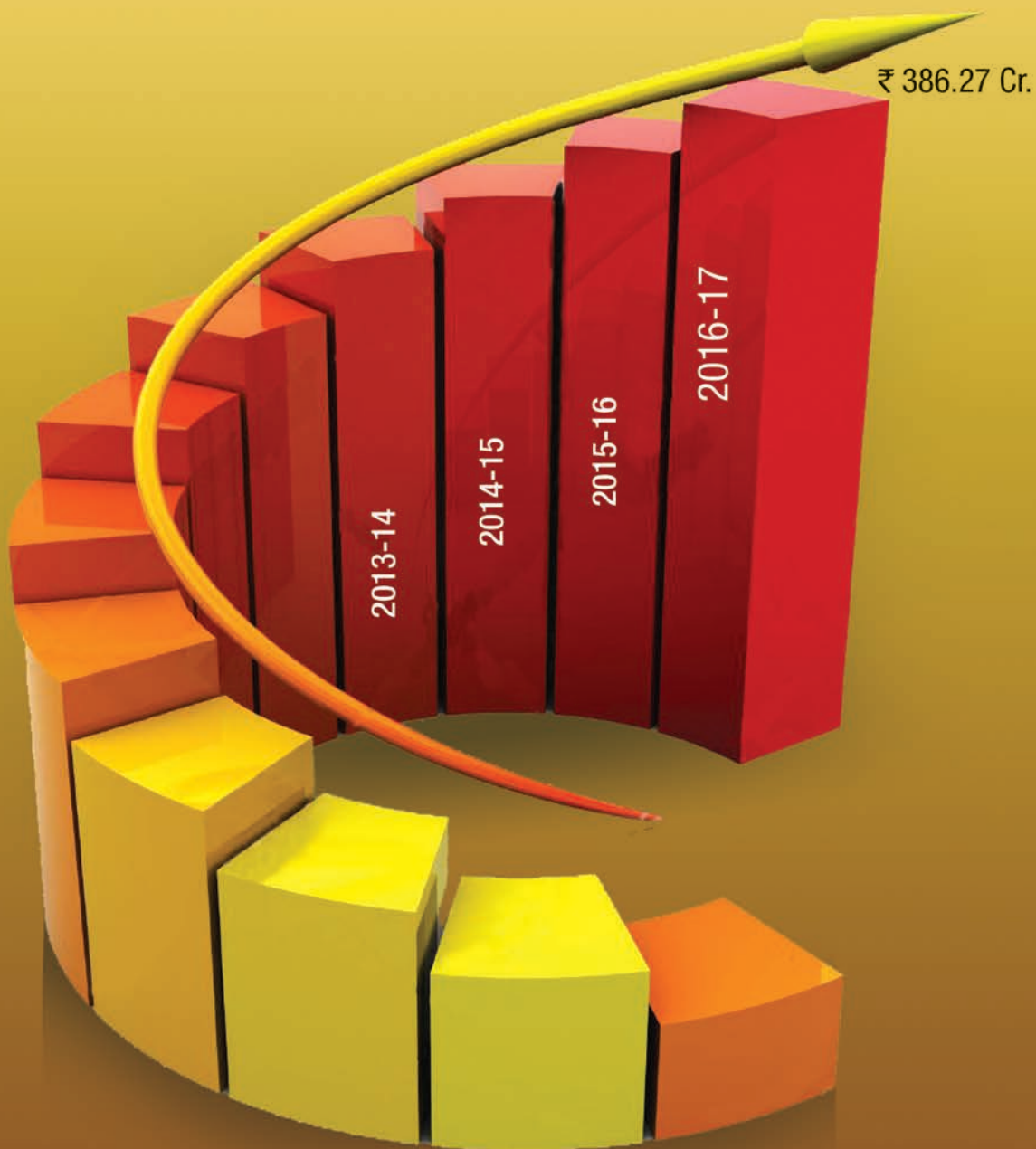




KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED

(A Government of India Enterprise)



36th Annual Report 2016-17

Quality Keeps us Moving



▲ View of KAPL Stall at “India Pharma Exhibition 2017” held at Bangalore

Shri K.M. Prasad, Managing Director, KAPL is seen with “INDIA PHARMA PSU AWARD 2016” along with employees of the Company.





Dr. Shalini Rajneesh, IAS



Shri Jitendra Trivedi



Shri K. M. Prasad



Smt. P. Hemalatha, IAS



Shri B. T. Khanapure



BOARD OF DIRECTORS (AS ON 07.09.2017)

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 B T Khanapure

Drugs Controller for the State of Karnataka
Palace Road
Bangalore – 560 001
From 09.03.2017

Shri K M Prasad

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

Shri Raghurama Bhandary

Drugs Controller for the State of Karnataka
Palace Road
Bangalore – 560 001
Upto 14.10.2016

Shri Jitendra Trivedi

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

Dr. Ariz Ahammed, IAS

Jt. Secretary
Ministry of Chemicals & Fertilizers
Department of Pharmaceuticals
Government of India, Shastri Bhavan, New Delhi
Upto 02.12.2016

Smt. P. Hemalatha, 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 : 24.05.2017

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
Upto 24.05.2017

JAGADEESH C HIEMATH

Company Secretary & General Manager (HR & Admn.)

STATUTORY AUDITORS

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

BANKERS

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

INTERNAL AUDITORS

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

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.kapindia.com

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NOTICE OF THE THIRTY SIXTH ANNUAL GENERAL MEETING

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

DAY : Thursday
DATE : 07th September 2017
TIME : 1300 Hours
VENUE : Regd. & Corp Office,
Dr Rajkumar Road, 1st Block
Rajajinagar, Bangalore-560010

to transact the following business:

A. Ordinary Business

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31st March 2017 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 HIEMATH)

Company Secretary and
General Manager(HR & Admn).

Place : Bangalore
Date : 14.08.2017

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 will appoint the Statutory Auditors for the year ending 31.03.2018.



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 36th ANNUAL GENERAL MEETING OF THE COMPANY HELD AT BANGALORE ON 07th SEPTEMBER 2017

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 2016-17. Your Company has increased almost 18.57% of its production and 18.15% of its sales compared to previous year (2015-16). The Directors' Report and accounts of the company for the year ended 31st March 2017 have already been provided to all the share-holders, and with permission of all present here, I shall consider them as read.

RESERVES & SURPLUS

(Rs. in Lakhs)



3. MACRO ECONOMIC SETTING

During the year 2016-17, the Indian Economy witnessed GDP growth of 7.1% as compared to last year 7.6%. Agriculture sector has registered a growth of 4.1%, where as Industrial Sector grew by 5.2% as compared to last year. The service sector grew by 6.5%.



Non-Officers (non-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.40551 lakhs (previous year Rs.34201 lakhs). The company achieved sales turnover of Rs 38627 lakhs (previous year Rs. 32692 lakhs)



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

5. FINANCIAL RESULTS

Your company has achieved a Profit Before Tax of Rs.4707 lakhs (previous year Rs. 3019 lakhs) And Profit After Tax of Rs. 3033 lakhs (previous year Rs. 1951 lakhs). The Book Value per share (Face Value of Rs.100/-) is Rs. 1172/- (previous year Rs. 947/-). The Earning per share is Rs225/- on a Face Value of Rs 100/-

NET WORTH

(Rs. in Lakhs)



6. DIVIDEND

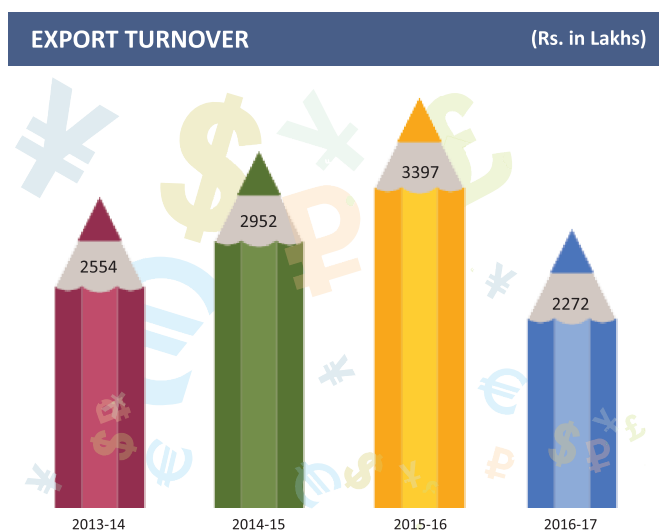
As you are aware KAPL is the only Pharmaceutical Company in the Central Drug Sector to consistently declare dividend for the past 27 years. For the year 2016-17, Directors have recommended a dividend of 18% as compared to 15% last year.

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 2016-17.

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.

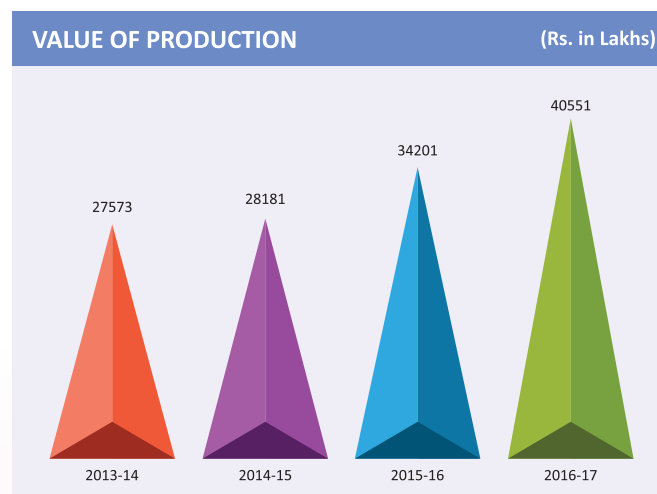
10.4. I am grateful for the immense contribution made by your Auditors and the Legal Advisors.

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 31.03.2017, Profit and Loss Statement for the year ended on that date and the Directors' Report for the adoption.

Place : Bangalore
Date : 07.09.2017

Chairperson



DIRECTOR'S REPORT

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

Your Board of Directors are pleased to present the 36th Report on the performance and achievements of the Company together with the Audited Balance Sheet as on 31.03.2017, the Profit and Loss Statement for the year ended on that date and the report of the Statutory Auditors thereon.

