



KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED

(A Government of India Enterprise)

38th

Annual Report 2018-19

2019-20

410
Cr.

2018-19

360.36
Cr.





Hon'ble Chairman, Members and Officials of Committee on Chemicals & Fertilizers during their visit to Bangalore on 28.11.2018 and 29.11.2018.



From L to R: Shri Jawaid Akhtar, IAS, Chairman, KAPL and Principal Secretary to Govt., Government of Karnataka, with other senior officers of KAPL during visit of Committee on Chemicals & Fertilizers.



Shri Jawaid Akhtar, IAS



Shri Ganga Ram Baderiya, IAS



Shri Sunil Kumar Kaimal



Shri Jitendra Trivedi



Shri B.T. Khanapure



BOARD OF DIRECTORS (AS ON 11.11.2019)

Shri Jawaid Akhtar, IAS

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

Shri B.T. Khanapure

Drugs Control Department for the State of Karnataka
Palace Road
Bengaluru - 560 001
From : 14.10.2019

Shri Sunil Kumar Kaimal

Managing Director, Karnataka Antibiotics and
Pharmaceuticals Limited, Dr. Rajkumar Road, 1st Block
Rajajinagar, Bengaluru – 560 010
From : 01.08.2019

Mrs. Gunjan Krishna, IAS

Managing Director, Karnataka State Industrial and
Infrastructure Development Corporation Ltd., Khanija Bhavan,
4th Floor, East Wing, 49, Race Course Road, Bengaluru-1
Upto : 22.07.2019

Shri Jitendra Trivedi

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

Ms. Nirja Saraf

Managing Director, Karnataka Antibiotics and
Pharmaceuticals Limited, Dr. Rajkumar Road, 1st Block
Rajajinagar, Bengaluru – 560 010
Upto : 31.07.2019

Shri Ganga Ram Baderiya, IAS

Managing Director, Karnataka State Industrial & Infrastructure
Devp. Corporation Ltd., Khanija Bhavan, 4th Floor, East Wing,
49, Race Course Road, Bengaluru–560 001
From: 22.07.2019

Shri Amaresh Tumbagi

Drugs Control Department for the State of Karnataka
Palace Road
Bengaluru - 560 001
Upto : 14.10.2019

JAGADEESH C HIEMATH

Company Secretary & General Manager (Admn.)

STATUTORY AUDITORS

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

BANKERS

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

INTERNAL AUDITORS

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

STATE BANK OF INDIA

SME Branch
St. Marks Road
Bengaluru – 560 025

REGISTERED & CORPORATE OFFICE

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

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NOTICE OF THE THIRTY EIGHTH ANNUAL GENERAL MEETING

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

DAY : Monday
 DATE : 11th November 2019
 TIME : 12:30 Hours
 VENUE : Regd. & Corp Office,
 Dr Rajkumar Road, 1st Block
 Rajajinagar, Bengaluru-560010

to transact the following business:

A. Ordinary Business

1. To receive, consider and adopt the Directors' Report, Audited Balance Sheet as on 31st March 2019 and the Audited Profit and Loss Statement for the year ended on that date along with the Auditors' Report thereon.
2. To declare dividend.

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

By Order of the Board of Directors

(JAGADEESH C HIEMATH)

Company Secretary and
 General Manager (Admn.)

Place : Bengaluru
 Date : 16.10.2019

To:
 Members

Note:

1. A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote on his behalf, only on a poll. Such a proxy need not be a member of the Company.
2. As per Section 139(7) of the Companies Act 2013, the Comptroller and Auditor General of India has appointed M/s. Dagliya & Co. vide letter dated 09.08.2019 as Statutory Auditors for the year ending 31.03.2020.



VISION

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

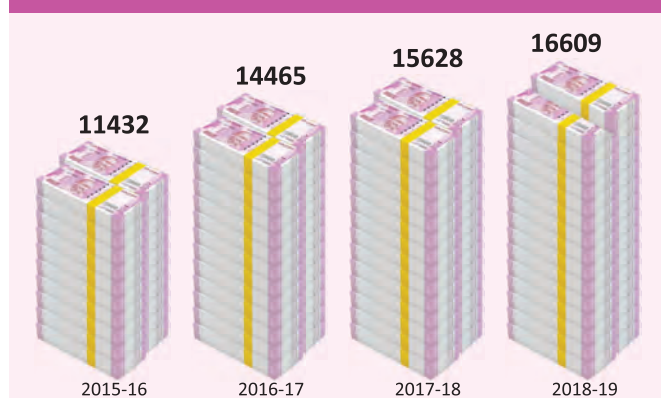
MISSION

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

SPEECH DELIVERED BY CHAIRMAN, AT THE 38th ANNUAL GENERAL MEETING OF THE COMPANY HELD AT BENGALURU ON 11th NOVEMBER 2019.

1. On behalf of the Board of Directors and on my personal behalf, I take pleasure in extending a warm welcome to each one of you to the Annual General Meeting of your company.
2. The sales performance of your Company in Financial Year 2018-19 is Rs. 360.36 crores. The Directors' Report and Accounts of the company for the year ended 31st March 2019 have already been provided to all the share-holders, and with permission of all present here, I shall consider them as read.

RESERVES & SURPLUS



3. MACRO ECONOMIC SETTING

During the year 2018-19, the Indian Economy witnessed GDP growth of 6.81% as compared to last year 7.17%. The Industrial Sector grew by 6.9%, Agricultural and Allied Sector by 2.9% and the service sector grew by 7.5%.



Jr. Executives, Executives, Asst. Managers & Dy. Managers Training Programme at Factory Training Centre

4. OPERATIONAL PERFORMANCE

Your Company achieved production value of Rs. 38,863 lakhs (previous year Rs.36,682 lakhs). The Company achieved sales turnover of Rs 36,036 lakhs (previous year Rs. 35,383 lakhs).



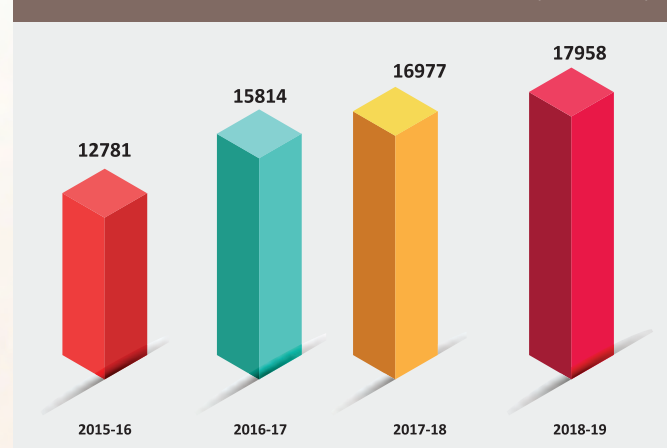
"Vigilance Awareness Week" was held on 02.11.2018 for Senior Officers at Corp. Office

5. FINANCIAL RESULTS

Your Company has achieved a Profit Before Tax of Rs. 2,523 lakhs (previous year Rs. 1,903 lakhs) and Profit After Tax of Rs. 1,582 lakhs (previous year Rs. 1,174 lakhs). The Book Value per share (Face Value of Rs.100/-) is Rs. 1,331/- (previous year Rs. 1,258/-). The Earning per share is Rs. 117/- on a Face Value of Rs 100/-.

NET WORTH

(Rs. in Lakhs)



6. DIVIDEND

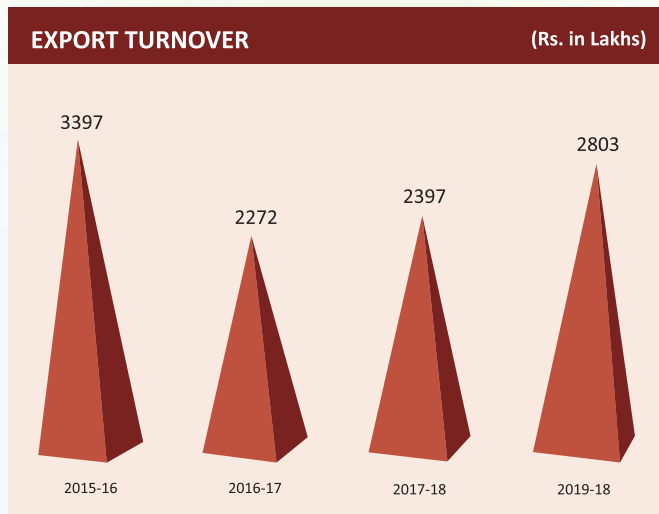
As you are aware KAPL is the only Pharmaceutical Company in the Central Drug Sector to consistently declare dividend for the past 29 years. For the year 2018-19, Directors have recommended a dividend of 22% as compared to 20% last year.

7. CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is an integral part of Corporate Business Strategy of the Company. Health Related activities were carried out as CSR activities in 2018-19.

8. CORPORATE GOVERNANCE:

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



9. ACKNOWLEDGEMENT

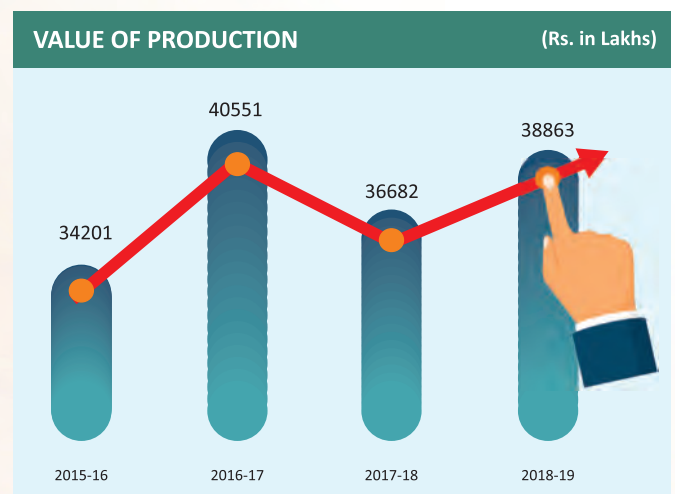
- 9.1 At the outset, I place on record my sincere thanks to various departments of Govt. of India, Government of Karnataka and other State Governments for the constant support, guidance and counsel.
- 9.2 My deep gratitude is due to your valued customers for their trust in the Company.
- 9.3 On behalf of the Board as well as my Personal behalf, I thank all the employees and the management for having helped the company to reach the results.
- 9.4 I am grateful for the immense contribution made by your Auditors and the Legal Advisors.
- 9.5 I am failing in my duty if I do not thank the Directors on the Board for their invaluable support and contribution in steering the company to achieve glorious performance.



10. I now commend the Balance Sheet as on 31.03.2019, Profit and Loss Statement for the year ended on that date and the Directors' Report for the adoption.

Place : Bengaluru
Date : 11.11.2019

Chairman



DIRECTOR'S REPORT

To
The Shareholders
Karnataka Antibiotics and Pharmaceuticals Limited
Ladies/Gentlemen,

Your Board of Directors are pleased to present the 38th Report on the performance and achievements of the Company together with the Audited Balance Sheet as on 31.03.2019, the Profit and Loss Statement for the year ended on that date and the report of the statutory Auditor thereon.

1. PERFORMANCE HIGHLIGHTS

Table I

PERFORMANCE HIGHLIGHTS (Rs. in Lakhs)				
Sl. No.	Particulars	2016-2017	2017-2018	2018-2019
1.	Production*	40551	36682	38863
2.	Sales	38627	35383	36036
3.	Exports (included in Sl. No.2 above)	2272	2397	2803
4.	Profit before Tax	4707	1903	2523
5.	Profit after Tax	3033	1174	1582
6.	Reserves and Surplus	14465	15628	16609
7.	Paid up Share Capital	1349	1349	1349
8.	Dividend (%)	18	20	22
9.	Earning per Share (Rs.) (Face value Rs. 100/-)	225	87	117
10.	Book value of the Share (Rs.) (Face value Rs. 100/-)	1172	1258	1331

*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 as on 31.03.2019 out of which Rs. 122 lakhs has been repaid and outstanding is Rs. nil lakhs. In addition, Company has also been sanctioned Rs. 1500 lakhs towards term loan for Oral Solid Dosage (New NP) Project by Vijaya Bank. As on 31.03.2019 out of which Rs. 225 lakhs has been repaid and outstanding is Rs. 1275 lakhs.

The borrowing from Banks for working capital requirements was Rs. 298 lakhs. (previous year Rs. 66 Lakhs). The interest burden, during the year was Rs. 149 lakhs (previous year Rs. 55 lakhs) towards working capital.



Cleaning of Neighbourhood was conducted during Swachhata Pakhwada at Factory

4. PRODUCTION

During the year under review, your Company achieved the production of value of Rs. 38863 lakhs (previous year Rs. 36682 lakhs), up by 5.92% over the previous year. The annual production value per factory employee per annum was Rs. 197 lakhs (previous year Rs. 176 lakhs).

5. CAPACITY UTILISATION:

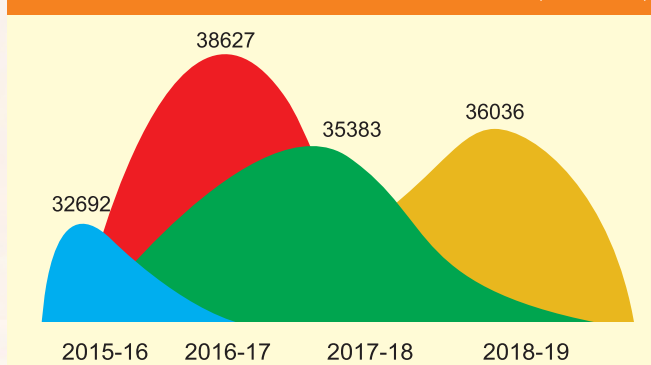
The particulars of capacity utilization, during the last three years, are furnished in the Table – II.

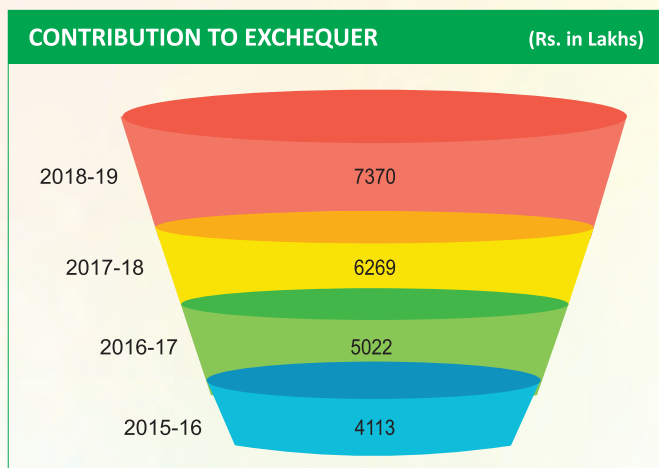
Table II

CAPACITY UTILISATION (in %)				
Sl. No.	Particulars	2016-2017	2017-2018	2018-2019
1.	Liquid Parenterals	96	129	127
2.	Vials	83	91	86
3.	Tablets	188	175	126
4.	Capsules	213	165	212

SALES TURNOVER

(Rs. in Lakhs)





6. SALES TURNOVER

Company achieved a Sales Turnover of Rs. 36036 lakhs as against Rs. 35383 lakhs achieved during 2017-18.

