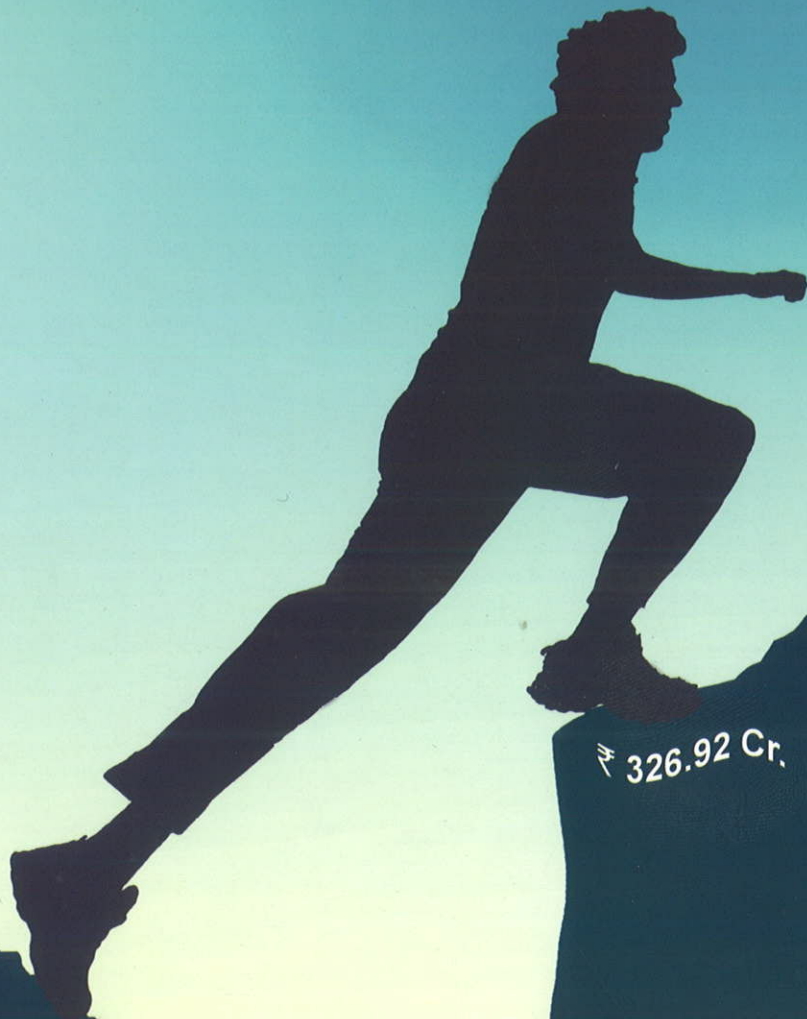




KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED

(A Government of India Enterprise)



₹ 247.24 Cr.

₹ 326.92 Cr.

₹ 400.00 Cr.

₹ 500.00 Cr.

35th

Annual Report 2015-16

Quality Keeps us Moving



Shri Sudansh Pant, IAS, Joint Secretary, Dept. of Pharmaceuticals, Ministry of Chemicals & Fertilizers (Sitting Fourth from the Right) and Shri K.M. Prasad, Managing Director, KAPL (Sitting Second from the Left) seen along with other officers during visit of Rajya Sabha Committee on Petitions to Bangalore on 02.06.2016



Dr. Shalini Rajneesh, IAS, Chairperson, KAPL & Principal Secretary, Health and Family Welfare, Govt. of Karnataka (Sitting Sixth from the Left) and Shri K.M. Prasad, Managing Director, KAPL (Sitting Seventh from the Right) seen with Officers of Dept. of Pharmaceuticals and KAPL during visit to Bangalore of Parliamentary Committee on Chemicals & Fertilizers on 01.06.2016.



Dr. Shalini Rajneesh, IAS



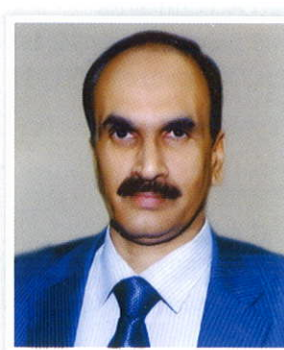
Dr. M. Ariz Ahammed, IAS



Shri K. M. Prasad



Shri Naveen Raj Singh, IAS



Shri Raghurama Bhandary



BOARD OF DIRECTORS (AS ON 14.10.2016)

Dr. Shalini Rajneesh, IAS

Chairperson - KAPL and
Principal Secretary, Health & Family
Welfare Dept. Government of
Karnataka, Vikas Soudha
Bangalore - 560 001
From : 10.05.2016

Shri K M Prasad

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

Dr. M Ariz Ahammed, IAS

Jt. Secretary
Ministry of Chemicals & Fertilizers
Department of Pharmaceuticals
Shastri Bhavan, New Delhi - 110 001
From : 27.01.2015

Shri Naveen Raj Singh, 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: 20.02.2015

Shri Raghurama Bhandary

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

Shri Atul Kumar Tiwari, IAS

Chairman - KAPL and
Principal Secretary, Health & Family
Welfare Dept. Government of
Karnataka, Vikas Soudha
Bangalore - 560 001
Upto : 10.05.2016

JAGADEESH C HIREMATH

Company Secretary & General Manager (Admn.)

STATUTORY AUDITORS

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

INTERNAL AUDITORS

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

BANKERS

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

STATE BANK OF INDIA

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

REGISTERED & CORPORATE OFFICE

Nirman Bhavan, Dr. Rajkumar Road , 1st Block, Rajajinagar, Bangalore – 560 010
Website : www.kapbindia.com



CONTENTS

Description	Page No.
Notice	4
Chairpersons' Speech	5-6
Directors' Report	7-26
Addendum to Directors Report (for qualification of Internal Financial Control Report of Statutory Auditors)	27
Addendum to Directors Report (for qualification of Secretarial Auditor)	28
Statutory Auditors' Report	29-37
Secretarial Auditors' Report	38-40
Comments of C&AG	41
Significant Accounting Policies	42-45
Balance Sheet	46-47
Profit & Loss Statement	48
Notes No. 1 to 36	49-77
Cash Flow Statement	78-79
Figures at a Glance	80



NOTICE OF THE THIRTY FIFTH ANNUAL GENERAL MEETING

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

DAY * : MONDAY

TIME : 1230 HOURS

DATE : 26th SEPTEMBER 2016

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 2016 and the Audited Profit and Loss Statement for the year ended on that date along with the Auditors' Report thereon.
2. To declare dividend.
3. The route map of the Venue of the meeting is enclosed.

By Order of the Board of Directors

(JAGADEESH C HIREMATH)

Company Secretary and
General Manager (Admn).

Place : Bangalore

Date : 01.09.2016

To: Members

Note:

1. A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote on his behalf, only on a poll. Such a proxy need not be a member of the Company.
2. As per Section 139(7) of the Companies Act, 2013, the Comptroller and Auditor General of India has appointed M/s. Dagliya & Co. as the Statutory Auditors for the year ending 31.03.2017

Sub : ADJOURNED MEETING OF 35th ANNUAL GENERAL MEETING.

Ref. 1. Meeting Notice dated 01.09.2016, 2. This Office letter dated 06.09.2016, 3. This Office letter dated 19.09.2016

The 35th Annual General Meeting convened vide notice dated 01.09.2016, the agenda for which were forwarded vide letter dated '2' and '3' above was held on 26.09.2016 at 12.30 pm to transact the business listed. However, the meeting was adjourned for want of quorum to any suitable date at next week. In view of this, the adjourned 35th Annual General Meeting of the Company is convened on **14th October 2016 at 4.30 pm** at the same venue.

We request you to kindly make it convenient to attend the same. The copy of the agenda forwarded already is once again enclosed for your ready reference.

The route map of the Venue of the same is enclosed herewith.

By Order of the Board of Directors

(JAGADEESH C HIREMATH)

Company Secretary and
General Manager (Admn).

Place : Bangalore

Date : 05.10.2016

AREA ROUTE MAP

ORION MALL

RAJAJINAGAR I BLOCK

VIVEKANANDA COLLEGE

TOWARDS YESHWANTPUR

← DR. RAJKUMAR ROAD →

TOWARDS NAVRANG/MAJESTIC/
RAILWAY STATION

KAPL CORPORATE OFFICE

Nirman Bhavan, Ground Floor & First Floor

VISION

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

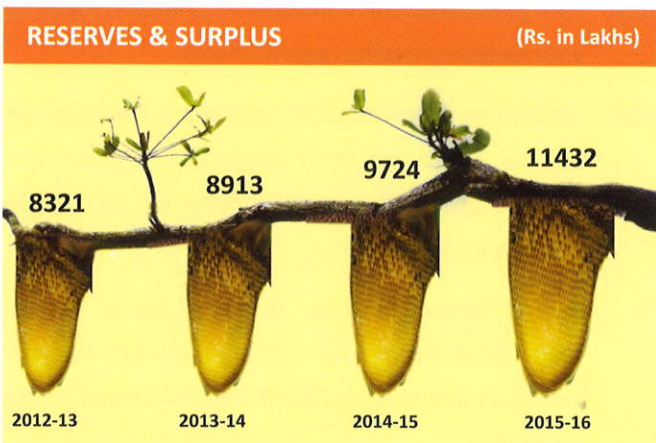
MISSION

1. TO HAVE MANUFACTURING FACILITIES COMPLYING WITH INTERNATIONAL STANDARDS.
2. TO STRENGTH THE MARKETING EFFORTS TO ACHIEVE 15% GROWTH IN EXPORTS AND PRIVATE TRADE MARKET EVERY YEAR.
3. TO CONTINUOUSLY IMPROVE THE QUALITY OF PRODUCTS AND SERVICES TO ENHANCE CUSTOMER SATISFACTION.
4. TO DEVELOP HIGHLY MOTIVATED MULTI SKILLED HUMAN RESOURCES TO INCREASE PRODUCTIVITY AND EFFICIENCY.

SPEECH DELIVERED BY CHAIRPERSON, AT THE 35th ANNUAL GENERAL MEETING OF THE COMPANY HELD AT BANGALORE ON 14.10.2016

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

2. It gives me immense pleasure to report to you on the performance of your company in financial year 2015-16. Your Company has increased almost 21.36% of its production and 32.2% of its sales compared to previous year (2014-15). The Directors' Report and accounts of the company for the year ended 31st March 2016 have already been provided to all the share-holders, and with permission of all present here, I shall consider them as read.



3. MACRO ECONOMIC SETTING

During the year 2015-16, the Indian Economy witnessed GDP growth of 7.6% as compared to last year 7.2%. Agriculture sector has registered a marginal growth of 1.1%, whereas Industrial Sector grew by 7.3% as compared to last year. The service sector grew by 9.6%.



Non-Officers (Technical) attending Training Programme at Factory Training Centre

4. OPERATIONAL PERFORMANCE

I am delighted in informing you that your company achieved production value of Rs. 34201 lakhs (previous year Rs.28181 lakhs). The company achieved sales turnover of Rs 32692 lakhs (previous year Rs. 24724 lakhs).



Jr. Executives, Executives & Asst. Managers attending training programme at factory Training Centre.

5. FINANCIAL RESULTS

Your company has achieved a Profit Before Tax of Rs.3019 lakhs (previous year Rs. 1733 lakhs) And Profit After Tax of Rs. 1951 lakhs (previous year Rs. 1106 lakhs). The Book Value per share (Face Value of Rs.100/-) is Rs. 947/- (previous year Rs. 820/-). The Earning per share is Rs. 145/- on a Face Value of Rs 100/-.



6. DIVIDEND

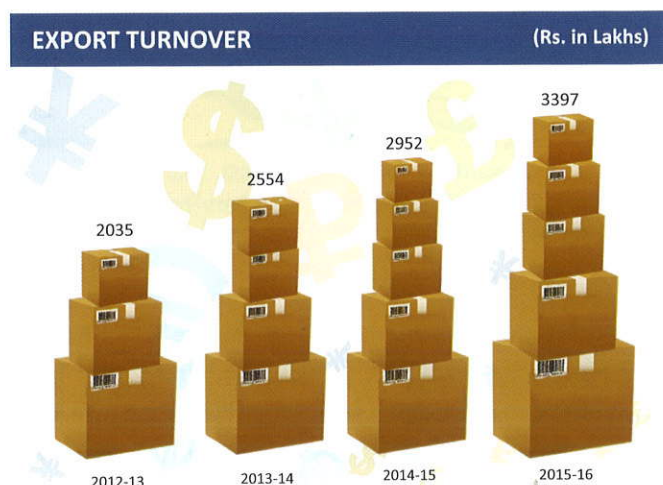
As you are aware KAPL is the only Pharmaceutical Company in the Central Drug Sector to consistently declare dividend for the past 26 years. For the year 2015-16, Directors have recommended a dividend of 15% as compared to 14% last year.