1. PERFORMANCE HIGHLIGHTS

Table I

PERFORMANCE HIGHLIGHTS (Rs. in Lakhs)				
Sl. No.	Particulars	2014-2015	2015-2016	2016-2017
1.	Production*	28181	34201	40551
2.	Sales	24724	32692	38627
3.	Exports (included in Sl. No.2 above)	2952	3397	2272
4.	Profit before Tax	1733	3019	4707
5.	Profit after Tax	1106	1951	3033
6.	Reserves and Surplus	9724	11432	14465
7.	Paid up Share Capital	1349	1349	1349
8.	Dividend (%)	14	15	18
9.	Earning per Share (Rs.) (Face value Rs. 100/-)	82	145	225
10.	Book value of the Share (Rs.) (Face value Rs. 100/-)	820	947	1172

*includes the value of Contract manufacturing

2. SHARE CAPITAL

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

3. FINANCE

Your Company has been sanctioned Rs. 800 lakhs from Vijaya Bank towards term loan for Cephalosporin Project and outstanding as on 31.03.2017 is Rs. 310 lakhs. As on 31.03.2017, the borrowing from Banks for working capital requirements was Rs. 310 lakhs. (previous year Rs.429 Lakhs). The interest burden, during the year was Rs. 29 lakhs (previous year Rs. 15 lakhs) towards working capital.

4. PRODUCTION

During the year under review, your Company achieved the production of value of Rs.40551 lakhs (previous year Rs. 34201 lakhs), up by 18.57 % over the previous year. The annual production value per factory employee per annum was Rs. 194 lakhs (previous year Rs. 162 lakhs).



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

5. CAPACITY UTILISATION:

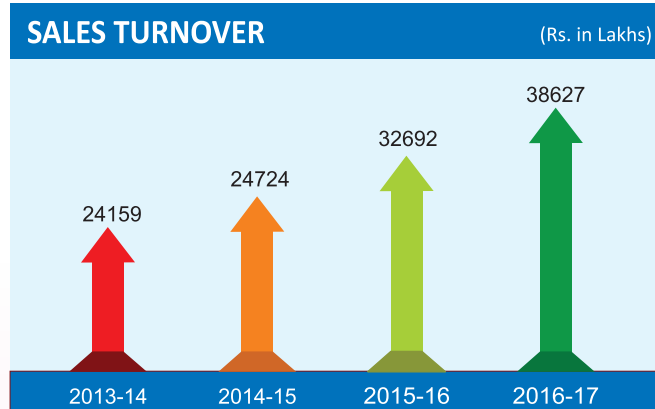
The particulars of capacity utilisation, during the last three years, are furnished in the Table – II.

Table II

CAPACITY UTILISATION (in %)				
Sl. No.	Particulars	2014-2015	2015-2016	2016-2017
1.	Liquid Parenterals	127	121	96
2.	Vials	93	89	83
3.	Tablets	120	157	188
4.	Capsules	143	223	213

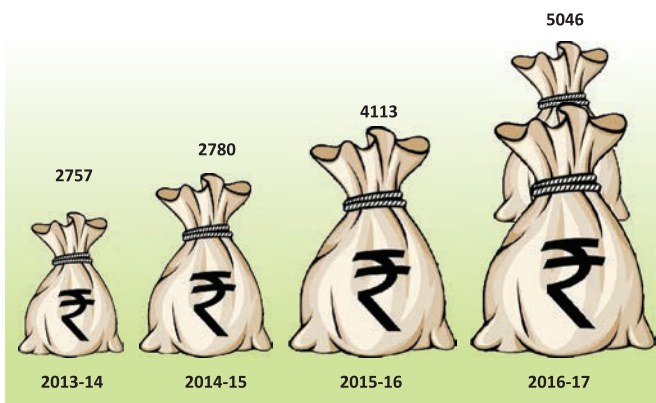
6. SALES TURNOVER

During 2016-17 your Company was able to achieve the higher sales turnover of Rs. 38627 Lakhs – an increase of



CONTRIBUTION TO EXCHEQUER

(Rs. in Lakhs)



18.15% over the previous year. The performance in Branded and Generic segments was excellent. You will be delighted to know that the sales under the Brand “Grenil” exceeded Rs. 1468 lakhs compared to previous year Rs. 1159 lakhs. Sales Turnover of Cyfolac group exceeded to Rs. 485 lakhs compared to previous year Rs. 451 lakhs. “Remcc” brands, exceeded Rs. 334 lakhs compared to previous year Rs. 304 lakhs. Sales turnover of Verclav exceeded Rs. 204 lakhs compared to previous year 198 lakhs. Sales of Numol and Pop-e exceeded Rs. 200 lakhs and Sales turnover of Kalvimin was Rs. 264 lakhs and K-Live 227 lakhs (Agro). Sales turnover of each of the brands viz “Toprazole group” and under Agrovat K-Cythrins, Cal-K, Cetriax, Gentabiotics, K-Flox, Pensbiotic Injection exceeded Rs. 100 lakhs each.

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

Table III

SALES TURNOVER		(Rs. in lakhs)		
Sl. No.	Particulars	2014-2015	2015-2016	2016-2017
1	Liquid Parenterals	2573	3257	2671
2	Liquid Orals and Dry Syrup	573	626	979
3	Vials	8123	8885	8652
4	Tablets	5463	9407	11890
5	Capsules	2140	3320	3536
6	Others	5852	7197	10899
	Total	24724	32692	38627

7. NEW PRODUCTS

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

products. The new products launched during 2016-17 were :

- Cyfolac Suspension
- Fluvet “Pour on” Liquid 30ml/50ml/100ml
- Gomilk Power Bolus 4s

8. EXPORTS

The Company is giving continuous thrust to export sales. You will be happy to note that, during the year, your Company achieved an export turnover of Rs. 2272 Lakhs. Exports were made to 21 countries such as Botswana, Ethiopia, El Salvador/Panama, Guatemala, Kazakhstan, Kenya, Malaysia, Mozambique, Namibia, NGO, Philippines, Russia, Srilanka, Sudan, Thailand, Uganda, Vietnam, Zambia, Zimbabwe, and Tanzania.

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



Lady KAPILITES participating in the ‘Musical Chair’ during picnic

9. FINANCIAL RESULTS :

The summarized financial results for the year 2016-17 are furnished below in Table – IV:

Table IV

FINANCIAL RESULTS				(Rs. in lakhs)
Particulars	2014-2015	2015-2016	2016-2017	
Profit before interest, depreciation and tax:	2086	3373	5137	
Less : Interest and other financial charges	15	15	29	
Cash Profit	2071	3358	5108	
Less : Depreciation	338	339	401	
Profit before tax	1733	3019	4707	
Less : Provision for taxation	627	1068	1674	
Profit after tax and adjustment	1106	1951	3033	

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

Table V

KEY RATIOS			
Particulars	2014-2015	2015-2016	2016-2017
Earning per Share-Rs. (face value Rs 100/-)	82	145	225
Book value per share – Rs. (face value Rs 100/-)	820	947	1172
Turnover to gross Fixed assets (%)	627	777	477
Finance cost to turnover (%)	0.20	0.14	0.18

11. DIVIDEND

Your Company has been declaring dividend for the last 27 years. For the financial year 2016-17, your Directors have pleasure in recommending a dividend @ 18% .

12. RESERVES & SURPLUS :

We have immense pleasure in informing you that the cumulative reserves and surplus as on 31.03.2017 were Rs. 14465 lakhs. The reserve and surplus were 10.72 times of the paid-up equity capital of Rs 1349 lakhs. As on 31.03.2017, the net worth of your Company stood at Rs. 15814 lakhs.

13. INVENTORIES AND DEBTORS

The value of total inventories consisting of raw materials, work in progress and finished goods were Rs. 5352 lakhs which worked out 13.86% (previous year 14.00%) of sales turnover.



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



Shri K.M. Prasad, MD seen along with Hindi Competition Winners during Hindi Phakwada Celebration on 20th Sept. 2016.

As on 31.3.2017, debtors were Rs.9180 lakhs which was equivalent to 87 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 2016-17, based on internal evaluation, is "Very Good". The MoU for 2017-18 will be signed as per Government of India directions.

15. CONTRIBUTION TO PUBLIC EXCHEQUER

Your Company has contributed a sum of Rs. 5022 lakhs (previous year Rs. 4113 lakhs) to the exchequer of Central and State Governments by way of Income Tax, Sales Tax, Excise Duty, Customs Duty, Entry Tax, Service Tax etc.

16. ENCOURAGEMENT TO MEDIUM, SMALL ENTERPRISES

Government of India vide Order No. S.O.581(6) dated 23.03.2012 has notified a new Public Procurement Policy for Micro, Small Enterprises. As per the Order, minimum 20% of total annual purchases 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 2016-17 to the extent of Rs. 15.82 Cr.

17. FOREIGN TRAVEL

During the year 2016-17, three (3) employees were deputed abroad for business purposes. The expenditure incurred in this connection by the Company was Rs. 3.25 lakhs.

18. HUMAN RESOURCES

The total manpower of the Company as on 31.03.2017 was 731 Nos. consisting of 244 Officers and 487 Non Officers.

19. HUMAN RESOURCE DEVELOPMENT

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

To inculcate better business practices required under the changed environment, Training programmes were organized both in-house as well as through institutes enabling the employees to interact with other professionals and to acquire capabilities for performing with a higher degree of motivation and commitment.

During 2016-17, training was provided to the extent of 383 man days. The expenditure incurred for Training and Development during the year amounted to Rs. 14.12 lakhs.

20. REPRESENTATION OF SC&ST CANDIDATES

The Company continues special drives for recruitment of candidates belonging to SC/ST category. The strength of employees belonging to SC/ST category, as on 31.03.2017, was 117 Nos (previous year 119 employees).

21. REPRESENTATION OF MINORITIES AND PERSONS WITH DISABILITY:

The strength of employees belonging to Minorities category as on 31.03.2017 was 45 Nos. (previous year 40 employees)

The strength of employees belonging to persons with disability category as on 31.03.2017 is 5 Nos (previous year 6 Nos.)



Shri Veerabhadra Channamalla Mahaswamigalu, Sri D.S. Veeraiah, MLC and Patron, KAP SC/ST Welfare Association, Shri K.M. Prasad, MD, KAPL, and others seen during Dr. B.R. Ambedkar Birth Anniversary Function

22. HUMAN RELATIONS

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

23. EMPLOYEE WELFARE

In your Company, Welfare facilities such as reimbursement of medical expenses, subsidized canteen, subsidized transport, uniforms, interest subsidy on house building loan, death-cum-retirement gratuity, washing allowance, education allowance, incentives for higher education etc., were continued. The expenditure on the provision of welfare and other amenities amounted to Rs. 710 lakhs (Rs. 635 lakhs during 2015-16).

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.