During 2018-19, your Company's sales under the Brand "Grenil" achieved Rs. 1142 lakhs compared to previous year Rs. 1215 lakhs. Sales Turnover of Cyfolac group achieved Rs. 486 lakhs as against Rs. 482 lakhs in the previous year. The sales of "Remcc" brands achieved sales of Rs. 270 lakhs compared to sales of Rs. 310 lakhs in the previous year. Sales turnover of "Verclav" has touched to Rs. 258 lakhs as against 255 lakhs. Sales turnover of Zinfe Group has touched to Rs.187 lakhs as against Rs. 176 lakhs. Agrovat Product Kalvimin has achieved Rs. 380 lakhs compared to previous year sales of Rs. 372 lakhs. K Cycline has achieved turnover of Rs. 338 lakhs compared to sales of Rs. 372 lakhs in the previous year and Cal K has achieved Rs. 265 lakhs as against Rs. 200 lakhs during previous year. K Live has achieved Rs. 250 lakhs as against Rs. 246 lakhs in the previous year. Gentabiotic, Pensbiotic, and Cetriax has achieved Rs.250 Lakhs, 217 lakhs and 212 lakhs respectively. Turnover of Pipmax, Numol under Pharma and K-Cythrin and K-Flox under Agrovat has exceeded Rs. 100 lakhs each.

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



Yoga was conducted at factory Training Centre on International Yoga Day

Table III

SALES TURNOVER		(Rs. in lakhs)		
Sl. No.	Particulars	2016-2017	2017-2018	2018-2019
1	Liquid Parenterals	2671	3294	5674
2	Liquid Orals and Dry Syrup	979	1065	1207
3	Vials	8652	8731	8574
4	Tablets	11890	11488	11201
5	Capsules	3536	3027	2480
6	Others	10899	7778	6900
	Total	38627	35383	36036

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 2018-19 were:

I. Pharma

- Tab Remcc
- Syrup Remcc
- Injection Oxytocin 5IU/1ml

II. Agrovat:

- Cephalex 300gm
- Cal K Plus DS – 1, 5 and 20 Ltrs
- Kalvimin Gold – 10 and 24 kgs
- Oxytocin 10 IU/1ml
- Pensbiotics MD DS 5gm
- Kapila Super Gold – 250ml, 500ml and 1 ltr.

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. 2803 Lakhs as against 2397 lakhs last year. Exports were made to 17 countries such as Bhutan, Botswana, Philippines, Ethiopia,



Hindi Workshop conducted at Corporate Office

Myanmar, Russia, Malaysia, Namibia, Guinea, Sri Lanka, Sudan, Thailand, Uganda, Vietnam, Yemen, Zimbabwe and Tanzania.

The Company has plan to export the medicines to additional Countries, such as Cambodia, Costa Rica and El Salvador.

9. FINANCIAL RESULTS :

The summarized financial results for the year 2018-19 are furnished below in Table – IV:

Table IV

FINANCIAL RESULTS (Rs. in lakhs)			
Particulars	2016-2017	2017-2018	2018-2019
Profit before interest, depreciation and tax	5176	2478	3330
Less : Interest & other financial charges	68	98	194
Cash Profit	5108	2380	3136
Less : Depreciation	401	477	613
Profit before tax	4707	1903	2523
Less: Provision for taxation	1674	729	941
Profit after tax and adjustment	3033	1174	1582

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

Table V

KEY RATIOS			
Particulars	2016-2017	2017-2018	2018-2019
Earning per Share-Rs. (face value Rs 100/-)	225	87	117
Book value per share – Rs. (face value Rs 100/-)	1172	1258	1331
Turnover to gross Fixed assets (%)	477	442	427
Finance cost to turnover (%)	0.18	0.28	0.54

11. DIVIDEND

Your Company has been declaring dividend for the last 29 years. For the financial year 2018-19, your Directors have pleasure in recommending a dividend @ 22% .

12. RESERVES & SURPLUS :

We have immense pleasure in informing you that the cumulative reserves and surplus as on 31.03.2019 were



Combiline Inaugurated at factory
Small Volume Parenterals

Rs. 16609 lakhs. The reserve and surplus were 12.31 times of the paid-up equity capital of Rs 1349 lakhs. As on 31 03 2019, the networth of your Company stood at Rs. 17958 lakhs.

13. INVENTORIES AND DEBTORS

The value of total inventories consisting of raw materials, work in progress and finished goods were Rs. 7779 lakhs which worked out 21.59% (previous year 14.52%) of sales turnover. As on 31.03.2019, debtors were Rs. 10838 lakhs which was equivalent to 110 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 2018-19, based on internal evaluation, is "Good". The MoU for 2019-20 is signed as per Government of India directions.

15. CONTRIBUTION TO PUBLIC EXCHEQUER

Your Company has contributed a sum of Rs. 7370 lakhs (previous year Rs. 6269 lakhs) to the exchequer of Central and State Governments by way of Income Tax, Customs Duty, GST etc.

16. ENCOURAGEMENT TO MEDIUM, SMALL ENTERPRISES

Government of India vide Order No. S.O.581(6) dated 23.03.2012 and 14.11.2018 has notified a new Public Procurement Policy for Micro, Small Enterprises. As per the Order, minimum 25% 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 2018-19 to the extent of Rs. 3378 lakhs.

17. FOREIGN TRAVEL

During the year 2018-19, no employee was deputed abroad for business purposes. The expenditure incurred in this connection by the Company was Rs. Nil lakhs.

18. HUMAN RESOURCES

The total manpower of the Company as on 31.03.2019 was 658 Nos. consisting of 225 Officers and 433 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 2018-19, training was provided to the extent of 286 man days. The expenditure incurred for Training and Development during the year amounted to Rs. 4.21 lakhs.



Guest of Honour : L to R : Parama Poojya Sree Jnana Prakash Mahaswamigalu, Dr. Narendra Kumar, Director, Dr. B.R. Ambedkar Research Extension Center, Manasa Gangothri, Mysore University, Smt. Nirja Saraf, MD, KAPL, Shri A. G. Jayaramaiah, State Resource Person, B.V.S. Karnataka and Shri Mu. Ragulakumar, President of KAP SC/ST Welfare Association during the 127th Birth Anniversary Celebration

20. REPRESENTATION OF SC& ST CANDIDATES

The strength of employees belonging to SC/ST category, as on 31 03 2019, was 102 Nos. (previous year 108 employees).

21. REPRESENTATION OF MINORITIES AND PERSONS WITH DISABILITY:

The strength of employees belonging to Minorities category as on 31.03.2019 was 33 Nos. (previous year 40 employees).

The strength of employees belonging to persons with disability category as on 31.03.2019 is 5 Nos (previous year 5 Nos.)

22. HUMAN RELATIONS

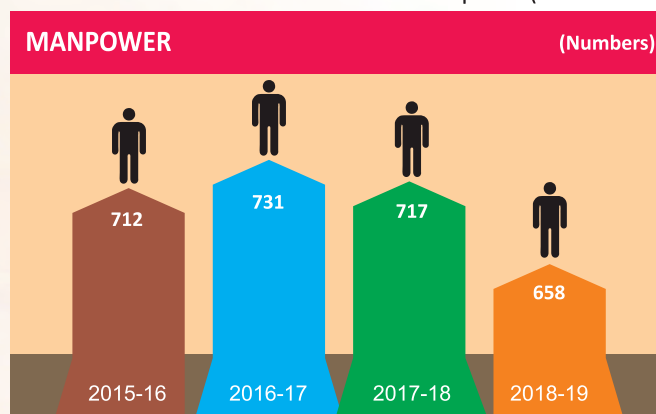
During the year under review, the industrial relation scenario in the Company was peaceful, cordial and healthy.

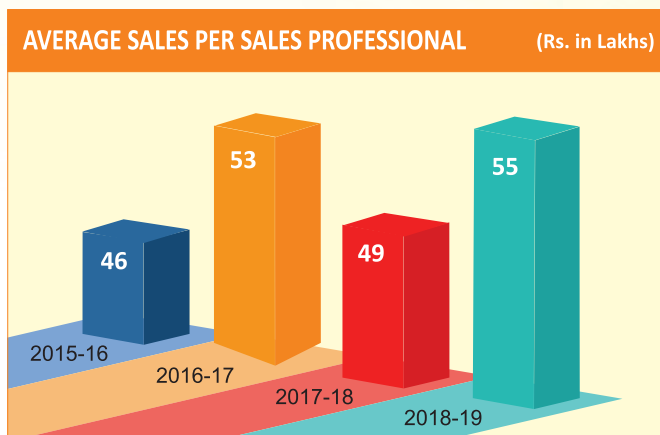
23. EMPLOYEE WELFARE

In your Company, Welfare facilities such as reimbursement of medical expenses, subsidized canteen, subsidized transport, uniform, 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. 740 lakhs (Rs. 688 lakhs during 2017-18).

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. In Phase-I, Corporate and Factory based Executives have been provided online training on prevention of Sexual Harassment of Women at work place.

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 2018-19, four Board Meetings were held on 29.06.2018, 17.09.2018, 30.11.2018 and 29.03.2019.

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 2019 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.



Tug of War event conducted during picnic to "NIMISHAMBA"



Inauguration of Kannada Rajyotsava Celebration
at Factory on 01.11.2018

- 30.4 That the annual accounts for the year ended 31st March 2019 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.

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:

1. Training programmes on environment and its importance are conducted to factory employees at Training Centre
2. Company got Best Ornamental Garden Award from Lalbagh, Bangalore.

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. 7.52 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	Shri Jawaid Akhtar, IAS	06.08.2018
02	Shri Amaresh Tumbagi	04.12.2018

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 Ajay Seth, IAS	06.08.2018
02	Smt. Gunjan Krishna, IAS	22.07.2019

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.

40. ENERGY CONSERVATION MEASURES:

Following steps have been taken in this direction:

BANGALORE PLANT:

- 1) 20 Nos. LED lamps provided for Street Light
- 2) Energy loss minimized due to replacement of old compressed airline with new compressed line.

- 3) CFL lamps replaced with LED lamps in Production Area.

41. ANNUAL GENERAL MEETING

The 37th Annual General Meeting of the Company was held on 17.09.2018.

42. OFFICIAL LANGUAGE

During the year under review, efforts were made for effective and successful implementation of the Official Language Policy of the Government. Workshops, essay writing competitions were held. Forms and Circulars, Notices have been made bilingual. Annual report of the Company for 2017-18 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

An amount of Rs. 66 lakhs has been allocated and Rs. 63 lakhs has been spent towards CSR activities. The details of CSR spending are as per Annexure-3. Company could not spend balance amount of Rs. 3 lakhs, as proposals were received very late.

44. VISIT OF DIGNITARIES

Following dignitaries visited Company during the year Shri Jawaid Akhtar, IAS, Chairman, KAPL and Principal Secretary to Health and Family Welfare Department, Vikas Soudha, Bangalore visited on 08.08.2018.

45. AUDITORS

The Comptroller Auditor General of India, appointed M/s. Dagliya & Co., Chartered Accountants, as Statutory Auditors for auditing the accounts of the Company for the year 2018-19.

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 31.3.2019 will be submitted to the Central Government in due course after Board approval.

47. SECRETARIAL AUDITOR

Company has appointed Shri K N Nagesha Rao, Company Secretary in Practice as Secretarial Auditor

for the year 2018-19. 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 31.03.2019 will be appended on receipt of the same.

49. COMPUTERIZATION ACTIVITIES:

During 2018-19, the following activities were undertaken;

- Face book and Twitter posting activities started
- New NP block computerized.

ACKNOWLEDGEMENTS

- 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.
- 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.
- The Board extends thanks to M/s Vijaya Bank, State Bank of India, ICICI Bank Ltd., and Corporation Bank for their support.
- 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.
- 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 : Bengaluru
Date : 20.08.2019

Jitendra Trivedi
Director

Sunil Kumar Kaimal
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 2019
[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)

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) FIIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-Total (B)(1) :									

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

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

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

(ii) Shareholding of Promoters

Sl. No.	Shareholders Name	Shareholding at the beginning of the year				Shareholding at the end of the year		
		No. of Shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No. of Shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	% change in share holding during the year
1	President of India	798177	59.168	Nil	798177	59.168	-	Nil
2	Ms. Nirja Saraf	1	0.00007	Nil	1	0.00007	-	Nil
3	Shri Jitendra Trivedi	1	0.00007	Nil	1	0.00007	-	Nil
4	Smt. Uma Magesh	1	0.00007	Nil	1	0.00007	-	Nil
5	KSIIDC	550818	40.831	Nil	550818	40.831	-	Nil
6	Shri Jawaid Akhtar	1	0.00007	Nil	1	0.00007	-	Nil
7	Shri Amaresh Tumbagi	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.	For each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
	At the beginning of the year				
	Jawaid Akhtar	1	0.00007	1	0.00007
	Nirja Saraf	1	0.00007	1	0.00007
	Jitendra Trivedi	1	0.00007	1	0.00007
	B. T. Khanapure	1	0.00007	1	0.00007
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase/decrease (eg. Allotment / transfer/ bonus/Sweat equity etc.)				
	At the end of the year				
	Jawaid Akhtar	1	0.00007	1	0.00007
	Nirja Saraf	1	0.00007	1	0.00007
	Jitendra Trivedi	1	0.00007	1	0.00007
	Amaresh Tumbagi	1	0.00007	1	0.00007

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

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

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

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

B. Remuneration to other Directors : NIL

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

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

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. 27.68 Lakhs	Rs. 26.05 Lakhs	Rs. 53.73 Lakhs
	(b) Value of perquisites u/s 17(2) Income Tax Act, 1961		Rs. 1.33 Lakhs	Rs. 2.03 Lakhs	Rs. 3.36 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. 29.01 Lakhs	Rs. 28.08 Lakhs	Rs. 57.09 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 : Bengaluru
Date : 20.08.2019

Jitendra Trivedi
Director

Sunil Kumar Kaimal
Managing Director

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

1. CONSERVATION OF ENERGY

Following steps have been taken in this direction:

BANGALORE PLANT:

- 20 Nos. LED Lamps provided for Street Light
- Energy loss minimized due to replacement of old compressed airline with new compressed line.
- CFL lamps replaced with LED lamps in Production Area.

POWER AND FUEL CONSUMPTION

PARTICULARS	Current Year	Previous Year
Electricity		
a. Purchase (units)	7111180	6318610
Total amount (Rs.)	62763910	52094028
Rate / Unit (Rs.)	8.83	8.24
b. Own Generation		
i. Through diesel generator units		
Quantity of Diesel used in Ltrs.	176009	156470
Diesel cost (Rs.)	65992	60793
Unit per litre of diesel oil	3876623.07	3056827.83
Rate / Unit (Rs.)	2.67	2.57
	22.03	19.54
ii. Coal		
Quantity (Tonnes)	—	—
Total Cost (Rs.)	—	—
Average rate (Rs.)	—	—
iii. Furnace Oil		
Quantity (litres)	228270	177912
Total Cost (Rs.)	8270419.61	5386876.03
Average rate(Rs.)	36.23	30.28
iv. Others / Internal Generation		
Quantity	209788	-
Total Cost (Rs.)	1172714.92	-
Rate / Unit (Rs.)	5.59	-

CONSUMPTION, PER LAKH OF PRODUCTION VALUE:

Particulars	Current Year	Previous year
Electricity :		
Rupees	1615	1420
Units	183	169
Furnace Oil :		
Rupees	213	147
Ltrs	5.88	4.85

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
On import of raw material spare parts and capital goods	386	375
Expenditure in foreign currencies for business travels, subscription, consumables stores goods for resale, commission on export sale, etc.	106	80
Remittance during the year in foreign currency on account of dividend	—	—
TOTAL FOREIGN EXCHANGE EARNED (FOB Value)	2782	2397

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bengaluru
Date : 20.08.2019

Jitendra Trivedi
Director

Sunil Kumar Kaimal
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 2019, the Board consisted of 5 Directors of which and one Whole time Managing Director, one part-time Non-Executive Chairman, one part-time Non-Executive Director from the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers and two Non-Executive Directors from Government of Karnataka.
- During the year 2018-19, four Board Meetings were held on 29.06.2018, 17.09.2018, 30.11.2018 & 29.03.2019.