7. "VERY GOOD" RATING

Based on self-appraisal, your company has achieved "Very Good" rating for the achievements of targets under Memorandum of Understanding (MoU) entered into by the company for the year 2015-16.

8. CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is an integral part of Corporate Business Strategy of the Company. Medical Health Check up Camps were conducted for the benefit of people and other CSR activities were carried out as per Companies Act 2013.



9. CORPORATE GOVERNANCE

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



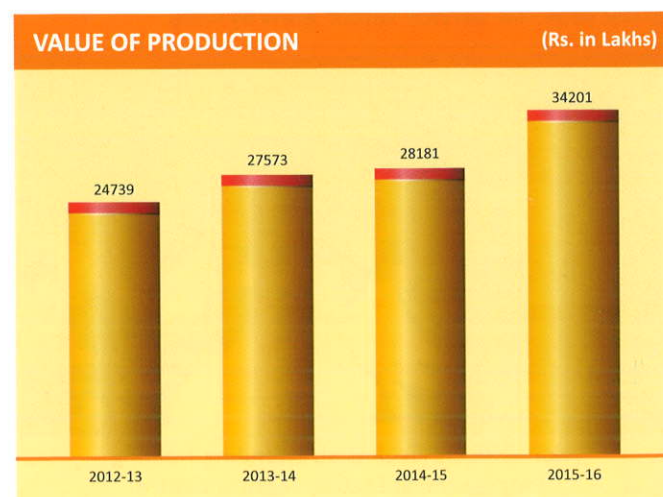
Hindi Workshop is in progress at Corporate Office

10. ACKNOWLEDGEMENT

- 10.1 At the outset, I place on record my sincere thanks to various departments of Government of India, Government of Karnataka and other State Governments for the constant support, guidance and counsel.
- 10.2 My deep gratitude is due to your valued customers for their trust in the Company.
- 10.3 On behalf of the Board as well as my Personal behalf, I thank all the employees and the management for having helped the company to reach greater heights.
- 10.4 I am grateful for the immense contribution made by your Auditors and the Legal Advisors.
- 10.5 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.
11. I now commend the Balance Sheet as on 31.03.2016, Profit and Loss Statement for the year ended on that date and the Directors' Report for the adoption.

Place : Bangalore
Date : 14.10.2016

Chairperson



DIRECTOR'S REPORT

To
The Shareholders
Karnataka Antibiotics & Pharmaceuticals Limited

Ladies/Gentlemen,

We are delighted to present our Report on behalf of the Board, on the business and operations of the Company for the year ended 31st March 2016.

1. HIGHLIGHTS

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

Table I

PERFORMANCE HIGHLIGHTS (Rs. in Lakhs)				
Sl. No.	Particulars	2013-2014	2014-2015	2015-2016
1.	Production*	27573	28181	34201
2.	Sales	24159	24724	32692
3.	Exports (included in Sl. No.2 above)	2554	2952	3397
4.	Profit before Tax	1207	1733	3019
5.	Profit after Tax	776	1106	1951
6.	Reserves and Surplus	8913	9724	11432
7.	Paid up Share Capital	1349	1349	1349
8.	Dividend (%)	20**	14	15
9.	Earning per Share (Rs.) (Face value Rs. 100/-)	58	82	145
10.	Book value of the Share (Rs.) (Face value Rs. 100/-)	761	820	947

*includes the value of Contract manufacturing

**% age on PAT

2. SHARE CAPITAL

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

3. FINANCE

Your Company has been sanctioned Rs. 800 lakhs towards term loan for Cephalosporin Project by Vijaya Bank and as on 31.03.2016 outstanding is Rs. 477 lakhs.

As on 31.03.2016, the borrowing from Banks for working capital requirements was Rs.429 lakhs. (previous year Rs.452 lakhs). Due to continuous monitoring of funds position and improved sales realization, the interest burden was at Rs. 15 lakhs (previous year Rs. 15 lakhs)

4. PRODUCTION

Your Company achieved the production of value of Rs. 34201 lakhs (previous year Rs. 28181 lakhs). The annual production value per factory employee per annum was Rs. 162 lakhs (previous year Rs 128 lakhs).



Shri K. M. Prasad, MD is seen with other dignitaries during Kannada Rajyotsava Celebration at factory

5. CAPACITY UTILISATION:

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

Table II

CAPACITY UTILISATION (in %)				
Sl. No.	Particulars	2013-2014	2014-2015	2015-2016
1.	Liquid Parenterals	140	127	121
2.	Vials	82	93	89
3.	Tablets	127	120	157
4.	Capsules	148	143	223

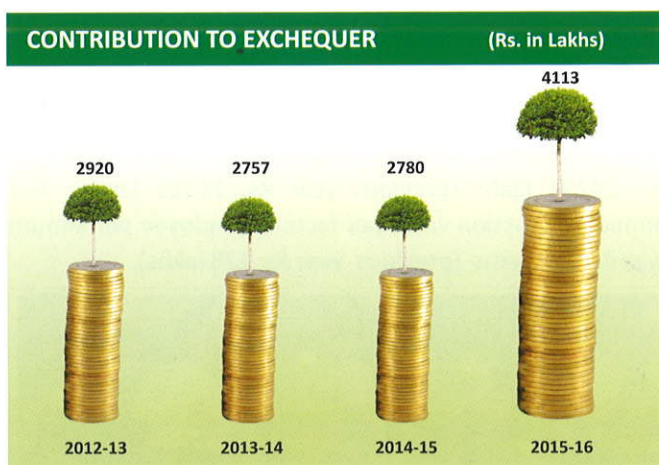
6. SALES TURNOVER

You will be glad to know that your Company achieved a sales turnover of Rs. 32692 Lakhs – as against Rs. 24724

SALES TURNOVER

(Rs. in Lakhs)





lakhs achieved during 2014-15 a growth of 32.2% over the previous year.

The performance in Branded and Generic segments was excellent. You will be delighted to know that the sales under the Brand "Grenil" achieved Rs.1159 lakhs compared to previous year Rs. 1224 lakhs. Sales Turnover of Cyfolac group achieved Rs. 451 lakhs as against Rs. 501 lakhs in the previous year. The sales of "Remcc" brands achieved sales of Rs. 304 lakhs compared to sales of Rs. 386 lakhs in the previous year. Sales turnover of "Verclav" has touched to Rs. 198 lakhs. Sales turnover of Numol Group has touched to Rs. 198 lakhs and Sales turnover of Zinfe Group has touched to Rs. 168 lakhs. Agrovat Product K-Cycline has achieved Rs.482 compared to sales of Rs.392 lakhs in the previous year. Kalvimin has achieved turnover of Rs. 241 lakhs and K Live has achieved Rs. 202 lakhs. Turnover of Cetriax, K-Cythrins, Cal K and K Flox has exceeded Rs. 100 lakhs.

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

Table III

SALES TURNOVER		(Rs. in lakhs)		
Sl. No.	Particulars	2013-2014	2014-2015	2015-2016
1	Liquid Parenterals	2361	2573	3257
2	Liquid Orals and Dry Syrup	615	573	626
3	Vials	6855	8123	8885
4	Tablets	4958	5463	9407
5	Capsules	1950	2140	3320
6	Others	7420	5852	7197
	Total	24159	24724	32692

7. NEW PRODUCTS

To improve the sales volume and the margins, the Company introduced the following products:

- | | |
|---------------|------------------------|
| a) Numol S.P. | c) Uterine Tonic |
| b) Pop 'e' | d) Bloat Remedy Liquid |

8. EXPORTS

Your Company achieved an export turnover of Rs. 3397 lakhs. Exports were made to countries such as Malaysia, Phillippines, Uganda, Sri Lanka, Kenya, Russia, Kazakhstan, Zimbabwe, Sudan, Namibia, Costa Rica, Guatemala, Mozambique, Thailand and Vietnam and Company has planned to export the medicines to additional Countries, such as Belarus, Cambodia, Nigeria & Ukraine.



KAPL has been awarded as
"Best Manufacturer Export Award –Medium / Large"
by Govt. of Karnataka for the year 2014-15.

9. FINANCIAL RESULTS :

The summarized financial results for the year 2015-16 are furnished below in Table – IV:

Table IV

FINANCIAL RESULTS			(Rs. in lakhs)
Particulars	2013-2014	2014-2015	2015-2016
Profit before interest, depreciation and tax:	1428	2086	3373
Less : Interest and other financial charges	29	15	15
Cash Profit	1399	2071	3358
Less : Depreciation	192	338	339
Profit before tax	1207	1733	3019
Less : Provision for taxation	431	627	1068
Profit after tax and adjustment	776	1106	1951

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

Table V

KEY RATIOS			
Particulars	2013-2014	2014-2015	2015-2016
Earning per Share-Rs. (face value Rs 100/-)	58	82	145
Book value per share – Rs. (face value Rs 100/-)	761	820	947
Turnover to gross Fixed assets (%)	627	627	777
Finance cost to turnover (%)	0.12	0.06	0.04

11. DIVIDEND

Your Company has been declaring dividend for the last 26 years. For the financial year 2015-16, your Directors have pleasure in recommending a dividend @ 15%.

12. RESERVES & SURPLUS :

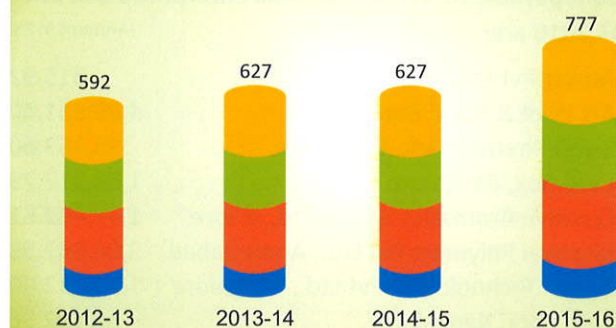
Your Directors propose to transfer Rs. 1700 lakhs to the General Reserves. You will be glad to note that the cumulative reserve and surplus as on 31.03.2016 were Rs. 11432 lakhs. The reserve and surplus were 8.47 times of the paid up equity capital of Rs. 1349 lakhs. As on 31.03.2016, the net worth of your Company stood Rs. 12781 lakhs.



Training on "Reservation Policy" for the SC/ST Employees at Factory Training Centre

TURNOVER TO GROSS FIXED ASSETS

(%)



13. INVENTORIES AND DEBTORS

The value of total inventories consisting of raw materials, work in progress and finished goods were Rs. 4576 lakhs which worked out 13.99% (previous year 20.42%) of sales turnover. As on 31.3.2016, debtors were Rs. 8131 lakhs which was equivalent to 91 days of sales.

14. PERFORMANCE AGAINST MEMORANDUM OF UNDERSTANDING:

The Company signs a Memorandum of Understanding (MoU) every year. The Company's performance under the MoU, for the year 2015-16 based on internal evaluation, is "Very Good". The MoU for 2016-17 will be signed as per Govt of India directions.

15. CONTRIBUTION TO PUBLIC EXCHEQUER

Your Company has contributed a sum of Rs. 4113 lakhs (previous year Rs. 2780 lakhs) to the exchequer of Central and State Governments by way of Income Tax, Sales Tax, Excise Duty, Customs Duty, Entry Tax, Service Tax etc.

16. ENCOURAGEMENT TO MICRO, SMALL ENTERPRISES

Government of India vide Order No. S.O.581(6) dated 23.03.2012 has notified a new Public Procurement Policy for Micro, Small Enterprises. As per the Order, minimum 20% of total annual purchases has to be procured from MSEs including reservation of 20% to units owned by Scheduled Caste/Scheduled Tribe Entrepreneurs. Your Company has procured goods from Micro, Small Enterprises during 2015-16 to the extent of Rs. 1799 lakhs.

17. DUES PAYABLE TO MICRO AND SMALL ENTERPRISES

Amount payable to Micro and Small Enterprises due as on 31.03.2016 are: (Amount in Rs.)

