total</b>	<b>71</b>	<b>112</b>
26.1 Interest expenses include a sum of Rs. 00.00 lakhs (Previous year 20.22 lakhs) being the interest under section 234C of the Income Tax Act,1961.		
<b>27. PRIOR PERIOD ADJUSTMENTS :</b>		
<b>PRIOR YEARS INCOME :</b>		
Material Consumption	3	0
Purchase of Finished Goods	0	6
Withdrawal of Provision for CSR Fund	0	22
Sales tax paid	0	15
Travelling and Conveyance	0	1
	3	44
<b>PRIOR YEARS EXPENDITURE :</b>		
Commission and Discounts	0	23
Repairs and Maintenance-Machinery and Electrical	0	1
General Maintenance Expenses	1	0
Other Selling Expenses	1	0
Legal & Professional Charges	0	0
Rent	0	1
	2	25
<b>Total</b>	<b>-1</b>	<b>-19</b>



## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2013	Year ended 31.03.2012
<b>28. OTHER EXPENSES :</b>		
Consumption of stores and spare parts	40	50
Power and fuel	304	268
Rent	50	49
Repairs to buildings	14	15
Repairs to machinery	50	40
Insurance	16	9
Rates and taxes	38	35
Auditor's remuneration: as auditor (including service tax)	2	2
Travelling and Conveyance	515	527
Commission and discounts	2109	1592
Carriage outwards	241	296
Loss on sale/discarding of assets	0	1
Other manufacturing expenses	295	318
Laboratory expenses	38	27
Communication expenses	26	27
Legal and professional charges	42	40
General maintenance expenses	120	97
Printing and Stationery	47	47
Recruitment and training expenses	49	36
Other selling expenses	316	318
Sundry Receivables written off	22	24
Exchange Rate Fluctuation	10	0
Other provisions	62	111
Other miscellaneous expenditure	285	280
<b>Total</b>	<b>4691</b>	<b>4209</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 Loss on sale/discarding of assets includes 0.00 lakhs (previous year Rs. 0.99 lakhs) and Rs.0.00 lakhs (Previous year Rs. 0.13 lakhs) of certain obsolete Fixed assets recognised as impaired and charged off.



(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2013	Year ended 31.03.2012
<b>29. EARNINGS PER SHARE :</b>		
1. Profit After Tax for the year	1129	1602
2. Weighted Average number of Basic Equity Shares outstanding during the year	1048178	749000
3. Weighted Average number of Diluted (Basic and Potential) Equity Shares outstanding during the year	1349000	1349000
4. Potential Equity Shares - Share Application Money Pending allotment	0.00	600.00
5. Nominal Value of the Share Rs.	100.00	100.00
6. Earnings per share (Basic) (1/2)	108	214
7. Earnings per share (Dilluted) (1/3)	108	119

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

Sl.No.	PARTICULARS	Value Rs. in Lakhs		
		SALES	CLOSING STOCK	OPENING STOCK
1	Dry Powder Vials	6505 (6920)	306 (407)	407 (413)
2	Liquid Parenterals (Vials/Ampoules)	2603 (2232)	142 (56)	56 (125)
3	Tablets	4630 (4906)	80 (157)	157 (97)
4	Capsules	1790 (1958)	34 (58)	58 (30)
5	Dry Syrup & Suspension	584 (613)	34 (47)	47 (45)
6	Others	6246 (6460)	540 (523)	523 (545)
	TOTAL	22358 (23089)	1136 (1248)	1248 (1255)



## NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013

(Rs.in Lakhs)

Sl. No.	PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
<b>31.</b>	<b>SPARES CONSUMED</b>				
	Indigenous	40	100	47	94
	Imported	0	0	3	6
		40	100	50	100
<b>32.</b>	<b>VALUE OF IMPORTS ON CIF BASIS</b>				
	1. Raw Materials	155		394	
	2. Capital Goods	13		0	
	3. Others	0		5	
<b>33.</b>	<b>EARNINGS IN FOREIGN EXCHANGE</b>				
	F.O.B. Value of Exports	1980		2209	
<b>34.</b>	<b>EXPENDITURE IN FOREIGN CURRENCY</b>				
	Travel and others	50		32	