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 31.03.2019	No.of outside Board Committee Membership/ Chairmanship as on 31.03.2019
Shri Ajay Seth, IAS	Chairman	1/4	No	Nil	Nil
Ms. Nirja Saraf	Managing Director	4/4	Yes	Nil	Nil
Smt. Gunjan Krishna, IAS	Non-Executive Director	1/4	Yes	9	5
Shri Jiendra Trivedi	Non-Executive Director	4/4	Yes	Nil	Nil
Shri Amaresh Tumbagi	Non-Executive Director	1/1	Yes	Nil	Nil
Shri Jawaid Akhtar, IAS	Chairman	3/4	Yes	Nil	Nil

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

d) Code of Conduct:

Board of Directors of your Company have laid down the Code of Conduct for all Board Members and Senior Management for maintaining standards of business conduct and ensure compliance with legal requirements. The Code of Conduct has been posted on your Company's Website www.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. Smt. Gunjan Krishna, IAS was the Chairman of Audit Committee, One Meeting was held during 2018-19.

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 2018-19 is nil.

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 :

(Rs. in lakhs)

Sl. No.	Name of the Director	Sitting Fee paid for Board Meeting (Rs.)	Sitting Fee paid for Audit Committee Meeting (Rs.)	Sitting Fee paid for CSR Committee Meeting(Rs.)
01.	Shri Ajay Seth, IAS	Rs. 1,000/-	-	-
02.	Smt. Gunjan Krishna, IAS	Rs. 1,000/-	1,000/-	1,000/-
03.	Shri Amaresh Tumbagi	Rs. 1,000/-	1,000/-	1,000/-
04.	Shri Jitendra Trivedi	Rs. 4,000/-	-	-
05.	Shri Jawaid Akhtar, IAS	Rs. 3,000/-	-	-

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
2017-2018	17.09.2018	1630 hrs	Corp Office, Bengaluru
2016-2017	07.09.2017	1230 hrs	Corp Office, Bengaluru
2015-2016	14.10.2016	1230 hrs	Corp Office, Bengaluru

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

6. Means of Communication:

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

b) **Plant Location :**

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

c) **Address for Correspondence:**

The address of the Regd. Office of the Company is

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

The Shareholders may send correspondence to the above address.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bengaluru
Date : 20.08.2019

Jitendra Trivedi
Director

Sunil Kumar Kaimal
Managing Director

KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED, BANGALORE
CSR ACTIVITY FOR THE YEAR 2018-19

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 Dist. where Projects or Programs was under undertaken	Amount outlay (budget) project or program wise	Amount spent on the projects or programs subheads: (1)Direct expenditure on projects or programs (2)Overheads:	Cumulative expenditure upto the reporting period	Amount spent, Direct or through implementation agency
1	2	3	4	5	6	7	8
1.	Free Medicines during Natural Calamity	Health	Kerala	-	10,00,028.00	-	Direct
2.	Free Medicines during Natural Calamity	Health	Madikeri	-	3,91,722.00	-	Direct
3.	Supply of machineries for Human Milk Bank	Health	Government Hospital (Vani Vilas Hospital)	-	49,11,513.00	-	Direct
TOTAL					63,03,263,00		

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bengaluru
Date : 20.08.2019

Jitendra Trivedi
Director

Sunil Kumar Kaimal
Managing Director

QUALIFICATION OF SECRETARIAL AUDITORS FOR 2018-19

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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Place : Bengaluru
Date : 20th August 2019

Jitendra Trivedi
Director

Sunil Kumar Kaimal
Managing Director

Independent Auditors' Report

The Members of

**Karnataka Antibiotics and Pharmaceuticals Limited,
Bengaluru**

Report on the Audit of the IND AS Financial Statements

Opinion

1. We have audited the IND AS financial statements of Karnataka Antibiotics & Pharmaceuticals Limited ("the Company"), which comprise the balance sheet as at 31st March 2019, the statement of changes in equity, statement of Profit and Loss, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid IND AS 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 March 31, 2019, and profit, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

2. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the IND AS financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

3. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the IND AS financial statements and our auditors report thereon.

Our opinion on the IND AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the IND AS financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the IND AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of Management for the IND AS Financial Statements:

4. 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, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate implementation and maintenance of 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements:

5. Our objectives are to obtain reasonable assurance about whether the IND AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
6. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
 - a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - b) Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act we are also responsible for expressing our opinion on whether the Company has adequate internal

financial control system in place and the operating effectiveness of such controls.

- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements:

7. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government in terms of Section 143(11) of the Act, and on the basis of such checks of the books and records of the company as we considered appropriate and according to the

information and explanations given to us we give a statement on the matters specified in paragraphs 3 and 4 of the Order.

- i) (a) The Company has maintained proper records of fixed assets with full particulars including quantity and location.
- (b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion is reasonable, having regard to the size of the Company and nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such physical verification.
- (c) The title deeds of immovable properties are held in the name of the Company, except as stated below:

1. **Kadabagere Plant:** Out of the total land of 24 acres and 20 guntas granted by the Government of Karnataka, RTC in respect of 4 acres and 20 guntas in Survey No 22 (New No. 196) is not obtained. Moreover encroachment to the extent of 4 acres and 25 guntas was made by different parties as observed by the management and one of such party has filed civil suit against the company, which is being contested. (Refer Note 46A to the Ind AS financial statements).

2. **Dharwad Project:** Registration of title in favour of the company for 6 acres and 14 guntas of land and buildings put up thereon acquired under auction sale from KSFC is pending. Out of the above land 26 Guntas is short as per survey report, Moreover entire property is under dispute, as Elvina Pharmaceuticals Ltd has filed a writ petition seeking quashing the auction sale and restraint for putting structures by the company. (Refer Note 46B to the Ind AS Financial Statements).

- 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 generally regular in depositing with the appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Goods and Services Tax, Duty of Customs, Cess and other material statutory dues to the extent applicable to it.
- (b) There are no undisputed amounts payable in respect of Income Tax, Goods and Services Tax, Service Tax, Duty of Customs, Duty of Excise or Cess which have remained outstanding as at 31st March 2019 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.)
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
Excise Duty: 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	1035.18
Excise Duty: Denial of Input Tax Credit of service tax on air/ocean freight	January, 2005 February 2006	Commissioner of Central Tax (Appeal II)	Amount not quantified

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.

8. 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.
9. 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 it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Changes in Equity, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act.
 - 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 with reference to Ind AS financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- 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, 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 Ind AS financial statements - Refer Note 31A to the Ind AS Financial Statements.
 - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii) There are no dues required to be transferred, to the Investor Education and Protection Fund by the Company.
 - iv) The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Company for the period covered under audit.

for **DAGLIYA & CO.**

Chartered Accountants
(FRN 000671S)

(P. MANOHARA GUPTA)

Partner

Membership No.: 016444

Place : Bengaluru
Date : 21.06.2019

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

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

We report as follows :

Sl. No.	Directions	Reply
1.	Whether company is holding original title deeds for free hold land.	The Company is holding original title deeds for the freehold land in respect of Peenya Industrial Estate & Kabadgere. However, in respect of Kabadgere Land, RTC in respect of land at Sy No 22 to the extent of 4 acres & 20 guntas is yet to be received by the Company (Refer para 6(i)(c)(l) under "Report on Legal and Other Requirements"). Further in case of land for Dharwad Project the company has obtained possession letter, but registration of such land is pending (Refer para 6(i)(c)(1) under "Report on Legal and Other Requirements" and Note 46A & 46B to the Ind AS Financial Statements).
2.	Please report whether there are any cases of waiver/write-off of debts/loans/interests. If yes, the reasons there for and the amount invested.	The Company has not written off book-debts during the year.
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 2018-19.
	Additional Sub-Directions:	
1.	Whether the Company has a system in place to process all the accounting transactions through IT System? If transactions are accounted outside IT system list of such transactions to be provided to audit.	The company has Integrated Information System (IIS) system for recording of all accounting transactions and we have not observed any material transactions being recorded outside the IIS System.
2.	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by a lender to the company? If yes, reasons for such restructuring/waiver/write of debts/loan to be explained.	The company has not restructured any loan or waived/written of any debts/loans/interest etc during the year.
3.	Whether the Company has received/to receive any funds under specific schemes from Central/State agencies? If so, please provide list of such funds along clarify whether the funds were properly accounted for/utilised as per its terms and conditions?	The company has not received/to receive any funds under specific schemes from Central/State agencies.

Place : Bengaluru
Date : 21.06.2019

for **DAGLIYA & CO.**
Chartered Accountants
(FRN 000671S)
(P. MANOHARA GUPTA)
Partner
Membership No.: 016444

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

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

We have audited the internal financial controls with reference to Ind AS financial statements of **KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED** ("the Company") as of March 31, 2019 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls with reference to Ind AS financial statements

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

Inherent Limitations of Internal Financial Controls With reference to Ind AS financial statements

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to Ind AS financial statements and such internal financial controls with reference to Ind AS financial statements were operating effectively as at March 31, 2019, based on the internal control with reference to Ind AS financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

Our opinion is not qualified in respect of the aforesaid matter.

Place: Bengaluru
Date: 21.06.2019

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

(P. MANOHARA GUPTA)
Partner
Membership No.: 016444

Secretarial Audit Report

For the Financial Year ended 31st March 2019

[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. I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Karnataka Antibiotics and Pharmaceuticals Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

2. Based on my 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 my separate letter attached hereto as the Annexure, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended 31st March 2019, 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. I 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 2019 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) Indian Copyright Act, 1957
 - (i) The Patents Act, 1970
 - (j) The Trade Marks Act, 1999
 - (k) 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. I have also examined compliance with the applicable clauses of the Secretarial Standards namely SS-1 and SS-2 issued by the Institute of Company Secretary of India on Meetings of the Board of Directors and General Meeting namely.
5. I have not examined compliance by the Company with applicable financial laws, like direct and indirect tax laws, since the same have been subject to review by statutory financial audit and other designated professionals.
6. During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above subject to the qualifications mentioned in paragraph 8 below :
7. Subject to the qualifications mentioned in paragraph 8, I further report as below:
 - 7.1 that, -
 - (a) proper advance notices for Board and Committee meetings were issued to Directors during the year; such notices accompanied detailed notes on agenda items and draft minutes of respective meetings; the Company adopts a system to enable Directors to seek and obtain required information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.
 - (b) the Company followed proper Board processes in convening and conduct of Meetings Members and Directors; the Company has maintained proper Books to record Proceedings of General Meetings of Members, Minutes of Meetings of Board and Committee of Directors; resolutions passed by e-voting, if any, are recorded in the Minutes Book of General Meetings.
 - 7.2 that, the changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act;
 - 7.3 There were no instances of:
 - (i) Public, Preferential Issue of Shares or Debentures or Sweat Equity;
 - (ii) redemption buy-back of securities;
 - (iii) major decisions taken by the Members in pursuance to Section 180 of the Companies Act, 2013;
 - (iv) merger, amalgamation, reconstruction etc.;
 - (v) foreign technical collaborations.
8. **Qualification:**
 - 8.1 **The Company did not appoint any Independent Directors on its Board as required under Section 149 of the Companies Act, 2013**
 - 8.2 **In the absence of Independent Directors, the Company could not validly hold and conduct Meetings of Audit Committee.**

Bengaluru
20th August, 2019

K N Nagesha Rao
Practising Company Secretary
FCS 3000 CP 12861

The Annexure to the Secretarial Audit Report for the Financial Year ended 31st March 2019

To the Members of Karnataka Antibiotics and Pharmaceuticals Limited

My 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. My responsibility is to express an opinion on these secretarial records and compliance based on my audit.
2. I 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. I believe that the processes and practices I followed provide reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, I obtained the management representation on the compliances of laws, rules and regulations as well on happening of events.

Bengaluru
20th August, 2019

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 FOR THE YEAR ENDED 31 MARCH 2019

The preparation of financial statements of Karnataka Antibiotics and Pharmaceuticals Limited for the year ended 31 March 2019 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 Auditors appointed by the Comptroller and Auditor General of India under Section 139 (5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on 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 21 June 2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Karnataka Antibiotics and Pharmaceuticals Limited for the year ended 31 March 2019 under Section 143(6)(a) of the Act. 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 Auditors and Company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 143(6)(b) of the Act.

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



(J. S. Karape)

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

Place: Hyderabad

Date: 13 September 2019

(Rs.in Lakhs)

PARTICULARS	Note No.	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
ASSETS				
Non-current assets :				
(a) Property, Plant and Equipment	2	7353.28	7528.03	5061.99
(b) Capital Work in Progress	2	848.97	588.53	892.00
(c) Financial assets				
- Others	3	1589.23	1427.74	1256.16
(d) Deferred tax assets (Net)	4	13.20	-	117.53
(e) Other non-current assets	5	396.99	203.16	211.49
Total Non-current assets		10201.67	9747.46	7539.17
Current assets				
(a) Inventories	6	7778.66	5140.92	5351.59
(b) Financial assets				
- Trade Receivables	7	10837.88	10323.65	9180.01
- Cash and cash equivalents	8	3129.20	5082.77	3872.23
- Bank Balances other than above	9	682.94	190.30	2293.73
- Loans	10	1895.29	1273.84	558.16
(c) Current Tax Assets (Net)	11	236.76	158.67	-
(d) Other current assets	12	76.28	46.98	67.84
Total Current assets		24637.01	22217.13	21323.56
TOTAL ASSETS		34838.68	31964.59	28862.73

(Rs.in Lakhs)

PARTICULARS	Note No.	As at 31 March 2019	As at 31 March 2018	As at 1 April 2017
EQUITY AND LIABILITIES				
Equity				
(a) Equity Share capital	13	1349.00	1349.00	1349.00
(b) Other equity	14	16608.50	15627.77	14488.49
Total Equity		17957.50	16976.77	15837.49
Liabilities				
Non-current liabilities				
(a) Financial liabilities				
- Borrowings	15	975.00	1300.00	122.21
(b) Provisions	16	2520.79	2006.05	1816.21
(c) Deferred tax liabilities (Net)	4	-	34.47	-
Total Non-current liabilities		3495.79	3340.52	1938.42
Current liabilities				
(a) Financial liabilities				
- Borrowings	17	297.98	66.29	310.31
- Trade payables	18			
(i) Dues to Micro and small Enterprises		312.66	197.99	147.67
(ii) Dues to Others		8841.41	7482.12	7311.67
- Other Financial Liabilities	19	1415.07	1540.29	900.66
(b) Other current liabilities	20	1490.42	1749.14	1845.69
(c) Provisions	21	695.99	611.47	451.74
(d) Current Tax Liabilities (net)	22	331.86	-	119.08
Total Current Liabilities		13385.39	11647.30	11086.82
TOTAL EQUITY AND LIABILITIES		34838.68	31964.59	28862.73
SIGNIFICANT ACCOUNTING POLICIES	1			
NOTES	2-49			

FOR AND ON BEHALF OF BOARD OF DIRECTORS

In terms of our report attached

For DAGLIYA & CO.