1	Amsar Pvt Ltd., Indore	315.92
2	Art Print & Pack, Bangalore	4,89,951.40
3	Balaji Pharma Pack, Bangalore	55,363.60
4	Card Box, Bangalore	1,79,217.29
5	Creative Aromatics Spl Pvt Ltd., B'lore	1,47,452.61
6	Dhariyal Polymers Pvt Ltd., Ahmedabad	5,04,842.63
7	Essem Technologies Pvt Ltd., Bangalore	1,55,812.80
8	Foils Pack, Bangalore	38,182.36
9	Gargia Enterprises, Bangalore	23,533.75
10	G R V Merchandising, Bangalore	1,56,690.20
11	G M Products, Bangalore	1,24,621.88
12	Hiral Chemicals Industries, Baroda	69,812.06
13	Health Encare Pvt Ltd., Bangalore	34,350.00
14	Ideal Cures Pvt Ltd., Mumbai	2,02,246.88
15	Janta Ayurvedic Aushadi Prathisthana, Agra	671.90
16	Kishore Pharma Products Pvt Ltd. Bangalore	15,02,131.02
17	Lotus Printers, Bangalore	450.76
18	Lisa Ampoules & Vials Pvt Ltd., Hyderabad	31,16,400.51
19	Leuchtstoffwerk India Pvt Ltd., Maharashtra	1,12,456.25
20	Lasa Laboratories, Thane	1,07,17,650.00
21	Meditop, Bangalore	7,85,996.10
22	Organic Industries, Bangalore	12,40,025.05
23	Padma Chemicals, Bangalore	738.50
24	Paragon Vial Caps, Bangalore	13,59,209.43
25	Polynova Packers, Mumbai	55,465.56
26	Prashanthi Polymers, Bangalore	6,15,109.86
27	Ramsons Print N Pack, Bangalore	18,78,943.19
28	Rajashree Offset Packaging, Bangalore	6,11,524.92

29	Swastik Packaging Pvt Ltd., Mumbai	2,73,799.55
30	Vial Seal Industries, Mumbai	131962.50
31	Wincoat Colours & Coatings Pvt Ltd., Thane	3,06,669.39
TOTAL		2,48,91,597.87

18. FOREIGN TRAVEL

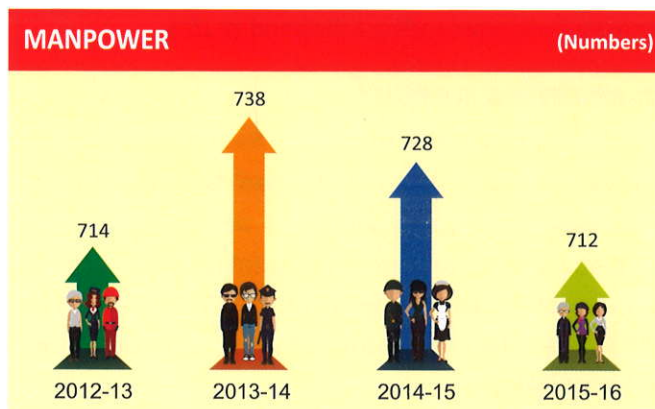
During the year 2015-16, five employees were deputed abroad for business purposes. The expenditure incurred in this connection by the Company was Rs. 12.86 lakhs.

19. HUMAN RESOURCES

The total manpower of the Company as on 31.03.2016 was 712 Nos. consisting of 239 Officers and 473 Non Officers.

20. HUMAN RESOURCE DEVELOPMENT

Employees are most valuable tangible assets of the Company. We have created a favourable work environ-



ment. Investing in people's competencies for the business requirements of tomorrow is very much important. In order to keep pace with the latest changing scenario, and the need to update the knowledge and skills of human resources to stay ahead and emerge as a successful organization, the Company has taken various initiatives.

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

During 2015-16, training was provided to the extent of 1638 manday's. The expenditure incurred for Training and Development during the year amounted to Rs. 12.09 lakhs.



MD participating in the event "Tug of War" along with other KAPILITES during Picnic.



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 31.03.2016 was 119 Nos. (previous year 124 employees).

21A. REPRESENTATION OF MINORITIES AND PERSONS WITH DISABILITY

The strength of employees belonging to Minorities category as on 31.03.2016 was 40 Nos (previous year 34 employees).

The strength of employees belonging to persons with Disability category as on 31.03.2016 is 6 Nos. (previous year 5 Nos.)

22. HUMAN RELATIONS:

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

23. EMPLOYEE WELFARE

The Company continues various welfare facilities such as reimbursement of medical expenses, subsidized canteen, subsidized transport, washing allowance, education allowance, incentives for higher education. The expenditure on the provision of welfare and other amenities amounted to Rs. 635 lakhs (Rs. 587 lakhs during 2014-15).

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

The Company has in place an Anti Sexual Harassment Policy in line with requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC)

has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

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

No. of complaints received	:	Nil
No. of complaints disposed off	:	NA

25. EXTRACT OF ANNUAL RETURN

The extract of Annual Return is enclosed at Annexure – 1. (Format No. MGT-9)

26. BOARD MEETINGS:

During the year 2015-16, four Board Meetings were held on 31.07.2015, 29.09.2015, 17.11.2015 and 11.03.2016.

27. APPOINTMENT OF DIRECTORS

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

28. RISK MANAGEMENT POLICY:

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



Shri K.M. Prasad, delivering speech during Hindi Phakwada Celebration on 14th Sept. 2015

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

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

30. RESPONSIBILITY STATEMENT OF BOARD OF DIRECTORS

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

- 30.1. That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- 30.2. That such accounting policies have been selected and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2016 and of the profit of the Company for that period.
- 30.3 That proper and sufficient care is taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 30.4 That the annual accounts for the year ended 31st March 2016 have been prepared on a going concern basis.
- 30.5 The Company had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- 30.6 That proper systems are devised to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.
31. In terms of Notification No: GSR/ (E) dated 05.06.2013, issued by Ministry of Company Affairs, that Government Companies are exempted from the provisions of Section 164(2) of the Companies Act, 2013.

32. SAFETY

We are glad to inform you that there were no fatal accidents during the year. The Company continues its focus on safety in operation. Employees have been provided with safety gadgets.

33. ENVIRONMENT PROTECTION AND SUSTAINABILITY MEASURES

The following steps have been taken for the environment Protection and Sustainability :

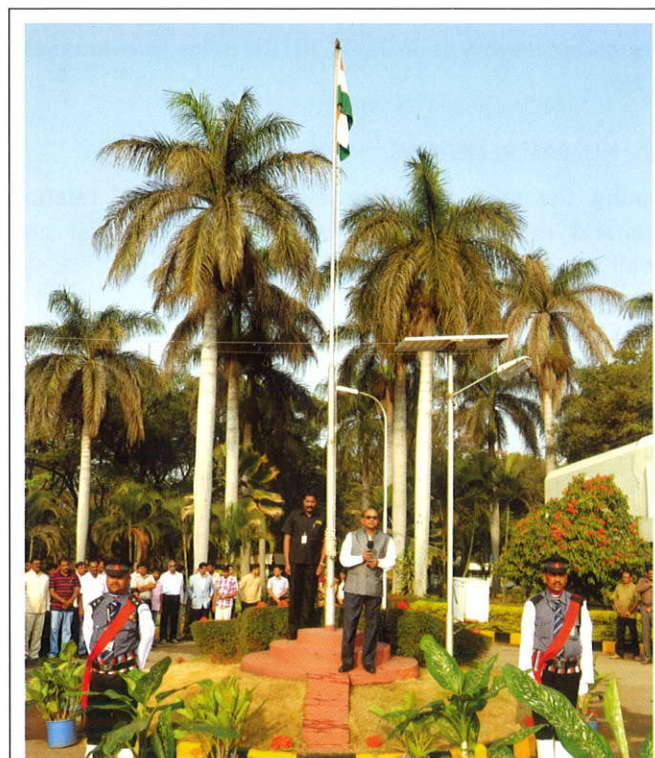
Three Infiltration Wells have been dug near Cephalosporin Plant of the Factory at Peenya and the rain water harvested is fed into such filtration wells which improves the underground water level.

34. FIXED DEPOSITS

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

35. ENTERTAINMENT AND PUBLICITY

During the year under review, the Company has incurred Rs. 11.02 lakhs on entertainment and Rs. 12.47 lakhs on advertisement and publicity.



Republic Day Celebration at Factory on 26th Jan, 2016
Shri K. M. Prasad, MD, seen during Celebration

36. CHANGES IN THE BOARD

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

Sl.No.	Name	w e f
01	Dr. Shalini Rajneesh, IAS	10.05.2016
02	Dr. M Ariz Ahammed, IAS	27.01.2015
03	Shri Naveen Raj Singh, IAS	20.02.2015
04	Shri Raghurama Bhandary	20.02.2015

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

Sl.No.	Name	w e f
01.	Shri Atul Kumar Tiwari, IAS	10.05.2016

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

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

The particulars, as prescribed under Sub Section 3(m) of Section 134 of the Companies Act, 2013 read with the Companies (Accounts) Rules 2014, are set out in the Annexure -2 included in this report.

38. RELATED PARTY TRANSACTIONS

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

39. KEY MANAGERIAL PERSONNEL (KMP)

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

40. ENERGY CONSERVATION MEASURES:

Following steps have been taken in this direction:

- 10 Nos. LED Lamps (Street Light) were installed in our Factory premises.
- 5 Nos. 75 Watts and 5 Nos. 60 Watts both capacity were replaced for 250 watts Sodium Vapour Lamps..

41. ANNUAL GENERAL MEETING

The 34th Annual General Meeting of the Company was held on 17.11.2015.



Senior Officers of KAPL along with the Faculty during "Vigilance Awareness Week".

42. OFFICIAL LANGUAGE

During the year under review, efforts were made for effective and successful implementation of the Official Language Policy of the Government. Workshops, essay writing competitions were held. Forms and Circulars, Notices have been made bilingual. Annual report of the Company for 2014-15 has been printed in Hindi also.

43. CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABLE DEVELOPMENT:

Corporate Social Responsibility (CSR) is an integral part of the Company's business strategy. As a responsible corporate citizen, we take charge of our social and environmental footprint. The Board of Directors have approved CSR Policy to the Company. Board's CSR Committee has also been constituted under Chairmanship of Managing Director, KAPL. The CSR activities undertaken by the Company include -

- Distribution of free Medicines during emergency situation.
- Conduct of free Cardiac/Diabetic camp and free distribution of medicine.
- Construction of Toilets at Govt. High School in Chickmangalur District
- Maintenance of BBMP Garden near Corporate Office.
- Sponsoring for Health related programmes.
- Contribution to Namami Ganga Project.

An amount of Rs. 29.23 lakhs was approved as CSR Budget and an amount of Rs. 31.67 lakhs has been spent towards CSR activities. The details are enclosed in Annexure - 3.

44. VISIT OF DIGNITARIES

Following dignitaries visited Company during the year

1. Shri Atul Kumar Tiwari, IAS, Chairman KAPL and Principal Secretary Health and Family Welfare Department, Govt. of Karnataka.
2. Dr. M Ariz Ahammed, IAS, Joint Secretary, Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, Govt. of India. New Delhi.
3. Shri Naveen Raj Singh, IAS, Managing Director, Karnataka State Industrial and Infrastructure Development Corporation Ltd, Bangalore.

45. AUDITORS

The Comptroller Auditor General of India, appointed M/s. Manian & Rao, Chartered Accountants, as Statutory Auditors for auditing the accounts of the Company for the year 2015-16.

46. COST AUDITOR

M/s. N.S and Associates were appointed as Cost Auditor for 2015-16. The Cost Audit Report in respect of Cost Accounts of the formulations of the Company for the year ended 31.03.2016 will be filed to Govt. of India in due course.

47. SECRETARIAL AUDITOR

Company has appointed Shri K N Nagesha Rao, Company Secretary in Practice as Secretarial Auditor for the year 2015-16. The Secretarial Audit Report will be appended on receipt of the same.

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

Comments if any, under section 143(6) of the Companies Act, 2013, of the Comptroller and Auditor General of India on the accounts of the Company, for the year ended 31.03.2016 will be appended on receipt of the same.

49. COMPUTERIZATION ACTIVITIES:

During 2015-16, the following activities were undertaken;

- a) Microsoft Software License Audit successfully completed and complied with Microsoft Software Licensing Policy.
- b) Windows Desktop Operating System version upgraded to Windows 8.1 Pro from Windows XP Pro.

c) Upgraded existing Internet Leased Line Bandwidth from 2mbps to 8mbps at Peenya location and installed new 5mbps Internet Leased Line at Corporate Office for load sharing and also as failover solution.

d) Firewall installed at Corporate Office for new 5mbps Internet Leased Line.

50. ACKNOWLEDGEMENTS

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

50.2 The Board is grateful to the Comptroller and Auditor General of India and Principal Director of Commercial Audit, M/s. Manian & Rao, Chartered Accountants, the Statutory Auditors, M/s N.S. Associates, Cost Auditor, Shri K N Nagesha Rao, Secretarial Auditor as well as Karnataka State Pollution Boards and the others.