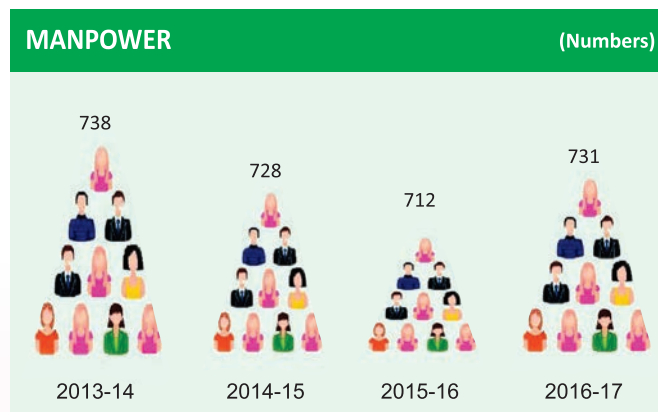
The following is a summary of sexual harassment complaints received and disposed off during financial year.

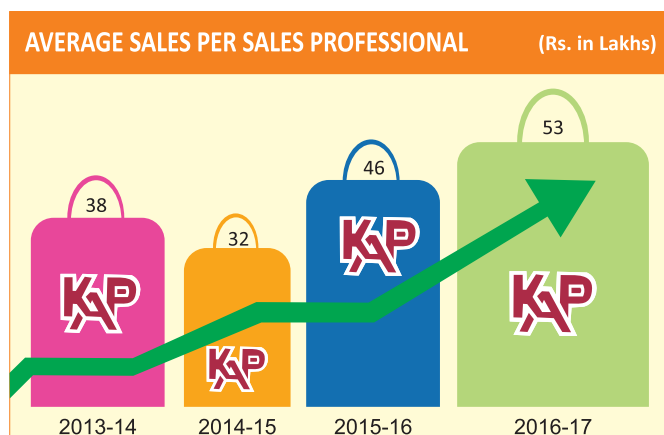
No. of complaints received : Nil

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 2016-17, four Board Meetings were held on 29.06.2016, 26.09.2016, 22.12.2016 and 14.03.2017.

27. APPOINTMENT OF DIRECTORS

Appointment of Directors is notified by Government of India as per provision 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 Risk Management Policy to the Company. The risks are identified and mitigation plan for the risks are also drawn and action is taken.

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

The particulars of employees to be furnished as per Section 134(3) of the Companies Act, 2013, read with the Companies Appointment and Remuneration of Managerial Personnel 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 statements in terms of Section 134(5) 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 2017 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 2017 have been prepared on a going concern basis.
- 30.5 That the Company had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.
- 30.6 That proper systems are devised to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.
31. In terms of Notification No: GSR/E dated 05.06.2015, issued by Ministry of Company Affairs, that Government Companies are exempted from the provisions of Section 164(2) of the Companies Act, 2013.



Ayudha Pooja celebrated at Factory

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. Company also observed "Safety Day".

33. ENVIRONMENT PROTECTION MEASURES

The following steps have been taken for the environment protection:

- i) Scrap yard shed modified for proper segregation and disposal of waste.
- ii) Shredding machine – 02 nos. installed to shred the old documents, cables & cartons to avoid burning.

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. 19 lakhs on entertainment and Rs. 12 lakhs on advertisement and publicity.

36. CHANGES IN THE BOARD

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

Sl.No.	Name	w e f
01	Dr. Shalini Rajneesh, IAS	10.05.2016
02	Shri Jitendra Trivedi, IAS	02.12.2016
03	Shri Naveen Raj Singh, IAS	09.03.2017
04	Shri B T Khanapure	09.03.2017

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

Sl.No.	Name	w e f
01.	Shri Raghuram Bhandary	14.10.2016
02.	Dr. Ariz Ahammed, IAS	02.12.2016

The Board placed on record its deep appreciation of the services rendered by the above outgoing Directors 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 provisions of Companies Act 2013. In addition to Managing Director, Company Secretary and General Manager(Finance) are appointed as Key Managerial Personnel.



Republic Day Celebration at Corporate Office.
Flag Hoisting by Shri K.M. Prasad, MD.

40. ENERGY CONSERVATION MEASURES:

Following steps have been taken in this direction:

BANGALORE PLANT:

- 1) 150 KW roof top solar power panels installed at DPP-1 & DPP-3 area.
- 2) 10 Nos. 28 Watts LED tube light is used at Workshop & Stores.
- 3) VFD's installed for machines replacing conventional starters to save energy.
- 4) Planning to put 20 Nos. LED of 75 Watts for Street light.

DHARWAD PLANT:

1. 10 Nos. 70 watts Street Light
2. 50 Nos. 60 watts False Ceiling
3. 2x2 25 Nos. 28 watts x 2 Nos. False Ceiling
4. Planned installation of VFDs.

41. ANNUAL GENERAL MEETING

The 35th Annual General Meeting of the Company was held on 14.10.2016 after seeking extension of time as per provisions of Companies Act, 2013.

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. The Company has been deputing employees for Hindi examination conducted by the Hindi Teaching Scheme, Government of India. Forms and Circulars, Notices have been made bilingual. Annual report of the Company for 2015-16 has been printed in Hindi also.

43. CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is an integral part of the Company's business strategy. As a responsible corporate citizen, we take charge of our social and environmental footprint. The social welfare activities undertaken by the Company include

- a) Conduct of Medical Camp
- b) Construction of Toilet at Raichur Government School, Karnataka
- c) Hygiene Awareness class at Chitradurga, Karnataka



KAPL donated Medicines to Medical Camp at Bangalore Shri Muniraju, Hon'ble MLA of Dasarahalli is seen with Officers of KAPL.

- d) Park Maintenance at Neighbourhood
- e) Adolescent Health
- f) Computer Training to Blind
- g) Education
- h) Environment (Namami Clean Ganga)

An amount of Rs. 39.73 lakhs has been allocated and Rs. 40.12 lakhs has been spent towards CSR activities.

44. VISIT OF DIGNITARIES

Following dignitaries visited Company during the year Dr (Smt) Shalini Rajneesh, IAS, Chairperson, KAPL and Principal Secretary, Health and Family Welfare Department, Government of Karnataka

45. AUDITORS

The Comptroller Auditor General of India, appointed M/s. Dagliya & Co., Chartered Accountants, as Statutory Auditors for auditing the accounts of the Company for the year 2016-17.

46. COST AUDITOR

The reports of M/s. N S and Associates, Cost Accountants in respect of Cost Accounts of the formulations of the Company for the year ended 31.3.2017 will be submitted to the Central Government in due course.

47. SECRETARIAL AUDITOR

Company has appointed Shri K N Nagesha Rao, Company Secretary in Practice as Secretarial Auditor for the year 2016-17. 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 31.03.2017 will be appended on receipt of the same.

49. COMPUTERIZATION ACTIVITIES

During 2016-17, the following activities were undertaken;

- a) RFQ Module of e-Procurement implemented.
- b) Enhanced Product Batch number column width to accommodate more data.
- c) Consignment agent transactions computerized.
- d) KAPILA KONNECT mobile application version 2.0 released with additional features
- e) WEB BASED application developed to facilitate Field Managers to input Target Data from their respective locations.
- f) WEB BASED application developed to facilitate KAPL vendors to input their bank details.

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, Additional 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. Dagliya & Co., Chartered Accountants, the Statutory Auditors, M/s N S and 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 : 29.06.2017

Shri B T Khanapure
Director

Shri K.M. Prasad
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 2017
[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)(1):	-	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) FIs									
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	Shri Jitendra Trivedi	1	0.00007	Nil	1	0.00007	-	Nil
4	Shri Anil Jain	1	0.00007	Nil	1	0.00007	-	Nil
5	KSIIDC	550818	40.831	Nil	550818	40.831	-	Nil
6	Dr. Shalini Rajneesh, IAS	1	0.00007	Nil	1	0.00007	-	Nil
7	Shri B T Khanapure	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	Dr. Shalini Rajneesh K. M. Prasad Jitendra Trivedi B. T. Khanapure	0.00007 0.00007 0.00007 0.00007	1 1 1 1	0.00007 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	Dr. Shalini Rajneesh K. M. Prasad Jitendra Trivedi B. T. Khanapure	0.00007 0.00007 0.00007 0.00007	1 1 1 1	0.00007 0.00007 0.00007 0.00007

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	4,76,97,138			4,76,97,138
(ii) Interest due but not paid	-			-
(iii) Interest accrued but not due	-			-
Total (I + ii + iii)	4,76,97,138			4,76,97,138
Change in Indebtedness during the financial year				
• Addition	-			-
• Reduction	1,66,48,296			1,66,48,296
Net Change	1,66,48,296			1,66,48,296
Indebtedness at the end of the Financial year				
(i) Principal Amount	3,10,48,842			3,10,48,842
(ii) Interest due but not paid	-			-
(iii) Interest accrued but not due	-			-
Total (I + ii + iii)	3,10,48,842			3,10,48,842

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/WTG/Manager			Total amount
1.	Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	K M Prasad Rs. 23.56 Lakhs			Rs. 23.56 Lakhs
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961	Rs. 2.58 Lakhs			Rs. 2.58 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. 26.14 Lakhs			Rs. 26.14 Lakhs
	Ceiling as per the Act				

B. Remuneration to other Directors : NIL

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

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		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. 18.30 Lakhs	Rs. 19.65 Lakhs	Rs. 37.95 Lakhs
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961		Rs. 1.82 Lakhs	Rs. 1.91 Lakhs	Rs. 3.73 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. 20.12 Lakhs	Rs. 21.56 Lakhs	Rs. 41.68 Lakhs

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NIL

Type	Section of the Companies Act	Brief Description	Details of Penalty/ punishment/ compounding fees imposed	Authority (RD/NCLT/COURT)	Appeal made, if any (give details)
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 : 29.06.2017

Shri B. T. Khanapure
Director

Shri K.M. Prasad
Managing Director

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

1. CONSERVATION OF ENERGY

Following steps have been taken in this direction:

BANGALORE PLANT:

- 1) 150 KW roof top solar power panels installed at DPP-1 & DPP-3 area.
- 2) 10 Nos. 28 Watts LED tube light is used at Workshop & Stores.
- 3) VFD's installed for machines replacing conventional starters to save energy.
- 4) Planning to put 20 Nos. LED of 75 Watts for Street light.

DHARWAD PLANT:

1. 10 Nos. 70 watts Street Light
2. 50 Nos. 60 watts False Ceiling
3. 2x2 25 Nos. 28 watts x 2 Nos. False Ceiling
4. Planned installation of VFDs.

