

## INDEPENDENT AUDITOR'S REPORT

To  
The Members of  
KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED

### Report on the Audit of the Standalone Ind AS Financial Statements of KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED

#### Opinion

We have audited the standalone Ind AS financial statements of Karnataka Antibiotics and Pharmaceuticals Limited ("the Company"), which comprise the balance sheet as at 31<sup>st</sup> March 2021, the statement of profit and loss (including other comprehensive income), the statement of changes in equity, the 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.

**Subject to the possible effects of the matters described in Other Matter paragraphs below,** in our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013 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, 2021, the profit, changes in equity and its Cash Flows for the year ended on that date.

#### Basis for Opinion

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 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.

Independent Auditor's Report  
Karnataka Antibiotics and Pharmaceuticals Limited  
for the year ended 31<sup>st</sup> March 2021



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## **Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance 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 accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors 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 the Board of Directors 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**

Our objectives are to obtain reasonable assurance about whether the 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.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Matter

The financial statements for the year ended March 31, 2020, were audited by previous auditor who expressed an unmodified opinion on those statements on 29<sup>th</sup> July, 2020.

Our opinion is not modified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure – A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. We are enclosing a statement in terms of section 143(5) of the act, on the basis of such checks of books and records of the company as we consider appropriate and according to the information and explanations given to us, in "Annexure – B" on the matters specified in the directions and additional directions issued by the Comptroller and Auditor General of India in respect of the Company.
3. As required by Section 143(3) of the Act, we report that:
  - i. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - ii. 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.
  - iii. The Balance Sheet, the Statement of Profit and Loss, the Statement of changes in equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - iv. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - v. Being a Government company, the provisions of Section 164(2) of the Act in respect of disqualification of directors are not applicable to the company in terms of notification no. GSR 463(E) dated 5<sup>th</sup> June, 2015 issued by Ministry of Corporate Affairs, Government of India.
  - vi. Being a Government company, the provisions of Section 197 of the Act in respect of managerial remuneration are not applicable to the company in terms of



notification no. GSR 463(E) dated 5<sup>th</sup> June, 2015 issued by Ministry of Corporate Affairs, Government of India.

- vii. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure - C".
- viii. 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 on its financial position in its financial statements – Refer Note 32 to the financial statements;
  - ii. the Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. at the Company, there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

Place: Bengaluru  
Date: 26<sup>th</sup> October 2021  
UDIN: 21229381AAAAAV7146



For Yoganandh & Ram LLP  
Chartered Accountants  
FRN: 005157S/S200052

A handwritten signature in blue ink, appearing to read "T Chandra Prakash Jain".

T Chandra Prakash Jain  
Partner  
Membership No.229381

## Annexure – A

to the Independent Auditor's Report of even date on the Audit of the Standalone Ind AS Financial Statements of Karnataka Antibiotics and Pharmaceuticals Limited

(Referred to in paragraph 1 under the heading 'Report on Other Legal and Regulatory Requirements' of our report of even date to the financial statements of the company for the year ended March 31, 2021)

**Statement on the matters specified in paragraphs 3 and 4 of Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, to the extent applicable.**

- (i) (a) The Karnataka Antibiotics and Pharmaceuticals Limited ("the Company") is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) There is a regular programme of physical verification of its fixed assets by which all the fixed assets are physically verified by the management over a period of three years. In our opinion the periodicity of the physical verification is reasonable having regard to the size of the company and the nature of fixed assets. In accordance with this program, certain fixed assets were verified during the year and no material discrepancies have been noticed on such verification.
- (c) The title deeds of immovable properties are held in the name of the company except those given below:

Sl. No	Details of property	Gross Block (Net of grants) Amount in Rs. In Lakhs	Remarks
1.	Kadabagere Land	1.23	Pending registration. Details in note 47 of the financial statements
2.	Dharwad Plant	331.90	Pending registration. Details in note 47 of the financial statements

- (ii) According to information and explanation given to us, physical verification of inventory has been conducted by the management once in a year and no material discrepancies were noticed, *However, the frequency of verification of finished goods at branches are not reasonable or adequate, considering size of the company.*
- (iii) According to information and explanation given to us, the company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships

or other parties covered in the register maintained under section 189 of the Companies Act, 2013.