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

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

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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore
Date : 06.09.2016

Dr. Shalini Rajneesh, IAS **K.M. Prasad**
Chairperson Managing Director

THE COMPANIES (MANAGEMENT & ADMINISTRATION) RULES, 2014

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31st March 2016
[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the
Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

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

Sl.No.	Name and Description of main products/Services	NIC code of the Product/Service	% to total turnover of the Company
1	NIL		
2			
3			

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

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

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

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

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

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

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

(ii) Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year				Shareholding at the end of the year		
		No. of Shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No. of Shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	% change in share holding during the year
1	President of India	798177	59.168	Nil	798177	59.168	-	Nil
2	Shri K M Prasad	1	0.00007	Nil	1	0.00007	-	Nil
3	Dr. M. Ariz Ahammed	1	0.00007	Nil	1	0.00007	-	Nil
4	Shri Satish Kumar	1	0.00007	Nil	1	0.00007	-	Nil
5	KSIIDC	550818	40.831	Nil	550818	40.831	-	Nil
6	Shri Atul Kumar Tiwari	1	0.00007	Nil	1	0.00007	-	Nil
7	Shri Raghurama Bhandary	1	0.00007	Nil	1	0.00007	-	Nil

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

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

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

No Change

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

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.		Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
	At the beginning of the year	Atul Kumar Tiwari K. M. Prasad Dr. M. Ariz Ahammed	0.00007 0.00007 0.00007	1 1 1	0.00007 0.00007 0.00007
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (eg. Allotment / transfer/ bonus/Sweat equity etc.)				
	At the end of the year	Atul Kumar Tiwari K. M. Prasad Dr. M. Ariz Ahammed	0.00007 0.00007 0.00007	1 1 1	0.00007 0.00007 0.00007



ANNEXURE-1 TO DIRECTOR'S REPORT (contd.)

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for

	Secured Loans excluding deposits	Unsecured Loans	Deposit	Total Indebtedness
Indebtedness at the beginning of the Financial Year				
(i) Principal Amount	62354197			
(ii) Interest due but not paid				
(iii) Interest accrued but not due				
Total (I + ii + iii)	62354197			
Change in Indebtedness during the financial year				
• Addition				
• Reduction	14657059			
Net Change	47697138			
Indebtedness at the end of the Financial year				
(i) Principal Amount	47697138			
(ii) Interest due but not paid				
(iii) Interest accrued but not due				
Total (I + ii + iii)	476971387			

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager			Total amount
1.	Gross Salary	K M Prasad			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	Rs. 21.62 Lakhs			
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	Rs. 2.61 Lakhs			
	(c) Profits in lieu of Salary under Section 17(3) Income Tax Act, 1961				
2	Stock Option				
3	Sweat Equity				
4	Commission - as % of Profit - other, specify				
5	Others, please specify				
	Total (A)	Rs. 24.23 Lakhs			
	Ceiling as per the Act				

ANNEXURE-1 TO DIRECTOR'S REPORT (contd.)



B. Remuneration to other Directors : NIL

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

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		C E O	Company Secretary	C F O	Total
1	Gross Salary				
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961		Rs. 16.46 Lakhs	Rs. 21.04 Lakhs	Rs. 37.50 Lakhs
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961		Rs. 1.33 Lakhs	Rs. 1.65 Lakhs	Rs. 2.98 Lakhs
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961				
2	Stock Option				
3	Sweat Equity				
4	Commission – as % of profit				
	Others, specify				
5	Others, Please specify				
	TOTAL		Rs. 17.79 Lakhs	Rs. 22.69 Lakhs	Rs. 40.48 Lakhs



ANNEXURE-1 TO DIRECTOR'S REPORT (contd.)

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NIL

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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore
Date : 06.09.2016

Dr. Shalini Rajneesh, IAS
Chairperson

K.M. Prasad
Managing Director

ANNEXURE-2 TO DIRECTOR'S REPORT



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

1 CONSERVATION OF ENERGY

Following steps have been taken in this direction:

- 10 Nos. LED Lamps (Street Light) were installed in our Factory premises.
- 5 Nos. 75 watts and 5 Nos. 60 watts both capacity were replaced for 250 watts Sodium Vapour Lamps.

POWER AND FUEL CONSUMPTION

PARTICULARS	Current Year	Previous Year
Electricity		
a. Purchase (units)	44,93,600	39,57,540
Total amount (Rs.)	3,17,44,013	2,74,16,468
Rate / Unit (Rs.)	7.06	6.92
b. Own Generation		
i. Through diesel generator units	1,28,568	1,60,833
Diesel cost (Rs.)	25,31,173	17,05,839
Unit per litre of diesel oil	5.22	5.36
Rate / Unit (Rs.)	19.69	10.60
ii. Coal		
Quantity (Tonnes)	—	—
Total Cost (Rs.)	—	—
Average rate (Rs.)	—	—
iii. Furnace Oil		
Quantity (litres)	1,68,000	1,68,000
Total Cost (Rs.)	42,67,012	59,26,993
Average rate(Rs.)	25.00	35.27
iv. Others / Internal Generation		
Quantity	—	—
Total Cost (Rs.)	—	—
Rate / Unit (Rs.)	—	—

CONSUMPTION, PER LAKH OF PRODUCTION VALUE:

Particulars	Current Year	Previous year
Electricity :		
Rupees	928	974
Units	131	140
Furnace Oil :		
Rupees	125	199
Ltrs	4.91	4.84

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

Strategic Alliance with premier research institutions for R&D activities is under consideration. The Company has not manufactured any Bulk drug. However, your Company is developing new formulations, year after year, in order to meet the competition. The expenditure incurred towards these activities for the year is Rs. 37 lakhs

3. TOTAL FOREIGN EXCHANGE USED AND EARNED

(Rs. in Lakhs)

Particulars	Current Year	Previous Year
TOTAL FOREIGN EXCHANGE USED AND EARNED		
On import of raw material spare parts and capital goods	738	1075
Expenditure in foreign currencies for business travels, subscription, consumables stores goods for resale, commission on export sale, etc.	75	126
Remittance during the year in foreign currency on account of dividend	—	—
TOTAL FOREIGN EXCHANGE EARNED (FOB Value)	3369	2891

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore **Dr. Shalini Rajneesh, IAS** **K.M. Prasad**
 Date : 06.09.2016 Chairperson Managing Director

ANNEXURE - 3
FORMAT FOR THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD REPORT

1	2	3	4	5	6	7	8
Sl. No.	CSR Project Or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the State and District where Projects or Programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs sub heads: (1) Direct expenditure on projects or programs (2) Over-heads:	Cumulative expenditure upto the reporting period	Amount spent : Direct or through implementing agency*
1	Medical Camp	Health	Various Plases	-	3.83 lakhs	-	Direct
2	Construction of Toilet	Education	Chick-magalur	-	3.76 lakhs	-	Through State Government
3	Hygene Awareness	Health	Chitradurga Karnataka	-	0.83 lakhs	-	Through NGO, MITU
4	Park Maintenance	Environment	Bangalore	-	6.60 lakhs	-	Direct
5	Solar Street Light	Environment	Bangalore	-	1.65 lakhs	-	Direct
6	Namami Clean Ganga	Environment	Uttar Pradesh (UP)	-	15.00 lakhs	-	Through Govt. of India

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore
Date : 06.09.2016

Dr. Shalini Rajneesh, IAS
Chairperson

K.M. Prasad
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 2016, the Board consisted of 5 Directors of which and one Whole time Managing Director, one part-time Non-Executive Chairperson, one part-time Non-Executive Director from the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers and two Non-Executive Directors from Government of Karnataka.
- During the year 2015-16, four Board Meetings were held on 31.07.2015, 29.09.2015, 17.11.2015 & 11.03.2016.

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 31.03.2016	No. of outside Board Committee Membership/ Chairmanship as on 31.03.2016
Shri Atul Kumar Tiwari, IAS	Chairman	3/3	Yes	Nil	Nil
Shri. K M Prasad	Managing Director	4/4	Yes	Nil	Nil
Shri Naveen Raj Singh, IAS	Non-Executive Director	4/4	Yes	9	5
Dr. Ariz Ahammed, IAS	Non-Executive Director	3/4	No	Nil	Nil
Shri Raghurama Bhandary	Non-Executive Director	4/4	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.kapindia.com.

3. Audit Committee:

The Paid up Capital of Company as on date is Rs. 13.49 crores. As per Provisions of Section 177 of Companies Act 2013, Audit Committee has been constituted. Shri Naveen Raj Singh, IAS was the Chairman of Audit Committee. Three Meetings were held during 2015-16.

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 2015-16 was as follows:



REPORT ON CORPORATE GOVERNANCE (Contd.)

(Rs. in lakhs)

Name of the Director	Salary	Benefits	PF Contribution	Perquisites	Total
K. M. Prasad	19.59	2.61	2.03	0.00	24.23

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

Sl. No.	Name of the Director	Sitting Fee paid for Board Meeting (Rs.)	Sitting Fee paid for Audit Committee Meeting (Rs.)	Sitting Fee paid for CSR Committee Meeting (Rs.)
01.	Shri Atul Kumar Tiwari, IAS	Rs. 1,500/-	-	-
02.	Shri Naveen Raj Singh, IAS	Rs. 2,500/-	Rs. 1,000/-	-
03.	Shri Raghurama Bhandary	Rs. 2,500/-	Rs. 1,000/-	Rs. 500/-
04.	Shri Ariz Ahammed, IAS	Rs. 2,000/-	-	-

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

5. ANNUAL GENERAL MEETINGS

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

Financial Year	Date	Time	Venue
2014-2015	17.11.2015	1300 hrs	Corp Office, Bangalore
2013-2014	17.11.2014	1200 hrs	Corp Office, Bangalore
2012-2013	24.09.2013	1230 hrs	Corp Office, Bangalore

Special resolutions were taken up in the last Annual General Meeting. No resolutions were put through postal ballot last year and no Postal Ballot is contemplated this year also.

6. Means of Communication:

a) Annual financial results are displayed on the Company's Website : www.kaplinidia.com

b) **Plant Location :**

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

c) **Address for Correspondence:**

The address of the Regd. Office of the Company is

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

The Shareholders may send correspondence to the above address.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore

Date : 06.09.2016

Dr. Shalini Rajneesh, IAS

Chairperson

K.M. Prasad

Managing Director



**QUALIFIED OPINION ON INTERNAL FINANCIAL CONTROL
BY STATUTORY AUDITORS**

Audit observation	Management Reply
<p>The Company did not have an appropriate system for monitoring the timely completion of Cephalosporin Project which has resulted in substantial delay in its capitalization and consequential impact on the Project cost. The delay has also resulted in opportunity loss of business and contribution (not ascertainable) that would have accrued from that Project.</p>	<p>After approval of Cephalosporin Project by the Board, timelines for various activities were drawn. There was delay in completion of civil works by Civil Contractor of the Project. In view of delay in civil works, other activities of the Project viz Electrical works, Heating, Ventilation & Air Conditioning and installation of machineries were delayed causing delay in completion of the Project. The progress of the Project is being reviewed periodically. The production of Cephalosporin Project is commencing shortly.</p>

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore
Date : 06.09.2016

Dr. Shalini Rajneesh, IAS
Chairperson

K.M. Prasad
Managing Director



ADDENDUM TO DIRECTORS REPORT

QUALIFICATION OF SECRETARIAL AUDITORS

Para No.	Audit observation	Management Reply
8(a)	Did not appoint any Independent Directors on its Board as required under Section 149 of the Companies Act, 2013	As per the provision of Memorandum and Articles of Association of the Company, Power to appoint Directors is with Government of India. Action was taken by Company to amend its Articles to provide for two Independent Directors as per the provisions of Companies Act 2013. Proposal for appointment of Independent Directors was sent to Government of India and matter is being followed up periodically.
8(b)	Has to reconstitute its Audit committee of Directors and it could not hold valid Audit Committee Meetings during the year as there were no Independent Directors on the Board	Audit Committee has been constituted with three members from the Directors appointed by Government of India. While Audit Committee was constituted, it was informed to the Board that, the Audit Committee will be re-constituted once the Independent Directors are appointed on the Board by Government.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore
Date : 06.09.2016

Dr. Shalini Rajneesh, IAS
Chairperson

K.M. Prasad
Managing Director

AUDITORS' REPORT



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

We have audited the accompanying financial statements of **KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED** ('the Company') which comprise the Balance Sheet as at 31 March, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and the auditing standards and matters which are required to be included in

the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation and fair presentation of the financial statements 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 financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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, 2016;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and

- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

We draw attention to:

- i) Note No.6.2 regarding non-confirmation of balances towards trade payables to the extent of Rs.4271 lakhs and that the Company has adopted the balance as per books of accounts for the preparation of financial statements after necessary reconciliations.
- ii) Note no. 15.1 regarding non-confirmation of balances towards trade receivables to the extent of Rs.5519 lakhs from Govt. Institutions / bodies, Note 15.2 regarding non-confirmation of balances towards trade receivables other than Govt. Institutions /bodies to the extent of Rs.2415 lakhs and that the Company has adopted the balance as per books of accounts for the preparation of financial statements after necessary reconciliations.
- iii) Note no. 17.1 regarding non-confirmation of balances to the extent of Rs.51.94 lakhs in respect of deposit with Govt. departments and that the Company has adopted the balance as per books of accounts for the preparation of financial statements after necessary reconciliations.
- iv) Note 19.1.5 to the financial statements regarding excise duty demand of Rs.1036 lakhs received from Commissioner of Central Excise & Service tax, LTU, Bangalore towards excise duty & penalty under section 11D of the Central Excise Act, 1944 in addition to interest (not quantified) covering sale of certain products pertaining to the period from 2007-08 to 2011-12 and that the Company has preferred an appeal with CESTAT against the said order and that stay has been granted in favour of the Company.
- v) Note 19.1.6 regarding liability towards sales tax pending in appeal before various authorities relating to earlier years amounting to Rs.28.98 lakhs.