POWER AND FUEL CONSUMPTION

PARTICULARS	Current Year	Previous Year
Electricity		
a. Purchase (units)	50,51,500	44,93,600
Total amount (Rs.)	3,80,07,522	3,17,44,013
Rate / Unit (Rs.)	7.52	7.06
b. Own Generation		
i. Through diesel generator units	95,680	1,28,568
Diesel cost (Rs.)	18,04,486.29	25,31,173
Unit per litre of diesel oil	5.28	5.22
Rate / Unit (Rs.)	18.86	19.69
ii. Coal		
Quantity (Tonnes)	—	—
Total Cost (Rs.)	—	—
Average rate (Rs.)	—	—
iii. Furnace Oil		
Quantity (litres)	1,68,000	1,68,000
Total Cost (Rs.)	45,66,604.90	42,67,012
Average rate(Rs.)	27.18	25.00
iv. Others / Internal Generation		
Quantity	—	—
Total Cost (Rs.)	—	—
Rate / Unit (Rs.)	—	—

CONSUMPTION, PER LAKH OF PRODUCTION VALUE:

Particulars	Current Year	Previous year
Electricity :		
Rupees	935	928
Units	124	131
Furnace Oil :		
Rupees	112	125
Ltrs	4.13	4.91

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. 79.09 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	604	738
Expenditure in foreign currencies for business travels, subscription, consumables stores goods for resale, commission on export sale, etc.	82	75
Remittance during the year in foreign currency on account of dividend	—	—
TOTAL FOREIGN EXCHANGE EARNED (FOB Value)	2235	3369

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore
Date : 29.06.2017

Shri B T Khanapure Director
Shri K.M. Prasad 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	Construction of Toilet	Education	Raichur Govt. School, Karnataka	-	4.54 lakhs	-	Thro School
2	Park Maintenance	Environment	Local	-	1.71 lakhs	-	Direct
3	Adolescents Health	Health	Local	-	4.78 lakhs	-	Through NGO, FAB
4	Computer Training to Blind	Education	Karnataka	-	1.80 lakhs	-	Thro NGO Snehadeep
5	Education	Akshaya Patra	Bangalore	-	12.29 lakhs	-	ISKON
6	Namami Clean Ganga	Environment	Uttar Pradesh (UP)	-	15.00 lakhs	-	Through Govt. of India
				Total	40.12 lakhs		

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore
Date : 29.06.2017

Shri B T Khanapure
Director

Shri 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 2017, 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 2016-17, four Board Meetings were held on 29.06.2016, 29.09.2016, 22.12.2016 & 14.03.2017.

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 31.03.2017	No.of outside Board Committee Membership/ Chairmanship as on 31.03.2017
Dr. Shalini Rajneesh, IAS	Chairperson	4/4	Yes	Nil	Nil
Shri K M Prasad	Managing Director	4/4	Yes	Nil	Nil
Shri Naveen Raj Singh, IAS	Non-Executive Director	3/4	Yes	9	5
Shri Jitendra Trivedi	Non-Executive Director	2/2	No	Nil	Nil
Shri B T Khanapure	Non-Executive Director	2/2	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.kaplindia.com.

3. Audit Committee:

The Paid up Capital of Company as on date is Rs. 13.49 crores. As per Provisions of Section 177 of Companies Act 2013, Audit Committee has been constituted. Shri Naveen Raj Singh, IAS was the Chairman of Audit Committee. Three Meetings were held during 2016-17.

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 2016-17 was as follows:

(Rs. in lakhs)

Name of the Director	Salary	Benefits	PF Contribution	Perquisites	Total
K. M. Prasad	21.35	2.58	2.21	0.00	26.14

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

Sl. No.	Name of the Director	Sitting Fee paid for Board Meeting (Rs.)	Sitting Fee paid for Audit Committee Meeting (Rs.)	Sitting Fee paid for CSR Committee Meeting(Rs.)
01.	Dr. Shalini Rajneesh, IAS	Rs. 4,000/-	-	-
02.	Shri Naveen Raj Singh, IAS	Rs. 3,000/-	Rs. 2,000/-	-
03.	Shri B T Khanapure	Rs. 4,000/-	Rs. 2,000/-	-
04.	Shri Jitendra Trivedi	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
2015-2016	14.10.2016	1230 hrs	Corp Office, Bangalore
2014-2015	17.11.2015	1300 hrs	Corp Office, Bangalore
2013-2014	17.11.2014	1200 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.kapilindia.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 : 29.06.2017

Shri B T Khanapure
Director

Shri K.M. Prasad
Managing Director

QUALIFICATION OF SECRETARIAL AUDITORS FOR 2016-17

Para No.	Audit observation	Management Reply
8.1	Did not appoint any Independent Directors on its Board as required under Section 149 of the Companies Act, 2013	As per the 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.
8.2	In the absence of Independent Directors, the Company could not validity hold and conduct Meetings of Audit Committee.	Audit Committee has been constituted with three members from the Directors appointed by Government of India. While Audit Committee was constituted, it was informed to the Board that, the Audit Committee will be re-constituted once the Independent Directors are appointed on the Board by Government.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bangalore
Date : 21.08.2017

Shri B. T. Khanapure
Director

Shri K.M. Prasad
Managing Director

Independent Auditors' Report

To the Members of

**Karnataka Antibiotics & Pharmaceuticals Limited,
Bangalore**

Report on the Financial Statements

We have audited the accompanying financial statements of **KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED**, which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

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

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the company as at 31st March 2017, and of its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

- (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion is reasonable, having regard to the size of the Company and nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such physical verification.
- (c) The title deeds of immovable properties are held in the name of the Company, except freehold land and building for Dharward Project for which the company has obtained possession letter. Land at Kabadgere Village to the extent of 24 acres & 20 Guntas was received as grant from Govt of Karnataka and out of that land, but 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)
- (ii) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable. Discrepancies noticed on physical verification were not material, and have been properly dealt with in the books of account.
- (iii) The Company has not granted any loans to companies, firms or other parties covered in the register maintained u/s 189 of the Act hence, the question of default in recovery of principal and interest and steps for recovery of overdue amount does not arise.
- (iv) The Company has not granted any loans or made any investments or provided any guarantees or security to the parties covered under Section 185 and 186 of the Act. Hence the requirements of clause (iv) of the Order are not applicable to the Company.
- (v) The Company has not accepted any deposits from public; hence, the question of compliance with the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under as per clause (v) of the Order does not arise.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act read with Companies (Cost Records & Audit) Rules, 2013. We are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine the accuracy or completeness of the same.
- (vii) (a) According to the records of the Company, the Company is regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Service Tax, Duty of Customs, Duty of Excise, Value Added Tax, Cess and other material statutory dues to the extent applicable to it.
- (b) There are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Service Tax, Sales Tax, Value Added Tax, Duty of Customs, Duty of Excise or Cess which have remained outstanding as at 31st March 2017 for a period of more than six months from the date they became payable.
- (c) There are no dues of income tax, sales tax, Service Tax, duty of excise, duty of customs and cess, which have not been deposited on account of any dispute except for sales tax/excise duty detailed below:

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 and bandages, Feed supplements tax imposed – LST.	1996-97	JCCT, Patna	0.34
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – LST.	1997-98	JCCT, Patna	1.32
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – CST.	1998-99	JCCT, Patna	1.74
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – LST.	1998-99	JCCT, Patna	0.37
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – LST.	1999-00	JCCT, Patna	7.33
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – CST.	1999-00	JCCT, Patna	0.19
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – LST.	2000-01	JCCT, Patna	7.14
Bihar VAT Act – Exempted sales of gauge & bandages, Feed supplements and tax imposed – CST.	2000-01	JCCT, Patna	3.73
Bihar VAT Act – Exempted sales of feed supplements disallowed and tax imposed.	2002-03	JCCT, Patna	2.26
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

- (viii) The Company has not defaulted in repayment of loans or borrowings from banks. The company has neither borrowed any loans from Financial Institutions, Government nor issued any debentures and consequently the question of default in repayment does not arise.
- (ix) No money was raised by way of initial public offer or further public offer and the company

has applied the money raised by term loan for the purpose for which it was raised.

- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

- (xi) The company being a government company, the provisions of Section 197 of the Act, regarding managerial remuneration does not apply in terms of the Notification G.S.R. 463(E) dated 05th June, 2015. Hence, the provisions of clause (xi) of the Order are not applicable.
 - (xii) The Company is not a Nidhi Company. Therefore the provisions of clause (xii) of the Order are not applicable to the Company.
 - (xiii) The Company has not entered into any transactions with related parties as defined in the Act, hence, the requirement of compliance to provisions of Sections 177 and 188 of the Act and the disclosure of such transactions in the Financial Statements etc., as required by applicable Accounting Standards as per clause (xiii) of the Order does not arise.
 - (xiv) The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year, hence the requirement of compliance with provisions of Section 42 of the Act and utilisation of amounts so raised for the purpose for which the funds were raised as per clause (xiv) of the Order does not arise.
 - (xv) In our opinion, the Company has not entered into any non-cash transactions with directors or persons connected with them; hence the requirement of compliance to provisions of Section 192 of the Act as per clause (xv) of the Order does not arise.
 - (xvi) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Therefore the provisions of clause (xvi) of the Order are not applicable to the Company.
- II. As required under Section 143(5) of the Act, based on such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us we give in Annexure A a statement on the directions issued by the Comptroller & Auditor General of India.
- III. As required by Section 143 (3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (c) The balance sheet, statement of profit & loss and cash flow statement referred to in this report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) The Company being a government Company the provision of Section 164(2) of the Act, regarding disqualification of Directors does not apply in terms of Notification G.S.R. 463(E) dated 05th June, 2015.
 - (f) 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 B"; and
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i) The Company has disclosed the impact of pending litigations, if any, on its financial position in its financial statements - Refer Note 19 to the Financial Statements.
 - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii) There are no dues required to be transferred, to the Investor Education and Protection Fund by the Company.

- iv) The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and relying on

the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management – Refer Note 16 to the Financial Statements

Place: Bengaluru
Date: 29.06.2017

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

(YASWANT DAGLIYA)
Partner
Membership No.: 009124

ANNEXURE-A TO THE INDEPENDENT AUDITORS'S REPORT

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

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

We report as follows :

Sl. No.	Directions	Reply
1.	Whether company is holding original title deeds for free hold land.	The Company is holding original title deeds for the freehold land in respect of land at Peenya Industrial Estate & Kadabagere. However, in respect of Kadabgere Land, RTC in respect of land at Sy. No. 22 to the extent of 4 acres & 20 guntas is yet to be received by the Company. Further in case of land for Dharwad Project the company has obtained possession letter, but registration of such land is pending.
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.9.92 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 the year 2016-17.

Place: Bengaluru
Date: 29.06.2017

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

(YASWANT DAGLIYA)
Partner
Membership No.: 009124

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

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LIMITED** ("the Company") as of March 31, 2017 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 ("Guidance Note") issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls 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, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, 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.