**35. SEGMENT INFORMATION FOR THE YEAR ENDED 31ST MARCH 2013**  
**PRIMARY SEGMENT : BUSINESS SEGMENT**

(Rs.in Lakhs)

PARTICULARS	PHARMACEUTICALS		OTHERS		TOTAL	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012	31.3.2013	31.3.2012
<b>REVENUE</b>						
Sales	21361	21726	997	1363	22358	23089
Income from Contract Manufacturing	-	-	157	131	157	131
Total Revenue	21361	21726	1154	1494	22515	23220
Segment Result	1947	3034	153	240	2100	3274
Unallocated Corporate Expenses					935	1099
Operating Profit					1165	2175
Interest Expense					49	85
Interest Income					403	320
Income Tax					355	840
Deferred Tax					145	-29
Profit from Ordinary Activities					1019	1599
Taxation Adjustments of Previous Year					110	3
Net Profit					1129	1602
<b>OTHER INFORMATION</b>						
Segment Assets	12257	12319	2935	3454	15192	15773
Unallocated Corporate Assets					5945	4801
Total Assets					21137	20574
Segment Liabilities	7599	6793	2490	2843	10089	9636
Unallocated Corporate Liabilities					11048	10938
Total Liabilities					21137	20574
Capital Expenditure	693	280	0	0	693	280
Unallocated Capital Expenditure					11	14
Total Capital Expenditure	693	280	0	0	704	294
Depreciation*	179	161	1	1	180	162
Non-cash Expenses other than Depreciation	0	0	0	0	0	0

\* does not include depreciation on common assets



**SECONDARY SEGMENT: GEOGRAPHICAL SEGMENT**

(Rs.in Lakhs)

	31.3.2013	31.3.2012
<b>REVENUE :</b>		
INDIA	20480	20942
OUTSIDE INDIA	2035	2278
<b>TOTAL</b>	<b>22515</b>	<b>23220</b>
<b>CARRYING AMOUNT OF SEGMENT ASSETS :</b>		
INDIA	14460	14875
OUTSIDE INDIA	732	898
<b>TOTAL</b>	<b>15192</b>	<b>15773</b>
<b>ADDITIONS TO FIXED ASSETS</b>		
INDIA	704	294
OUTSIDE INDIA	0	0
<b>TOTAL</b>	<b>704</b>	<b>294</b>

**NOTES :**

**1. BUSINESS SEGMENTS :**

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

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

**2. GEOGRAPHICAL SEGMENTS :**

The geographical segments considered for disclosure are as follows :

- 2.1) Sales within India
- 2.2) Sales outside India

**3. SEGMENTAL ACCOUNTING POLICIES :**

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





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.

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Signature to Note Nos. 1 to 36

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**K. M. PRASAD**  
MANAGING DIRECTOR

**Dr. B. R. JAGASHETTY**  
DIRECTOR

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

**R. RADHAKRISHNAN**  
General Manager-Finance

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

**SRIKANTH R.**  
Membership No. 203138

PLACE : BANGALORE  
DATE : 20.07.2013

PLACE : BANGALORE  
DATE : 20.07.2013

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2013**

(Rs.in Lakhs)

	March 2013	March 2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX	1,519	2,410
<b>Adjustment for :</b>		
Depreciation	193	189
Interest Income	(403)	(320)
Interest expense	42	83
Provision for Bad Debts	40	36
<b>Bad Debts Written-off</b>	17	20
Provision for Contingencies	18	75
Provision for Doubtful Deposits, Advance & Claims	7	-
Provision for Non-moving / Slow moving Inventory	3	2
Provision no longer required withdrawn	127	76
Unrealised Foreign Exchange Loss (gain)	1	(1)
<b>Sundry Creditors written back</b>	8	3
(Profit)/ Loss on Sale of Assets	-	1
	53	164
<b>Operating Profit before Working Capital Change</b>	<b>1,572</b>	<b>2,574</b>
<b>Adjustment for :</b>		
(Increase)/Decrease in Trade and other receivables	1,516	-1396
(Increase)/Decrease in inventories	(378)	(188)
Increase/(Decrease) in trade payables & other liabilities	424	(678)
	<b>1,562</b>	<b>(2,262)</b>
Cash generated from Operations	3,134	312
Direct Taxes paid (Net of refund)	(853)	(764)
Net cash from Operating activities (A)	2,281	(452)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Interest received	403	320
Purchase of Fixed assets, Capital WIP, Capital Advances	(1,330)	(630)
Sale of Assets	-	2
Net cash from investing activities (B)	<b>(927)</b>	<b>(308)</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2013 (Contd.)**