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

Report on Other Legal and Regulatory Requirements

- a) As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in the paragraph 3 and 4 of the said Order.
- b) As required under Section 143 (5) of the Act, based on such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us we give in Annexure 2 a statement on the directions issued by the Comptroller & Auditor General of India.
- c) As required by Section 143 (3) of the Act, we report that:
 - (i) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far it appears from our examination of those books;
 - (iii) The Balance Sheet, the Statement of Profit & Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the aforesaid standalone financial statements comply with the accounting standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (v) The Company being a Government Company, the provision of Section 164(2) of the Act, regarding disqualification of Directors does not apply in terms of Notification G.S.R. 463 (E) dated 5th June, 2015.

AUDITORS' REPORT (contd.)



(vi) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure A.

(vii) With respect to other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rule 2014, in our opinion and to the best of our information and according to explanations given to us:

- a) The company has disclosed the impact, if any, of pending litigations on its financial position in its financial statements.
- b) The company has made provision as required under the applicable law or accounting standards, for material foreseeable losses, if

any, on long-term contracts including derivative contracts.

- c) As per books of accounts and based on information and explanation provided to us, there are no amounts which were required to be transferred to Investor's Education and Protection Fund by the Company and hence commenting on delay in transferring amounts required to be transferred to the Investors Education & Protection Fund does not arise.

For **MANIAN & RAO**
Chartered Accountants
(Firm Registration No.: 001983S)

R. SRIKANTH
Partner
Bangalore
18th August, 2016
Membership No: 203138



ANNEXURE-1 TO THE AUDITORS' REPORT

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, 2016. WE REPORT THAT:

1. FIXED ASSETS

- a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The Company has a regular system for physical verification of its fixed assets by which the fixed assets are verified in a phased manner over a period of 3 years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and nature of its assets. As per the certification issued by the management and relied upon by us, no material discrepancies were noticed on such verification warranting adjustments in the books of accounts.
- c) The title deeds of immovable properties as disclosed in Note no. 9 on fixed assets to the financial statements are held in the name of the company. Land at Kadabagere Village to the extent of 24 acres & 20 guntas was received as grant from Govt. of Karnataka and out of that land RTC in respect of 4 acres & 20 guntas in Sy.No.22 is yet to be obtained by the Company (Refer Note no.9.1).

2. INVENTORIES

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. The Company is maintaining proper records for inventory. As informed by management, discrepancies noted on physical verification of inventories were not material, and have been properly dealt with in the books of account.

3. LOANS AND ADVANCES

As informed to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a), 3 (iii) (b) & 3 (iii) (c) of the said Order are not applicable to the Company.

4. As informed to us, the company has not granted any loans or made any investments or provided any guarantees or security to the parties covered under section 185 and 186 of the Companies Act, 2013. Therefore, the provisions of clause 3 (iv) of the said Order are not applicable to the Company.
5. According to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of section 73, 74, 75 & 76 of the Companies Act, 2013 and the rules framed thereunder and to the extent notified. Therefore, provisions of clause 3 (v) of the Order are not applicable to the Company.
6. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under sub-section (1) of section 148 of the Act read with Companies (Cost Records & Audit) Rules, 2014. We are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine the accuracy or completeness of the same.

7. 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 applicable statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Customs duty, Excise duty, VAT, 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.

ANNEXURE-1 TO AUDITORS' REPORT (contd.)



- 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, VAT, Customs duty, Excise duty, Cess and other Statutory dues which have not been deposited on account of any dispute except for Sales tax/ Excise Duty as detailed below:

Sales tax cases:

Nature of Dues	Financial Year to which the matter pertains	Forum where dispute is pending	Amount (Rs. in Lakhs.)
Tamil Nadu Sales Tax Act – Sales returns disallowed, Feed Supplement and Agro Chemicals taxed at higher rate.	2003-04	Appellate Asst. Commissioner (CT) V, Chennai	1.17
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – LST.	1996-97	JCCT, Patna	0.49
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – LST.	1997-98	JCCT, Patna	1.89
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – CST.	1998-99	JCCT, Patna	0.53
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – LST.	1998-99	JCCT, Patna	2.49
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – LST.	1999-00	JCCT, Patna	7.33
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – CST.	1999-00	JCCT, Patna	0.19
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – LST.	2000-01	JCCT, Patna	7.14
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements disallowed and tax imposed – CST.	2000-01	JCCT, Patna	4.74
Bihar VAT Act – Exempted sales of feed supplements disallowed and tax imposed.	2002-03	JCCT, Patna	3.01

Nature of Dues	Financial Year to which the matter pertains	Forum where dispute is pending	Amount (Rs. in Lakhs.)
Excise Duty Case : Demand received from CCE towards ED & Penalty besides interest (not quantified) u/s 11D of CE Act, 1944 covering sale of certain products.	2007-08 to 2011-12	CESTAT, Bangalore	1036.00

8. The company has not defaulted in repayment of loans or borrowings to a financial institution, bank, government or dues to debenture holders.



ANNEXURE-1 TO AUDITORS' REPORT (contd.)

9. According to the explanations and information given to us, the company has not raised moneys by way of initial public offer or further public offer (including debt instruments) and moneys raised by term loans have been applied for the purpose for which they were raised.
10. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across of any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.
11. The Company being a Government Company, the provision of Section 197 of the Act, regarding managerial remuneration does not apply in terms of Notification F No. 1/2/2014-CL.V dated 5th June, 2015.
12. The provisions of 3 (xii) of the Order are not applicable to the Company as it is not a Nidhi Company.
13. According to the explanations and information given to us, there are no transactions carried out with related parties and hence provisions of clause 3(xiii) of the Order is not applicable.
14. According to the explanations and information given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, provisions of the clause 3(xiv) of the Order are not applicable to the Company.
15. According to the explanation and information given to us, the company has not entered into any non-cash transactions with directors or persons connected with them. Accordingly, provisions of the clause 3(xv) of the Order are not applicable to the Company.
16. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, provisions of the clause 3(xvi) of the Order are not applicable to the Company.

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

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

Bangalore
18th August, 2016

ANNEXURE-2 TO THE AUDITORS' REPORT (contd.)



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, 2016. WE REPORT THAT:

Sl. No.	Directions	Reply
1.	Whether company is holding original title deeds for free hold land.	The Company is holding original title deeds for the freehold land in respect of land at Peenya Industrial Area & Kadabagere. However, RTC in respect of land at Sy. No. 22, Kadabagere to the extent of 4 acres & 20 guntas is yet to be received by the Company.
2.	Please report whether there are any cases of waiver/write-off of debts/loans/interests. If yes, the reasons there for and the amount invested.	The Company has written off book-debts amounting to Rs.64.01 lakhs being old outstanding not recoverable and the same has been duly approved by the Board.
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	Proper records are maintained for inventories lying with third parties and no assets is received as gift from government or other authorities during 2015-16.

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

(R. SRIKANTH)
Partner
Membership No: 203138

Bangalore
18th August, 2016



ANNEXURE 'A' TO THE INDEPENDENT AUDITORS' REPORT

REFERRED TO IN THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016.

Report on the Internal Financial Controls under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013

We have audited the internal financial controls over financial reporting of Karnataka Antibiotics & Pharmaceuticals Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide

reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Qualified opinion

In our opinion and according to the information and explanations given to us and based on our audit, the following material weakness has been identified in the adequacy and operative effectiveness of the company's internal Financial Controls over Financial Reporting as at March 31, 2016:

The Company did not have an appropriate system for monitoring the timely completion of Cephalosporin Project which has resulted in substantial delay in its capitalization and consequential impact on the Project cost. The delay has also resulted in opportunity loss of business and contribution (not ascertainable) that would have accrued from that Project.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects/possible effects of the material weakness described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2016 financial statements of the Company, and the material weakness does not affect our opinion on the financial statements of the Company.

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

(R. SRIKANTH)
Partner
Membership No: 203138

Bangalore
18th August, 2016



Secretarial Audit Report
For the Financial Year ended 31st March 2016

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

To the Members of Karnataka Antibiotics and Pharmaceuticals Limited

1. We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Karnataka Antibiotics and Pharmaceuticals Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.
2. Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, and subject to our separate letter attached hereto as the Annexure, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended 31st March 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.
3. We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the Financial Year ended on 31st March 2016 according to the provisions of:
 - (a) The Companies Act, 2013 (the Act) and the Rules made there under;
 - (b) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under;
 - (c) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
 - (d) Foreign Exchange Management Act, 1999 and the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
 - (e) Drugs and Cosmetics Act, 1940 and Rules framed thereunder;
 - (f) The Drugs and Magic Remedies (Objectionable Advertisements) Act, 1954 and Rules framed thereunder and
 - (g) Drugs (Prices Control) Order, 1995
 - (h) Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by the Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises, Government of India – as relates to composition and appointment of Directors.
4. We have also examined compliance with the applicable clauses of the Secretarial Standards issued by the Institute of Company Secretaries of India on Meetings of the Board of Directors and General Meeting.
5. We have not examined compliance by the Company with applicable financial laws, like direct and indirect tax laws, since the same have been subject to review by statutory financial audit and other designated professionals.

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

Bangalore

6th September, 2016

K N Nagesha Rao

Practising Company Secretary

FCS 3000 CP 12861



**The Annexure to the Secretarial Audit Report
for the Financial Year 2015-16**

To the Members of Karnataka Antibiotics and Pharmaceuticals Limited

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

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

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

Bangalore
5th September, 2016

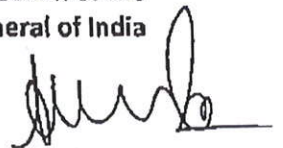
K N Nagesha Rao
Practising Company Secretary
FCS 3000 CP 12861

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE ACCOUNTS OF KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2016

The preparation of financial statements Karnataka Antibiotics and Pharmaceuticals Limited, Bangalore for the year ended on 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of Act is responsible for expressing opinion on these financial statements under Section 143 of the Act based on the independent audit in accordance with the Standards on Auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 18 August 2016.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 143(6)(a) of the Act of the financial statements of Karnataka Antibiotics and Pharmaceuticals Limited, Bangalore for the year ended on 31 March 2016. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditor and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge, which would give rise to any comment upon or supplement to Statutory Auditor's report.

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



(Arabinda Das)

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

Place: Hyderabad
Date: 19 September 2016



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 accounting standards specified under section 133 of Companies Act, 2013 read with Rules 7 of Companies (Accounts) Rules, 2014 and relevant provisions of Companies Act, 2013 as applicable.

2. Use of Estimates:

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported balances revenues, expenses, assets, and liabilities and disclosures relating to contingently 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:

Depreciation on tangible fixed Assets is provided on Straight Line Method over the useful life of the assets as prescribed under Part C of schedule II of the Companies Act 2013. Depreciation is calculated on pro-rata basis from the date of Installation till the date the asset is sold or otherwise disposed.

5. Impairment of Assets:

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

6. Borrowing Costs:

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

7. 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.

8. Inventories:

8.1 Raw materials are valued at lower of cost or 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.

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

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

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

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

9. Revenue Recognition:

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

- i) in the case of " F.O.R. Destination" sale contracts, where acknowledgements from customer/certificate of delivery are not on hand, sale is recognized based on the estimated average time taken for the consignment to reach the destination. In respect of sale transactions nearing the end of the financial year, actual delivery evidenced by acknowledgement from customers/certificate of delivery is also considered.

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

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

10. Employee Benefits:

- a) Employee Benefits are recognised, measured and disclosed as per Accounting Standard-15 (Revised 2005) – “Employee Benefits”.
- b) Employee Benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit & 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.

11. Foreign Exchange Transactions:

a) Initial recognition:

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

b) Conversion:

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

c) Exchange differences:

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

12. 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

SIGNIFICANT ACCOUNTING POLICIES (Contd.)



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.