Place: Bengaluru
Date: 29.06.2017

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

(YASWANT DAGLIYA)
Partner
Membership No.: 009124

Secretarial Audit Report
For the Financial Year ended 31st March 2017

[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 Pharmaceutical's 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 2017, 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 2017 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, Guideline etc. mentioned above subject to the qualifications mentioned in paragraph 8 below.
7. Subject to the qualifications mentioned in paragraph 8, we further report as below:
 - 7.1 that, -
 - (a) proper advance notices for Board and Committee meetings were issued to Directors during the year; such notices accompanied detailed notes on agenda items and draft minutes of respective meetings; the Company adopts a system to enable Directors to seek and obtain required information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.
 - (b) the Company followed proper Board processes in convening and conduct of Meetings Members and Directors; the Company has maintained proper Books to record Proceedings of General Meetings of Members, Minutes of Meetings of Board and Committee of Directors; resolutions passed by e-voting, if any, are recorded in the Minutes Book of General Meetings.
 - 7.2 that, the changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act;
 - 7.3 There were no instances of:
 - (i) Public, Preferential Issue of Shares or Debentures or Sweat Equity;
 - (ii) redemption buy-back of securities;
 - (iii) major decisions taken by the Members in pursuance to Section 180 of the Companies Act, 2013;
 - (iv) merger, amalgamation, reconstruction etc.;
 - (v) foreign technical collaborations.
8. **Qualification:**
 - 8.1 **The Company did not appoint any Independent Directors on its Board as required under Section 149 of the Companies Act, 2013**
 - 8.2 **In the absence of Independent Directors, the Company could not validly hold and conduct Meetings of Audit Committee.**

Bangalore
16th August, 2017

K N Nagesha Rao
Practising Company Secretary
FCS 3000 CP 12861

The Annexure to the Secretarial Audit Report for the Financial Year 2016-17

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
16th August, 2017

K N Nagesha Rao
Practising Company Secretary
FCS 3000 CP 12861

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2017

The preparation of financial statements of Karnataka Antibiotics and Pharmaceuticals Limited, Bangalore for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 139(5) of Act is responsible for expressing opinion on the financial statements under Section 143 of the Act based on the independent audit in accordance with the Standards on Auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 29 June 2017.

I, on 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 31 March 2017. 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 behalf of the
Comptroller and Auditor General of India



(L. Tochhawng)

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

Place: Hyderabad
Date: 10 Aug 2017

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. Property, Plant and Equipments (PPE):

PPE are stated 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.

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.

Assets individually costing Rs. 10000 or less are fully depreciated in the year of purchase.

5. Impairment of Assets:

At each Balance Sheet date, the Company assesses whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to the Statement of Profit & 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/VAT. 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 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

B. T. KHANAPURE
DIRECTOR

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

N. SANTHANA GOPALA KRISHNAN
General Manager-Finance

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

YASWANT DAGLIYA
Partner
Membership No. 009124

PLACE : BANGALORE
DATE : 29.06.2017

PLACE : BANGALORE
DATE : 29.06.2017

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	AS AT 31.03.2017	AS AT 31.03.2016
EQUITY AND LIABILITIES			
Share holders' funds			
Share Capital	1	1349	1349
Reserves and Surplus	2	14465	11432
		15814	12781
Non-current liabilities			
Long term borrowings	3	122	310
Long term provisions	4	1816	1545
		1938	1855
Current Liabilities			
Short term borrowings	5	310	429
Trade payables	6		
a) Total outstanding dues of Micro Enterprises and small enterprises		148	249
b) Total outstanding dues of Creditors other than Micro Enterprises and small enterprises		7311	5617
Other current Liabilities	7	2744	2615
Short-term provisions	8	571	670
		11084	9580
Grand Total		28836	24216

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	AS AT 31.03.2017	AS AT 31.03.2016
ASSETS			
Non-current Assets :			
Fixed assets			
Property, Plant and Equipments (PPE)	9	5062	1564
Capital work-in-progress	10	865	2623
Deferred tax assets (net)	11	118	172
Long-term loans and advances	12	211	1123
Other Non-Current Assets	13	1256	1043
Total		7512	6525
Current assets:			
Inventories	14	5352	4576
Trade receivables	15	9180	8131
Cash and Bank balances	16	6166	4383
Short-term loans and advances	17	601	596
Other current assets	18	25	5
Total		21324	17691
Grand Total		28836	24216
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

B. T. KHANAPURE
DIRECTOR

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

N. SANTHANA GOPALA KRISHNAN
General Manager-Finance

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

YASWANT DAGLIYA
Partner
Membership No. 009124

PLACE : BANGALORE
DATE : 29.06.2017

PLACE : BANGALORE
DATE : 29.06.2017

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	YEAR ENDED 31.03.2017	YEAR ENDED 31.03.2016
INCOME			
Revenue from operations	20	37232	31202
Other Income	21	371	160
Total Revenue		37603	31362
EXPENDITURE			
Cost of materials consumed	22	13480	12946
Purchases of Stock-in-Trade	23	4044	2264
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	-295	188
Employee benefits expense	25	6478	5997
Finance costs	26	68	45
Depreciation and amortization expense		401	339
Prior period items	27	1	2
Other expenses	28	8719	6562
Total Expenses		32896	28343
Profit before Tax		4707	3019
Tax Expense :			
1) Current tax		1611	1120
2) Deferred tax		54	-52
Profit for the Year		3042	1951
Less : Tax adjustment for prior years		9	0
Profit After Tax		3033	1951
Earnings per equity share :			
1) Basic Earning per share (Rs.) of Rs. 100 each	29	225	145
2) Diluted Earnings per share (Rs.) of Rs. 100 each	29	225	145
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

B. T. KHANAPURE
DIRECTOR

N. SANTHANA GOPALA KRISHNAN
General Manager-Finance

JAGADEESH C.HIREMATH
General Manager (HR & Admn)
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For DAGLIYA & CO.
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YASWANT DAGLIYA
Partner
Membership No. 009124

PLACE : BANGALORE
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PLACE : BANGALORE
DATE : 29.06.2017

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2017	AS AT 31.03.2016
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, 2017, Final dividend proposed for distribution to Equity Shareholders is Rs. 18 (Previous Year - Rs. 15) per share.</p> <p>In the event of liquidation of the company, the holders of Equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.</p>		

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2017	AS AT 31.03.2016
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	11068	9368
Add: Transfer from statement of Profit & Loss	2500	1700
Total (A)	13568	11068
CSR fund Reserve :		
As per last Balance Sheet	93	93
Total (B)	93	93
Sustainable Development Fund Reserve :		
As per last Balance Sheet	17	17
Total (C)	17	17
GRAND TOTAL (A+B+C)	13678	11178
Surplus in Profit and Loss Statement :		
As per last Balance Sheet	254	246
Add : Profit for the year	3033	1951
Total (D)	3287	2197

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2017	AS AT 31.03.2016
Appropriations :		
Transfer to General Reserve	2500	1700
Proposed Dividend	0	202
Tax on Proposed Dividend	0	41
Total (E)	2500	1943
Balance in Statement of Profit & Loss (D - E)	787	254
Total	14465	11432

- 2.1 As per the requirement of O.M.No.F.No.3(9)/2010 - DPE(MOU) dated 23rd September, 2011 issued by Department of Public Enterprises, Government of India, the company is required to allocate 0.50 % of the profit after tax of previous year towards Research and Development Fund amounting to Rs. 9.76 lakhs.

As the company has spent amount of Rs. 79.35 lakhs (Previous Year Rs. 36.69 lakhs), no appropriation has been made towards this fund.

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2017	AS AT 31.03.2016
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	122	310
	122	310

3.1 The Company has been sanctioned term loan from Vijaya Bank. The details of balance of term loan as at 31st March, 2017 and the terms of repayment is as under:

PARTICULARS	Balance outstanding As on 31 st March, 2017	Balance outstanding As on 31 st March, 2016
Term Loan :	122	310
Current Rs. 188.27 lakhs (Refer Note. No. 7) (Previous year Rs. 166.80 lakhs)		
Non-Current Rs. 122.21 lakhs (previous year Rs. 310.17 lakhs)		
Terms of repayment :		
84 equated monthly instalment after 18 months repayment holiday-Rate of Interest - 12.50% - As on 31 st March 2017, 23 Instalments are remaining to be paid.		
There is no default in repayment of the above Term Loan.		
Total	122	310

(Rs.in Lakhs)

PARTICULARS	As at 31 st March, 2017	As at 31 st March, 2016
4. LONG-TERM PROVISIONS : (Refer Note No. 8.1)		
Provision for employee benefits:		
Provision for Gratuity (Refer Note No. 4.1)	382	241
Provision for Earned Leave	1193	1076
Current Rs. 234.81 lakhs (Refer Note. No. 8) (Previous year Rs. 229.42 lakhs)		
Non-Current Rs. 1192.84 lakhs (previous year Rs. 1075.64 lakhs)		
Provision for Sick Leave	241	228
Current Rs. 12.78 lakhs (Refer Note. No. 8) (Previous year Rs. 14.07 lakhs)		
Non-Current Rs. 241.27 lakhs (previous year Rs. 227.55 lakhs)		
Total	1816	1545
4.1 The total liability towards Gratuity to employees as at 31.3.2017 as per actuarial valuation is Rs. 2750.40 Lakhs (Previous year Rs. 2528.00 Lakhs) out of which Rs. 2308.60 Lakhs (Previous Year Rs. 2483.00 lakhs) is Non-Current and Rs. 441.80 Lakhs (Previous year Rs. 45.00 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)	310	429
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. 310.31 Lakhs (Previous Year Rs. 314.75 Lakhs) with banks, the interest on which is linked to LIBOR.		
Total	310	429

(Rs.in Lakhs)

PARTICULARS	As at 31 st March, 2017	As at 31 st March, 2016
6. TRADE PAYABLES :		
Acceptances	81	72
Dues to Micro, Small and Medium enterprises (Refer Note No. 6.1)	148	249
Others	7230	8545
Total	7459	5866
6.1 The details of amounts outstanding to Micro, Small and Medium Enterprises based on available information with the company is as follows :		
Principal amount due and remaining unpaid	-	-
Interest due on above and the unpaid interest	-	-
Interest paid	-	-
Payment made beyond the appointed day during the year	-	-
Interest due and payable for the period of delay	-	-
Interest accrued and remaining unpaid	-	-
Amount of further interest remaining due and payable in succeeding years	-	-

6.2 Confirmation of balances towards Trade Payables is awaited to an aggregate extent of Rs. 5957.10 Lakhs (Previous Year 4271.00 Lakhs). In the cases where differences are noticed in the confirmation received, the Company has adopted the balance as per Books of Accounts for the preparation of Financial Statements after carrying out necessary reconciliations.