- (iv) According to information and explanation given to us, the company has not given loans, investments, guarantees, and security to the persons mentioned under provisions of section 185 and 186 of the Companies Act, 2013.
- (v) The Company has not accepted any deposits from the public and hence 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 are not applicable.
- (vi) The Central Government has prescribed the maintenance of cost records under Section 148(1) of the Act. Company is generally maintaining proper cost records as specified by the Central Government under sub-Section (1) of Section 148 of the Companies Act, 2013
- (vii) (a) According to information and explanations given to us, in respect of statutory dues the company has been generally regular in depositing undisputed statutory dues including Provident Fund and Employees State Insurance, Income Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. There were no undisputed amounts payable in respect of including Income - Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues were in arrears as at March 31, 2021 for a period of more than six months from the date on when they become payable.
- (b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute, except the followings:

Name of Statute / Authority	Nature of dues	Period	Forum where dispute is pending	Amount in Rs. In Lakhs
VAT Act - Bihar	Sales tax on feed supplements, sale of gauge & bandages	FY 1999-2000	JCCT, Patna	7.33
CST Act - Bihar	Sales tax on feed supplements, sale of gauge & bandages	FY 1999-2000	JCCT, Patna	0.19

VAT Act – Bihar	Sales tax on feed supplements, sale of gauge & bandages	FY 2000-2001	JCCT, Patna	7.14
CST Act – Bihar	Sales tax on feed supplements, sale of gauge & bandages	FY 2000-2001	JCCT, Patna	3.73

- (viii) According to the information and explanations furnished to us, the Company has not defaulted in repayment of any loans and borrowings from Financial Institutions or Banks or government or dues to debenture holders.
- (ix) According to the information and explanations furnished to us, the Company has not raised money(s) by way of initial public offer or further public offer (including debt instruments) or term loans during the year under report. Accordingly, the provisions of Clause (ix) of Paragraph 3 of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.
- (x) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.
- (xi) Being a Government company, the provisions of Section 197 of the Act in respect of managerial remuneration are not applicable to the company in terms of notification no. GSR 463(E) dated 5<sup>th</sup> June, 2015 issued by Ministry of Corporate Affairs, Government of India.
- (xii) In our opinion, the Company is not a Nidhi company. Therefore, the provisions of Clause (xii) of Paragraph 3 of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.



- (xv) According to the information and explanations given to us the company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Yoganandh & Ram LLP  
Chartered Accountants  
FRN: 005157S/S200052



Place: Bengaluru  
Date: 26<sup>th</sup> October 2021  
UDIN: 21229381AAAAAV7146

A handwritten signature in blue ink, appearing to read "T Chandra Prakash Jain".

T Chandra Prakash Jain  
Partner  
Membership No.229381

## Annexure – B

to the Independent Auditor's Report of even date on the Audit of the Standalone Ind AS Financial Statements of Karnataka Antibiotics and Pharmaceuticals Limited

(Referred to in paragraph 2 under the heading 'Report on Other Legal and Regulatory Requirements' of our report of even date to the financial statements of the company for the year ended March 31, 2021)

**Statement on the Direction of the Comptroller and Auditor General of India required under sub section 5 of section 143 of the Companies Act, 2013 ("the Act")**

Sl.No	Directions	Our Response
I.	Whether the company has system in place to process all the accounting transaction through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, the company has IT systems to process the accounting transactions.  <i>However, accounting for consignment sales shall be strengthened.</i>
II.	Whether there is any restructuring of an existing loans or cases of waiver/write off of debts /loans/ interest, etc., made by a lender to the company due to the company's inability to repay the loan? If yes, financial impact may be stated. Whether such cases are properly accounted for? (In case, lender is a government company, then this direction is also applicable for statutory	In our opinion, and according to the information and explanations given to us, the company neither have restructured any loan nor waived/write off of debts /loans/ interest, etc., during the year.

	auditor of lender company).	
III.	Whether funds (grants/subsidy etc.) received/ receivable for specific schemes from central / state agencies or its agencies were properly accounted for/ utilised as per its terms and conditions? List the cases of deviations.	According to the information and explanations given to us, the grant received has been properly accounted for/ utilised as per its terms and conditions.

