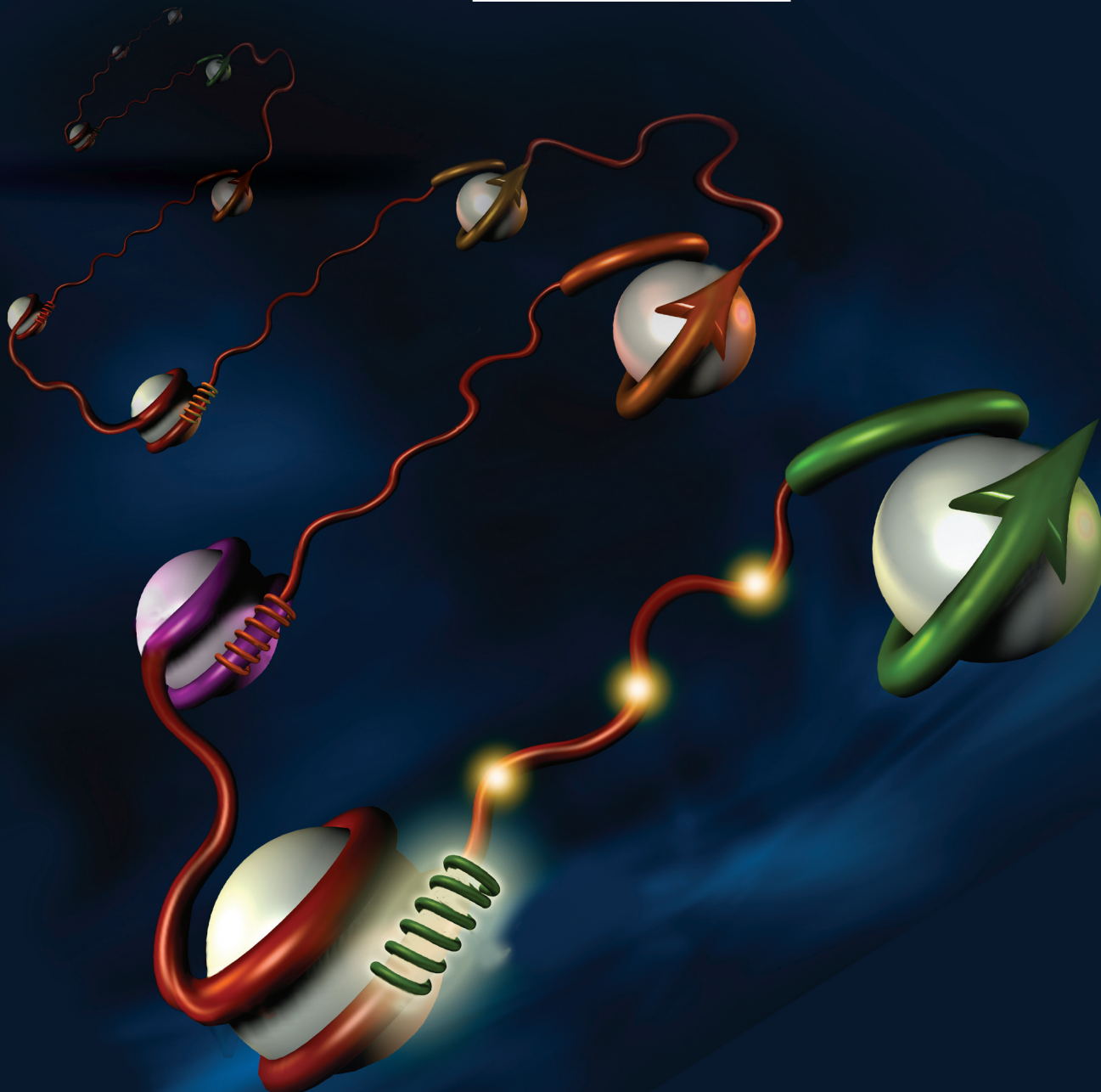

Annual Report 2010 - 2011



Annual Report

2010-2011

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Notice

Notice is hereby given that the Twenty Second Annual General Meeting of Zenotech Laboratories Limited will be held on Wednesday, July 25, 2012 at 11:00 A.M. at Auditorium of Hotel Taj Deccan, Road No. 1, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Profit and Loss account for the year ended March 31, 2011 and the Balance Sheet as at that date and the Reports of the Directors' and Auditors thereon.
2. To resolve not to fill the vacancy for the time being, caused by the retirement of Mr. Ranjit Kohli, who retires by rotation and does not seek re-appointment.
3. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and fix their remuneration. M/s. BSR & Associates, the retiring auditors are eligible for reappointment.

SPECIAL BUSINESS:

4. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ORDINARY RESOLUTION:

"RESOLVED THAT Dr. Ranbir S Bakshi, in respect of whom the Company has received a notice from a member pursuant to Section 257 of the Companies Act, 1956 alongwith requisite deposit proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as a ORDINARY RESOLUTION:

"RESOLVED THAT Mr. K L Khurana, in respect of whom the Company has received a notice from a member pursuant to Section 257 of the Companies Act, 1956 alongwith requisite deposit proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. To consider and if thought fit, pass with or without modifications(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED that pursuant to the provisions of Sections 94 and other applicable provisions if any, of the Companies Act, 1956, the Authorized Share Capital of the Company be and is hereby increased from Rs.35,00,00,000 (Rupees Thirty Five Crores Only) divided into 3,50,00,000 (Three Crore Fifty Lakhs Only) equity shares of Rs.10/- each to Rs.100,00,00,000 (Rupees One Hundred Crore Only) divided into 10,00,00,000 (Ten Crore Only) equity shares of Rs.10/- each."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or expedient to give effect to this Resolution."