Chartered Accountants

FRN: 000671S

P. MANOHARA GUPTA

Partner

Membership No. 016444

NIRJA SARAF

MANAGING DIRECTOR

JITENDRA TRIVEDI

DIRECTOR

R. RADHAKRISHNAN

Chief Financial Officer

JAGADEESH C.HIREMATH

Company Secretary

Place : Bengaluru

Date : 21st June, 2019

(Rs.in Lakhs)

PARTICULARS		NOTE NO.	YEAR ENDED 31.03.2019	YEAR ENDED 31.03.2018
REVENUE:				
I	Revenue from operations	23	36260.59	35954.16
II	Other Income	24	248.04	286.46
III	Total Income (I + II)		36508.63	36240.62
IV EXPENSES:				
	Cost of materials consumed	25	15264.91	13431.80
	Excise Duty		-	352.29
	Purchases of Stock-in-Trade		3125.29	3349.65
	Changes in inventories of finished goods, work in progress and stock-in-trade	26	(1193.33)	(85.50)
	Employee benefits expense	27	7047.96	7013.53
	Finance Costs	28	193.84	98.17
	Depreciation and amortisation expense	2	612.51	476.92
	Other expenses	29	8933.96	9701.05
	Total Expenses (IV)		33985.14	34337.91
V	Profit before exceptional items and tax (III-IV)		2523.49	1902.71
VI	Exceptional Item		-	-
VII	Profit before tax (V - VI)		2523.49	1902.71
VIII Tax expense				
	a) Current tax		850.00	715.00
	b) Deferred Tax		100.44	13.71
	c) Tax adjustment for earlier years		(8.74)	-
	Total Tax expense		941.70	728.71
IX	Profit for the year (VII-VIII)		1581.79	1174.00

(Rs.in Lakhs)

PARTICULARS	NOTE NO.	YEAR ENDED 31.03.2019	YEAR ENDED 31.03.2018
X. Other comprehensive income			
A (i) Items that will not be reclassified to profit or loss	30	(423.91)	395.79
(ii) Income tax relating to items that will not be reclassified to profit or loss	30	148.12	(138.29)
B (i) Items that will be reclassified to profit or loss	30	-	-
(ii) Income tax relating to items that will be reclassified to profit or loss	30	-	-
		(275.79)	257.50
XI Total comprehensive income for the year (IX + X)		1306.00	1431.50
XII Earnings per equity share of Rs 100/- each			
Basic and Diluted		117.26	87.03
SIGNIFICANT ACCOUNTING POLICIES	1		
NOTES	2-49		

FOR AND ON BEHALF OF BOARD OF DIRECTORS

In terms of our report attached

For DAGLIYA & CO.

Chartered Accountants
FRN: 000671S

P. MANOHARA GUPTA

Partner
Membership No. 016444

NIRJA SARAF
MANAGING DIRECTOR

R. RADHAKRISHNAN
Chief Financial Officer

JITENDRA TRIVEDI
DIRECTOR

JAGADEESH C.HIREMATH
Company Secretary

Place : Bengaluru

Date : 21st June, 2019

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2019

(Rs.in Lakhs)

	For the year ended 31st March 2019	For the year ended 31st March 2018
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	2523.49	1902.71
Adjustments for non cash items:		
Depreciation and amortization	612.51	476.92
Interest received from Banks	(199.72)	(251.56)
Interest expenses	149.40	55.05
Excess provision reversed	(2.23)	(23.01)
Provision for Contingencies	80.00	20.00
Provision made/(withdrawn)for slow moving/non moving inventory	(5.43)	35.67
Provision no longer required withdrawn	-	(227.10)
Unrealised Foreign Exchange Loss (Gain)	(40.98)	(18.40)
Sundry Credit balances written back	(59.07)	(111.18)
Operating profit before working capital changes:	3057.97	1859.10
<i>Changes in working capital</i>		
Decrease / (Increase) in Inventories	(2632.31)	175.00
Decrease / (Increase) in Trade and Other Receivables	(1520.30)	(2001.71)
Decrease / (Increase) in Other Bank balances	(492.64)	2103.43
(Decrease) / Increase in Trade Payables and Other Liabilities	1287.65	1868.90
Cash generated from operations	(299.63)	4004.72
Income taxes paid	(587.49)	(992.73)
Net cash generated by operating activities	(887.12)	3011.99
B. Cash flow from investing activities		
Purchase of fixed assets, Capital WIP, Capital Advances	(698.20)	(2639.48)
Interest received from Banks	199.72	251.56
Net cash from investing activities	(498.48)	(2387.92)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2019 (Contd.)

(Rs.in Lakhs)

	For the year ended 31st March 2019	For the year ended 31st March 2018
C. Cash flow from financing activities		
Interest paid	(149.40)	(55.05)
Term Loan availed during the year	-	1,300.00
Repayment of Long Term Borrowings	(325.00)	(122.21)
Increase/(Decrease) in Short Term Borrowings	231.69	(244.02)
Dividend paid on equity shares	(269.80)	(242.82)
Tax on Equity Dividend Paid	(55.46)	(49.43)
Net cash from financing activities	(567.97)	586.47
D. Net changes in cash and cash equivalents (A + B + C)	(1953.57)	1210.54
Cash and cash equivalents at the beginning of the year	5082.77	3872.23
Cash and cash equivalents at the end of the year	3129.20	5082.77

FOR AND ON BEHALF OF BOARD OF DIRECTORS

In terms of our report attached

For DAGLIYA & CO.

 Chartered Accountants
FRN: 000671S

P. MANOHARA GUPTA

 Partner
Membership No. 016444

NIRJA SARAF

MANAGING DIRECTOR

R. RADHAKRISHNAN

Chief Financial Officer

JITENDRA TRIVEDI

DIRECTOR

JAGADEESH C.HIREMATH

Company Secretary

Place : Bengaluru

Date : 21st June, 2019

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st MARCH 2018

(Rs.in Lakhs)

	Opening Balance as at 1st April 2017	Changes in equity share capital during the year	Closing Balance as at 31st March 2018
A. EQUITY SHARE CAPITAL :			
Equity shares of Rs. 100 each	1,349.00	-	1,349.00
	1,349.00	-	1,349.00

B. OTHER EQUITY:

	Opening balance as at 1st April 2017	Changes in accounting policy/prior period errors	Restated balance as at 1st April 2017	Total comprehen- sive Income for the year	Dividends	Transfer to General Reserve	Any other change (to be specified)	Closing balance as at 31st March 2018
General Reserve	13566.94	-	-	-	-	1000.00	-	14566.94
CSR Fund Reserve	92.91	-	-	-	-	-	-	92.91
Sustainable Develop- ment Fund Reserve	16.66	-	-	-	-	-	-	16.66
Retained Earnings	811.98	-	-	1174.03	(292.25)	(1000.00)	-	693.76
Other Comprehensive Income	-	-	-	257.50	-	-	-	257.50
Total Other Equity	14488.49	-	-	1431.53	(292.25)	-	-	15627.77

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st MARCH 2019

(Rs.in Lakhs)

	Opening Balance as at 1st April 2018	Changes in equity share capital during the year	Closing Balance as at 31st March 2019
A. EQUITY SHARE CAPITAL :			
Equity shares of Rs. 100 each	1,349.00	-	1,349.00
	1,349.00	-	1,349.00

B. OTHER EQUITY:

	Opening balance as at 1st April 2018	Changes in accounting policy/prior period errors	Restated balance as at 1st April 2018	Total comprehen- sive Income for the year	Dividends	Transfer to General Reserve	Any other change (to be specified)	Closing balance as at 31st March 2019
General Reserve	14566.94	-	-	-	-	1500.00	-	16066.94
CSR Fund Reserve	92.91	-	-	-	-	-	-	92.91
Sustainable Develop- ment Fund Reserve	16.66	-	-	-	-	-	-	16.66
Retained Earnings	693.76	-	-	1581.79	(325.26)	(1,500.00)	-	450.29
Other Comprehensive Income	257.50	-	-	(275.80)	-	-	-	(18.30)
Total Other Equity	15627.77	-	-	1305.99	(325.26)	-	-	16608.50

FOR AND ON BEHALF OF BOARD OF DIRECTORS

Refer our report of even date

For DAGLIYA & CO.

Chartered Accountants
FRN: 000671S

JITENDRA TRIVEDI
DIRECTOR

NIRJA SARAF
MANAGING DIRECTOR

P. MANOHARA GUPTA
Partner
Membership No. 016444

JAGADEESH C.HIREMATH
Company Secretary

R. RADHA KRISHNAN
Chief Financial Officer

PLACE : BENGALURU
DATE : 21.06.2019

PLACE : BENGALURU
DATE : 21.06.2019

1.1 Company Overview:

Karnataka Antibiotics and Pharmaceuticals Limited ('KAPL') is a government company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India with CIN No U24231KA1981GOI004145. The registered office of the company is located at Nirman Bhavan, 1st Block, Dr Rajkumar Road, Rajajinagar, Bengaluru – 560010. The Company is a Mini Ratna Category – I public sector enterprise and is under the administrative control of the Department of Pharmaceuticals, Ministry of Chemicals, Government of India.

KAPL, established in 1981, is primarily engaged in the business of manufacturing and marketing of various life saving and essential drugs. The Company's manufacturing facility at Bengaluru started its commercial production during the year 1984 for the manufacture of Dry Powder Vials, Liquid Parenterals, Tablets, Capsules, etc. The Financial Statements are authorized for issue in accordance with the resolution of board of directors on 21st June, 2019

Significant accounting policies:

1.2 Basis of preparation of financial statements

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules 2015, as amended.

For all periods upto and including the year ended 31st March, 2018, the Company prepared its financial statements in accordance with Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP). These financial statements for the year ended 31st March, 2019 are the first financial statements the company has prepared in accordance with Ind AS. Refer to **Note 42** for information on how the Company adopted Ind AS. The financial statements have been prepared under the historical cost convention on the accrual basis of accounting except for the following material items that have been measured at fair value as required by the relevant Ind AS:

- Certain financial instruments (refer note 1.15)
- Defined Benefit and other Long term Employee Benefits (refer note 1.7).

The financial statements are presented in INR and all values are rounded to nearest lakhs, except when otherwise indicated.

1.3 Use of estimates

The preparation of financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

1.4 Revenue recognition

- Revenue from sales is recognised when the customer obtains control of the goods in terms of sales contract and in the case of loan licence conversion contracts, when the control of goods under the conversion contract is transferred to the customer. 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) Sales returns are accounted for in the year of return.
 - iv) Sales are stated net of returns, GST and applicable trade discounts and allowances.
- Interest income is recognized using the effective interest rate method (EIR). EIR is the rate that exactly discounts the estimated future cash receipts over the expected useful life of the financial instrument or a shorter period where appropriate, to the gross carrying amount of the financial asset.

1.5 Property, Plant & Equipment (PPE)

- PPE are carried at the cost of acquisition or construction less accumulated depreciation and accumulated impairment loss, if any. The cost comprises of purchase price, non-refundable taxes and duties, borrowing cost if capitalization criteria are met and other directly attributable cost for bringing the asset to its working condition for the intended use.
- 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 ascertainable) are charged to revenue.
- Depreciation on PPE is provided on Straight Line Method over the useful life of the assets as prescribed under Part C of schedule II of the Companies Act, 2013 except in case of certain used assets purchased for which useful life has been determined based on technical advice. Depreciation is calculated on pro-rata basis from the date of installation till the date the asset is sold or otherwise disposed.
- Assets individually costing Rs.10,000/- or less are fully depreciated in the year of purchase.
- Depreciation is calculated from the date of installation till the date the assets are sold or disposed off. Where cost of an item of PPE are significant and have different useful lives, they are treated as separate components and depreciated over their estimated useful lives.

- Capital work-in-progress comprises the cost of PPE that are not yet ready for their intended use at the reporting date. Advances paid towards the acquisition of PPE as at the balance sheet date are disclosed under “Other Non-Current Assets”.
- Any gain or loss arising out of derecognition of an asset is included in the Statement of Profit and Loss.

1.6 Valuation of Inventories

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

1.7 Employee Benefits:

- a) **Defined Contribution Plan:** Company’s contribution paid/payable for the year to defined contribution schemes such as contributions payable to recognised Provident Fund are charged to Statement of Profit and Loss on accrual basis. The company has no further obligations under this plan beyond its monthly contributions.
- b) **Defined Benefit Plan:** Gratuity and Long Term Benefits such as Leave and Sickness Benefits, which are defined benefits, are accrued based on an actuarial valuation using the projected unit credit method at the balance sheet date, carried out by an independent actuary. Remeasurements, comprising of actuarial gains and losses are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligations under the defined benefit plan to recognise the obligation on net basis.

- c) **Short Term Employee benefits:** Expenses in respect of other short-term benefits is recognised on the basis of amount paid or payable for the period during which the employee renders service.

1.8 Foreign exchange transactions

- **Initial Recognition:**

On initial recognition, transactions in foreign currencies entered into by the company are recorded in the functional currency (i.e. Indian Rupees), by applying the foreign currency amount, the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognized in the Statement of Profit and Loss.

- **Measurement of Foreign Currency Items at reporting Date:**

Foreign Currency monetary items of the Company are translated at the closing exchange rates. Exchange differences arising out of these transactions are recognized in the Statement of Profit & Loss.

Non-monetary items that are measured at historical cost in a foreign currency, are translated using the exchange rate at the date of the transaction.

1.9 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law applicable) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). Current Income Tax and deferred taxes relating to items recognized outside profit or loss is recognized outside profit or loss (either in other comprehensive income or in equity).

The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Company offsets the current (on a year on year basis) and deferred tax assets and liabilities, where it has a legally enforceable right and the deferred taxes relate to the same taxation authority.

1.10 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

1.11 Provisions and contingencies

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources or which cannot be measured reliably. Where there is a past obligation or present obligation in respect of which the likelihood of outflow of resource is remote, no provision or disclosure is made. Contingent Assets are not recognized in the financial statements. However, disclosure is made in the financial statements when the inflow of economic benefits is probable.

1.12 Impairment of Non-Financial Assets

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss. If at the Balance Sheet date there is an indication that if 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.

1.13 Leases

As a Lessee:

Lease under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets acquired are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments under operating leases are recognized as an expense in the statement of profit and loss over the lease term.

1.14 Cash flow statement

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated.

1.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-Derivative financial instruments consist of:

- Financial assets, which include cash and cash equivalents, trade receivables, employee and other advances and eligible current and non-current assets;

Financial assets are derecognized when substantial risks and rewards of ownership of the financial asset have been transferred. In cases where substantial risks and rewards of ownership of financial assets are neither transferred nor retained, financial assets are derecognized only when the Company has not retained control over the financial asset.

Financial liabilities, which include long and short term loans and borrowings, bank overdrafts, trade payables, eligible current and non-current liabilities.

Initial recognition and measurement

The company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction cost that are directly attributable to the acquisition or issue of financial assets and financial liabilities that are not at fair value through profit or loss, are added to the fair value on initial recognition.

Subsequent measurement

For purposes of subsequent measurement, financial instruments are classified in four categories:

- a) Financial assets carried at amortized cost
- b) Financial assets at fair value through other comprehensive income (FVTOCI)
- c) Financial assets at fair value through profit or loss (FVTPL)
- d) Financial liabilities

a) Financial assets carried at amortized cost

‘Financial assets’ is subsequently measured at amortized cost if both the following conditions are met:

- i) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- ii) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method.

b) Financial assets at FVTOCI

‘Financial assets’ is carried at FVTOCI if both of the following criteria are met:

- i) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and
- ii) The asset’s contractual cash flows represent SPPI.

