

INDEPENDENT AUDITOR'S REPORT

To the Members of Karnataka Antibiotics and Pharmaceuticals Limited.

**Report on the Audit of the Standalone Ind AS Financial Statements**

**Opinion**

We have audited the accompanying 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 2023, the statement of profit and loss (including other comprehensive income), 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.

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, 2023, 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.





## **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.





## Report on Other Legal and Regulatory Requirements


1. As required by the Companies (Auditor's Report) Order, 2020 ("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 issued by the Comptroller and Auditor General of India.
3. 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 Profit and Loss, the Statement of changes in equity and cash flows statement dealt with by this Report are in agreement with the books of account.
  - d) 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.
  - e) 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.
  - f) Being a Government company, the provision of Section 197 of the Act in respect of Managerial remuneration are not applicable to the company in terms of notification number GSR 463(E) dated 5<sup>th</sup> June, 2015 issued by Ministry of Corporate Affairs, Government of India.
  - g) 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".



h) 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 33 A 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.
- iv. The Company has declared and paid dividend during the year which is in compliance with section 123 of the Act.
- v. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 for maintaining books of account using accounting software which has a feature of recording audit trail (edit log) facility is applicable to the Company with effect from April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not required for the financial year ended March 31, 2023.

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

  
Manoj Kumar Jain  
Partner



Membership No.: 218610  
UDIN: 23218610BGXKED3897

Place:  
Date: 18<sup>th</sup> July 2023



## Annexure - A

To the Independent Auditor's Report of even date on the Audit of the Standalone Ind AS Financial Statements of Karnataka Antibiotics & 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, 2023)

Statement on the matters specified in paragraphs 3 and 4 of Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of subsection (11) of section 143 of the Companies Act, 2013, to the extent applicable.

i. In respect of the Company's Property, Plant and Equipment and Intangible Assets:

a. (A) The company is maintaining proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment.

(B) The Company is maintaining proper records showing full particulars of intangible assets.

b. There is a regular programme of physical verification of its fixed assets by which all the Property, Plant and Equipment have been physically verified by the management over a period of three years. In our opinion the periodicity of the physical verification is reasonable having regards to size of the company and the nature of fixed assets. In accordance with the program, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.

c. The title deeds of all the immovable properties are held in the name of the Company.

d. According to the information and explanation given to us, the company has not revalued its Property, Plant and Equipment (including Right of Use assets) or intangible assets or both during the year.

e. According to the information and explanation given to us, no proceedings have been initiated or are pending against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

ii. a. According to the information and explanation given to us, physical verification of inventory has been conducted by the management twice 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 the size of the company.



b. As disclosed in Note 19 to the financial statements, the company has renewed the existing working capital limit in excess of Rs. 5 Crores in aggregate from banks during the year on the basis of security of stock in trade and book debts on Pari-Passu basis and collateral security of fixed assets other than the fixed assets charged to Bank of Baroda for Term Loan on Pari-Passu Basis. The quarterly returns/statements filed by the Company with such banks are in agreement with the books of account of the Company.

- iii. According to the information and explanation given to us, the company has not made investments in, provided any guarantee or security or granted any loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties and hence reporting under Clause 3(iii) of the Order is not applicable.
- iv. According to the information and explanation given to us, the company has not given loans, investments, guarantees, and security, and hence reporting under Clause 3(iv) of the Order is not applicable.
- v. The company has not accepted any deposits or amounts which are deemed to be deposits and hence reporting under Clause 3(v) of the Order is not applicable.
- vi. The Central Government has prescribed the maintenance of cost records under Section 148(1) of the Companies Act, 2013. The company in general, is maintaining proper records as specified.
- vii. (a) According to the information and explanation given to us, in respect to statutory dues of the company, the company has been regular in depositing undisputed statutory dues including Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities.

There were no undisputed amounts payable in respect of Income-Tax, Sales tax, Goods and Service tax, Duty of Customs, Duty of Excise, Value added tax, Cess and any other statutory dues of the company were in arrears as at March 31, 2023 for a period of more than six months from the date they became payable.

(b) According to the information and explanation given to us, there were 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 the Statue/Authority	Nature of dues	Period	Forum where dispute is pending	Amount in Rs. Lakhs*
VAT Act - Bihar	Sales Tax on feed supplements, sale of gauge and bandages	FY 1999-2000	JCCT, PATNA	7.33





CST Act - Bihar	Sales Tax on feed supplements, sale of gauge and bandages	FY 1999-2000	JCCT, PATNA	0.19
VAT Act - Bihar	Sales Tax on feed supplements, sale of gauge and bandages	FY 2000-2001	JCCT, PATNA	7.14
CST Act - Bihar	Sales Tax on feed supplements, sale of gauge and bandages	FY 2000-2001	JCCT, PATNA	3.73

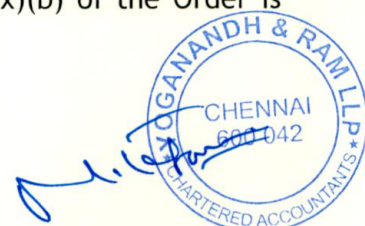
viii. According to the Information and explanations give to us, there were no transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).

ix.