7. To consider and if thought fit, pass with or without modifications(s), the following resolution as an ORDINARY RESOLUTION:

"RESOLVED pursuant to the provisions of Section 16 and other applicable provisions if any, of the Companies Act, 1956, for existing Clause V of the Memorandum of Association of the Company, the following Clause V be substituted:

Clause V

The Authorized Share Capital of the Company is Rs.100,00,00,000 (Rupees Hundred Crores Only) divided into 10,00,00,000 (Ten Crore Only) equity shares of Rs.10/- each. The Company has power from time to time to increase or reduce its capital and to divide the shares in the original or increased capital for the same in to several classes and to attach thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or provided by the regulations of the Company for the time being."

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or expedient to give effect to this Resolution."

8. To consider and if thought fit, pass with or without modifications(s), the following resolution as a SPECIAL RESOLUTION:

"RESOLVED pursuant to the provisions of Section 31 and other applicable provisions of the Companies Act, 1956, the Articles of Association of the Company be and are hereby amended as under:

1. In the beginning of the Articles of Association, under the heading 'Constitution', the word "not" appearing in the second line after the word "shall" be deleted.
2. For the existing Clause 3, following Clause 3 be substituted:
"The Authorised Share Capital of the Company is Rs. 100,00,00,000 (Rupees One Hundred Crores Only) divided into 10,00,00,000 (Ten Crore Only) equity shares of Rs.10/- each."
3. The following new Clause 6A be inserted after existing Clause 6:
6A: Buyback of shares
Subject to the provisions of the Act, the Company shall have the power to purchase from time to time , its own shares and any securities that may have right to subscribe for shares of the Company and make payment in respect of such buyback including the power to re-sell and/or re-issue of such shares and securities."
4. Clause 7: In line 2 the words "Article 7" be substituted with "under these Articles".
5. Clause 10 be deleted.
6. The heading "Shares and Debenture Certificates" appearing between Clause 14 and Clause 15 be deleted.
7. Clause 24: In line 2, the words "all money" be substituted with "call money".
8. Clause 26: In last line the word "my" be deleted.
9. Clause 27: In 4th line, word "give" be substituted with "given".
10. Clause 30: After end of second para, the heading "Clause 30A: Forfeiture and Lien" be inserted.
11. Clause 30 (f): In the heading, the word "or" appearing after the word "forfeiture" be substituted with the word "of".
12. Clause 37: The phrase "for a period of 6 years or more" be substituted with "as prescribed under the provisions of Companies Act, 1956".
13. Clause 40B: The heading "Devaluation of Rights" be deleted.
14. Clauses 42 to 48 be deleted.
15. Clause 95: The figures "Rs. 250/-" be substituted with the following phrase: "such sum as may be determined by the Board from time to time, subject to the limits prescribed under the Act or by the Central Government in this behalf".
16. Clause 102: In line 2, reference to Clause "104" be substituted with reference to Clause "101".
17. Clause 104: Heading "Which Directors" be substituted with "Provision in case of non-election of retiring Directors".
18. Clause 107: Heading "Rights of Persons" be substituted with "Notice of candidature for office of Director".
19. Clause 139(2): In line 4, reference to Clause "123" be substituted with reference to Clause "120".
20. Clause 153 (1): In last line, the name "Sunline Technologies Limited" be substituted with "Zenotech Laboratories Limited".

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to do all such acts, deeds and things as may be considered necessary or expedient to give effect to this Resolution."

**By Order of the Board
FOR Zenotech Laboratories Limited**

B. K. Raizada
Managing Director

Date : June 27, 2012

Notes:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The proxy form duly completed and signed should be deposited at the Registered Office of the company not later than 48 hours before the commencement of the meeting.**
 2. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
 3. The Register of members and Transfer Books of the Company will be closed from July 19, 2012 to July 25, 2012 (both days inclusive).
 4. The members are requested to -
 - a) Intimate to the Registrars and Transfer Agents of the Company / respective Depository Participants of changes, if any, in their registered addresses at an early date.
 - b) Quote Ledger Folio/Client ID in all the correspondence.
 - c) Bring the copy of the Annual Report and attendance slip with them to the Annual General Meeting.
 5. Shareholders holding shares in physical form are requested to advise any change of address immediately to Company's Registrar and Share Transfer Agent, Karvy Computershare Private Limited (Unit: Zenotech Laboratories Limited) Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad 500 081, Andhra Pradesh. For shareholders holding shares in electronic form, intimation needs to be made to their respective Depository participants and not to the Company/its Registrars.
 6. Members seeking any information with regard to accounts are requested to write to the Company Secretary at the earliest.
 7. Pursuant to the provisions of the Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the M/s. Karvy Computershare Private Limited, the Registrars and Transfer Agents at aforesaid address.
 8. The documents referred to in the proposed resolutions are available for inspection at the Registered Office of the Company during working hours between 9:00 A.M. to 1:00 P.M. except on holidays.
-

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**Brief resume and other information in respect of Directors seeking appointment at the Annual General Meeting pursuant to Clause 49 of the Listing Agreement****Item No.4**

The Company has received Notice alongwith requisite deposit of Rs. 500/- from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, proposing the candidature of Dr. Ranbir S Bakshi as a Director of the Company. Accordingly, the resolution for appointment of Dr. Bakshi as Director is being placed before the shareholders for their consideration.

Dr. Ranbir S Bakshi aged about 63 years did his M.B.B.S from Government Medical College, Amritsar. During his career spanning over 37 years Dr. Bakshi has been associated with various hospitals, NGOs and institutions providing community healthcare services to the underprivileged sections of society that had little or no access to basic healthcare. Dr. Bakshi has been associated with various programs providing preventive, promotive and curative services, spanning areas of maternal child health, family planning, reproductive health, adolescent health, health education including AIDS awareness.

Dr. Bakshi is neither a Director on the Board nor holds committee membership of any other company.

Dr. Bakshi does not hold any shares in the Company. He is not related to any Director of the Company.