Further, in cases where the company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.

c) *Financial assets at FVTPL*

A financial asset which is not classified in any of the above categories is subsequently fair valued through profit or loss.

d) *Financial Liabilities*

Financial liabilities are subsequently carried at amortised cost using the EIR.

Impairment of financial assets

In accordance with Ind AS 109, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss.

The company follows 'simplified approach' for recognition of impairment loss allowance on:

Trade receivables or contract revenue receivables; and

All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the company to track changes in credit risk. Rather, it recognizes impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

Derecognition of financial instruments

The company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under IND AS 109. A Financial liability (or a part of financial liability) is derecognized from the company's balance sheet when the obligation specified in the contract is discharged or cancelled or expires.

Note 2 : PROPERTY, PLANT AND EQUIPMENT

(Rs.in Lakhs)

Class of Assets	Cost or Deemed cost				Accumulated depreciation and amortisation				Net Carrying Value	
	As at 1st April, 2017	Additions During The year	Deletions/ Adjustments During The year	As at 31st March 2018	As at 1st April 2017	Depreciation charge for the year	Deletions during the year	As at 31st March 2018	As at 31st March 2018	As at 1st April 2017
Tangible Assets, Owned										
Freehold Land	354.93	-	-	354.93	-	-	-	-	354.93	354.93
Building	1,987.39	1,395.37	-	3,382.77	-	96.95	-	96.95	3,285.82	1,987.39
Plant and equipment	2622.13	1508.87	7.57	4123.43	-	343.76	-	343.76	3779.67	2622.13
Furniture & Fixtures	45.32	31.97	-	77.29	-	15.05	-	15.05	62.24	45.32
Office Equipment	31.85	14.31	-	46.16	-	17.40	-	17.40	28.76	31.85
Canteen Equipments	1.97	-	-	1.97	-	1.17	-	1.17	0.80	1.97
Motor Vehicles	18.40	-	-	18.40	-	2.59	-	2.59	15.81	18.40
Sub-Total	5061.99	2950.52	7.57	8004.95	-	476.92	-	476.92	7528.03	5061.99
Capital Work in Progress	892.00	2137.68	2441.15	588.53	-	-	-	-	588.53	892.00
Sub-Total	892.00	2137.68	2441.15	588.53	-	-	-	-	588.53	892.00
Total	5953.99	5088.20	2448.72	8593.48	-	476.92	-	476.92	8116.56	5953.99

(Rs.in Lakhs)

Class of Assets	Cost or Deemed cost				Accumulated depreciation and amortisation				Net Carrying Value	
	As at 1st April, 2018	Additions During The year	Deletions/ Adjustments During The year	As at 31st March 2019	As at 1st April 2018	Depreciation charge for the year	Deletions during the year	As at 31st March 2019	As at 31st March 2019	As at 31st March 2018
Tangible Assets, Owned										
Freehold Land	354.93	-	-	354.93	-	-	-	-	354.93	354.93
Building	3382.77	110.97	8.40	3485.33	96.95	135.81	-	232.76	3252.57	3285.82
Plant and equipment	4123.43	314.26	3.21	4434.48	343.76	444.19	-	787.94	3646.54	3779.67
Furniture & Fixtures	77.29	4.99	-	82.28	15.05	10.50	-	25.56	56.72	62.24
Office Equipment	46.16	16.29	-	62.45	17.40	18.66	-	36.06	26.39	28.76
Canteen Equipments	1.97	2.86	-	4.83	1.17	0.72	-	1.88	2.95	0.80
Motor Vehicles	18.40	-	-	18.40	2.59	2.63	-	5.22	13.18	15.81
Sub-Total	8004.95	449.37	11.61	8442.70	476.92	612.51	-	1089.42	7353.28	7528.03
Capital Work in Progress	588.53	489.46	229.02	848.97	-	-	-	-	848.97	588.53
Sub-Total	588.53	489.46	229.02	848.97	-	-	-	-	848.97	588.53
Total	8593.48	938.83	240.63	9291.67	476.92	612.51	-	1089.42	8202.25	8116.56

(Also Refer Note 46 to 47 on the Financial Statements)

(Rs.in Lakhs)

Financial Assets	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
3 Other Financial Assets			
Investments at fair value through profit or loss			
Rights under Group Leave			
Encashment Scheme Insurance Policy	1589.23	1427.74	1256.16
	1589.23	1427.74	1256.16
4 Deferred tax assets/(liabilities) (net)			
Deferred tax assets			
a) Provisions for doubtful debts, claims etc.	21.07	19.00	23.00
b) Leave Salary	35.77	24.00	59.00
c) Gratuity	298.82	219.00	132.00
d) Others	238.41	182.00	173.53
	594.07	444.00	387.53
Deferred tax Liabilities			
a) Fixed Assets -Written Down Value Difference	580.87	478.47	270.00
	13.20	(34.47)	117.53
5 Other Non Current Assets (Unsecured considered good)			
Capital Advances	306.14	127.61	145.39
Prepaid expenses	0.95	2.79	4.95
Advances other than capital advances			
- Advances to Employees	0.40	0.02	0.20
- Deposits with Govt Depts	89.50	72.74	60.95
	396.99	203.16	211.49
6 Inventories (At lower of cost and net realisable value)			
Raw materials at KAPL	3116.93	1985.31	2244.79
Raw materials at loan license parties	-	131.16	266.19
Less: Provision for Obsolescence	(108.88)	(114.31)	(77.80)
	3008.05	2002.16	2433.18
Stores & Spares	33.44	38.39	34.54
Work-in-Progress	1529.36	842.37	978.00
Finished Goods	1595.87	1427.02	1550.35

(Rs.in Lakhs)

Financial Assets	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
Goods-in-Transit			
Raw Material	586.33	155.29	24.29
Finished Goods	1025.61	675.69	331.23
	7778.66	5140.92	5351.59
7 Trade receivables (At amortised Cost)			
Unsecured, considered good	10837.88	10323.65	9180.01
Unsecured, considered doubtful	60.31	55.20	58.07
Less: Provision for doubtful debts	(60.31)	(55.20)	(58.07)
	10837.88	10323.65	9180.01
7.1 'Sundry Debtors' includes Rs. 7533.26 Lakhs (Previous year Rs. 7474.43 lakhs) due from Government Institutions/bodies in respect of which confirmation of balances is awaited.			
7.2 Confirmation of balances called for by the Company towards Trade Receivables other than Government institutions/bodies is awaited to an aggregate extent of Rs. 3021.74 lakhs (previous year Rs. 2520.16 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			
7.3 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.			
8 Cash and Cash Equivalents (At amortised Cost)			
Cash on hand	0.77	0.93	1.02
Remittances - in - transit	160.09	449.99	162.52
Balances with banks			
In current accounts	259.46	343.17	729.81
In fixed deposit account			
With maturity less than 3 months	2708.88	4288.68	2978.88
(An amount of Rs. 4.88 Lakhs (previous year Rs. 4.88 Lakhs) held with Vijaya Bank, Bengaluru in respect of a welfare fund constituted for the welfare of the employees is included in Fixed Deposit Account)	3129.20	5082.77	3872.23

(Rs.in Lakhs)

Financial Assets	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
9 Other bank balances (At amortised Cost)			
Fixed deposits - With maturity more than 3 months but less than 12 months	607.68	101.21	2178.00
Fixed deposits (Other Commitments) - With maturity less than 3 months (Held in Vijaya Bank, Secunderabad as per the orders of High Court of Andhra Pradesh in connection with a case filed by an employee.)	3.09	3.09	3.09
Fixed Deposits (Margin Money) - With maturity less than 12 months	72.17	86.00	112.64
	682.94	190.30	2293.73
10 Loans (At amortised Cost)			
Unsecured Considered Good			
Deposits with Government Departments			
Considered good	68.39	61.56	64.00
Considered doubtful	7.12	7.12	7.12
	75.51	68.68	71.12
Less: Provision for Doubtful deposits	(7.12)	(7.12)	(7.12)
	68.39	61.56	64.00
Balances with Government Authorities (GST/Excise/Vat)	1455.21	1103.64	332.76
Advances to employees including imprest to field employees	60.90	64.17	69.16
Other advances	12.56	30.32	25.09
Other receivables	298.23	14.15	67.15
	1895.29	1273.84	558.16
10.1 Confirmation of balances in respect of Deposit with Government departments (Current and Non-Current) amounting to Rs.93.33 lakhs is awaited (Previous Year Rs. 68.68 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)

Financial Assets	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
11 Current Tax Assets (Net)			
Advance Tax and TDS (Net of Provision for Tax)	236.76	158.67	-
	236.76	158.67	-
12 Other Current Assets			
Advances other than capital advances			
Interest Accrued on Bank Fixed Deposits	27.86	12.88	25.41
Advances for Supplies	4.85	11.82	-
Prepaid expenses	43.57	22.28	42.43
	76.28	46.98	67.84
13 Share Capital			
Authorised			
15,00,000 (Prev. year : 15,00,000) Equity Shares of Rs.100/- each	1500.00	1500.00	1500.00
	1500.00	1500.00	1500.00
Issued, Subscribed and Fully Paid up			
13,49,000 (Prev. year : 13,49,000) Equity Shares of Rs.100 each	1349.00	1349.00	1349.00
	1349.00	1349.00	1349.00

(i) Reconciliation of shares outstanding at the beginning and at the end of the year:

Particulars	As at 31st March 2019		As at 31st March 2018		As at 1st April 2017	
	No. of Shares	Amount (Rs. in Lakhs)	No. of Shares	Amount (Rs. in Lakhs)	No. of Shares	Amount (Rs. in Lakhs)
At the beginning of the year	1349000	1349.00	1349000	1349.00	1349000	1349.00
Add: shares issued during the year	-	-	-	-	-	-
At the end of the year	1349000	1349.00	1349000	1349.00	1349000	1349.00

(ii) The rights, entitlement and obligation of different classes of equity shares are mentioned here under :

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

During the year ended March 31, 2019, final dividend proposed for distribution to Equity Shareholders is Rs. 22 (Previous Year - Rs.20) per share.

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

(iii) Details of shareholders holding more than 5% equity shares of the company :

Particulars	As at 31st March 2019		As at 31st March 2018		As at 1st April 2017	
	No. of Shares	% of total Shares	No. of Shares	% of total Shares	No. of Shares	% of total Shares
President of India	798180	59.17%	798180	59.17%	798180	59.17%
KSIIDC Limited	550820	40.83%	550820	40.83%	550820	40.83%
	1349000	100.00%	1349000	100.00%	1349000	100.00%

(iv) There are no issuance of bonus shares or shares issued for consideration other than cash or buy-back of shares during the last five years ended 31 March 2019.

(Rs.in Lakhs)

	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
14 Other Equity			
General Reserve			
Opening Balance	14566.94	13566.94	11066.94
Add: Transfer from Surplus in Profit & Loss	1500.00	1000.00	2500.00
Closing Balance	16066.94	14566.94	13566.94
CSR fund Reserve			
Opening Balance	92.91	92.91	92.91
Closing Balance	92.91	92.91	92.91
Sustainable Development Fund Reserve			
Opening Balance	16.66	16.66	16.66
Closing Balance	16.66	16.66	16.66
Retained Earnings			
Opening balance	693.76	811.98	278.51
Add: Net profit/(loss) for the year	1581.79	1174.03	3033.47
Amount available for appropriation	2275.55	1986.01	3311.98
Appropriations:			
Transfer to General Reserve	1500.00	1000.00	2500.00
Tax on Interim Dividend	-	-	-
Final dividend	269.80	242.82	-
Tax on Final Dividend	55.46	49.43	-
Tax on Dividend earlier years	-	-	-
	1825.26	1292.25	2500.00
Closing balance	450.29	693.76	811.98
Other Comprehensive Income			
Remeasurement Gains/(losses) on defined benefit plans			
Opening Balance	257.50		-
Add or (Less) : Transactions during the year	(275.80)	257.50	
Closing Balance	(18.30)	257.50	-
Total Other Equity	16608.50	15627.77	14488.49

As per the requirement of O.M.No.F.No.3(9)/2010 - DPE (MOU) dated 23rd September, 2011 issued by Department of Public Enterprises, Government of India, the company is required to allocate 0.50 % of the profit after tax of previous year towards Research and Development Fund amounting to Rs. 5.87 lakhs.

As the company has spent amount of Rs. 74.47 lakhs (Previous Year Rs. 127.43 lakhs), no appropriation has been made towards this fund.

(Rs.in Lakhs)

	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
15 Non Current borrowings			
From Vijaya Bank : Secured (Refer Note No. 17)			
a) Term Loan I	-	-	122.21
b) Term Loan II	975.00	1300.00	-
	975.00	1300.00	122.21
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 for working capital limits.			
Term Loan I :			
Current Rs. Nil lakhs (Refer Note. No. 19) (Previous year Rs. 122.00 lakhs) Non-Current Rs. Nil (previous year Rs. Nil lakhs) The above loan has been repaid during the year.			
Term Loan II :			
Current Rs. 300 lakhs (Refer Note. No. 19) (Previous year Rs. 0.00 lakhs) Non-Current Rs.975 lakhs (previous year Rs. 1300.00 lakhs)			
Terms of repayment :			
60 equal monthly instalments of Rs.25 lakhs each commencing from July,2018 Rate of Interest-9.00%-As on 31st March 2019, 51 Instalments are remaining to be paid. There is no default in repayment of the above Term Loan.			
16 Non Current Provisions			
Provision for employee benefits (Also Refer Note 21):			
Gratuity	773.26	628.03	382.10
Earned Leave Encashment	1379.21	1102.53	1192.84
Sick Leave	368.32	275.49	241.27
	2520.79	2006.05	1816.21
17 Current Borrowings			
Secured Loans repayable on demand			
Working Capital Loan from Banks	297.98	66.29	310.31
	297.98	66.29	310.31

Working Capital facilities from scheduled banks are secured against hypothecation of stock-in-trade and book debts on pari passu basis and collateral security of fixed assets other than fixed assets charged to Vijaya Bank for term loan on pari passu basis. Debit balances under Cash credit Hypothecation account are disclosed under Cash and Bank balances. The above includes borrowings towards post-shipment credit in foreign currency of Rs. 297.98 Lakhs (Previous Year Rs. 66.29 Lakhs). The interest rate is linked to LIBOR.