- According to the information and explanation given to us and in our opinion, Company has not defaulted in repayment of loans or other borrowings from any lender.
- According to the information and explanation given to us, Company has not been declared as wilful defaulters by any bank or financial institution or other lender.
- According to the information and explanation given to us, Company has not raised any term loans during the year and hence reporting under Clause 3(ix)(c) of the Order is not applicable.
- On overall examination of the financial statements of the Company, no fund raised on short term basis have been used for long term purposed by the Company.
- As the Company does not have any subsidiaries, joint ventures or associate Companies, reporting under Clause 3(ix)(e) of the Order is not applicable.
- As the Company does not have any subsidiaries, joint ventures or associate Companies, reporting under Clause 3(ix)(f) of the Order is not applicable.

x. (a) The Company has not raised money by way of initial public offer or further public offer including debt instruments during the year. Hence reporting under Clause 3(x)(a) of the Order is not applicable.

(b) During the year, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially, or optionally convertible) and hence, reporting under Clause 3(x)(b) of the Order is not applicable.





- xi. (a) According to the information and explanation given to us, no fraud by the Company or any fraud on the Company has been noticed or reported during the year.
- (b) No report under sub-section (12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government during the year and up to the date of this report.
- (c) We have been informed that, as the Company is unlisted, the Company has not established Whistle blower reporting mechanism.
- xii. The Company is not a Nidhi Company, accordingly reporting under Clause 3(xii) of the Order is not applicable.
- xiii. In our Opinion and according to the information and explanation provided 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. (a) The Company has an internal audit system commensurate with the size and nature of its business.
- (b) The internal audit reports of the Company issued till date of our audit report, for the period under audit have been considered by us.
- xv. According to the Information and explanation provided to us, the Company has not entered any non-cash transactions with directors or persons connected with its directors and accordingly reporting under Clause 3(xv) of the Order is not applicable.
- xvi. According to the information and explanation provided to us and in our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Hence, requirement to report on Clause 3(xvi) (a), (b), (c) and (d) of the Order is not applicable.
- xvii. The Company has not incurred cash losses in the financial year covered by our audit and in the immediately preceding financial year.
- xviii. There has been no resignation of the statutory auditors of the Company during the year.
- xix. On the basis of the financial ratios disclosed in Note No 49 to the financial statements, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, and our knowledge of the Board of Directors and Management plans



and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

- xx. a) In respect of other than ongoing projects, there are no unspent amounts that are required to be transferred to a fund specified in Schedule VII of the Companies Act (the Act), in compliance with second proviso to sub-section (5) of section 135 of the said Act. This matter has been disclosed the in the Note 38 to the financial statements.
- (b) There are no unspent amounts in respect of ongoing projects, that are required to be transferred to a special account in compliance with provision of sub-section (6) of section 135 of the said Act.
- xxi. As the Company does not prepare the Consolidated Financial Statements, requirement to report on Clause 3(xxi) of the Order is not applicable.

Place: Bengaluru  
Date: 18<sup>th</sup> July 2023

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



Manoj Kumar Jain  
Partner  
Membership No.: 218610  
UDIN: 23218610BGXKED3897





## 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, 2023)

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.
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 auditor of lender company).	In our opinion, and according to the explanations given to us, the company neither have restructured any loan nor waived/write off of debts/loans/interest, etc, during the year.
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.	The Company has not received / receivable any funds under specific schemes from Central/ State agencies.

Place: Bengaluru  
Date: 18<sup>th</sup> July 2023

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



Manoj Kumar Jain  
Partner  
Membership No: 218610  
UDIN: 23218610BGXKED3897



## **Annexure - C**

**To the Independent Auditor's Report of even date on the Audit of the Standalone Ind AS Financial Statements of Karnataka Antibiotics & 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, 2023).

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

We have audited the internal financial controls over financial reporting Karnataka Antibiotics & Pharmaceuticals Limited ("the Company") as of March 31, 2023 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 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, 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, 2023, 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.

Place: Bengaluru  
Date: 18<sup>th</sup> July 2023

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



Manoj Kumar Jain  
Partner  
Membership No: 218610  
UDIN: 23218610BGXKED3897