Nature of expertise in specific functional area - Community Healthcare

None of the Directors are interested or concerned in the proposed Resolution.

Item No.5

The Company has received Notice alongwith requisite deposit of Rs. 500/- from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, proposing the candidature of Mr. K L Khurana as a Director of the Company. Accordingly, the resolution for appointment of Mr. Khurana as Director is being placed before the shareholders for their consideration.

Mr. K L Khurana aged about 70 years is a B. Tech. in Chemical Engineering from University of Madras and M. Tech. in Chemical Engineering from IIT Kharagpur. Mr. Khurana has a rich experience of over 43 years and had been earlier associated with companies like Coromandel Fertilizers Ltd., Hindustan Insecticides Ltd. and Ranbaxy Laboratories Ltd. Currently he is heading his own process design & engineering company, providing technical services to process industries and manufacturing process instruments.

Mr. Khurana is a Director on the Board of Amoli Organics Pvt. Ltd., Mumbai. He does not hold committee membership of any other company.

Mr. Khurana does not hold any shares in the Company. He is not related to any Director of the Company.

Nature of expertise in specific functional area - Pharmaceutical manufacturing, Projects & Technology management.

None of the Directors are interested or concerned in the proposed Resolution.

Item Nos. 6 & 7

The present authorised share capital of the Company is Rs. 35,00,00,000/- divided into 3,50,00,000 equity shares of Rs. 10/-each while the issued, subscribed and paid-up capital of the Company is Rs.34,42,75,000/- comprising of 3,44,27,500 equity shares of Rs.10/- each. Keeping in view the further fund requirements of the Company, it is proposed to increase the authorised share capital of the Company to Rs. 100,00,00,000/-(Rupees One Hundred Crores Only) divided into 10,00,00,000 (Ten Crore Only) equity shares of Rs.10/- each.

The proposed increase in the authorised capital of the Company and the corresponding alteration in the Memorandum of Association require approval of shareholders by way of an Ordinary Resolution.

The Board recommends the resolutions for the approval of the shareholders.

None of the Director of the Company are interested or concerned in the proposed Resolutions.

Item No. 8

It is proposed to amend the Articles of Association of the Company as detailed in the Resolution at Item no. 8, in view of:

- Increase in the Authorised Share Capital of the Company;
- Incorporation/effecting changes to make the Articles in line with the amendments in the provisions of the Companies Act & various Rules framed thereunder;
- Deletion of redundant & repetitive Clauses and
- Correction of anomalies and typographical errors in some other Clauses.

The said amendments require the approval of shareholders by way of a Special Resolution.

The Board recommends the resolution for the approval of the shareholders.

None of the Directors of the Company is concerned or interested in the proposed Resolution.

By Order of the Board
FOR Zenotech Laboratories Limited

B. K. Raizada
Managing Director

Date : June 27, 2012

Directors' Report

Your Directors herewith present the Twenty Second Annual Report together with the audited accounts of the Company for the year ended March 31, 2011.

Standalone Working Results under Indian GAAP

(Rs. in thousands)

Particulars	2010-11	2009-10
Sales(net)	70,014	65,651
Other Income	8,633	21,126
Depreciation	35,378	32,434
Amortisation of Misc. expenditure	15,232	11,942
(Loss)/Profit before tax	(148,278)	(124,749)
Exceptional Items	230,103	–
Current tax for earlier year written back	–	(203)
(Loss)/Profit after tax	(378,381)	(124,546)
(Loss)/Profit brought forward from previous year	(511,338)	(386,792)
(Loss)/Profit carried forward to Balance Sheet	(889,719)	(511,338)
Earnings Per Share (Rs.) - Basic	(10.99)	(3.62)

At the last Annual General Meeting (AGM) of the Company held on January 18, 2011, Dr. Sudershan K. Arora, Mr. Ranjit Kohli and Prof. N.K.Ganguly were appointed as Directors of the Company. Subsequently, Hon'ble High Court of Andhra Pradesh dismissed the appeal of Dr. Jayaram Chigurupati, Managing Director filed against the orders of the Hon'ble Company Law Board (CLB) for inclusion of the items for appointment of said Directors in the Notice of the AGM.

The reconstituted Board of Directors reviewed the state of affairs of the Company and being completely dissatisfied with the performance of Dr. Chigurupati, decided to appoint Mr. B.K.Raizada as another Managing Director for a period of two years effective March 19, 2011 subject to requisite approvals. The Board also allocated the responsibilities between the two Managing Directors. The CLB dismissed the appeal filed by Dr. Chigurupati against the said decision of the Board, and held that the appointment of Mr. Raizada was legal and he could perform his allocated duties as Managing Director. In view of Dr. Chigurupati continuing to act in total disregard to the directions of the Board and his performance continuing to be unsatisfactory, the Board of Directors in its meeting held on July 21, 2011, removed him from the position of Managing Director of the Company subject to approval of CLB, which is currently pending.

Despite the best efforts, Mr. Raizada and his Management team were not able to access the premises of Company's Registered Office and the plant in view of the Registered Office of the Company being locked and illegal strike by some of the employees of the Company. Finally in November 2011, pursuant to the orders of the CLB, the Management was able to get possession of the Plant facilities in the presence of Advocate Commissioner appointed by CLB.

Once the access, as explained above was provided, the Management began exercise for retrieval of assets, including a detailed technical and business assessment of the status of entire manufacturing facilities, fixed assets, inventories, key records and books of accounts of the Company. To the utter shock of the management, it was discovered that key records, assets, books of accounts and statutory records were missing. Appropriate action, including filing of criminal complaints against the persons responsible including Dr. Chigurupati, has already been initiated by the Management.

Due to non availability of the records, a comprehensive exercise was carried out to reconstruct the books of accounts and other financial information by obtaining requisite information from external sources including previous Auditors, banks and financial institutions, customers, suppliers, tax authorities, Registrar of the Companies, employees and other relevant sources as detailed in Schedule 22 in the notes to Accounts and forming part of the aforesaid financial statements (herein after "Schedule 22"). The said mechanism is also based on the announcement / guidance notes of Institute of Chartered Accountants of India.