(Rs.in Lakhs)

	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
18 Trade payables			
Acceptances	-	65.80	81.46
Due to micro and small enterprises	312.66	197.99	147.67
Other creditors	8841.41	7416.32	7230.21
	9154.07	7680.11	7459.34
18.1 Confirmation of balances towards Trade Payables is awaited to an aggregate extent of Rs. 7297.79 Lakhs (Previous Year 5886.95 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.			
19 Other current financial liabilities			
Current Maturities of long term debt (Refer Note 15)	300.00	122.00	188.27
EMD and security deposits received	357.83	328.44	318.25
Creditors for Capital Expenditure	757.24	1089.85	394.14
	1415.07	1540.29	900.66
20 Other current liabilities			
Statutory dues payable	204.08	210.46	393.12
Advance from customers	415.42	98.10	506.87
Outstanding expenses	849.50	1421.87	847.27
Other payables	21.42	18.71	98.43
	1490.42	1749.14	1845.69
20.1 Other Payables include Rs. 11.03 Lakhs (Previous year Rs. 7.64 lakhs) being the amount payable towards Executive Welfare Fund Rs. 3.68 lakhs (previous year Rs. 4.04 lakhs) and Non-executive welfare fund Rs. 7.35 Lakhs (Previous year Rs. 3.60 lakhs) which are administered by the committee consisting of the members from Management and the employees. Out of Rs. 7.35 lakhs (Previous year 3.60 lakhs) non-executive welfare fund, a sum of Rs.4.88 Lakhs (previous year 4.88 lakhs) is held in the form of Term Deposit with Vijaya Bank, Bengaluru			

(Rs.in Lakhs)

	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
21 Current Provisions			
Provision for employee benefits (Also refer Note 16)			
Earned Leave Encashment	312.38	393.21	234.82
Sick Leave	17.72	14.26	12.78
Gratuity (Ex-Employees)	81.89	-	-
Provision Others			
Provision for contingencies	284.00	204.00	204.14
	695.99	611.47	451.74
22 Current Tax Liabilities (net)			
Provision for Income Tax	850.00	-	119.08
Less : Advance Income tax and TDS	(518.14)	-	-
	331.86	-	119.08

(Rs.in Lakhs)

PARTICULARS	For the year ended 31st March 2019	For the year ended 31st March 2018
23 Revenue from operations		
(A) Sale of Products		
Domestic	33232.29	32985.99
Export	2803.45	2396.92
	36035.74	35382.91
(B) Other Operating Revenues		
Loan Licence - Labour	122.44	181.84
Freight charges recovered	0.66	0.98
Discounts received from parties	11.32	7.62
Sundry credit balances written back	59.07	111.18
Scrap sales	29.13	19.52
Excess Provision Reversed	2.23	23.01
Liability no longer required withdrawn	-	227.10
	224.85	571.25
	36260.59	35954.16
24 Other income		
Interest from banks	199.72	251.56
Foreign exchange fluctuation gain (Net)	40.98	18.40
Other Non Operating Income (-)	7.34	16.50
	248.04	286.46
25 Cost of Material Consumed		
A. Raw Materials :		
I. Indigenous :	13922.05	11656.86
II. Imported :	310.38	342.53
	14232.43	11999.39
B. Packing Materials :		
I. Indigenous :	3766.86	3428.65
II. Imported :	-	-
	3766.86	3428.65
(A + B)	17999.29	15428.04
Less : Cenvat Credit	-	803.56
Less : Gst Credit	2734.38	1177.80
Less : Vat Credit	-	14.88
Net Consumption	15264.91	13431.80

(Rs.in Lakhs)

PARTICULARS	For the year ended 31st March 2019	For the year ended 31st March 2018
26 Changes in inventories of Finished Goods, Work-in-Progress and Stock-in-Trade		
Opening Stock of:		
Work-in-Progress	842.37	978.00
Finished Goods and Stock-in-Trade	2102.71	1881.58
	2945.08	2859.58
Less: Closing Stock of:		
Work-in-Progress	1529.36	842.37
Finished Goods and Stock-in-Trade	2621.48	2102.71
	4150.84	2945.08
Finished Goods supplied under CSR Expenditure	12.43	-
	(1193.33)	(85.50)
27 Employee benefits expense		
Salaries, wages, bonus and allowances	5536.27	5039.93
Contribution to provident fund and other funds	771.61	1285.89
Workmen and staff welfare expenses	740.08	687.71
	7047.96	7013.53
27.1 Employee benefits expense include remuneration to Mr. K.M. Prasad, Managing Director upto 31.01.2018 as under : (Key Managerial Personnel as per Ind AS-24)		
a) Salary and allowances	-	28.78
b) Contribution to PF	-	1.93
c) Others	-	2.54
	-	33.25
28 Finance Costs		
Interest on Bank Borrowings	149.40	55.05
Interest Others	21.13	18.97
Other borrowing Cost	23.31	24.15
	193.84	98.17

(Rs.in Lakhs)

PARTICULARS	For the year ended 31st March 2019	For the year ended 31st March 2018
29 Other expenses - Manufacturing Expenses		
Consumable Stores and Spares	81.09	48.15
Laboratory expenses	131.64	115.01
Power and Fuel	749.11	653.61
Repairs to Building	114.50	27.54
Repairs to Machinery	286.87	217.14
Contract Labour Charges	1251.49	1258.99
Other manufacturing expenses	849.27	1456.05
	3463.97	3776.49
- Selling and Distribution Expenses		
Carriage outwards	544.78	437.00
Commission and Discounts	2639.84	2707.69
Late Delivery Charges	525.55	798.83
Advertisement, Selling and distribution expenses	476.66	547.48
	4186.83	4491.00
- Establishment Expenses		
Rent	100.88	123.23
Rates & Taxes	64.64	77.81
Travelling and conveyance	523.60	609.77
Legal and professional fees	68.19	74.73
General maintenance expenses	220.87	223.05
Insurance charges	19.10	15.92
Payment to Auditors		
As Auditor	5.00	6.10
Others	2.21	1.72
Communication expenses	17.83	31.98
Printing & Stationery	26.78	34.46
Sundry receivables written off	1.62	7.33
Recruitment and training expenses	4.21	17.59
Miscellaneous expenses	85.53	89.20
CSR Expenditure	63.03	64.16
Other provisions	79.67	56.51
	1283.16	1433.56
	8933.96	9701.05

(Rs.in Lakhs)

PARTICULARS	For the year ended 31st March 2019	For the year ended 31st March 2018
30 Components of Other Comprehensive Income under Retained earnings		
A (i) Items that will not be reclassified to profit or loss		
Remeasurment Gains/(losses) on defined benefit plans	(423.91)	395.79
Sub-total	(423.91)	395.79
(ii) Income Tax on A(i)	148.12	(138.29)
Sub-total	148.12	(138.29)
B (i) Items that will be reclassified to profit or loss	-	-
Sub-total	-	-
(ii) Income Tax on B(i)	-	-
Sub-total	-	-
	(275.79)	257.50

(Rs.in Lakhs)

31 A. Contingent liabilities not provided for:-

i) Claims against Company not acknowledged as debts comprises :			
Nature	As on 31.03.2019 ₹ (Lacs)	As on 31.03.2018 ₹ (Lacs)	As on 01.04.2017 ₹ (Lacs)
Excise Duty			
1. Demand received from Commissioner of Central Excise towards Excise duty and penalty besides interest (not quantified) under Section 11D of Central Excise Act, 1944 covering sale of certain products pertaining to the period from 2007-08 to 2011-12. The Company had preferred an appeal with CESTAT, Bengaluru against the order. The said case were heard on 7th January 2015 and stay was granted in favour of the Company.	1035.18	1035.18	1035.18
2. Denial of Input Tax Credit of service tax on air/ocean freight for the period January,2005 to February, 2006. Amount not quantified. The company filed appeal before CESTAT, Bengaluru.			
Income Tax Appeal before CIT (A), Bengaluru:			
A.Y.2009-10 (Amounts adjusted against refund)	12.39	12.39	12.39
A.Y.2013-14 (Amounts adjusted against refund)	5.27	5.27	5.27
Sales Tax:			
Difference in sales tax for non-receipt of Statutory forms	18.93	25.00	54.00
Sales Tax:			
Liability towards sales tax pending in appeal before various appellate Authorities relating to earlier years:			
1. Sales returns disallowed. Feed supplements and Agro chemicals Taxed at higher rate - Tamil Nadu Sales Tax Act The Dispute is pending with Appellate Assistant Commissioner (CT)V (Chennai) for the period 2003-04	0	0	1.17
2. Exempted Sales of Gauge & Bandages disallowed & tax imposed for the financial year 1996-97	0	0.34	0.34
3. Exempted Sales of Gauge & Bandages disallowed & tax imposed for the financial year 1997-98	0	1.32	1.32

(Rs.in Lakhs)

Nature	As at 31st March 2019	As at 31st March 2018	As at 1st April 2017
4. Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST) for the financial year 1998-99	0	1.74	1.74
5. Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (CST) for the financial year 1998-99	0	0.37	0.37
6. Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST) for the financial year 1999-00	7.33	7.33	7.33
7. Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (CST) for the financial year 1999-00	0.19	0.19	0.19
8. Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (LST) for the financial year 2000-01	7.14	7.14	7.14
9. Exempted Sales of Gauge & Bandages, Feed Supplements, Export sales disallowed & tax imposed (CST) for the financial year 2000-01	3.73	3.73	3.73
10. Exempted Sales of Feed Supplements disallowed & tax imposed. The Disputes are pending with JCCT, Patna - Bihar VAT Act for the financial year 2002-03	0	2.26	2.26
Other Claims not acknowledged as debts	82.00	77.00	72.00

- B. Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is ₹ 119.15 lakhs (previous year ₹ 473.00 lacs).

32. Details of dues to micro & small enterprises as defined under the MSMED Act, 2006

Particulars	As on 31.03.2019 ₹ (Lacs)	As on 31.03.2018 ₹ (Lacs)	As on 01.04.2017 ₹ (Lacs)
The principal amount remaining unpaid as at the end of the year.	312.66	197.99	147.67
The amount of interest accrued and remaining unpaid at the end of the year.	-	-	-
Amount of interest paid by the Company in terms of Section 16 of Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of payments made beyond the appointed date during the year.	-	-	-
Amount of interest due and payable for the period of delay in making payment without the interest specified under the Micro Small and Medium Enterprise Development Act, 2006.	-	-	-
The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006.	-	-	-

33. Employee Benefits

- (a) **Gratuity Plan:** The company has a defined benefit plan which provides for gratuity payments. The Company has taken a Group Gratuity Scheme Master Policy with Life Insurance Corporation of India. The Gratuity policy provides a lump sum gratuity payment to eligible employees at retirement or termination of their employment. The amount of the payment is based on the respective employee's last drawn salary and the years of employment with the Company.

The following table set out the status of the Gratuity (funded) plan as required under IND AS19.

Expenses recognised	As at 31.03.2019 ₹ (Lacs)	As at 31.03.2018 ₹ (Lacs)
Current service cost	169.43	150.96
Past Service Cost	0.00	697.32
Interest cost	235.69	198.73
Expected return of plan assets	-205.55	-178.70
Expenses recognised in the Statement of Profit and Loss	199.57	868.31

(Rs.in Lakhs)

Reconciliation of present value of the obligation and the fair value of the plan asset	As on 31.03.2019 ₹ (Lacs)	As on 31.03.2018 ₹ (Lacs)
Fair value of plan assets at the end of the year	2883.89	2598.39
Present value of obligation at the end of the year	(3657.14)	(3226.42)
Assets/(Liability) recognised in the Balance Sheet	(773.25)	(628.03)

Change in present value of obligation	Gratuity	
	As on 31.03.2019	As on 31.03.2018
Opening defined obligation	3226.42	2750.40
Interest Cost	235.69	198.72
Current Service Cost	169.43	150.96
Past Service Cost	0.00	697.32
Benefits Paid	(370.49)	(165.90)
Re-measurements due to:		
Actuarial (Gain)/ loss due to change in demographic assumptions	175.40	(94.29)
Actuarial (gains)/ loss due to change in financial assumptions	(69.98)	(95.88)
Actuarial (Gain)/loss due to Experience changes	290.67	(214.92)
Closing defined benefit obligation	3657.14	3226.42

Change in fair value of plan assets	As on 31.03.2019	As on 31.03.2018
Plan assets at the beginning of the year, at fair value	2598.38	2368.29
Expected return on plan assets (estimated)	205.55	178.70
Contributions	478.26	226.59
Benefits settled	(370.49)	(165.90)
Actuarial (gain)/loss on plan assets	(27.81)	(9.29)
Plan assets at the end of the year, at fair value	2883.89	2598.38

Movement in liability recognised in Balance Sheet	As on 31.03.2019	As on 31.03.2018
Opening Liability	628.03	382.10
Expenses recognised in P&L	199.57	868.31
Remeasurement effect recognised in OCI	423.91	(395.79)
Contribution paid	(478.26)	(226.59)
Closing liability	773.25	628.03

(Rs.in Lakhs)

Other Comprehensive Income	As on 31.03.2019	As on 31.03.2018
Actuarial loss/(gain):		
- due to change in demographic assumptions	175.40	(94.29)
- due to change in financial assumptions	(69.97)	(95.87)
- due to Experience changes	290.68	(214.92)
Return on Plan Assets (Greater)/Less than Discount rate	27.80	9.29
Total remeasurement effect recognised in OCI	423.91	(395.79)

Assumptions at the valuation date	As on 31.03.2019	As on 31.03.2018
Discount factor	7.75%	7.45%
Salary escalation rate	10.00%	10.00%
Rate of return (expected) on plan assets	7.75%	7.45%
Attrition Rate	10.00%	15.00%
Mortality	Indian Assured Lives Mortality (2006-08) (Ultimate)	

Sensitivity Analysis	As at 31.03.2019
A quantitative sensitivity analysis for significant assumptions as at 31.03.2019 is as follows:	Increase/ (Decrease) in Lacs
Discount rate + 100 basis points	(216.27)
Discount rate - 100 basis points	+243.42
Salary growth + 100 basis points	+122.75
Salary growth - 100 basis points	(132.77)
Attrition rate + 100 basis points	(20.96)
Attrition rate - 100 basis points	+23.43
Mortality rate 10% up	(0.80)

Contribution: The Company expects to contribute to the Gratuity Plan during the year ending 31st March, 2020.

Disaggregation of plan assets: The Gratuity Plan's weighted-average asset allocation at 31st March, 2019 and 31st March, 2018, by asset category, was as follows:

(Rs.in Lakhs)

Particulars	As at 31.03.2019	As at 31.03.2018
Funds managed by insurers	100%	100%
Others	-	-

The expected future cash flows in respect of gratuity as at 31st March, 2019 were as follows :

Sensitivity Analysis	Amount ₹ in Lacs
Expected Contribution	
During the year ended 31st March, 2020	162.68
Expected future benefit payments	
31st March 2020	366.64
31st March 2021	400.32
31st March 2022	418.80
31st March 2023	402.98
31st March 2024	452.24
Next 5 year payouts (year ended 31st March 2025-2029)	1752.50

- (b) **Provident Fund benefits:** The Company contributed ₹ 493.42 lakhs and ₹ 424.17 lakhs to the Provident Fund plan during the year ended **31st March, 2019** and year ended 31st March, 2018, respectively.
- (c) **Compensated absences:** The total liability recorded by the Company towards earned leave obligation was ₹ 1691.60/- lakhs, ₹1495.75/- lakhs and ₹1427.65/-lakhs as at **31st March, 2019**, 31st March, 2018 and 1st April, 2017, respectively. The total liability recorded by the Company towards sick leave obligation was ₹ 386.03/- lakhs, ₹ 289.75/- lakhs and ₹ 254.05/- lakhs as at **31st March, 2019**, 31st March, 2018 and 1st April, 2017, respectively.
- (d) **Gratuity: Increase in ceiling of Gratuity for employees retired during the period 01.01.2017 to 28.03.2018**
The ceiling of gratuity from Rs. 10 lakhs to Rs. 20 lakhs is made effective from 29.03.2018. However in accordance with Point No 2(a) of Office Memorandum No. W-02/0036/2018-DPE (WC)-GL-XIX/18 dated 10.07.2018 of Ministry of Heavy Industries & Public Enterprises, Department of Public Enterprises which provides for payment of gratuity on the increased ceiling limit for employees who have retired during the period from 01.01.2017 to 28.03.2018 (subject to affordability of the CPSE where pay has been revised w.e.f 01.01.2017), the company has made a provision of Rs. 81.89 lakhs towards differential gratuity for such ex-employees of the company during the year. (Refer Note 21)

- 34. Borrowing Cost:** Additions to fixed assets during the year and capital work-in-progress include ₹ NIL (previous year ₹ 31.65 lakhs) being borrowing cost capitalized in accordance with IND AS 23 on “Borrowing Costs” as specified in the Companies (Indian Accounting Standards) Rules, 2015. Asset wise break-up of borrowing costs capitalised is as follows:

(Amount in ₹ Lakhs)

Particulars	2018-19	2017-18
Plant & Machinery	-	14.65
Building	-	16.34
Capital Work-in-progress – Plant & Machinery	-	0.66
Total	-	31.65

- 35. Segment Information;** The company is primarily engaged in a single business segment of manufacturing and marketing of pharmaceutical formulations and is managed as ONE entity, for its various activities and is governed by a similar set of risks and returns. Hence, there are no reportable primary segments.