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

(Rs.in Lakhs)

PARTICULARS	As at 31 st March, 2017	As at 31 st March, 2016
7. OTHER CURRENT LIABILITIES :		
Current maturities of Long term loan (Refer Note No.3)		
Term Loan	188	167
EMD and security deposits received	319	304
Sundry Creditors for Capital Works	394	814
Other payables		
Statutory	393	354
Outstanding Expenses	847	629
Others	96	37
Advance received from customers	507	310
Total	2744	2615
7.1 "Others" under Other Payables include Rs. 5.94 Lakhs (Previous year Rs. 4.84 lakhs) being the amount payable towards Executive Welfare Fund Rs. 2.88 lakhs (previous year Rs. 3.18 lakhs) and Non-executive welfare fund Rs. 3.06 Lakhs (Previous year Rs. 1.66 lakhs) which are administered by the committee consisting of the members from Management and the employees. Out of Rs. 3.06 lakhs (Previous year 1.66 lakhs) non-executive welfare fund, a sum of Rs. 5.21 Lakhs (previous year 4.18 lakhs) is held in the form of Term Deposit with Vijaya Bank, Bangalore.		
8 SHORT TERM PROVISIONS :		
Provision for Taxation (Net)	119	0
Provision for proposed dividend (Dividend proposed is Rs. 18 Per Equity share of face value Rs. 100, Previous year Rs. 15 per equity share of face value Rs. 100)	0	202
Provision for tax on proposed dividend	0	41
Provision for Earned leave (Refer Note No.4)	235	229
Provision for sick leave (Refer Note No.4)	13	14
Provision for contingencies	204	184
TOTAL	571	670

8.1 MOVEMENT OF PROVISIONS DURING THE YEAR

(Refer Note 4 and 8)

(Rs.in Lakhs)

Particulars	Balance at the beginning of the year	Amount provided during the year	Amount paid/adjusted during the year	Balance at the end of the year
Provision for Taxation (Net)	-104	1611	1388	119
Proposed Dividend	202	0	202	0
Provision for tax on proposed dividend	41	0	41	0
Provision for Contingencies :				
a) Disputed legal cases	164	20	0	184
b) Disputed statutory demands	20	0	0	20
Total	323	1631	1631	323

9 PROPERTY, PLANT AND EQUIPMENTS (PPE) :

(Rs.in Lakhs)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	TOTAL AS AT 01.4.16	ADDITIONS DURING THE YEAR	ADJUSTMENTS DELETIONS/IMPAIRMENT DURING THE YEAR	TOTAL AS AT 31.3.17	TOTAL AS AT 01.4.16	FOR THE YEAR	ADJUSTMENTS DELETIONS/IMPAIRMENT DURING THE YEAR	TOTAL AS AT 31.3.17	AS AT 31.3.17	AS AT 31.3.16
LAND :										
FREE HOLD	23	332	0	355	0	0	0	0	355	23
BUILDINGS	1046	1475	0	2521	479	55	0	534	1987	566
PLANT AND MACHINERY	2729	2027	0	4756	1822	312	0	2134	2622	906
FURNITURE & FIXTURES	140	31	0	171	110	15	0	125	46	30
OFFICE EQUIPMENTS	238	15	0	253	206	15	0	221	32	32
CANTEEN EQUIPMENTS	15	0	0	15	12	1	0	13	2	4
VEHICLES	13	21	13	21	11	3	11	3	18	3
TOTAL	4204	3901	13	8092	2640	401	11	3030	5062	1564
PREVIOUS YEAR	3945	266	7	4204	2307	339	7	2640	1564	1639

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) was received and encroachment to the extent of approx. 3 acres and 25 Guntas was reported. Besides the encroachment shown in survey report, there is an encroachment to the extent of 1 Acre (approx.) in Survey No. 80 (New No.197) which has not been shown in survey report. The Company has taken up the matter with revenue authorities for mentioning this additional encroachment in the report and eviction of all encroachments. In the meantime the said survey report has been quashed. The company has since fenced the remaining portion of the land. Out of the encroachments of 3 acres and 25 Guntas shown in the survey report, one of the encroached party has filed a civil suit in Civil Judge Court, Bangalore against the company which is being contested by the company. Subsequently, the case has been transferred to Nelamangala. Further Board had in its 131st Board Meeting held on 19.2.2010 decided to grow Medicinal plants in 10 acres in Phase I. Accordingly medicinal plants are being grown at Kadabagere land.

In view of the order by Deputy Director, Land Records vide order dated 13.11.2013 company has paid fees for survey on 12.05.2016 for survey No. 80 and on 1.7.2016 for survey No 22. The matter is being followed up periodically. Vide letter dated 22.9.2016 a letter was addressed to Principal Secretary, Revenue Department by Managing Director of the company requesting for survey and eviction of encroachments. Based on the representation of the company Joint Director of Land Records, Office of the Deputy Commissioner, Bangalore Urban District vide letter dated 03.10.2016 addressed to Assistant Director, Land Records, Office of Assistant commissioner, Bangalore North Sub-Division informed to survey the land and give report. Further Chairman, KAPL and Principal Secretary, Health and Family Welfare, Government of Karnataka vide D.O. Letter 23.9.2016 has written to Deputy Commissioner, Bangalore Urban District regarding survey and eviction of encroachments. Reminder was sent to Revenue Department vide letter dated 09.02.2017.

9.2 Dharwad Plant :

Board at its 157th Meeting held on 26.09.2016 had approved purchase of Pharmaceutical Unit at Dharwad (on 6 Acres and 14 Guntas of land) through e-auction of Karnataka State Financial Corporation (KSFC) and authorised Managing Director to decide the Bid amount. Accordingly, against an advertisement appeared in Vijayawani dated 24.10.2016 of KSFC, company participated in e-auction and had quoted price of Rs. 517.37 lakhs towards land and building and Rs. 93.64 lakhs towards plant and machinery. The bid of the company was accepted by KSFC as intimated vide letter dated 8.12.2016. After making the payment of the Bid amount, the possession of land, building, plant and machinery was taken on 12.12.2016 in as is where is basis. The registration is yet to be done. In pursuance of the Board approval upkeep activities are under progress for manufacture of Ayurvedic products.

In the meantime company had requested for survey of land of Unit situated at Survey No. 429/1 and 429/2A at Kotur Village, Dharwad. After receipt of the survey report, it is noticed that there is a shortage of the land to the extent of 26 Guntas in survey No. 429/2A. The matter has been taken up with KSFC vide letter dated 28.4.2017 and matter is being pursued.

10. Board, at its 156th Meeting, approved creation of additional Non-Parenteral facility for manufacture of Tablets at a cost of Rs. 1917 lacs. The facility is to be financed by way of Term Loan of Rs. 1500 lacs and balance to be met out of internal accruals. The Project is under progress.

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

(Rs.in Lakhs)

PARTICULARS	Upto 31.03.2017	Upto 31.03.2016
Deferred Tax Liabilities :		
a) Fixed Assets - Written Down Value Difference	270	207
	270	207
Deferred Tax Assets :		
a) Provisions for doubtful debts, claims etc.,	23	43
b) Leave Salary	59	91
c) Gratuity	132	84
d) Others	174	161
	388	379
Deferred Tax Asset (Net)	118	172

12. LONG TERM LOANS AND ADVANCES :

Capital Advances:

Unsecured, Considered good Advance for capital items	145	1062
Advance to employees	0	3
Current Rs. 69.00 lakhs (Refer Note. No. 17) (Previous year Rs. 63.02 lakhs)		
Non-Current Rs. 0.00 lakhs (Previous year Rs. 3.58 lakhs)		
Prepaid expenses	5	4
Current Rs. 42.43 lakhs (Refer Note. No. 17) (Previous year Rs. 30.56 lakhs)		
Non-Current Rs. 4.95 lakhs (Previous year Rs. 3.50 lakhs)		
Deposit with Government Departments	61	54
Current Rs. 396.76 lakhs (Refer Note. No. 17 and 17.1) (Previous year Rs. 223.00 lakhs)		
Non-Current Rs. 60.95 lakhs (Previous year Rs.54.48 lakhs)		
Total	211	1123

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2017	AS AT 31.03.2016
13. OTHER NON-CURRENT ASSETS :		
Rights under Group Leave Encashment Scheme Insurance Policy (Ref. Note No. 25.2)	1256	1043
Total	1256	1043
14. INVENTORIES :		
Raw Materials - in Stock-KAPL	2245	1783
Raw Materials - LL PARTIES	267	340
Raw Materials - IN TRANSIT	24	1
Less : Provision for obsolescence	78	76
	2458	2048
Work-in-progress - KAPL	978	992
Finished Goods - in Stock	1551	1221
- in Transit	331	284
Stores and spares	34	31
Total	5352	4576
15. TRADE RECEIVABLES :		
Unsecured		
Outstanding for a period exceeding six months		
Considered good	638	1095
Considered doubtful	58	120
Less : Provision for doubtful	58	104
	638	1095
Others - Considered good	8542	7036
Total	9180	8131

- 15.1 'Sundry Debtors' includes Rs. 7183.70 Lakhs (Previous year Rs. 5519.00 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. 1642.17 lakhs (previous year Rs. 2415.00 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 31.03.2017	AS AT 31.03.2016
16. CASH AND BANK BALANCES :		
A. Cash and cash equivalents:		
Balances with banks		
- in Current/Cash Credit Account	730	82
- in fixed deposit account		
With maturity less than 3 months	2982	3288
Cash, Stamps and Coupons on hand	1	4
Remittances - in - transit	162	143
Total	3875	3517
B. Other Bank balances		
- in fixed deposit account		
With maturity more than 3 months	2178	792
a) An amount of Rs. 3.54 Lakhs(previous year Rs.3.33 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.5.21 Lakhs(previous year Rs.4.88 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	113	74
Total	2291	866
Total	6166	4383

Disclosure in terms of notification issued by the Ministry of Corporate Affairs dated 30th March 2017 Rs.

PARTICULARS	Specified Bank Notes (Rs. 500 and Rs. 1000)	Other Deno- mination Notes	Total
Closing cash in hand as on 08.11.2016	0.00	0.32	0.32
(+) Permitted Receipts			
a. Withdrawals from Bank	0.00	9.54	9.54
b. Other Receipts	0.00	0.16	0.16
(-) Permitted payments	0.00	8.64	8.64
(-) Amount deposited in Banks	0.00	0.00	0.00
Closing cash in hand as on 30.12.2016		1.38	1.38

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2017	AS AT 31.03.2016
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)	69	63
Pre-paid expenses (Refer Note No.12)	43	31
Advance Income Tax (Net)	0	104
Other advances	25	38
Other receivables	67	137
Total	204	373
Deposits with Government Departments (Refer Note No.12 and 17.1)		
Considered good	397	223
Considered doubtful	7	7
	404	230
Less: Provision for Doubtful Deposits	7	7
	397	223
Total	601	596

17.1 Confirmation of balances in respect of Deposit with Government departments amounting to Rs. 54.64 lakhs is awaited (Previous Year Rs. 51.94 lakhs).