The shareholders are further requested to note that in view of the non-availability of records, these accounts have been prepared on the basis of certain inferences based on the availability of information and in case, if the actual records are later found to be inconsistent with the present information, the accounts may be required to be redrawn.

Operations

The Company recorded a total loss after tax of Rs. 37.84 crores for the year ended March 31, 2011. Included in this figure is a loss from exceptional items of Rs 23.01 crores, mainly on account of provisions for impairment and doubtful debts/ advances, and a loss of Rs.14.83 crores being incurred from operations.

Since April 2011, there has been no production in the plant as employees of the Company were on an illegal strike. The Management after taking over the possession of the plant premises published an advertisement in English and local dailies advising employees to report for duty on or before November 23, 2011. While, some of the employees have joined back the duties, others have submitted their resignations which are being processed in accordance with the legal provisions. Necessary steps are being taken by the Company to resume operations at the plant.

Sale of the Company's products in Oncology has been resumed though Licenced production after necessary approvals from the various authorities. This has been done to ensure continued availability of your Company's products to meet tender commitments and demand for life saving drugs from the market. Soon after taking over the possession of premises in November, 2011, the Management reviewed matters relating to Technical viability and further steps required to be taken to restart the Company's facilities related to Bio-tech, Oncology Injectables manufacturing plant and FDA approved Injectables manufacturing Plant including the manpower requirements etc. Presently cleaning and validation of the process of all the facilities has started including training of new personnel, on completion of which, the Management is confident of restarting the operations. The Company has applied for renewal of all expired Drug licenses.

Share Capital

As per the intimation made earlier by the Company to BSE, it is learnt that 4,250 equity shares were allotted to four employees on November 16, 2009 under Company's ESOPs Scheme, which was subject to leave of CLB. CLB vide its order dated 06.08.2010 approved the allotment of 2500 shares and accordingly, an intimation to this effect was sent to BSE from Company stating that these shares are issued proportionately to the said four employees.

Auditors Qualifications/Remarks

With regard to qualifications/remarks contained in the Auditors' Report and Annexure thereto, your Directors' wish to state as under:

- a. Point No. 3(a), (b) and (c) of the main report as to recognition of certain expenditure and exceptional charges as well as non-recognition of potential financial consequences, the Management, for the reasons as explained in various foregoing paragraphs i.e. missing of books and records including supporting documents etc., read with Schedule 22, was not in a position to:
 - produce any document to support the nature, completeness validity and accuracy of the expenditure as quantified in 3(a) of the said report;
 - not able to make provision for potential financial implications of non-compliances.
 - justify the carrying value of respective fixed assets, capital work in progress etc., as detailed in Schedule 21 to the stated financials.

The Management, as mentioned above, has initiated necessary steps to recover various missing assets, valuable information and records before CLB as well as appropriate court of law.

Considering the un-audited financial results, as submitted under signature of Dr. Chigurupati to Bombay Stock Exchange upto the quarter ended December 31, 2010; reasonability of carrying value of certain fixed assets and the state of affairs of subsidiaries as more detailed in Schedule 22 etc., the management exercised its best judgment in recognition / non recognition of aforesaid expenses.

- b. Point No. 3 (d) of the main report as to completeness of disclosures on related parties, as required under Accounting Standard 18; despite best efforts, two of the Directors viz. Dr. Chigurupati and Mr. Raghu Vasu have chosen not to submit information as required under Sections 274 and 299 of the Companies Act as mentioned in Note no. 3(d) and 7 (v) of the Auditors report. The Management therefore has been unable to provide complete information as required under the said Accounting Standard.
- c. Point No. 5 of the main report as to recovery of amount paid to Dr. Jayaram Chigurupati as managerial remuneration from October 1, 2007 to March 31, 2011 in contravention of provisions of the Companies Act, 1956 along with Interest thereon; the Management wishes to reaffirm that the said matter is pending before the Court of the Hon'ble Chief Judge City Civil Court at Hyderabad. As the recovery of the claim is dependent of the outcome of the judicial action, no adjustments have been made to the financial statements.