Geographical segments: In view of the management, the Indian and Export markets represent geographical segments.

Sale by market - The following is the distribution of the Company's sales by geographical market:

(Amount in ₹ Lakhs)

Geographical segment	2018-19	2017-18
India	33232.29	32985.99
Outside India	2803.45	2396.92
Total	36035.74	35382.91

Carrying amount of segment assets :

Geographical segment	2018-19	2017-18
India	8599.24	8319.72
Outside India	-	-
Total	8599.24	8319.72

Total cost incurred during the year to acquire segment assets that are expected to be used during more than one period.

Geographical segment	India 2018-19	Outside India 2018-19	India 2017-18	Outside India 2017-18
Tangible assets	449.37	-	2950.52	-
Intangible assets	-	-	-	-

36. Calculation of earnings per share (Basic and Diluted) :

Particulars	2018-19	2017-18
1. Number of equity shares	1349000	1349000
2. Nominal value of equity shares	₹ 100.00	₹ 100.00
3. Net Profit attributable to equity shares	₹ 1581.79	₹ 1174.00
4. Basic and Diluted EPS	₹ 117.26	₹ 87.03

37. Operating lease;

(I) Company as a lessee

The Company has only cancellable leases.

Lease payment is recognized in the Statement of Profit and Loss:

A general description of the lessee's significant leasing arrangements:

There is no sublease and there is no restrictions imposed by lease arrangements

38. Expenditure on Corporate Social Responsibility

(a) Gross amount required to be spent - ₹ 66.98 Lacs (previous year - ₹63.06 Lacs)

(b) Amount spent during the year on:

(Amount in ₹)

Sl.No.	Particulars	Paid	Yet to be Paid	Total
(i)	Construction/acquisition of any asset	Nil	Nil	Nil
		(PY Nil)	(PY Nil)	(PY Nil)
(ii)	On purpose other than (i) above	63.03	Nil	63.03
		(PY 64.16)	(PY Nil)	(PY 64.16)

39. Fair value measurements

- (a) Set out below, is a comparison by class of the carrying amounts and fair value of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

(Rs.in Lakhs)

Particulars	Carrying Value			Fair Value		
	31st March 2019	31st March 2018	1st April 2017	31st March 2019	31st March 2018	1st April 2017
Financial Assets:						
- Trade receivables	10837.88	10323.65	9180.01	10837.88	10323.65	9180.01
- Cash and Cash equivalents	3129.20	5082.77	3872.23	3129.20	5082.77	3872.23
- Other Bank Balances	682.94	190.30	2293.73	682.94	190.30	2293.73
- Loans	1895.29	1273.84	558.16	1895.29	1273.84	558.16
- Others financial assets	-	-	-	-	-	-
Total	16545.31	16870.56	15904.13	16545.31	16870.56	15904.13
Financial Liabilities						
- Borrowings	297.98	66.29	310.31	297.98	66.29	310.31
- Trade payables						
- Dues to Micro & small Enterprises	312.66	197.99	147.67	312.66	197.99	147.67
- Dues to Others	8841.41	7482.12	7311.67	8841.41	7482.12	7311.67
- Other financial liabilities	1415.07	1540.29	900.66	1415.07	1540.29	900.66
Total	10867.12	9286.69	8670.31	10867.12	9286.69	8670.31

Fair Value hierarchy

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

40. Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. The Company's primary risk management focus is to minimize potential adverse effects of market risk on its financial performance. The Company's risk management assessment and policies and processes are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor such risks and compliance with the same. Risk assessment and management policies and processes are reviewed regularly to reflect changes in market conditions and the Company's activities. The Board of Directors and the Audit Committee is responsible for overseeing the Company's risk assessment and management policies and processes. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken.

A. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. Credit risk is managed through credit approvals, establishing credit limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business. The Company establishes an allowance for credit losses and impairment that represents its estimate of expected losses in respect of investments, trade and other receivables.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer, including the default risk of the industry and country in which the customer operates, also has an influence on credit risk assessment. Credit risk is managed through credit approvals, establishing limits and continuously monitoring the creditworthiness of customers to which the Company grants credit terms in the normal course of business.

Financial assets that are neither past due nor impaired

None of the Company's cash equivalents, including term deposits (i.e., certificates of deposit) with banks were past due or impaired as at 31st March, 2019.

Financial assets that are past due but not impaired

The Company's credit period for customers generally ranges from 30 to 180 days. The ageing of trade receivables that are not due and past due but not impaired is given below: (Amount in ₹ Lakhs)

Particulars	2018-19	2017-18
< 6 months	7487.13	9299.88
>6 months to 1 year	1935.57	678.13
>1 year to < 2 years	1194.98	289.37
>2 years to < 3 years	220.20	52.35
>3 years	-	3.92
Total	10837.88	10323.65

Other than trade receivables, the Company has no significant class of financial assets that is past due but not impaired.

Reconciliation of the allowances for credit losses

The details of changes in allowances for credit losses during the year ended 31st March, 2019 and 31st March, 2018 are as follows:

Particulars	31st March 2019	31st March 2018
Balance as at 1st April	55.20	58.07
Provision made during the year	5.11	(2.87)
Balance as on 31st March	60.31	55.20

On account of adoption of IND AS 109, the Company uses Expected Credit Loss (ECL) model for assessing the impairment loss. For this purpose, the Company uses a provision matrix to compute the expected credit loss amount for trade receivables. The provision matrix takes into account external and internal credit risk factors and historical data of credit losses from various customers. The management believes that there is no material change in allowance for credit losses during the year ended 31st March, 2019 and 31st March, 2018.

Loans and advances

Loans and advances are predominantly given to employees, suppliers and contractors for business purposes.

The details of changes in provision for doubtful loans and advances during the year ended 31st March, 2019 and 31st March 2018 are as follows:

Particulars	2018-19	2017-18
Balance as on 1st April	-	-
Provision made during the year	-	-
Loans and advances written off during the year	-	-
Provision reversed during the year	-	-
Effect of changes in the foreign exchange rates	-	-
Balance as on 31st March	-	-

B. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation.

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is generally carried out at local level in the operating segments of the Company in accordance with practice and limits set by the management. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The Company had following working capital at the end of the reporting years:

(Amount in ₹ Lakhs)

Particulars	31st March 2019	31st March 2018	01 April 2017
Current Assets (A)	24637.01	22217.13	21,323.56
Current Liabilities (B)	13385.39	11,647.30	11,086.82
Working Capital (C) = (A-B)	11251.62	10,569.83	10,236.74

The table below provides details regarding the contractual maturities of significant liabilities:

As on 31st March, 2019

(Amount in ₹ Lakhs)

Particulars	2020	2021	2022	2023	Thereafter	Total
Non-current borrowings	-	300.00	300.00	75.00	-	675.00
Current maturities of long term borrowings	300.00	-	-	-	-	300.00
Trade payables	9154.07	-	-	-	-	9154.07
Current borrowings	297.98	-	-	-	-	297.98
Total	9752.05	300.00	300.00	75.00	-	10427.05

As on 31st March 2018.

(Amount in ₹ Lakhs)

Particulars	2019	2020	2021	2022	Thereafter	Total
Non-current borrowings	-	300.00	300.00	300.00	175.00	1075.00
Current maturities of long term borrowings	225.00	-	-	-	-	225.00
Trade payables	7680.11	-	-	-	-	7680.11
Current borrowings	66.29	-	-	-	-	66.29
Total	7971.40	300.00	300.00	300.00	175.00	9046.40

C. Market Risk

Market risk is the risk of loss of future earnings, fair values or future cash flows that may result from adverse changes in market rates and prices (such as interest rates, foreign currency exchange rates and commodity prices) or in the price of market risk-sensitive instruments as a result of such adverse changes in market rates and prices. Market risk is attributable to all market risk-sensitive financial instruments, all foreign currency receivables and payables and all short-term and long-term debt. The Company is exposed to market risk primarily related to foreign exchange rate risk and interest rate risk. Thus, the Company's exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currencies.

D. Foreign exchange risk

The Company's foreign exchange risk arises from its foreign currency revenues and expenses, (primarily in US\$). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency (INR). A significant portion of the Company's export revenues are in this foreign currency, while a significant portion of its costs are in Indian rupees. As a result, if the value of Indian rupee appreciates relative to these foreign currencies, the Company's revenues measured in Indian rupees may decrease. The exchange rate between the Indian rupee and these foreign currencies has changed substantially in recent periods and may continue to fluctuate substantially in the future.

The following table analyses foreign currency risk in Indian rupees from non-derivative financial instruments as on 31st March 2019

Particulars	US\$	Others	Total
Assets			
Trade receivables	745.55	-	745.55
Total	745.55	-	745.55
Liabilities			
Trade payables	-	-	-
Total	-	-	-

The following table analyses foreign currency risk from non-derivative financial instruments as on 31st March 2018

Particulars	US\$	Others	Total
Assets			
Trade receivables	620.82	-	620.82
Total	620.82	-	620.82
Liabilities			
Trade payables	65.80	-	65.80
Total Liabilities	65.80	-	65.80

The following table analyses foreign currency risk from non-derivative financial instruments as on:

Particulars	Impact on profit	
	31 st Mar. 2019	31 st Mar. 2018
USD sensitivity		
₹ / USD - Increase by 2%	14.91	11.10
₹ / USD - Decrease by 2%	(14.91)	(11.10)

E. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in IND AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates. Further, the Company's investments in deposits is with banks and electricity authorities and therefore do not expose the Company to significant interest rates risk.

The Company's variable rate borrowing is subject to interest rate risk. Below is the details of exposure to fixed rate and variable rate instruments:

(Rs.in Lakhs)

Particulars	As on 31.03.2019	As on 31.03.2018
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	975.00	1300.00
Variable rate instruments		
Financial liabilities	297.98	66.29

The Company's investments in term deposits is with banks and therefore do not expose the Company to significant interest rates risk.

Commodity rate risk

Exposure to market risk with respect to commodity prices primarily arises from the Company's purchases and sales of active pharmaceutical ingredients and finished dosage formulations, including the raw material components for such active pharmaceutical ingredients and finished dosages. These are commodity products, whose prices may fluctuate significantly over short periods of time. The prices of the Company's raw materials generally fluctuate in line with commodity cycles, although the prices of raw materials used in the Company's active pharmaceutical ingredients business are generally more volatile. Cost of raw materials forms the largest portion of the Company's operating expenses. Commodity price risk exposure is evaluated and managed through operating procedures and sourcing policies. As of 31st March 2019, the Company had not entered into any derivative contracts to hedge exposure to fluctuations in commodity prices.

41. Capital Management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio:

Net debt (total borrowings net of cash and cash equivalents) divided by Total equity plus net debt (as shown in the balance sheet).

The gearing ratios were as follows :

Particulars	As on 31.03.2019 ₹ (Lacs)	As on 31.03.2018 ₹ (Lacs)	As on 01.04.2017 ₹ (Lacs)
Borrowings	1272.98	1366.29	432.52
Less: Cash and cash equivalents	3129.20	5082.77	3872.23
Net debt (A)	-	-	-
Equity share capital	1349.00	1349.00	1349.00
Other equity	16608.50	15627.77	14488.49
Total Equity (B)	17957.50	16976.77	15837.49
Equity and net debt (C)=(A+B)	17957.50	16976.77	15837.49
Gearing ratio (A/C)	NA	NA	NA

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no material breaches in the financial covenants of any borrowing in the current period.

42. First-time adoption ('FTA') of IND AS – Transition to IND AS

These financial statements, for the year ended 31st March 2019, are the first, the Company has prepared in accordance with IND AS. For periods up to and including the year ended 31st March 2018, the Company prepared its financial statements in accordance with Indian GAAP, including accounting standards notified under section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014 (previous GAAP or Indian GAAP). The Company has prepared financial statements which comply with IND AS applicable for periods ending on or after 31st March 2019, together with the comparative period data as at and for the year ended 31st March 2018 and in the preparation of an opening IND AS balance sheet at 1st April 2017 (the Company's date of transition), as described in the summary of significant accounting policies. In preparing its opening IND AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to IND AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Exemptions and exceptions availed

(a) IND AS optional exemptions

- (i) **Deemed Cost** : IND AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to IND AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

(b) IND AS mandatory exceptions

- (i) **Estimates** : An entity's estimates in accordance with IND ASs at the date of transition to IND AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. IND AS estimates as at 1st April 2017 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for following items in accordance with IND AS at the date of transition as these were not required under previous GAAP:- Impairment of financial assets based on expected credit loss model.
- (ii) **De-recognition of financial assets and liabilities** : IND AS 101 requires a first-time adopter to apply the de-recognition provisions of IND AS 109 prospectively for transactions occurring on or after the date of transition to IND AS.
- (iii) **Classification and measurement of financial assets** : IND AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to IND AS.

B. Reconciliations between previous GAAP and IND AS.

Reconciliation of equity as at 1st April 2017 and 31st March 2018.