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

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

(Rs.in Lakhs)

PARTICULARS	AS AT 31.03.2017	AS AT 31.03.2016
18 OTHER CURRENT ASSETS :		
Interest Accrued on deposits	25	5
Total	25	5
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	72	62
19.1.2 Difference in sales tax for non-receipt of Statutory forms	54	76
19.1.3 Income Tax Appeal		
2009-10 (Amounts adjusted against refund)	13	0
2013-14 (Amounts adjusted against refund)	5	0
19.1.4 Excise Duty Demand :		
Demand received from Commissioner of Central Excise towards Excise duty and penalty besides interest (not quantified) under Section 11D of Central Excise Act, 1944 covering sale of certain products pertaining to the period from 2007-08 to 2011-12.	1036	1036
The Company had preferred an appeal with CESTAT against the order. The said case were heard on 7th Jan. 2015 and stay was granted in favour of the Company.		
19.1.5 Liability towards sales tax pending in appeal before various appellate Authorities relating to earlier years:		
NATURE OF DUES	AMOUNT Rs. in Lakhs	Period to which the amount relates
Sales returns disallowed. Feed supplement and Agro Chemicals Taxed at higher rate - Tamil Nadu Sales Tax Act	1.17 (1.17)	2003-2004
The Dispute is pending with Appellate Assistant Commissioner (CT)V (Chennai)		
Exempted Sales of Gauge & Bandages disallowed & tax imposed	0.34 (0.34)	1996-1997
Exempted Sales of Gauge & Bandages disallowed & tax imposed	1.32 (1.32)	1997-1998
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST)	1.74 (1.74)	1998-1999

(Rs.in Lakhs)

NATURE OF DUES	AMOUNT Rs. in Lakhs	Period to which the amount relates
Exempted Sales of Gauge & Bandages, Feed Supplements Export sales disallowed & tax imposed (CST)	0.37 (0.37)	1998-1999
Exempted Sales of Gauge & Bandages, Feed Supplements Export sales disallowed & tax imposed (LST)	7.33 (7.33)	1999-2000
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (CST)	0.19 (0.19)	1999-2000
Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST)	7.14 (7.14)	2000-2001
Exempted Sales of Gauge & Bandages, Feed Supplements Export sales disallowed & tax imposed (CST)	3.73 (3.73)	2000-2001
Exempted Sales of Feed Supplements disallowed & tax imposed	2.26 (2.26)	2002-2003
The Disputes are pending with JCCT, Patna - Bihar VAT Act. (figures in brackets represent previous year figures)		
Total	25.59 (25.59)	
19.2 COMMITMENTS:		
19.2.1 Estimated amount of contracts remaining to be executed on capital account and not provided for	1284	901

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2017	Year ended 31.03.2016
20. REVENUE FROM OPERATIONS :		
Sale of Products	38627	32692
Other Operating Revenues	298	262
	38925	32954
Less : Excise Duty	1693	1752
Total	37232	31202
20.1 Particulars of Sale of Products :		
Dry Powder Vials	8652	8885
Liquid Parenterals (Vials/Ampoules)	2671	3257
Tablets	11890	9407
Capsules	3536	3320
Dry Syrup & Suspension	979	626
Others	10899	7197
Total	38627	32692
21. OTHER INCOME :		
Interest received	365	147
Profit on sale of asset	1	0
Miscellaneous receipts	5	13
Total	371	160

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 STERILE IP/ BP/ USP	10444.469	607		9977.021	690	
	2 AZITHROMYCIN IP	7926.278	601		2899.474	219	
	3 STRL PIPERACILLIN SOD & TAZOBATAM SOD	4580.000	587		2710.000	271	
	4 AMOXYCILLIN TRIHYDRATE IP (COMPACTED)	35427.000	543		16655.123	336	
	5 CEFADROXIL IP (COMPACTED 30# GRANULES)	16686.000	533		12993.673	459	
	6 CIPROFLOXACIN HYDROCHLORIDE IP	30226.843	461		24231.859	449	
	7 CEPHALEXIN IP/BP (COMPACTED)	12422.126	401		7045.264	257	
	8 CEFIXIME IP(COMPACTED)	3972.814	379		2957.862	271	
	9 CEFOTAXIME SODIUM (STERILE) IP/ BP/ USP	5393.000	338		6647.000	494	
	10 ALBENDAZOLE IP	20946.754	312		20955.600	294	
	11 OTHERS		6740			6650	
	TOTAL		11502	96		10390	93
II.	IMPORTED :						
	1 STERILE AMOXI & POTASSIUM CLAVULANATE (R)	2349.300	435		2687.880	475	
	2 BENZYL PENCILLIN SODIUM (STERILE) IP/BP/US	1835.015	45		3435.719	70	
	3 OTHERS		7			214	
	TOTAL		487	4		759	7
TOTAL OF I & II			11989	100		11149	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	719.90	906	967.71	1021
2	OTHERS		2205		2228
	TOTAL		3111		3249
	TOTAL OF A & B		15100		14398
	LESS : CENVAT CREDIT		1547		1376
	LESS : VAT CREDIT		73		76
	NET CONSUMPTION		13480		12946

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	*	1715	*	483
Others	*	2329	*	1781
Total		4044		2264

*Enumeration of quantities not practicable

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2017	Year ended 31.03.2016
24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE;		
FINISHED GOODS AND STOCK-IN-TRADE :		
Opening Stock	1505	1803
Closing Stock	1882	1505
	-377	298
WORK-IN-PROGRESS :		
Opening Stock	992	900
Closing Stock	978	992
	14	-92
(Increase) / Decrease	-363	206
Excise Duty on Inventory Change	68	-18
Net (Increase) / Decrease	-295	188
25. EMPLOYEE BENEFITS EXPENSE :		
Salaries and Wages	5156	4765
Voluntary Retirement Scheme Expenses	0	25
Contribution to Provident and other funds	612	572
Staff welfare expenses	710	635
Total	6478	5997
25.1 Employee Benefit expenses include Managing Director's remuneration as under :		
PARTICULARS		
a) Salary	21	20
b) Contribution to PF	2	2
c) Others	3	3
Total	26	25

25.2 a) Employees' benefits are recognised on accrual basis. Liability towards compensated absence such as leave encashment and sick leave and liability towards defined benefit plan viz. Gratuity are valued on actuarial basis under Projected Unit Credit Method. Liability under defined contribution schemes such as contribution to Provident Fund, ESI, Death Relief Fund, etc., are measured based on the contribution due for the year.

b) The amounts recognised in the Balance Sheet are as follows : (Rs.in Lakhs)

Particulars	Defined Benefit Gratuity		Earned Leave				Sick Leave Availment	
			Availment		Encashment			
	As at 31.3.2017	As at 31.3.2016	As at 31.3.2017	As at 31.3.2016	As at 31.3.2017	As at 31.3.2016	As at 31.3.2017	As at 31.3.2016
Present value of obligations	2750	2528	71	65	1357	1240	254	242
Fair value of Plan Assets	2368	2287	0	0	0	0	0	0
Present value of unfunded obligations (Net Liability)	382	241	71	65	1357	197	254	242
Net Assets/(Liability) recognised in Balance Sheet	-382	-241	-71	-65	-1357	-1240	-254	-242

*The reimbursement right under Group Leave Encashment Policy funded with Life Insurance Corporation of India towards encashment of Earned Leave is Rs. 1256 lakhs (Previous year Rs. 1042 lakhs) and the same is disclosed separately under "Other Non-Current Assets".

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

Particulars	Defined Benefit Gratuity		Earned Leave				Sick Leave Availment	
			Availment		Encashment			
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Current Service Cost	133	87	71	65	92	164	3	22
Interest on obligation	188	170	0	0	92	83	18	16
Expected Return on Plan Assets	-171	-162	0	0	-91	0	0	0
Return on Leave Encashment Policy	0	0	0	0	0	-43	0	0
Net Actuarial Losses/(gains) recognised in the year	45	92	0	0	-130	-8	-9	-13
Total included in Employee benefits	195	187	71	65	-37	196	12	25
Benefits availed included under Salaries, Wages & Bonus	0	0	0	0	0	0	0	0
Net charged to Profit and Loss Account	195	187	71	65	-37	196	12	25
Actual Return on Plan Assets for the year	7.71%	8.51%	-	-	8.25%	8.35%	-	-

- 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 31.3.2017	As at 31.3.2016	As at 31.3.2017	As at 31.3.2016	As at 31.3.2017	As at 31.3.2016	As at 31.3.2017	As at 31.3.2016
Opening Obligation	2528	2281	65	65	1240	1044	242	217
Current Service Cost	133	87	71	0	92	164	3	22
Interest Cost	188	170	0	0	92	83	18	16
Actuarial Losses/(gains)	39	98	0	0	63	-8	-9	-13
Benefits Paid/Availed	-138	-108	-65	0	-130	-43	0	0
Closing Obligation	2750	2528	71	65	1357	1240	254	242

- 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 31.3.2017	As at 31.3.2016
Opening Balance	2287	2121
Interest credited	166	168
Assets distributed on Settlement/Benefits paid	-139	-108
Contribution by company	54	106
Closing Balance	2368	2287

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				
	2012-13	2013-14	2014-15	2015-16	2016-17
Present Value of defined benefit obligation	1973	2247	2281	2528	2750
Fair value of Plan assets	1756	1855	2121	2287	2368
Surplus/deficit in the Plan	217	392	160	241	382

EARNED LEAVE :

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2012-13	2013-14	2014-15	2015-16	2016-17
Present Value of defined benefit obligation	935	971	1109	1305	1428
Rights under Group Leave Encashment Scheme Policy	397	595	724	1043	1256
Surplus/deficit in the Plan	538	376	385	262	172

SICK LEAVE :

(Rs.in Lakhs)

PARTICULARS	YEAR				
	2012-13	2013-14	2014-15	2015-16	2016-17
Present Value of defined benefit obligation	188	210	224	242	254
Fair value of Plan assets	0	0	0	0	0
Surplus/deficit in the Plan	188	210	224	242	254

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

PARTICULARS	Gratuity		Earned Leave		Sick Leave	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Mortality Rate	LIC (1994-96)					
Discount Rate	6.85%	8.51%	6.85%	8.51%	6.85%	8.51%
Estimate of salary increases	10.25%	10.25%	10.25%	10.25%	10.25%	10.25%