- d. Point No. 4, 7(i) and 7(ii) of the main report as to significance of material misstatement of reconstructed books of accounts; the inability of Auditors' to obtain all the information and explanations necessary for the purpose of audit and thus to express their opinion on the financial statements, the Management wishes to state the following, in addition to what has been already mentioned either in this report or Schedule 22:
- i. Your Company has been unable to comply with various statutory requirements, the latest one being the Accounts for the year ended 31st March 2011, completion of statutory Audit and conducting the 22nd AGM of the Company due for the aforesaid financial year of the Company. It may be mentioned here that the present Management approached the Registrar of Companies, Andhra Pradesh, to grant extension of time for holding the aforesaid AGM on or before December 31, 2011. But, when the Management got the access to the premises and tried to set right the issues as explained above, inter-alia, books of accounts, records including vouchers and other information necessary to complete the statutory audit for 2010-11 was not available.
 - ii. the Management was unable to commence preparation of the Accounts for the year ended 31st March 2011 till December 2011, as a result of which the Company was unable commence the Statutory Audit and conduct the AGM on or before December 31, 2011.
 - iii. Due to non availability of all relevant books of account and records the present Management, was left with no other choice, but to carry out a detailed exercise to reconstruct whole of the books of accounts and other financial information by obtaining requisite information from external sources including previous Auditors, banks and financial institutions, customers, suppliers, tax authorities, Registrar of the Companies, employees and other relevant sources as detailed in Schedule 22.
 - iv. The management further wishes to emphasize that the process of Reconstruction of Books undertaken by the present management should be seen as a positive move to reconstruct value of each item of Balance Sheet based on widest possible data to check its veracity from a true and fair viewpoint and subject to certain implications and inferences etc, to be made in that connection. The said mechanism is supported by the announcement / guidance notes of Institute of Chartered Accountants of India and since, no other option was available to comply with the requirements of statutory Audit, the present Management, after much deliberation, had agreed to reconstruct the same and to complete the statutory Audit.
 - v. The shareholders are further requested note that the period under review was in total control of previous Management and as the present Management did not have any knowledge of the factual position, it had to make certain inferences based on the availability of above information.
 - vi. The Management would once again emphasize that as the present management completed the statutory Audit by complete reconstruction of books as explained above, the information provided in financial statements having its own limitations in so far as it relates to the financial year 2010-11 and in case, later on, if actual data is found, the same may force us to change the accounts may be required to be redrawn.
- e. Appointment of Internal Auditors as mentioned in Annexure, the Management wishes to state that the Company is in process of implementing a robust internal control system regarding inventory movements and has initiated institution of certain internal controls over purchases of goods and fixed assets and sale of goods and services post year-end. The Company has also started working to improve the system of internal controls by issuing necessary Standard Operating Procedures. Further, management is also contemplating to appoint an Internal Auditor, commensurate with the size of its operations, to review and strengthening of internal controls.
- f. Maintenance of cost records as required under Section 209(1)(d) of the Companies Act, 1956 as mentioned in Annexure, the Management wishes to state that the Company has now appointed M/s. K.C.Kohli & Co., Cost Accountants as Cost Auditor of the Company for audit of the cost accounts pertaining to Bulk Drugs and Formulations for the year 2011-12 & 2012-13. The Company is in the process of making requisite applications with the Central Government for seeking their approval for the aforesaid appointment of Cost Auditors.
- g. Accumulated losses at the end of the financial year are not less than fifty percent of its net worth and incurring of cash losses in the current year and immediately preceding financial year, as mentioned in Annexure, the Management wishes to state that necessary steps are being taken to revive the operations by management.
- h. Delay in payment of Interest on Secured loans: Note 10 of schedule 22 to the financial statements, as mentioned in Annexure, the Management wishes to state that interest on loan taken from Technology Development Board is overdue and is subject matter of arbitration proceedings. The Company would take necessary steps on receipt of the final award in this regard.
-

- i. Application for term loans taken by the Company, as mentioned in Annexure, the Management wishes to state that as on date, the Company has no outstanding loans from Banks/Financial institutions except loan outstanding from Technology Development Board (TDB) and in absence of the documents/records as explained above, your Directors are not in a position to comment further. Arbitration proceedings, started by TDB, are complete and the Award is awaited.
- j. Notice/Reporting of fraud on or by the Company- note 1 of Schedule 22, as mentioned in Annexure, the Management wishes to state that the Company has already taken requisite steps including filing of criminal complaints for retrieval of the records. The Management is also trying to retrieve records to the extent possible by obtaining certified true copies from various sources. The irregularities noted are under investigation and financial consequences of the same are being ascertained.

Consolidated Financial Statements

Upon taking control of the Company, the Management observed that no books of account and records were available regarding its overseas subsidiaries. As part of efforts to obtain relevant information the Company through its consultants and local advisors in the respective countries above reached out to the overseas subsidiaries. The Company has been unable to retrieve any relevant information, books and records and based on all reasonable efforts that it could have made under the circumstances believes that information relating to the subsidiaries is missing and the entities are either delinquent or do not exist anymore. The Management is currently in the process of evaluating the extent of the missing information and the regulatory non compliances, if, any relating to the above subsidiaries. Provision has not been made for potential financial consequences arising out of such ongoing evaluations, the outcome of which will depend on the nature and extent of non compliances which is currently not determinable.

In view of the above, consolidated accounts could not be prepared. Further, for the same reason, the Company has not been able to attach / provide the statements / particulars as required pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies.

Directors' Responsibility Statement

Subject to the limitations of the missing records and consequential reconstruction of the accounts as explained previously, the Board submits in compliance of Section 217 (2AA) of the Companies Act, 1956, as under:

- in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- the Directors had selected such accounting policies and applied them consistently and made judgments 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 and of the loss of the Company for that period;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities to the extent possible in the circumstances;
- the Directors had prepared the annual accounts on a going concern basis.

Employee Stock Option Scheme

Disclosures in this regard upto March 31, 2011 as required to be made in accordance with Clause 12 of SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are provided as Annexure A to this report.

Reports on Corporate Governance and Management's Discussion and Analysis

Reports on Corporate Governance alongwith the Certificate of Mr. Mahadev Tirunagari, practicing Company Secretary on the status of compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange and Management Discussion and analysis forms part of the Annual Report and enclosed as Annexure B to this report.

Deposits

The Company has not accepted any deposit under Section 58A of the Companies Act, 1956, during the year under review.

Auditors

M/s BSR & Associates, Chartered Accountants, Statutory Auditors of your Company hold office until the conclusion of the ensuing Annual General Meeting and are proposed to be reappointed at the said meeting to hold office until conclusion of 23rd AGM of the Company. The Company has received a certificate from them to the effect that their appointment if made would be within the limits prescribed under Section 224(1) of the Companies Act, 1956.

Directors

At the Board Meeting held on March 19, 2011, Dr. Sudershan K.Arora was elected as Chairman of the Board of Directors of the Company and Mr. B.K.Raizada was appointed as another Managing Director of the Company. The shareholders of the Company in the Extra-ordinary General Meeting held on July 21, 2011 unanimously approved the appointment of Mr. Raizada as Managing Director for a period of two years effective March 19, 2011 and payment of remuneration subject to the approval of the Central Government. The Company has made requisite application in this regard.