(Rs.in Lakhs)

	Notes	1st April 2017		IND AS	31st March 2018		Ind AS
		Indian GAAP	Adjust-ments		Indian GAAP	Adjust-ments	
		INR	INR		INR	INR	
Equity and liabilities							
Equity							
Equity share capital		1349.00		1349.00	1349.00		1349.00
Other equity							
General Reserve		13566.94		13566.94	14566.94		14566.94
CSR Fund Reserve		92.91		92.91	92.91		92.91
Sustainable		16.66			16.66		16.66
Development Fund				16.66			16.66
Reserve							
Retained earnings	1	787.95	24.03	811.98	951.26		951.26
OCI - Employee Benefits		-		-	-		-
Total equity		15813.46	24.03	15837.49	16976.77	-	16976.77
Non-current liabilities							
Financial Liabilities							
Interest-bearing loans and borrowings		122.21		122.21	1300.00		1300.00
Long term provisions		1816.21		1816.21	2006.05		2006.05
Deferred tax liabilities					34.47		34.47
		1938.42	-	1938.42	3340.52	-	3340.52
Current liabilities							
Financial Liabilities							
Interest-bearing loans and borrowings		310.31	-	310.31	66.29	-	66.29
Trade & other payables		7459.34	-	7459.34	7680.10	-	7680.10
Other current financial liabilities	3	2743.64	(1842.98)	900.66	3289.44	(1749.13)	1540.31
Income tax payable	3	-	119.08	119.08	-	-	
Other Current Liabilities	3	-	1845.69	1845.69	-	1749.13	1749.13
Provisions	3	570.82	(119.08)	451.74	611.48	-	611.48
		11084.11	2.71	11086.82	11647.31	-	11647.31
Total liabilities		13022.53	2.71	13025.24	14987.83	-	14987.83
Total equity and liabilities		28835.99	26.74	28862.73	31964.60	-	31964.60

(Rs.in Lakhs)

	Notes	1st April 2017		IND AS INR	31st March 2018		Ind AS INR
		Indian GAAP	Adjustments		Indian GAAP	Adjustments	
		INR	INR		INR	INR	
Assets							
Non-current assets							
Property, plant and equipment		5061.99		5061.99	7528.03		7528.03
Capital Work in Progress	1	865.27	26.74	892.01	588.53		588.53
Long Term Loans & Advances		211.49		211.49	203.16		203.16
Other non-current financial assets		1256.16		1256.16	1427.74		1427.74
Deferred tax assets		117.53		117.53	-		-
		7512.44	26.74	7539.18	9747.46	-	9747.46
Current assets							
Inventories		5351.58	-	5351.58	5140.92	-	5140.92
Financial assets		-	-	-	-	-	-
Trade & other receivables		9180.01	-	9180.01	10323.65	-	10323.65
Other current financial assets	3, 5	600.59	(42.43)	558.16	1466.62	(192.78)	1273.85
Cash and short-term deposits		6165.96	-	6165.96	5273.06	-	5273.06
Income Tax Asset	3	-	-	-	-	158.67	158.67
Other Current assets	3,5	25.41	42.43	67.84	12.88	34.10	46.98
		21323.55	-	21323.55	22217.13	(0.01)	22217.13
Total assets		28835.99	26.74	28862.73	31964.59	(0.01)	31964.59

B. Reconciliation of Profit or Loss for the year ended 31st March 2018.

(Rs.in Lakhs)

	Footnote	Indian GAAP	Adjustments	Ind AS
		INR	INR	INR
Continuing operations				
Sale of goods	4	35415.87	538.29	35954.16
Revenue from operations		35415.87	538.29	35954.16
Other income		286.46	-	286.46
Total Revenue		35702.33	538.29	36240.62
Cost of raw material consumed		13431.80	-	13431.80
Excise Duty paid	4	-	352.29	352.29
Purchase of Stock in Trade	4	3349.65	-	3349.65
Increase or Decrease in Finished Goods and WIP	4	(271.50)	186.00	(85.50)
Employee benefits expense	2, 5	7876.73	(863.20)	7013.53
Finance Cost	5	79.20	18.97	98.17
Depreciation and amortization expense		476.92	-	476.92
Other expenses	5	8461.03	1240.02	9701.05
Total Expenses		33403.83	934.08	34337.91
Prior Period Expense/(Income)	1	(24.03)	24.03	-
Profit before tax from continuing operations		2322.53	(419.82)	1902.71
(1) Current tax		715.00	-	715.00
(2) Deferred tax	2	152.00	(138.29)	13.71
Income tax expense		867.00	(138.29)	728.71
Profit for the year from continuing operations		1455.53	(281.53)	1174.00
Profit /(loss) for the year		1455.53	(281.53)	1174.00
Other comprehensive income	2	-	395.79	395.79
Income tax effect	2	-	(138.29)	(138.29)
Remeasurement Gains/(losses) on defined benefit plans		-	-	-
Income tax effect		-	-	-
Other comprehensive income for the year, net of tax		-	257.50	257.50
Total comprehensive income for the year, net of tax		1455.53	(24.03)	1431.50

Footnotes to the reconciliation of equity as at 1 April 2017 and 31 March 2018 and profit or loss for the year ended 31st March 2018

1) Prior Period Errors

As per Ind AS material prior period errors are to be corrected retrospectively by restating the comparative amounts for the prior period presented in which the error occurred and if the error occurred before the earliest prior period presented the opening balances of assets, liabilities and equity for the earliest prior period are restated.

- a) Capital Items wrongly charged to P&L in earlier GAAP prior to 01st April 2017 has been corrected as on 01st April 2017
- b) Expenses amounting to Rs 2.71 Lacs omitted to be accounted prior to 1st April 2017 has been provided retrospectively

2) Remeasurements of Actuarial Valuation on Gratuity

In terms of Ind AS the re-measurement adjustments are to be accounted through Other Comprehensive Income, hence corresponding adjustments done in employee benefit expenses

3) Change in classification between financial assets and non-financial assets, financial liabilities and non-financial liabilities as per Ind AS 109.

As per Ind AS 109 read with Schedule III, Division II of the Companies Act, 2013 the financial assets have to be presented separately from non-financial assets. Similarly financial liabilities and non-financial liabilities have to be disclosed separately.

4) Excise Duty collected

In terms of Ind AS, excise duty collected has to be shown as separate expense, whereas under Indian GAAP the excise duty collected on sales was deducted from total sales.

5) Re-grouping of other items

Figures of previous year have been regrouped/rearranged wherever necessary as per current year classification.

43. Reconciliation of Effective tax rate :

(Rs.in Lakhs)

Particulars	As on 31.03.2019	As on 31.03.2018
Profit before income taxes	2523.49	1902.71
Enacted tax rate in India	34.94%	34.61%
Computed tax expense	881.70	658.53
Tax on income exempt from taxes	0	0
Tax on expenses(deductible)/ non-deductible for tax purpose	(36.78)	66.63
Tax on Incremental deduction allowed	5.08	(10.16)
Tax on Investment allowance	0	0
Unrecognised deferred tax	0	0
Income tax expense	850	715
Effective tax rate	33.68	37.58

44. Events after the reporting period

The Board of Directors have recommended dividend of ₹ 22/- per fully paid up equity share of 100/- each, aggregating ₹ 22/- excluding dividend distribution tax for the financial year 2018-19, which is based on relevant share capital as on March 31, 2019. The actual dividend amount will be dependent on the relevant share capital outstanding as on the record date/book closure.

45. Movement of Provisions during the year

(Rs.in Lakhs)

Particulars	Balance at the beginning of the year	Amount provided during the year	Amount paid/ adjusted during the year	Balance at the end of the year
Provision for Contingencies :				
a) Disputed legal cases	204.00 (184.00)	80.00 (20)	0 (0)	284.00 (204.00)
b) Disputed statutory demands	0 (20)	0 0	0 (20)	0 0
Total	204.00 (204.00)	80.00 (20.00)	0. (20)	284.00 (204.00)

46. ADDITIONAL INFORMATION ON TANGIBLE ASSETS (PROPERTY, PLANT AND EQUIPMENT):
A. LAND AT KADABAGERE – BENGALURU:

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, DasanpuraHobli, Bengaluru North Taluk, Bengaluru. The RTC in respect of Survey No.80 (New No.197) has been received and in respect of Survey No. 22 (New No.196) is yet to be received. The Company had applied for survey report from the Government of Karnataka for the above survey numbers. Survey report in respect of Survey No. 80 (New No. 197) was

received and encroachment to the extent of approximately 3 acres and 25 Guntas was reported. Besides the encroachment shown in survey report, there is an encroachment to the extent of 1 Acre (approx.) in Survey No. 80 (New No.197) which has not been shown in survey report. The Company has taken up the matter with revenue authorities for mentioning this additional encroachment in the report and eviction of all encroachments. In the mean time, the said survey report has been quashed.

The Company has since fenced the remaining portion of the land. Out of the encroachment of 3 acres and 25 Guntas shown in the survey report, one of the encroached party has filed a civil suit in Civil Judge Court, Bengaluru against the company which is being contested by the company. Subsequently, the case has been transferred to Nelamangala. Further Board had in its 131st Board Meeting held on 19.02.2010, decided to grow medicinal plants in 10 acres in Phase I. Accordingly medicinal plants are being grown at Kadabagere Land.

Company has made application for survey of land of both survey numbers by paying necessary fee and continuously following up with Revenue Department. Letters were addressed to Principal Secretary, Revenue Department by Managing Director of the company requesting for survey and eviction of encroachment vide letters dated 11-07-2018 and 22-03-2019. Letters were also addressed to Deputy Commissioner, Bengaluru, Urban District by Managing Director on 27-07-2018 and 22-03-2019. Letters were also addressed to Joint Director of Land Records on 18-09-2018 and Joint Director of Land Records in turn has written to Assistant Director of Land Records vide letter dated 11-10-2018 and 21-01-2019. Letter was also written again on 21-03-2019 and matter is being followed up. Further we have requested Tahasildar, Bengaluru North Taluka vide letter dated 29-03-2019 for survey of land. Matter is being pursued.

B. 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 Karnataka State Financial Corporation (KSFC), company participated in e-auction and had quoted price of Rs. 517.37 lakhs towards land and building and Rs. 93.64 lakhs towards plant and machinery. The bid of the company was accepted by KSFC as intimated vide letter dated 08.12.2016. After making the payment of the Bid amount, the possession of land, building, plant and machinery was taken on 12.12.2016 in as is where is basis. In pursuance of the Board approval, the activities of renovation were completed and started manufacture of Ayurvedic Products.

Company before making registration, requested vide letter dated 17.01.2017 to Tahashildar, Dharwad and also vide letter dated 18.01.2017 to General Manager, M/s Karnataka State Financial Corporation, Bengaluru to survey and fix the Boundary of Survey No. 429/1 and Survey No. 429/2A at Kotur Village, NH4, P.B. Road, Belur Industrial Area. As per the letter No. KSFC/BO/DWR/2605/2016-17 dated 04.02.2017 of M/s. Karnataka State Financial Corporation(KSFC), the land shown was 6 acres and 14 guntas in total in both the survey Nos. that is under Survey No. 429/1 (5 acres and 18 guntas) and under Survey No. 429/2A (36 Guntas). Based on the request to Survey Department, the Survey of land was got done on 16.03.2017. Based on the Survey Report, noticing that, there is a shortage of land to the extent of 26 Guntas, KAPL requested M/s Karnataka State Financial Corporation (KSFC) to consider the revised land available for the purpose of the cost of the land and refund the differential amount and also register the property in our name.

In view of the above, Company is continuously following it up with M/s KSFC, Dharwad and Bengaluru vide our letters dated 07.06.2017, 05.12.2017 and 29.01.2018 to speed up the matter of refunding the differential

amount and for registering the property in the name of M/s Karnataka Antibiotics and Pharmaceuticals Limited (KAPL). The matter was followed up through letter dated 02-07-2018. M/s. Karnataka State Financial Corporation (KSFC) decided to have joint measurement of the land available. In joint measurement, shortage of land to the extent of 26 guntas is being reported and we have requested for refund of differential amount and registration of property in our name through letter dated 24-01-2019 and matter is being followed up.

In the mean time, M/s Elvina Pharmaceuticals Limited, Managing Director and Others filed a Writ Petition at Honourable High Court of Karnataka, Dharwad Bench vide Writ Petition No. 100258/2018 against M/s Karnataka State Financial Corporation (KSFC), represented by its Deputy General Manager, Rayapur Taluka, Dharwad Dist. First Party, The Deputy General Manager, M/s Karnataka State Financial Corporation (KSFC) Rayapur Taluka, Dharwad Dist. 2nd Party and M/s Karnataka Antibiotics and Pharmaceuticals Limited (KAPL) Represented by its Managing Director, Bengaluru 3rd Party. The company has appointed an advocate to represent the case.

47. The details of useful life of the used assets purchased (Dharwad Plant) is as follows :

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

48. Amounts are rounded off to nearest lakh rupees.

49. Figures of previous year have been regrouped/rearranged wherever necessary.

In terms of our report attached.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

In terms of our report attached

For DAGLIYA & CO.

Chartered Accountants
FRN: 000671S

P. MANOHARA GUPTA

Partner
Membership No. 016444

NIRJA SARAF

MANAGING DIRECTOR

R. RADHAKRISHNAN

Chief Financial Officer

JITENDRA TRIVEDI

DIRECTOR

JAGADEESH C.HIREMATH

Company Secretary

Place : Bengaluru

Date : 21st June, 2019

(Rs. in Lakhs)

SL. NO.	PARTICULARS	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
01	Value of Production	27573	28181	34201	40551	36682	38863
02	Sales Turnover	24159	24724	32692	38627	35383	36036
03	Exports (included in 2 above)	2554	2952	3397	2272	2397	2803
04	Cash Profit	1428	2071	3358	5108	2380	3136
05	Profit before tax	1207	1733	3019	4707	1903	2523
06	Profit after tax	776	1106	1951	3033	1174	1582
07	Share Capital	1349	1349	1349	1349	1349	1349
08	Reserves & Surplus	8913	9724	11432	14465	15628	16609
09	Net Worth	10262	11073	12781	15814	16977	17958
10	Gross Block	3852	3945	4204	8092	8005	8443
11	Long Term borrowings	498	624	477	310	1300	975
12	Contribution to Exchequer	2757	2780	4113	5022	6269	7370
13	Manpower (No.)	738	728	712	731	717	658
14	Average Sales per Employee (Rs.)	38	32	46	53	49	55
15	Average production per factory employee (Rs.)	123	128	162	194	176	196
16	Dividend (%)	20	14	15	18	20	22
17	Book Value per share (Rs.) (Face value of Rs. 100)	761	821	947	1172	1258	1331
18	Earning per Share (Rs.) (Face Value of Rs. 100)	58	82	145	225	87	117
19	Sundry Debtors to sales (%)	29	26	25	24	29	30
20	Turnover to gross fixed Assets (%)	627	627	777	477	442	427
21	Value of closing inventory to Sales (%)	16	20	14	14	15	22
22	Finance cost to turnover (%)	0.12	0.06	0.04	0.18	0.28	0.54
23	Material cost to turnover (%)	50	48	47	45	47	48



Shri Sunil Kumar Kaimal, Managing Director, KAPL along with other Senior Officers planting sapling during Swachchata Pakhwada during Sept. 2019.



Visit of Journalists from Central Asian Countries to KAPL Plant on 28.4.2019 during display of KAPL Products.



CERTIFICATE

Management system as per
ISO 9001 : 2015

In accordance with TÜV NORD CERT procedures, it is hereby certified that

KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LTD.

OFFICE : Nirman Bhavan, Dr. Rajkumar Road,
1st Block, Rajajinagar, Bengaluru - 560 010,
FACTORY : Plot No.14, Phase II,
Peenya Industrial Area, Bengaluru - 560 058,
Karnataka,
India

applies a management system in line with the above standard for the following scope

**Formulation Development, Production, Testing, Marketing of Antibiotics
and Pharmaceutical Products of Allopathic and Ayurvedic Medicines
for Human and Veterinary use.**

Certificate Registration No. 44 100 133217
Audit Report No. 2.5-4399/2009

Valid until 09.01.2022
Valid from 10.01.2019
Initial certification 08.10.2009

SK Kulkarni

Certification Body
at TÜV NORD CERT GmbH

Issue 14.12.2018
Place : Mumbai

This certification was conducted in accordance with the TÜV NORD CERT auditing and certification procedures
& shall be valid subject to regular Surveillance Audits.

TÜV NORD CERT GmbH Langemarckstrasse 20 45141 Essen www.tuev-nord-cert.com
TUV India Pvt. Ltd., 801, Raheja Plaza - 1, L.B.S. Marg, Ghalkopar (W), Mumbai - 400 086, India www.tuv-nord.com/in



CERTIFICATE

Management system as per
ISO 14001 : 2015

In accordance with TÜV NORD CERT procedures, it is hereby certified that

KARNATAKA ANTIBIOTICS & PHARMACEUTICALS LTD.

OFFICE : Nirman Bhavan, Dr. Rajkumar Road,
1st Block, Rajajinagar, Bengaluru - 560 010,
FACTORY : Plot No.14, Phase II,
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