KARNATAKA ANTIBIOTICS AND PHARMACEUTICALS LIMITED

Company Overview:

Karnataka Antibiotics & Pharmaceuticals Limited (or 'the Company') was incorporated in the year 1981 as a Govt. of India Enterprise with the objective of supplying life saving drugs at affordable prices. The Company's manufacturing facility at Bangalore started its commercial production during the year 1984 for the manufacture of Dry Powder Vials, Liquid Parenterals, Tablets, Capsules, etc.

SIGNIFICANT ACCOUNTING POLICIES:

1. **Basis for preparation of financial statements**:

   The financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles in India on accrual basis to comply in all material aspects with the accounting standards specified under section 133 of Companies Act, 2013 read with Rules 7 of Companies (Accounts) Rules, 2014 and relevant provisions of Companies Act, 2013 as applicable.

2. **Use of Estimates:**

   The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the reported balances revenues, expenses, assets, and liabilities and disclosures relating to contingently liabilities at the end of the reporting period. However, these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets and liabilities in future periods.

3. **Property, Plant and Equipments (PPE)**:

   PPE are stated at cost net of accumulated depreciation. The cost comprises purchase price, non-refundable taxes and duties, borrowing cost if capitalization criteria are met and other directly attributable cost for bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

   Capitalization:

   All direct expenses identifiable to the project during the construction period are capitalized. In respect of project activities which are carried on concurrently with production, expenses on administration and supervision incurred (the bifurcation of which between production and construction is not ascertained) are charged to revenue. Initial spares supplied along with equipment/machinery by the suppliers are capitalized.

4. **Depreciation**:

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

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

5. **Impairment of Assets:**

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

6. **Borrowing Costs:**

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as a part of the cost of the asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to the Profit and Loss Statement of the year in which they are incurred.

7. **Investments:**

Long term investments are stated at cost. However, provision for diminution is made to recognize a decline, other than temporary. Current investments are stated at lower of cost and fair value. Cost includes brokerage, fees and duties. On disposal of investments, the difference between the carrying amount and net proceeds is charged off or credited to the Profit and Loss Statement.

8. **Inventories:**

8.1 Raw materials are valued at lower of cost or net realisable value. The cost is determined on First-in-First out basis. Cost includes taxes, duties and freight and is net of Cenvat/VAT. Raw materials identified as obsolete are provided for.

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

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

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

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

9. **Revenue Recognition:**

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

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

ii) in the case of " FOB " sale contracts, sale is recognised based on the date of shipment of goods on Board.

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

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

10. **Employee Benefits:**

a) Employee Benefits are recognised, measured and disclosed as per Accounting Standard-15 (Revised 2005) – "Employee Benefits".

b) Employee Benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Statement of Profit & Loss in the year in which the contributions are due.

c) Measurement of obligation towards Post Employment Benefits under Defined Benefit Plans such as Gratuity and Long Term Benefits such as Leave and Sickness Benefits are determined on actuarial basis using Projected Unit Credit Method. Actuarial gains or losses are recognized in the Profit and Loss Statement.

d) Termination Benefits (including under VRS) are charged in the year of termination of employment.

e) The benefits are after taking into consideration actuarial gains or losses.

11. **Foreign Exchange Transactions:**

a) **Initial recognition:**
Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction.

b) **Conversion:**
Foreign currency monetary items under assets and liabilities are reported at year-end exchange rates.

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

12. **Taxes on Income:**

a) Provision for Current tax is made on the basis of taxable income estimated in accordance with the provisions of Income tax Act, 1961.

b) Deferred tax resulting from timing differences between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date.

c) Deferred tax assets arising from timing differences are recognized to the extent there is virtual certainty that these would be realized in future. Deferred tax Assets are carried forward to the extent it is reasonably/ virtually certain that future taxable profit will be available against which such deferred tax assets can be realized. Deferred tax assets are reviewed at each balance sheet date and written down/written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

13. **Prior Period Transactions:**

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

14. **Provisions and contingent liabilities:**

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

FOR AND ON BEHALF OF BOARD OF DIRECTORS

		Refer our report of Even date
K.M.PRASAD Managing Director	B T KHANAPURE Director	for Dagliya & Co. Chartered Accountants FRN: 00671S
N SANTHANA GOPALA KRISHNAN General Manager-Finance	JAGADEESH C.HIREMATH General Manager (HR & Admn) and Company Secretary	YASWANT DAGLIYA PARTNER Membership No. 009124

PLACE: BANGALORE
DATE: 29.6.2017

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