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

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2017	Year ended 31.03.2016
26. FINANCE COSTS :		
Interest Expenses	29	15
Other Borrowing cost	39	30
Total	68	45
27. PRIOR PERIOD ADJUSTMENTS :		
PRIOR YEARS INCOME :	0	0
	0	0
PRIOR YEARS EXPENDITURE :		
Commission and Discounts	0	2
Other Miscellaneous Expenditure	1	0
Total	1	2
28. OTHER EXPENSES :		
Consumption of stores and spare parts	60	58
Power and fuel	466	385
Rent	109	122
Repairs to buildings	59	8
Repairs to machinery	208	114
Insurance	18	14
Rates and taxes	184	112
Auditor's remuneration:		
As auditor (including service tax)	6	4
Taxation matter (Includes Rs. 0.72 lakhs paid to earlier Statutory Auditors)	2	1
Travelling and Conveyance	561	555
Commission and discounts	3289	2598
Late Delivery Charges	1086	521
Carriage outwards	387	314
Other manufacturing expenses	1092	644
Laboratory expenses	111	73
Communication expenses	22	22
Legal and professional charges	55	63

(Rs.in Lakhs)

PARTICULARS	Year ended 31.03.2017	Year ended 31.03.2016
General maintenance expenses	163	132
Printing and Stationery	65	84
Recruitment and training expenses	31	24
Other selling expenses	586	490
Sundry Receivables written off	10	68
Other provisions	22	51
CSR Expenditure	40	32
Exchange Rate fluctuation	5	3
Other miscellaneous expenditure	82	70
Total	8719	6562

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

28.2 During the year, the company has fully depreciated the asset costing Rs. 10000 or less in the year of purchase. Due to the change in the method of providing depreciation, the profit for the year is less by Rs. 8.07 lakhs.

28.3 CSR EXPENDITURE :

- (a) Gross amount required to be spent by the company during the year Rs. 39.73 lakhs.
(b) Amount spent during the year on : Rs. Lakhs

SL. NO.	PARTICULARS	IN CASH	YET TO BE PAID IN CASH	TOTAL
(i)	Construction/Aquisition of any asset	---	---	---
(ii)	On purposes other than (i) above	40.12	---	40.12

(Rs.in Lakhs)

PARTICULARS		Year ended 31.03.2017	Year ended 31.03.2016
29. EARNINGS PER SHARE :			
1	Profit After Tax for the year	3033	1951
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)	225	145
7	Earnings per share (Diluted) (1/3)	225	145

30. STATEMENT OF SALES AND STOCK :

Sl.No.	PARTICULARS	Value (Rs. in Lakhs)		
		SALES	CLOSING STOCK	OPENING STOCK
1	Dry Powder Vials	8652 (8885)	379 (314)	314 (533)
2	Liquid Parenterals (Vials/Ampoules)	2671 (3257)	115 (159)	159 (144)
3	Tablets	11890 (9407)	580 (274)	274 (267)
4	Capsules	3536 (3320)	116 (111)	111 (139)
5	Dry Syrup & Suspension	979 (626)	82 (37)	37 (65)
6	Others	10899 (7197)	610 (610)	610 (655)
	TOTAL	38627 (32692)	1882 (1505)	1505 (1803)

(Rs.in Lakhs)

Sl. No.	PARTICULARS	CURRENT YEAR		PREVIOUS YEAR	
		AMOUNT	%	AMOUNT	%
31. SPARES CONSUMED					
	Indigenous	60	100	58	100
	Imported	0	0	0	0
		60	100	58	100
32.	VALUE OF IMPORTS ON CIF BASIS				
	1. Raw Materials	535		695	
	2. Capital Goods	69		43	
	3. Others	0		0	
33.	EARNINGS IN FOREIGN EXCHANGE				
	F.O.B. Value of Exports	2235		3369	
34.	EXPENDITURE IN FOREIGN CURRENCY				
	Travel	3		4	
	Foreign Agency Commission	51		44	
	Product Registration Fees	28		27	

35. SEGMENT INFORMATION FOR THE YEAR ENDED 31st MARCH 2017
PRIMARY SEGMENT : BUSINESS SEGMENT

(Rs.in Lakhs)

PARTICULARS	PHARMACEUTICALS		OTHERS		TOTAL	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016
REVENUE						
Sales	36207	31701	2420	991	38627	32692
Income from Contract Manufacturing	-	-	140	209	140	209
Total Revenue	36207	31701	2560	1200	38767	32901
Segment Result	5020	3805	537	268	5557	4073
Unallocated Corporate Expenses					1188	1181
Operating Profit					4369	2892
Interest Expense					27	20
Interest Income					365	147
Income Tax					1611	1120
Deferred Tax					54	-52
Profit from Ordinary Activities					3042	1951
Taxation Adjustments of Previous Year					-9	0
Net Profit					3033	1951
OTHER INFORMATION						
Segment Assets	19093	16430	1919	1842	21012	18272
Unallocated Corporate Assets					7824	5944
Total Assets					28836	24216
Segment Liabilities	10784	8808	912	949	11696	9757
Unallocated Corporate Liabilities					17140	14458
Total Liabilities					28836	24216
Capital Expenditure	2109	540	0	0	2109	540
Unallocated Capital Expenditure					34	26
Total Capital Expenditure	2109	540	0	0	2143	566
Depreciation*	379	307	1	1	380	308
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)

	31.3.2017	31.3.2016
REVENUE :		
INDIA	36495	29504
OUTSIDE INDIA	2272	3397
TOTAL	38767	32901
CARRYING AMOUNT OF SEGMENT ASSETS :		
INDIA	20489	17146
OUTSIDE INDIA	523	1126
TOTAL	21012	18272
ADDITIONS TO FIXED ASSETS		
INDIA	2143	566
OUTSIDE INDIA	0	0
TOTAL	2143	566

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

B. T. KHANAPURE
DIRECTOR

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

N. SANTHANA GOPALA KRISHNAN
General Manager-Finance

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

YASWANT DAGLIYA
Partner
Membership No. 009124

PLACE : BANGALORE
DATE : 29.06.2017

PLACE : BANGALORE
DATE : 29.06.2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2017

(Rs.in Lakhs)

	March 2017	March 2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX	4,707	3,019
Adjustment for :		
Depreciation	401	339
Interest Income	(365)	(147)
Interest expense	29	15
Profit on Sale of Assets	2	-
Excess Provision Reserved	(61)	15
Bad Debts Written-off	10	64
Provision for Contingencies	20	20
Provision for Doubtful Deposits, Advance & Claims	-	4
Provision for Non-moving / Slow moving Inventory	2	15
Provision no longer required withdrawn	(44)	-
Unrealised Foreign Exchange Loss (gain)	5	3
Sundry Creditors written back	(26)	22
	(31)	350
Operating Profit before Working Capital Change	4,676	3,369
Adjustment for :		
(Increase)/Decrease in Trade and other receivables	(329)	(2,071)
(Increase)/Decrease in inventories	(778)	475
(Increase)/Decrease in other Bank Balances	(1,425)	(804)
Increase/(Decrease) in trade payables & other liabilities	2,068	1,083
	(464)	(1,317)
Cash generated from Operations	4,212	2,052
Direct Taxes Paid	(1,515)	(1,327)
Net cash from Operating activities (A)	2,697	725
B. CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	365	147
Purchase of Fixed assets, Capital WIP, Capital Advances	(2,143)	(566)
Sale of Fixed Assets	4	-
Net cash from investing activities (B)	(1,774)	(419)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)

(Rs.in Lakhs)

	March 2017	March 2016
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in long term borrowings	(167)	(146)
Increase/(Decrease) in short term borrowings	(119)	(23)
Dividend paid on Equity Shares	(202)	(189)
Tax on Equity Dividend paid	(48)	(38)
Interest paid	(29)	(15)
Net cash from financing activities (C)	(565)	(411)
D. NET INCREASE /(DECREASE) (A+B+C)	358	(105)
E. Cash and Cash Equivalents at the beginning of the year	3,517	3,622
	3,517	3,622
F. Cash And Cash Equivalents at the end of the year	3,875	3,517

FOR AND ON BEHALF OF BOARD OF DIRECTORS

K. M. PRASAD
MANAGING DIRECTOR

B. T. KHANAPURE
DIRECTOR

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

N. SANTHANA GOPALA KRISHNAN
General Manager-Finance

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

YASWANT DAGLIYA
Partner
Membership No. 009124

PLACE : BANGALORE
DATE : 29.06.2017

PLACE : BANGALORE
DATE : 29.06.2017

(Rs. in Lakhs)

SL. NO.	PARTICULARS	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
01	Value of Production	25100	24739	27573	28181	34201	40551
02	Sales Turnover	23089	22358	24159	24724	32692	38627
03	Exports (included in 2 above)	2278	2035	2554	2952	3397	2272
04	Cash Profit	2599	1712	1399	2071	3358	5108
05	Profit before tax	2410	1519	1207	1733	3019	4707
06	Profit after tax	1602	1129	776	1106	1951	3033
07	Share Capital	749	1349	1349	1349	1349	1349
08	Reserves & Surplus	7319	8321	8913	9724	11432	14465
09	Net Worth	8068	9670	10262	11073	12781	15814
10	Gross Block	3700	3774	3852	3945	4204	8092
11	Long Term borrowings	503	492	498	624	477	310
12	Contribution to Exchequer	2818	2920	2757	2780	4113	5046
13	Manpower (No.)	714	714	738	728	712	731
14	Average Sales per Professional Sales employee (Rs.)	32	31	38	32	46	53
15	Average production per factory employee (Rs.)	117	110	123	128	162	192
16	Dividend (%)	15	8	20	14	15	18
17	Book Value per share (Rs.) (Face value of Rs. 100)	1077	717	761	820	947	1172
18	Earning per Share (Rs.) (Face Value of Rs. 100)	214	108	58	82	145	225
19	Sundry Debtors to sales (%)	40	33	29	26	25	24
20	Turnover to gross fixed Assets (%)	624	592	627	627	777	477
21	Value of closing inventory to Sales (%)	13	15	16	20	14	14
22	Finance cost to turnover (%)	0.49	0.32	0.12	0.06	0.04	0.18
23	Material cost to turnover (%)	51	50	50	48	47	45



Shri K.M. Prasad, Managing Director, Planting a Tree at Corporate Office during World Environment Day. Other Senior Officers of KAPL are also seen.



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



Shri K.M. Prasad, Managing Director, KAPL receiving the Certificate from Shri Ananth Kumar, Hon'ble Minister for Chemicals and Fertilizers and Parliamentary Affairs on 11th February 2017 during India Pharma Exhibition 2017. Shri Jai Priye Prakash, IAS, Secretary, Department of Pharmaceuticals is also seen.