**Statement on the Additional Direction of the Comptroller and Auditor General of India required under sub section 5 of section 143 of the Companies Act, 2013 ("the Act")**

Sl.No	Additional Directions	Our Response																		
I.	Whether the company has sought and obtained confirmation of all trade receivables, including those from Government bodies and institutions? If no, amount for which confirmation was not sought and amount for which confirmation has not been received may be indicated separately along with age-wise-break-up of these dues.	<p>No, The company has not sought confirmations of all trade receivables.</p> <p>Details of the amounts for which</p> <p style="text-align: right;">(Amount in Lakhs)</p> <table border="1"> <thead> <tr> <th>ageing / details</th> <th>confirmation was not sought</th> <th>confirmation sought, but has not been received</th> </tr> </thead> <tbody> <tr> <td>Less than 180 days</td> <td>183.08</td> <td>5,073.88</td> </tr> <tr> <td>180 days to 365 days</td> <td>190.57</td> <td>928.22</td> </tr> <tr> <td>365 days to 730 days</td> <td>51.29</td> <td>951.19</td> </tr> <tr> <td>Greater than 730 days</td> <td>67.45</td> <td>628.39</td> </tr> <tr> <td>Total</td> <td>492.41</td> <td>7,581.68</td> </tr> </tbody> </table>	ageing / details	confirmation was not sought	confirmation sought, but has not been received	Less than 180 days	183.08	5,073.88	180 days to 365 days	190.57	928.22	365 days to 730 days	51.29	951.19	Greater than 730 days	67.45	628.39	Total	492.41	7,581.68
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Greater than 730 days	67.45	628.39																		
Total	492.41	7,581.68																		
II.	Whether the company has sought confirmation of all trade payables? Whether there are any major differences	Yes, the company has sought confirmation of all trade payables.																		

<p>between amount being reported by the company and amount informed by the Creditors? Whether all these differences were reconciled? If no, details of cases with major differences.</p>	<p>Yes, there are no major differences between amount being reported by the company and amount informed by the Creditors.</p>
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Place: Bengaluru  
Date: 26<sup>th</sup> October 2021  
UDIN: 21229381AAAAAV7146



For Yoganandh & Ram LLP  
Chartered Accountants  
FRN: 005157S/S200052

T Chandra Prakash Jain  
Partner  
Membership No.229381

## **Annexure – C**

to the Independent Auditor's Report of even date on the Audit of the Standalone Ind AS Financial Statements of Karnataka Antibiotics and Pharmaceuticals Limited

(Referred to in paragraph 3(f) under the heading 'Report on Other Legal and Regulatory Requirements' of our report of even date to the financial statements of the company for the year ended March 31, 2021)

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

We have audited the internal financial controls over financial reporting of Karnataka Antibiotics and Pharmaceuticals Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the Standalone 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 over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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



of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

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

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

### **Opinion**

In our opinion and according to the information & explanations given to us, **Subject to the possible effects of the matters described in Other Matter paragraphs of Independent Auditor's Report of even date on the Audit of the Standalone Ind AS Financial Statements**, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of



internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Yoganandh & Ram LLP  
Chartered Accountants  
FRN: 005157S/S200052



Place: Bengaluru  
Date: 26<sup>th</sup> October 2021  
UDIN: 21229381AAAAAV7146

T Chandra Prakash Jain  
Partner  
Membership No.229381