13. Prior Period Transactions:

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

14. Provisions and contingent liabilities:

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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

K.M. PRASAD
MANAGING DIRECTOR

Dr. SHALINI RAJNEESH, IAS
CHAIRPERSON

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

R. RADHAKRISHNAN
General Manager - Finance

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

SRIKANTH R.
Partner
Membership No. 203138

Place : Bangalore
Date : 09.08.2016

Place : Bangalore
Date : 18.08.2016



BALANCE SHEET AS AT 31st MARCH, 2016

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	AS AT 31.03.2016	AS AT 31.03.2015
EQUITY AND LIABILITIES			
Share holders' funds			
Share Capital	1	1349	1349
Reserves and Surplus	2	11432	9724
		12781	11073
Non-current liabilities			
Long term borrowings	3	310	477
Long term provisions	4	1545	1409
		1855	1886
Current Liabilities			
Short term borrowings	5	429	452
Trade payables	6	5866	5530
Other current Liabilities	7	2615	2134
Short-term provisions	8	670	571
		9580	8687
Grand Total		24216	21646

BALANCE SHEET AS AT 31st MARCH, 2016



(Rs.in Lakhs)

PARTICULARS	NOTE NO.	AS AT 31.03.2016	AS AT 31.03.2015
ASSETS			
Non-current Assets :			
Fixed assets			
Tangible assets	9	1564	1639
Capital work-in-progress	10	2623	2325
Deferred tax assets (net)	11	172	120
Long-term loans and advances	12	1123	1076
Other Non-Current Assets	13	1043	724
Total		6525	5884
Current assets:			
Inventories	14	4576	5051
Trade receivables	15	8131	6424
Cash and Bank balances	16	4383	3684
Short-term loans and advances	17	596	584
Other current assets	18	5	19
Total		17691	15762
Grand Total		24216	21646

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. SHALINI RAJNEESH, IAS
CHAIRPERSON

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

R. RADHAKRISHNAN
General Manager-Finance

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

SRIKANTH R.
Partner
Membership No. 203138

PLACE : BANGALORE
DATE : 09.08.2016

PLACE : BANGALORE
DATE : 18.08.2016



PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	YEAR ENDED 31.03.2016	YEAR ENDED 31.03.2015
INCOME			
Revenue from operations	20	31202	23696
Other Income	21	160	488
Total Revenue		31362	24184
EXPENDITURE			
Cost of materials consumed	22	12946	10078
Purchases of Stock-in-Trade	23	2264	2453
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	188	-550
Employee benefits expense	25	5997	5322
Finance costs	26	45	49
Depreciation and amortization expense		339	338
Prior period items	27	2	8
Other expenses	28	6562	4753
Total Expenses		28343	22451
Profit before Tax		3019	1733
Tax Expense :			
1) Current tax		1120	620
2) Deferred tax		-52	13
Profit for the Year		1951	1100
Add : Excess Provision for taxes of earlier years withdrawn		0	6
Profit After Tax		1951	1106
Earnings per equity share :			
1) Weighted Average Earnings per share (Rs.)	29	145	82
2) Diluted Earnings per share (Rs.)	29	145	82
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. SHALINI RAJNEESH, IAS
CHAIRPERSON

R. RADHAKRISHNAN
General Manager-Finance

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

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

SRIKANTH R.
Partner
Membership No. 203138

PLACE : BANGALORE
DATE : 09.08.2016

PLACE : BANGALORE
DATE : 18.08.2016

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2016	AS AT 31.03.2015
1 SHARE CAPITAL :		
Authorised :		
15,00,000 (previous year 15,00,000) Equity shares of Rs. 100/-each	1500	1500
Issued, subscribed and fully paid up :		
13,49,000 (previous year 13,49,000) Equity shares of Rs. 100/- each fully paid up	1349	1349
Total	1349	1349
1.1 Reconciliation of the number of shares outstanding at the beginning and as at the end of the year		
Opening number of shares outstanding	1349000	1349000
Shares issued during the year	0	0
Closing number of shares outstanding	1349000	1349000
1.2 Terms/Rights attached to Equity Shares :		
<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 31st March, 2016, Final dividend proposed for distribution to Equity Shareholders is Rs. 15 (Previous Year - Rs. 14) 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 31st MARCH, 2016

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2016	AS AT 31.03.2015
1.3 The details of the shareholders holding more than 5% of the shares :		
a) President of India		
No.of Shares	798180	798180
% held	59.17	59.17
b) KSIIDC Limited		
No. of Shares	550820	550820
% held	40.83	40.83
2 RESERVES AND SURPLUS :		
Reserves :		
General Reserve :		
As per last Balance Sheet	9368	8586
Add: Transfer from statement of Profit & Loss	1700	850
Less: Utilised	0	68
Total (A)	11068	9368
CSR fund Reserve :		
As per last Balance Sheet	93	93
Less : Utilised during the year	0	0
	93	93
Add : Transfer from Statement of Profit & Loss	0	0
Total (B)	93	93
Sustainable Development Fund Reserve :		
As per last Balance Sheet	17	17
Add: Transfer from Statement of Profit & Loss	0	0
Less: Utilised during year	0	0
Total (C)	17	17
GRAND TOTAL (A+B+C)	11178	9478
Surplus in Profit and Loss Statement :		
As per last Balance Sheet	246	217
Add : Balance in Profit & Loss Statement	1951	1106
Total (D)	2197	1323

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2016	AS AT 31.03.2015
Appropriations :		
Transfer to General Reserve	1700	850
Proposed Dividend	202	189
Tax on Proposed Dividend	41	38
Transfer to CSR Fund Reserve	0	0
Transfer to Sustainable Development Fund Reserve	0	0
Total (E)	1943	1077
Balance in Statement of Profit & Loss (D - E)	254	246
Total	11432	9724

- 2.1 The Company was so far allocating 3 to 5% towards Corporate Social responsibility (CSR) and Sustainability activities as per the requirement of O.M.No.F.No.15(7)/2012 - DPE(GM)-GL-104 dated 12th April, 2013 issued by Department of Public Enterprises, Government of India. As per the provisions of Companies Act 2013 effective 01.04.2014, CSR Expenses are required to be debited to Profit and Loss Account. Hence no appropriation is made.
- 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 previous year towards Research and Development Fund amounting to Rs. 5.53 lakhs.

As the company has spent amount of Rs. 36.69 lakhs (Previous Year Rs. 27.14 lakhs), no appropriation has been made towards this fund.



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2016

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2016	AS AT 31.03.2015
3. LONG TERM BORROWINGS :		
Term Loan:		
From banks : Secured Refer Note No. 7		
From Vijaya Bank		
Secured against hypothecation of specific fixed assets and continuing security of the Company's other fixed assets on pari passu basis with State Bank of India	310	477
	310	477

3.1 The Company has been sanctioned term loan from Vijaya Bank. The details of balance of term loan as at 31st March, 2016 and the terms of repayment is as under:

PARTICULARS	Balance outstanding As on 31 st March, 2016	Balance outstanding As on 31 st March, 2015
Term Loan :	310	477
Current Rs. 166.80 lakhs (Refer Note. No. 7) (Previous year Rs. 147.03 lakhs)		
Non-Current Rs. 310.17 lakhs (previous year Rs. 476.50 lakhs)		
Terms of repayment :		
84 equated monthly instalment after 18 months repayment holiday-Rate of Interest - 12.75% - As on 31 st March 2016, 35 Instalments are remaining to be paid.		
There is no default in repayment of the above Term Loan.		
Total	310	477

(Rs.in Lakhs)

PARTICULARS	As at 31 st March, 2016	As at 31 st March, 2015
4. LONG-TERM PROVISIONS : (Refer Note No. 8.1)		
Provision for employee benefits:		
Provision for Gratuity (Refer Note No. 4.1)	241	160
Provision for Earned Leave	1076	1044
Current Rs. 229.42 lakhs (Refer Note. No. 8) (Previous year Rs. 65.12 lakhs)		
Non-Current Rs. 1075.64 lakhs (previous year Rs. 1043.68 lakhs)		
Provision for Sick Leave	228	205
Current Rs. 14.07 lakhs (Refer Note. No. 8) (Previous year Rs. 12.27 lakhs)		
Non-Current Rs. 227.55 lakhs (previous year Rs. 205.42 lakhs)		
Total	1545	1409
4.1 The total liability towards Gratuity to employees as at 31.3.2016 as per actuarial valuation is Rs. 2528.00 Lakhs (Previous year Rs. 2281.00 Lakhs) out of which Rs. 2483.00 Lakhs (Previous Year Rs. 2258 lakhs) is Non-Current and Rs. 45.00 Lakhs (Previous year Rs. 23.00 lakhs) is Current. The provision towards unfunded portion of the Gratuity is of Non-Current in nature and has been reflected accordingly in Note No. 4 above.		
5. SHORT-TERM BORROWINGS :		
Working Capital Loans from banks : (Secured and repayable on demand)	429	452
Working Capital facilities from scheduled banks are secured against hypothecation of stock-in-trade and book debts on pari passu basis and pari passu first charge on Company's entire fixed assets other than fixed assets charged to Vijaya Bank for Term loan. Debit balances under Cash credit Hypothecation account are disclosed under Cash and Bank balances. The above facility includes post-shipment credit in foreign currency of Rs. 314.75 Lakhs (Previous Year Rs. 451.64 Lakhs) with banks, the interest on which is linked to LIBOR.		
Total	429	452

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)	103	1120	1327	-104
Proposed Dividend	189	202	189	202
Provision for tax on proposed dividend	38	41	38	41
Provision for Earned Leave	1109	375	179	1305
Provision for Gratuity	160	187	105	242
Provision for Sick Leave	217	25	0	242
Provision for Contingencies :				
a) Disputed legal cases	144	20	0	164
b) Disputed statutory demands	20	0	0	20
Total	1980	1970	1838	2112

9 TANGIBLE ASSETS :

(Rs.in Lakhs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	TOTAL AS AT 01.4.15	ADDITIONS DURING THE YEAR	ADJUST- MENTS DELETIONS/ IMPAIRMENT DURING THE YEAR	TOTAL AS AT 31.3.16	TOTAL AS AT 01.4.15	FOR THE YEAR	ADJUST- MENTS DELETIONS/ IMPAIRMENT DURING THE YEAR	TOTAL AS AT 31.3.16	AS AT 31.3.16	AS AT 31.3.15
LAND :										
FREE HOLD	23	0	0	23	0	0	0	0	23	23
BUILDINGS	1046	0	0	1046	445	35	0	480	566	601
PLANT AND MACHINERY	2498	231	0	2729	1547	275	0	1822	907	951
FURNITURE & FIXTURES	142	5	7	140	105	12	7	110	30	37
OFFICE EQUIPMENTS	209	29	0	238	192	14	0	206	32	17
CANTEEN EQUIPMENTS	14	1	0	15	10	1	0	11	4	5
VEHICLES	13	0	0	13	8	2	0	10	3	5
TOTAL	3945	266	7	4204	2307	339	7	2640	1564	1639
PREVIOUS YEAR	3852	102	9	3945	1883	433	9	2307	1639	1969

- 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. Further Board at its 131st Board Meeting held on 19.02.2010, decided to grow Medicinal Plant in 10 acres in Phase 1. Accordingly, medicinal plants are being grown at Kadabagere Land.

Vide letter Dated 02.11.2015 a letter was addressed to Principal Secretary, Revenue Department by Managing Director of company requesting for survey and eviction of encroachments. Further as desired by Board a D.O. letter was written by Chairman, KAPL and Principal Secretary to Government, Government of Karnataka, Health and Family Welfare Department to Revenue Department vide letter dated 12.01.2016 has asked Deputy Commissioner, Bangalore Urban District to take necessary action. A reminder was sent vide letter dated 30.3.2016 to Deputy Commissioner, Bangalore Urban District. Matter is being pursued.

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 Company has availed a Term Loan of Rs. 800 lakhs from Vijaya Bank and the balance amount is funded through internal accruals. The Project work is under progress.
- 10.2 Capital work in progress includes a sum of Rs. 70.21 lakhs (previous year Rs. 57.40 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 31.03.2016	Upto 31.03.2015
Deferred Tax Liabilities :		
a) Fixed Assets - Written Down Value Difference	207	258
	207	258
Deferred Tax Assets :		
a) Provisions for doubtful debts, claims etc.,	43	39
b) Leave Salary	91	133
c) Gratuity	84	55
d) Others	161	151
	379	378
Deferred Tax Asset (Net)	172	120

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2016	AS AT 31.03.2015
12. LONG TERM LOANS AND ADVANCES :		
Capital Advances:		
Unsecured, Considered good Advance for capital items	1062	1017
Advance to employees	3	1
Current Rs. 63.02 lakhs (Refer Note. No. 17) (Previous year Rs. 71.55 lakhs)		
Non-Current Rs. 3.58 lakhs (Previous year Rs. 1.25 lakhs)		
Prepaid expenses	4	5
Current Rs. 30.56 lakhs (Refer Note. No. 17) (Previous year Rs. 46.63 lakhs)		
Non-Current Rs. 3.50 lakhs (Previous year Rs. 5.38 lakhs)		
Deposit with Government Departments	54	53
Current Rs. 181.68 lakhs (Refer Note. No. 17 and 17.1) (Previous year Rs. 240.77 lakhs)		
Non-Current Rs. 54.48 lakhs (Previous year Rs.53.25 lakhs)		
Total	1123	1076
13. OTHER NON-CURRENT ASSETS :		
Rights under Group Leave Encashment Scheme	1043	724
Insurance Policy (Ref. Note No. 25.2)		
Total	1043	724
14. INVENTORIES :		
Raw Materials - in Stock-KAPL	1783	1741
Raw Materials - LL PARTIES	340	355
Raw Materials - IN TRANSIT	1	284
Less : Provision for obsolescence	76	60
	2048	2320
Work-in-progress - KAPL	992	900
Finished Goods - in Stock	1221	1326
- in Transit	284	477
Stores and spares	31	28
Total	4576	5051

- 14.1 Until Financial Year 2014-15. Finished Goods whose shelf life expires within six months from the date of Balance Sheet were not valued. However, from this Financial Year such goods are valued at lower of Cost or Net Realisable Value. Due to change in policy, Profit for the year is more by Rs. 16.10 lakhs.