Justice (Retd.) A.Gopal Rao, who was appointed as a Director of the Company by the Hon'ble Andhra Pradesh High Court (Court), has resigned as Director of the Company effective July 7, 2011. The Board of Directors appointed Mr. Udbhav Ganjoo as an Additional Director of the Company w.e.f. December 9, 2011 who holds office till the conclusion of the ensuing Annual General Meeting (AGM). Mr. Ganjoo has sought not to be appointed as Director at the AGM. Mr. Ranjit Kohli retires by rotation at the AGM and has expressed his intention not to seek reappointment. Further, in terms of the Hon'ble Court's order dated April 24, 2012, Mr. A. Raghu Vasu, who was also appointed as a Director of the Company by the Hon'ble Court, has vacated the office of the Director.

The Directors place on record their warm appreciation for the contribution made by Justice (Retd.) A.Gopal Rao, Mr. Raghu Vasu, Mr. Ranjit Kohli and Mr. Udbhav Ganjoo during their tenure as Directors of the Company.

Particulars of Employees

In absence of the records/information available with the Company, the Directors are unable to confirm if during the year under review, any of the employees of the Company have drawn remuneration as specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Listing at Stock Exchange

The Equity Shares of the Company continue to be listed on Bombay Stock Exchange Ltd (BSE). The annual listing fees for the year 2010–2011 has been paid to the Exchange. BSE had issued a circular in March 2012 suspending the trading in the shares of the Company in view of the non-compliances of the Listing Agreement. However, the Hon'ble High Court of Andhra Pradesh, on considering the submissions of the Company that the non-compliances were due to non-availability of records with the existing management, granted stay against the said order of the BSE.

Energy Conservation, Research and Developments, Technology Absorption, Foreign Exchange Earnings and Outgo

The particulars relating to energy conservation, research and development, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not provided in view of non-availability of data in this regard for the afore stated reasons.

Acknowledgement

The Board of Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions, Banks, Government Authorities, Customers, Vendors and Members during the year under review.

Yours Directors also wish to place on record the sincere efforts and committed services put in by the employees who have stood by us in these difficult times.

For and on behalf of the Board

Place : New Delhi
Date : June 4, 2012

Dr. Sudershan K. Arora
Chairman

Annexure - A

Details of Stock Options granted under Zenotech Stock Option Scheme, 2005 (ZESOS, 2005) as on 31.03.2011*. Pursuant to SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

DESCRIPTION	PLAN - 1A	PLAN 2
Number of Options available under the Scheme	92,000	42,500
Total Number of Options granted	92,000	42,500
Options granted during the year	Nil	Nil
Pricing formula	The market price of the Share quoted on the Bombay Stock Exchange as per SEBI (ESOS & ESPS) Guidelines, 1999 in vogue.	
Options vested during FY 2010-11	Nil*	Nil*
Options exercised during FY 2010-11	Nil	Nil
The total number of shares arising as a result of exercise of options	Nil	Nil
Options lapsed during FY 2010-11 which are subject to reissue	Nil	Nil
Variation of terms of options	Nil	Nil
Money realized by exercise of options	Nil	Nil
Grant Price (Face value of Rs.10)	Rs. 69.70	Rs. 103.65
Total Number of options in force as on March 31, 2011 (cumulative)**	17,000*	32,500*
Grant details of members of senior management team during the year 2010-11	Nil	Nil
Number of other employees who receives a grant in any one year options amounting to 5% or more of options granted during that year	Nil	Nil
Number of employees who are granted options during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Nil	Nil
Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20	Rs .(10.99)	
Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options (in case the company has calculated the compensation cost using the intrinsic value of the Stock Options).	Not applicable, as the Company is valuing the options at fair value of the options granted.	

Weighted average exercise price fair value of stock options granted		
Stock Options granted on	17.07.2006	30.07.2008
Weighted Average Exercise Price	Rs. 69.70	Rs.103.65
Weighted Average Net Fair Value (Fair Value-Grant Price)	Rs.10.13	Rs.10.18
Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	The Black-Scholes options-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since, options-pricing models require use of substantive assumptions; changes therein can materially affect the fair value of options. The options-pricing models do not necessarily provide a reliable measure of the fair value of options.	
The main assumptions used in the Black- Scholes option-pricing model during the year were as follows:		
For each tranche Risk -free interest rate (%) & (Expected Life of options from the date(s) of grant (Years))	7.41%	7.56%
Expected volatility (%)	45.80%	
Dividend yield	0.00%	

* The information provided is as on March 31, 2011 and based on the inferred data. Majority of employees to whom these options have been granted are not joined the Company after reopen of facilities in November, 2011. Even the employees joined the Company have not opted to exercise the options, in view of the price of the scrip was quoting below the exercise price.

Corporate Governance Report for the year 2010-11

(As required under Clause 49 of the Listing Agreements entered into with Stock Exchanges)

1. A brief statement on company's philosophy on code of governance.

In the absence of essential statutory records and registers showing the necessary information, the present management is unable to comment on the compliance by the Company of all the essential elements during the financial year ended March 31, 2011. The Board also wishes to state that most of the present Board members have not occupied the office of director for most of the time during the year; they also did not get any chance to have some first-hand information on this compliance level.

Alternatively, based on the information in public domain like MCA website, BSE website, Sub-Registrar/Registrar Offices etc., and Information and records to the extent available with the Company, an attempt is made to apprise the share holders on compliance status of the Company with essential aspects of corporate governance.

Thus, the information provided hereunder is having its own limitations and in case, later on, if actual data found, the same may force us to change the information contained herein, to the extent, it is different from the data provided hereunder.