(Rs.in Lakhs)

	March 2013	March 2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Increase/(Decrease) in long term borrowings	(58)	75
Increase/Decrease in short term borrowings	(346)	513
Dividend paid on Equity Shares	(113)	(90)
Tax on Equity Dividend paid	(18)	(15)
Interest paid	(42)	(83)
Net cash from financing activities (C)	<u>(577)</u>	<u>400</u>
<b>D. NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	777	(360)
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	4,209	4,569
<b>F. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (D + E)</b>	4,986	4,209
Cash and Cash Equivalents represent the Cash and Bank balances (Refer Note No. 16)		

FOR AND ON BEHALF OF BOARD OF DIRECTORS

**K. M. PRASAD**  
MANAGING DIRECTOR

**Dr. B. R. JAGASHETTY**  
DIRECTOR

Refer our report of even date  
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**SRIKANTH R.**  
Partner  
Membership No. 203138

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(Rs. in Lakhs)

SL. NO.	PARTICULARS	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
01	Value of Production	22633	25092	21875	23927	25100	24739
02	Sales Turnover	19645	22501	21282	20901	23089	22358
03	Exports (included in 2 above)	616	1088	1220	2000	2278	2035
04	Cash Profit	1008	1132	1824	2032	2599	1712
05	Profit before tax	852	968	1642	1838	2410	1519
06	Profit after tax	519	600	1150	1056	1602	1129
07	Share Capital	149	149	149	749	749	1349
08	Reserves & Surplus	3241	3798	4896	5847	7319	8321
09	Net Worth	3390	3947	5045	6596	8068	9670
10	Gross Block	3191	3457	3562	3635	3700	3774
11	Long Term borrowings	596	526	441	395	503	492
12	Contribution to Exchequer	2064	2049	1852	1964	2818	2920
13	Manpower (No.)	655	695	715	715	714	714
14	Average Sales per Professional Sales employee (Rs.)	30	32	30	29	32	31
15	Average production per factory employee (Rs.)	95	117	102	112	117	110
16	Dividend (%)	25	25	30	12	15	8
17	Book Value per share (Rs.) (Face value of Rs. 100)	2275	2659	3386	881	1077	717
18	Earning per Share (Rs.) (Face Value of Rs. 100)	349	403	772	141	214	108
19	Sundry Debtors to sales (%)	29	31	44	36	40	33
20	Turnover to gross fixed Assets (%)	615	751	597	575	624	592
21	Value of closing inventory to Sales (%)	12	12	9	13	13	15
22	Finance cost to turnover (%)	0.49	0.50	0.46	0.53	0.49	0.31
23	Material cost to turnover (%)	68	65	56	56	51	50





Sr. Officers of KAPL seen with Officers of the Dept. of Pharmaceuticals, during meeting with Parliamentary Standing Committee on Industry, during their visit to Bangalore.



Shri K M Prasad, Managing Director, KAPL, seen with Officer of Dept. of Pharmaceuticals and other Officers of KAPL during meeting with Committee on Govt. Assurances, Rajya Sabha during their visit to Bangalore.





Shri K M Prasad, Managing Director receiving Shri Pradeep Yadav, IAS, Joint Secretary Department of Pharmaceuticals during visit to KAPL Factory.



Shri Pradeep Yadav, IAS, Joint Secretary, Department of Pharmaceuticals with Shri K M Prasad, MD, KAPL during factory visit.