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2016	AS AT 31.03.2015
15. TRADE RECEIVABLES :		
Unsecured		
Outstanding for a period exceeding six months		
Considered good	1095	1442
Considered doubtful	120	104
Less : Provision for doubtful	120	104
	1095	1442
Others - Considered good	7036	4982
Total	8131	6424

- 15.1 'Sundry Debtors' includes Rs. 5519.00 Lakhs (Previous year Rs. 4318.00 lakhs) due from Government Institutions/bodies in respect of which confirmation of balances is awaited.
- 15.2 Confirmation of balances called for by the Company towards Trade Receivables other than Government institutions/bodies is awaited to an aggregate extent of Rs. 2415.00 lakhs (previous year Rs. 1848.00 lakhs) of such receivables. In the cases where differences are noticed in the confirmations received from receivables, the Company has adopted the balance as per Books of Accounts for preparation of Financial Statements, after carrying out necessary reconciliation.
- 15.3 However, in the opinion of the Company, non receipt of confirmation of balances will not have any material effect on the financial position of the Company.

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2016	AS AT 31.03.2015
16. CASH AND BANK BALANCES :		
A. Cash and cash equivalents:		
Balances with banks		
- in Current/Cash Credit Account	82	415
- in fixed deposit account		
With maturity less than 3 months	3288	3119
Cash, Stamps and Coupons on hand	4	4
Remittances - in - transit	143	84
Total	3517	3622
B. Other Bank balances		
- in fixed deposit account		
With maturity more than 3 months	792	4
a) An amount of Rs. 3.33 Lakhs(previous year Rs.2.87 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.4.88 Lakhs(previous year Rs.4.18 Lakhs) held with Vijaya Bank, Bangalore in respect of a welfare fund constituted for the welfare of the employees.		
Margin money in fixed deposits		
- With maturity more than 3 months	74	58
Total	866	62
Total	4383	3684

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2016	AS AT 31.03.2015
17 SHORT TERM LOANS AND ADVANCES :		
Advances		
Others		
Unsecured, recoverable in cash or kind or for value to be received		
Considered good		
Advance to employees including imprest to field employees (Refer Note No.12)	63	72
Pre-paid expenses (Refer Note No.12)	31	47
Advance Income Tax (Net)	104	0
Other advances	38	54
Other receivables	137	178
Total	373	351
Deposits with Government Departments (Refer Note No.12 and 17.1)		
Considered good	223	233
Considered doubtful	7	7
	230	240
Less: Provision for Doubtful Deposits	7	7
	223	233
Total	596	584

17.1 Confirmation of balances in respect of Deposit with Government departments amounting to Rs. 51.94 lakhs is awaited (Previous Year Rs. 60.73 lakhs).

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

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



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2016

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2016	AS AT 31.03.2015
18 OTHER CURRENT ASSETS :		
Interest Accrued on deposits	5	19
Total	5	19

19 CONTINGENT LIABILITIES AND COMMITMENTS :

(to the extent not provided for)

19.1 Contingent Liabilities:

19.1.1	Claims against the company not acknowledged as debts	62	62
19.1.2	Bank guarantees	306	92
19.1.3	Letter of Credit	176	161
19.1.4	Difference in sales tax for non-receipt of Statutory forms	76	76
19.1.5	Excise Duty Demand :	1036	1036

Demand received from Commissioner of Central Excise towards Excise duty and penalty besides interest (not quantified) under Section 11D of Central Excise Act, 1944 covering sale of certain products pertaining to the period from 2007-08 to 2011-12.

The Company had preferred an appeal with CESTAT against the order. The said case were heard on 7th January 2015 and stay was granted in favour of the Company.

19.1.6 Liability towards sales tax pending in appeal before various appellate Authorities relating to earlier years:

(Rs.in Lakhs)

NATURE OF DUES	AMOUNT Rs. in Lakhs	Period to which the amount relates
Sales returns disallowed. Feed supplement and Agro Chemicals Taxed at higher rate - Tamil Nadu Sales Tax Act		
The Dispute is pending with Appellate Assistant Commissioner (CT)V (Chennai)	1.17 (1.17)	2003-2004
Supplies to government departments at concessional rate of tax- Forms submitted not considered in assessment - Uttar Pradesh VAT Act	0.00 (10.75.)	2005-2006
The Dispute is pending with Assistant Commissioner of Commercial Taxes (Appeals), Lucknow.		

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2016



(Rs.in Lakhs)

NATURE OF DUES	AMOUNT Rs. in Lakhs	Period to which the amount relates
Tax imposed for not producing original purchase records during Assessment (original purchase records retained by Excise department) - LST	0.00 (5.92)	2009-2010
The Dispute is pending with Additional Commissioner Appeal (2), Lucknow.		
Tax imposed for not producing original purchase records during Assessment (original purchase records retained by Excise department) - CST	0.00 (6.87)	2009-2010
The Dispute is pending with Additional Commissioner Appeal (2), Lucknow.		
Non production of 'C' Forms during Assessment (LST)	0.00 (89.37)	2008-2009
The Dispute is pending with Deputy Commissioner of Sales Tax, Nagpur, Maharastra VAT Act.		
Non production of 'C' Forms during Assessment (CST)	0.00 (28.76)	2008-2009
The Dispute is pending with Deputy Commissioner of Sales Tax, Nagpur, Maharastra VAT Act.		
Value of Physician samples disallowed & tax imposed	0.00 (2.05)	1991-1992
The Dispute is pending at Tribunal, Patna		
Exempted Sales of Gauge & Bandages disallowed & tax imposed	0.49 (0.49)	1996-1997
Exempted Sales of Gauge & Bandages disallowed & tax imposed	1.89 (1.89)	1997-1998
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST)	2.49 (2.49)	1998-1999
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (CST)	0.53 (0.53)	1998-1999
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST)	7.33 (7.33)	1999-2000
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (CST)	0.19 (0.19)	1999-2000
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST)	7.14 (7.14)	2000-2001



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2016

NATURE OF DUES	AMOUNT Rs. in Lakhs	Period to which the amount relates
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (CST)	4.74 (4.74)	2000-2001
Exempted Sales of Feed Supplements disallowed & tax imposed	3.01 (3.01)	2002-2003
The Disputes are pending with JCCT, Patna - Bihar VAT Act. (figures in brackets represent previous year figures)		
Total	28.98 (172.70)	
19.2 COMMITMENTS:		
19.2.1 Estimated amount of contracts remaining to be executed on capital account and not provided for	901	917

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2016	Year ended 31.03.2015
20. REVENUE FROM OPERATIONS :		
Sale of Products	32692	24724
Other Operating Revenues	262	193
	32954	24917
Less : Excise Duty	1752	1221
Total	31202	23696
20.1 Particulars of Sale of Products :		
Dry Powder Vials	8885	8123
Liquid Parenterals (Vials/Ampoules)	3257	2573
Tablets	9407	5463
Capsules	3320	2140
Dry Syrup & Suspension	626	573
Others	7197	5852
Total	32692	24724
21. OTHER INCOME :		
Interest received	147	472
Exchange rate Fluctuation	0	12
Miscellaneous receipts	13	4
Total	160	488



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2016

22. MATERIALS CONSUMED :

Sl. No.	PRODUCT NAME	CURRENT YEAR			PREVIOUS YEAR		
		QUANTITY (Kgs/Bus)	VALUE (Rs. in Lakhs)	%	QUANTITY (Kgs/Bus)	VALUE (Rs. in Lakhs)	%
A.	RAW MATERIALS :						
I.	INDIGENOUS :						
1	CEFTRIAXONE SODIUM (ST)	9977.021	690		9044.060	674	
2	CEFOTAXIME SODIUM (ST)	6647.000	494		5470.383	410	
3	CEFACROXIL IP (COMP)	12993.673	459		7939.928	302	
4	CIPROFLOXACIN	24231.859	449		21060.188	416	
5	PARACETAMOL	141609.661	355		102533.626	278	
6	AMOXYCILLIN TH IP (COMP)	16655.123	336		19800.900	450	
7	ALBENDAZOLE IP	20955.600	294		9765.003	151	
8	STRL PIPER & TAZO SOD	2710.000	271		2996.000	309	
9	CEFIXIME IP (COMPACTED)	2957.862	271		2664.409	246	
10	CEPHALEXIN IP (COMP)	7045.264	257		6039.402	222	
11	OTHERS		5062			4183	
	TOTAL		8938	92		7641	88
II.	IMPORTED :						
1	POTASSIUM CLAVULANATE	2687.880	475		3647.390	608	
2	STREPTOMYCIN SULPHATE (ST)	5035.000	124		5850.000	148	
3	HYDROCORTISONE SODIUM	151.540	72		373.460	215	
4	OTHERS		88			52	
	TOTAL:		759	8		1023	12
	TOTAL OF I & II		9697	100		8664	100

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)
		(No's. in lakhs)		(No's. in lakhs)	
B.	PACKING MATERIALS :				
	(all indigenous)				
1	VIALS, AMPOULES & BOTTLES	967.71	1021	878.93	909
2	OTHERS		2228		1638
	TOTAL		3249		2547
	TOTAL OF A & B		12946		11211
	LESS : CENVAT CREDIT		0		1068
	LESS : VAT CREDIT		0		65
	NET CONSUMPTION		12946		10078

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	*	483	*	634
Others	*	1781	*	1819
Total		2264		2453

*Enumeration of quantities not practicable

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2016	Year ended 31.03.2015
24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE;		
FINISHED GOODS AND STOCK-IN-TRADE :		
Opening Stock	1803	1555
Closing Stock	1505	1803
	298	-248
WORK-IN-PROCESS :		
Opening Stock	900	596
Closing Stock	992	900
	-92	-304
(Increase) / Decrease	206	-552
Excise Duty on Inventory Change	-18	2
Net (Increase) / Decrease	188	-550
25. EMPLOYEE BENEFITS EXPENSE :		
Salaries and Wages	4765	4376
Voluntary Retirement Scheme Expenses	25	0
Contribution to Provident and other funds	572	359
Staff welfare expenses	635	587
Total	5997	5322
25.1 Employee Benefit expenses include Managing Director's remuneration as under :		
PARTICULARS		
a) Salary	20	18
b) Contribution to PF	2	2
c) Others	3	2
Total	25	22

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 Availability	
			Availability		Encashment			
	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015
Present value of obligations	2528	2281	65	65	1240	1044	242	217
Fair value of Plan Assets	2287	2121	0	0	0	0	0	0
Present value of unfunded obligations (Net Liability)	241	160	65	65	197	320	242	217
Net Assets/(Liability) recognised in Balance Sheet	-241	-160	-65	-65	-1240	-1044	-242	-217

*The reimbursement right under Group Leave Encashment Policy funded with Life Insurance Corporation of India towards encashment of Earned Leave is Rs. 1042 lakhs (Previous year Rs. 595 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 Availability	
			Availability		Encashment			
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Current Service Cost	87	68	65	109	164	146	22	16
Interest on obligation	170	174	0	0	83	68	16	15
Expected Return on Plan Assets	-162	-172	0	0	0	0	0	0
Return on Leave Encashment Policy	0	0	0	0	-43	-48	0	0
Net Actuarial Losses/(gains) recognised in the year	92	-72	0	0	-8	56	-13	-24
Total included in Employee benefits	187	-2	65	109	196	222	25	7
Benefits availed included under Salaries, Wages & Bonus	0	0	0	0	0	0	0	0
Net charged to Profit and Loss Account	187	-2	65	109	196	222	25	7
Actual Return on Plan Assets for the year	8.51%	9.00%	-	-	8.35%	9.00%	-	-

- 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 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015
Opening Obligation	2281	2247	65	65	1044	923	217	210
Current Service Cost	87	68	0	0	164	146	0	0
Interest Cost	170	174	0	0	83	68	0	0
Actuarial Losses/(gains)	98	-78	0	0	-8	61	0	0
Benefits Paid/Availed	-108	-130	0	0	-43	-154	25	7
Closing Obligation	2528	2281	65	65	1240	1044	242	217