2. I. Board of Directors:

The details of the Board of Directors of the Company as on March 31, 2011 were as under:

Name of the Director	Category	Number of Directorships held in other companies	Number of Board Committee memberships held in other companies	Number of Chairmanships of Board Committees held in other companies
Dr. Sudershan K. Arora, Chairman	Non-Executive Non-Independent -Nominee of Ranbaxy Laboratories Limited	–	–	–
Mr. B.K.Raizada, Managing Director	Executive	3	1	–
Mr. Ranjit Kohli	Non-Executive Non-Independent -Nominee of Ranbaxy Laboratories Limited	–	–	–
Prof. N.K.Ganguly	Non-Executive Independent	–	–	–
Justice (Retd.) A.Gopal Rao	Non-Executive Independent	–	–	–
Mr. A.Raghu Vasu	Non-Executive Independent	The Company did not receive declarations from Mr. Raghu Vasu and Dr. Jayaram Chigurupati regarding their directorships.		
Dr. Jayaram Chigurupati	Executive			

Notes:

1. In the Board Meeting held on March 19, 2011:
 - a) Dr. Sudershan K.Arora was elected as Chairman of the Board of Directors of the Company.
 - b) Mr. B.K.Raizada was appointed as Managing Director of the Company. The shareholders of the Company in the Extra-ordinary General Meeting held on July 21, 2011 approved the appointment of Mr. Raizada as Managing Director for a period of two years effective March 19, 2011.
2. Justice (Retd.) A.Gopal Rao resigned as Director of the Company effective July 7, 2011
3. In terms of the Hon'ble Andhra Pradesh High Court's order dated April 24, 2012; Mr. Raghu Vasu deemed to vacate his office of the Director of the Company with effect from the date of the said order.
4. The Board of Directors of the Company in their meeting held on July 21, 2011, removed Dr. Chigurupati as Managing Director of the Company subject to CLB's approval, which is pending for disposal by Hon'ble Company Law Board.
5. As per the information available with the Company, none of the Directors were related interse. As Dr. Jayaram Chigurupati and Mr. Raghu Vasu did not provide declarations in this regard, the Company is not in a position to confirm in respect of the said Directors.

II. Board Meetings

Based on the filings done by previous management with BSE, it has been noticed that Board meetings of the Company were held on August 5, 2010, October 26, 2010, December 11, 2010 and February 12, 2011.

Further, a Board meeting was held on March 19, 2011 as explained above. Justice (Retd.) A.Gopal Rao, Prof. N.K.Ganguly, Dr. Sudershan K. Arora, Mr. Ranjit Kohli and Mr. B.K.Raizada attended the said meeting

III. In view of the ongoing litigations between Ranbaxy Laboratories Limited, the promoters of the Company and Dr. Chigurupati and his associates, which are sub-judice, the Company has not yet been able to constitute Audit, Compensation and Shareholders/Investors Grievance Committee.

A confirmation has received from Karvy Computershare Private Limited, Company's RTA, stating that there were no investor complaints received during the period ended March 31, 2011.

IV. General Body Meetings

Year	Particulars of the AGM	Day, Date & Time	Venue	Special Resolutions Passed, if any.
2009-10	21st AGM	Tuesday, January 18, 2011, at 11.00 A.M.	Survey No. 250-252, Turkapally Village, Sameerpet Mandal, R. R. District- 500 078	No special resolution passed
2008-09	20th AGM	Friday, February 26, 2010, at 12.00 Noon.	Survey No. 250-252, Turkapally Village, Sameerpet Mandal, R. R. District- 500 078	No special resolution passed
2007-08	19th AGM	Friday, February 26, 2010 at 10.00 A.M.	Survey No. 250-252, Turkapally Village, Sameerpet Mandal, R. R. District- 500 078	No special resolution passed

For past three years ending as on March 31, 2011; there were no ordinary or special resolutions passed through postal ballot. Further, no Special Resolution is proposed to be conducted through postal ballot at the ensuing Annual General Meeting.

V. Disclosures

- i. In view of the non-availability of records for the year ended March 31, 2011, it could not be verified:
 - a. if there were any materially significant related party transactions that were in potential conflict with the interests of Company. Transactions with related parties as per requirements of Accounting Standards - (AS-18) - "Related Party Disclosures" are disclosed in Schedule no. 22 to financial statements as at March 31, 2011.
 - b. If there were any non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years. The Board of Directors from time to time had expressed its concerns over various non-compliances made by the Company. Bombay Stock exchange Limited suspended the trading in the shares of the Company in view of the non-compliances of the Listing Agreement. However, the Hon'ble High Court of Andhra Pradesh, on considering the submissions of the Company that the non-compliances were due to non-availability of records with the existing management, granted stay against the said order of the BSE.
 - c. Details of compliance with mandatory requirements and adoption of the non mandatory requirements of this clause.
- ii. Dr. Jayaram Chigurupati, who was in control of affairs of the Company as the Managing Director of the Company for most of the period of financial year 2010-11, did not responded to the Company's request to provide CEO certificate with respect to the said year's financial statements as required under Clause 49 of the Listing Agreement. Alternatively, Mr.B.K.Raizada, Managing and Mr. Ramesh Jayaraman, Chief Financial Officer of the Company have provided the same as follows:

To
The Board of Directors
Zenotech Laboratories Limited

Certificate from Managing Director & Chief Financial Officer

The Board's decision to segregation of powers between the two Managing Directors, though made on March 19, 2011; effect was given only in the latter part of April, 2011 and the actual access to the premises by the present management, to perform their functions as per the mandate of the Board was possible only in November, 2011 due to the intervention of Hon'ble CLB that to in the presence of Advocate commissioners appointed by it from to time. In terms of the said segregation of the powers, finance function vest with the new management and thus, they, inter-alia, tried to start the audit due for the financial year ended March 31, 2011 as early as in May/June, 2011. However, in view of no co-operation from the old Management and no access was given to the premises to the new Management, audit could not be started until February, 2012.

After the said takeover of premises in November, 2011; when the present management set out to understand the state of affairs, to their utter shock and disbelief, found that, various assets including vehicles, most valuable technical documents and information, registers and records including statutory books and records were missing at the premises of the Company. Upon discreet enquiries made at departmental level, the management had filed affidavits / complaints before appropriate judicial/quasi judicial authorities against suspected/responsible persons for which the crimes are registered with police concerned and the investigation is under process.