- 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 31.3.2016	As at 31.3.2015
Opening Balance	2121	1855
Interest credited	168	166
Assets distributed on Settlement/Benefits paid	-108	-130
Contribution by company	106	230
Closing Balance	2287	2121

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				
	2011-12	2012-13	2013-14	2014-15	2015-16
Present Value of defined benefit obligation	1860	1973	2247	2281	2528
Fair value of Plan assets	1505	1756	1855	2121	2287
Surplus/deficit in the Plan	355	217	392	160	241

EARNED LEAVE :

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2011-12	2012-13	2013-14	2014-15	2015-16
Present Value of defined benefit obligation	859	935	971	1109	1305
Rights under Group Leave Encashment Scheme Policy	0	397	595	724	1043
Surplus/deficit in the Plan	859	538	376	385	262

SICK LEAVE :

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2011-12	2012-13	2013-14	2014-15	2015-16
Present Value of defined benefit obligation	205	188	210	224	242
Fair value of Plan assets	0	0	0	0	0
Surplus/deficit in the Plan	205	188	210	224	242

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

PARTICULARS	Gratuity		Earned Leave		Sick Leave	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Mortality Rate	LIC (1994-96)					
Discount Rate	8.51%	9.12%	8.51%	9.12%	8.51%	9.12%
Estimate of salary increases	10.25%	10.00%	10.25%	10.00%	10.25%	10.00%

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



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2016

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2016	Year ended 31.03.2015
26. FINANCE COSTS :		
Interest Expenses	15	15
Other Borrowing cost	30	34
Total	45	49
27. PRIOR PERIOD ADJUSTMENTS :		
PRIOR YEARS INCOME :	0	4
	0	4
PRIOR YEARS EXPENDITURE :		
Commission and Discounts	2	12
Legal & Professional Charges	0	0
Other Miscellaneous Expenditure	0	0
	2	12
Total	2	8
28. OTHER EXPENSES :		
Consumption of stores and spare parts	58	51
Power and fuel	385	351
Rent	122	116
Repairs to buildings	8	44
Repairs to machinery	114	70
Insurance	14	12
Rates and taxes	112	50
Auditor's remuneration: as auditor (including service tax)	4	3
Travelling and Conveyance	555	533
Commission and discounts	2598	1663
Late Delivery Charges	521	230
Carriage outwards	314	295
Loss on sale/discarding of assets	0	0
Other manufacturing expenses	644	406
Laboratory expenses	73	39
Communication expenses	22	20
Legal and professional charges	64	66
General maintenance expenses	132	127
Printing and Stationery	84	49

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2016	Year ended 31.03.2015
Recruitment and training expenses	24	31
Other selling expenses	490	421
Sundry Receivables written off	68	60
Other provisions	51	21
CSR Expenditure	32	25
Exchange Rate Fluctuation	3	0
Other miscellaneous expenditure	70	70
Total	6562	4753

28.1 The Company has no leasing arrangements under finance lease. In respect of premises obtained under operating lease, the leases are cancellable at the option of the Company.

PARTICULARS	Year ended 31.03.2016	Year ended 31.03.2015
29. EARNINGS PER SHARE :		
1 Profit After Tax for the year	1951	1106
2 Weighted Average number of Basic Equity Shares outstanding during the year	1349000	1349000
3 Weighted Average number of Diluted (Basic and Potential) Equity Shares outstanding during the year	1349000	1349000
4 Potential Equity Shares- Share Application Money Pending allotment	0.00	0.00
5 Nominal Value of the Share Rs.	100.00	100.00
6 Earnings per share (Basic) (1/2)	145	82
7 Earnings per share (Diluted) (1/3)	145	82



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2016

30. STATEMENT OF SALES AND STOCK :

Sl.No.	PARTICULARS	Value (Rs. in Lakhs)		
		SALES	CLOSING STOCK	OPENING STOCK
1	Dry Powder Vials	8885 (8123)	314 (533)	533 (377)
2	Liquid Parenterals (Vials/Ampoules)	3257 (2573)	159 (144)	144 (167)
3	Tablets	9407 (5463)	274 (267)	267 (279)
4	Capsules	3320 (2140)	111 (139)	139 (43)
5	Dry Syrup & Suspension	626 (573)	37 (65)	65 (32)
6	Others	7197 (5852)	610 (655)	655 (657)
	TOTAL	32692 (24724)	1505 (1803)	1803 (1555)

(Rs.in Lakhs)

Sl. No.	PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
31. SPARES CONSUMED					
	Indigenous	58	100	51	100
	Imported	0	0	0	0
		58	100	51	100
32.	VALUE OF IMPORTS ON CIF BASIS				
	1. Raw Materials	695		1060	
	2. Capital Goods	43		15	
	3. Others	0		0	
33.	EARNINGS IN FOREIGN EXCHANGE				
	F.O.B. Value of Exports	3369		2891	
34.	EXPENDITURE IN FOREIGN CURRENCY				
	Travel and others	75		126	

35. SEGMENT INFORMATION FOR THE YEAR ENDED 31ST MARCH 2016

PRIMARY SEGMENT : BUSINESS SEGMENT

(Rs.in Lakhs)

PARTICULARS	PHARMACEUTICALS		OTHERS		TOTAL	
	31.3.2016	31.3.2015	31.3.2016	31.3.2015	31.3.2016	31.3.2015
REVENUE						
Sales	31701	23524	991	1200	32692	24724
Income from Contract Manufacturing	-	-	209	147	209	147
Total Revenue	31701	23524	1200	1347	32901	24871
Segment Result	3805	2145	268	206	4073	2351
Unallocated Corporate Expenses					1181	1065
Operating Profit					2892	1286
Interest Expense					20	25
Interest Income					147	472
Income Tax					1120	620
Deferred Tax					-52	13
Profit from Ordinary Activities					1951	1100
Taxation Adjustments of Previous Year					0	6
Net Profit					1951	1106
OTHER INFORMATION						
Segment Assets	16430	14454	1842	2386	18272	16840
Unallocated Corporate Assets					5945	4806
Total Assets					24217	21646
Segment Liabilities	8808	7837	949	941	9757	8778
Unallocated Corporate Liabilities					14460	12868
Total Liabilities					24217	21646
Capital Expenditure	540	449	0	0	540	449
Unallocated Capital Expenditure					26	17
Total Capital Expenditure	540	449	0	0	566	466
Depreciation*	307	306	1	1	308	307
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)

	31.3.2016	31.3.2015
REVENUE :		
INDIA	29504	21919
OUTSIDE INDIA	3397	2952
TOTAL	32901	24871
CARRYING AMOUNT OF SEGMENT ASSETS :		
INDIA	17146	16214
OUTSIDE INDIA	1126	626
TOTAL	18272	16840
ADDITIONS TO FIXED ASSETS		
INDIA	566	466
OUTSIDE INDIA	0	0
TOTAL	566	466

NOTES :**1. BUSINESS SEGMENTS :**

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

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

2. GEOGRAPHICAL SEGMENTS :

The geographical segments considered for disclosure are as follows :

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

3. SEGMENTAL ACCOUNTING POLICIES :

- 3.1) Segment accounting policies are in line with the accounting policies of the Company.
- 3.2) Segment revenue, expenses, assets and liabilities which are directly attributable to the segment, are disclosed accordingly.



3.3) Unallocable corporate expenses, assets and liabilities relate to the Company as a whole and are not practicable to allocate to any segment.

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

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

Signature to Note Nos. 1 to 36

FOR AND ON BEHALF OF BOARD OF DIRECTORS

K. M. PRASAD
MANAGING DIRECTOR

Dr. SHALINI RAJNEESH, IAS
CHAIRPERSON

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

R. RADHAKRISHNAN
General Manager-Finance

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

SRIKANTH R.
Partner
Membership No. 203138

PLACE : BANGALORE
DATE : 09.08.2016

PLACE : BANGALORE
DATE : 18.08.2016



NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2016

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2016

(Rs.in Lakhs)

	March 2016	March 2015
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX	3,019	1,733
Adjustment for :		
Depreciation	339	338
Interest Income	(147)	(472)
Interest expense	15	15
Provision for Bad Debts	15	1
Bad Debts Written-off	64	60
Provision for Contingencies	20	20
Provision for Doubtful Deposits, Advance & Claims	4	2
Provision for Non-moving / Slow moving Inventory	15	(1)
Provision no longer required withdrawn	-	14
Unrealised Foreign Exchange Loss (gain)	3	(12)
Sundry Creditors written back	22	6
	350	(29)
Operating Profit before Working Capital Change	3,369	1,704
Adjustment for :		
(Increase)/Decrease in Trade and other receivables	(2,071)	310
(Increase)/Decrease in inventories	475	(1,293)
Increase/(Decrease) in trade payables & other liabilities	1,083	(1,882)
	(513)	(2,865)
Cash generated from Operations	2,856	(1,161)
Direct Taxes Paid	(1,327)	(374)
Net cash from Operating activities (A)	1,529	(1,535)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	147	472
Purchase of Fixed assets, Capital WIP, Capital Advances	(566)	(466)
Net cash from investing activities (B)	(419)	6

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2016 (Contd.)

(Rs.in Lakhs)

	March 2016	March 2015
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in long term borrowings	(146)	126
Increase/(Decrease) in short term borrowings	(23)	(45)
Dividend paid on Equity Shares	(189)	(155)
Tax on Equity Dividend paid	(38)	(31)
Interest paid	(15)	(15)
Net cash from financing activities (C)	(411)	(120)
D. NET INCREASE /(DECREASE) (A+B+C)	699	(1,649)
E. Cash and Cash Equivalents at the beginning of the year	3,622	4,269
Other Bank Balances	62	1,064
	3,684	5,333
F. Cash And Cash Equivalents at the end of the year	3,517	3,622
Other Bank Balances	866	62
Cash and Bank balances (D + E) (Refer Note No. 16)	4,383	3,684

FOR AND ON BEHALF OF BOARD OF DIRECTORS

K. M. PRASAD
MANAGING DIRECTOR

Dr. SHALINI RAJNEESH, IAS
CHAIRPERSON

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

R. RADHAKRISHNAN
General Manager-Finance

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

SRIKANTH R.
Partner
Membership No. 203138

PLACE : BANGALORE
DATE : 09.08.2016

PLACE : BANGALORE
DATE : 18.08.2016

(Rs. in Lakhs)							
SL. NO.	PARTICULARS	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
01	Value of Production	23927	25100	24739	27573	28181	34201
02	Sales Turnover	20901	23089	22358	24159	24724	32692
03	Exports (included in 2 above)	2000	2278	2035	2554	2952	3397
04	Cash Profit	2032	2599	1712	1399	2071	3358
05	Profit before tax	1838	2410	1519	1207	1733	3019
06	Profit after tax	1056	1602	1129	776	1106	1951
07	Share Capital	749	749	1349	1349	1349	1349
08	Reserves & Surplus	5847	7319	8321	8913	9724	11432
09	Net Worth	6596	8068	9670	10262	11073	12781
10	Gross Block	3635	3700	3774	3852	3945	4204
11	Long Term borrowings	395	503	492	498	624	477
12	Contribution to Exchequer	1964	2818	2920	2757	2780	4113
13	Manpower (No.)	715	714	714	738	728	712
14	Average Sales per Professional Sales employee (Rs.)	29	32	31	38	32	46
15	Average production per factory employee (Rs.)	112	117	110	123	128	162
16	Dividend (%)	12	15	8	20	14	15
17	Book Value per share (Rs.) (Face value of Rs. 100)	881	1077	717	761	820	947
18	Earning per Share (Rs.) (Face Value of Rs. 100)	141	214	108	58	82	145
19	Sundry Debtors to sales (%)	36	40	33	29	26	25
20	Turnover to gross fixed Assets (%)	575	624	592	627	627	777
21	Value of closing inventory to Sales (%)	13	13	15	16	20	14
22	Finance cost to turnover (%)	0.53	0.49	0.32	0.12	0.06	0.04
23	Material cost to turnover (%)	56	51	50	50	48	47



Hon'ble Chairman and Members of Parliamentary Committee on Chemicals & Fertilizers
during their visit to Bangalore on 01.06.2016



Hon'ble Chairman and Members of Rajya Sabha Committee on Petitions
during their visit to Bangalore on 02.06.2016



Shri K M Prasad, Managing Director, KAPL receiving the Trophy from Shri Ananth Kumar, Hon'ble Minister for Chemicals and Fertilizers on 7th Jan. 2016 during India Pharma Expo 2016.
Dr. M. Ariz Ahammed, IAS, Joint Secretary, Department of Pharmaceuticals
and Shri Sudansh Pant, IAS, Joint Secretary, Department of Pharmaceuticals are also seen.