In view of non-availability books and records necessary to complete the statutory audit for 2010-11, the new management completed the same by reconstruction of books, as detailed in Schedule 22 dealing with notes to accounts forming part of the financial statements prepared for the aforesaid period.

The Board is further requested to note that the period under review was in total control of previous management and thus the present management did not have any knowledge of the factual position and had to make certain inferences based on the availability of above information.

Thus, in case, later on, if actual data found, the same may force us to change the information contained in aforesaid financial statements, to the extent, it is different from the data provided in the said financial statements.

Subject to the foregoing, we, B.K. Raizada, Managing Director and Ramesh Jayaraman, Chief Financial Officer of Zenotech Laboratories Limited, responsible for the finance function, certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2011 and that to the best of our knowledge and belief, we state that:
 - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
 - (ii) these statements give a true and fair view of the Company's affairs and of the results of operations and cash flow. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.
- (b) since no proper books and records including supporting vouchers are available, we are unable to certify that, no transactions entered into by the Company during the year which are fraudulent, illegal.
- (c) since the entire period is under control of the previous management, we accept no responsibility for establishing and maintaining internal controls and for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have noticed deficiencies as more elaborated in the Auditors' report obtained on the aforesaid financials and we are in the process of taking rectification measures to be implemented in Financial Year 2012-13.
- (d) We are unable to certify, as to during the year under reference, that -
 - (i) there were no significant changes in the internal controls or overall financial reporting;
 - (ii) no significant changes in accounting policies were made that require disclosure in the notes to the financial statements; and
 - (iii) no instance of significant fraud and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting, has come to our notice.

For Zenotech Laboratories Limited

Place : Hyderabad
Date : 19.05.2012

B.K.Raizada
Managing Director

Ramesh Jayaraman
Chief Financial Officer

- iii. The list of mandatory requirements and extent of compliance of the same have been explained above. In view of the non-availability of information, the extent of compliance with other mandatory requirements could not be verified. The Company has not yet adopted any of the non-mandatory requirements of the Listing Agreement except for constitution of Remuneration Committee.

VI. General Shareholder information

General Shareholders information

1. Annual General Meeting

Date : July 25, 2012
 Time : 11.00 A.M.
 Venue : Hotel Taj Deccan, Road No.1, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh

2. Financial Calendar

Year ending : March 31, 2011
 AGM : July 25, 2012

3. Date of Book Closure : July 19, 2012 to July 25, 2012
 (Both days inclusive)

4. Listing on Stock Exchange : Bombay Stock Exchange Limited
 (The Company has paid the listing fee for 2010-11 to the Bombay Stock Exchange Limited)

5. Stock Code / Symbol on BSE (Physical & Demat) : ZENOTECH LAB / 532039

6. International Securities Identification Number (ISIN) allotted to the Company's Shares : INE486F01012

7. Market Price Data: High, Low (Based on the closing prices) and number of shares traded during each month in the financial year ended March 31, 2011 on the Bombay Stock Exchange Limited, Mumbai.

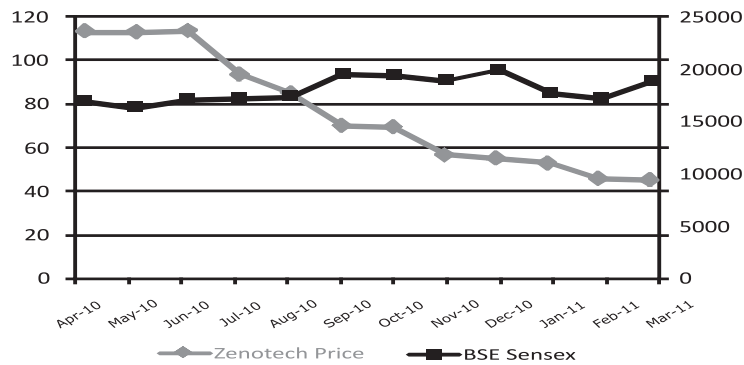
Month	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
Apr - 10	115.00	109.00	6,25,287
May - 10	122.30	108.50	3,09,520
June - 10	116.00	111.30	3,72,579
July - 10	119.20	91.20	23,91,975
Aug - 10	112.95	84.00	18,33,879
Sep - 10	89.90	69.20	3,52,787
Oct - 10	73.00	68.30	1,12,160
Nov - 10	74.00	53.35	81,888
Dec - 10	60.00	53.10	52,044
Jan - 11	57.40	50.50	46,927
Feb - 11	53.70	43.50	56,228
Mar - 11	49.45	42.00	1,10,506

8. Performance of share price of the Company in comparison to BSE Sensex

Month	Zenotech's Closing Price (Rs.)	BSE Sensex Closing
Apr - 10	113.10	17,558.71
May - 10	113.00	16,944.63
June - 10	113.55	17,700.90
July - 10	93.30	17,868.29
Aug - 10	84.95	17,971.12
Sep - 10	69.95	20,069.12
Oct - 10	69.35	20,032.34
Nov - 10	56.50	19,521.25
Dec - 10	55.00	20,509.09
Jan - 11	52.75	18,327.76
Feb - 11	45.60	17,823.40
Mar - 11	44.95	19,445.22

(Source: The information is compiled from the data available from the BSE website)

Chart pertaining to the movement of Company's share price on BSE compared to BSE Sensex during the financial year 2010-11



9. Registrar and Transfer Agents

Name & Address

: Karvy Computershare Private Limited (Unit: Zenotech Laboratories Limited)
 Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad 500 081
 Tel: 91 - 40 - 44655189; Fax: 91 - 40 - 23420814
 E-mail: ksreddy@karvy.com Website: www.karvy.com

10. Share Transfer System: The Company's shares are traded in the stock exchanges compulsorily in Demat form. The Company's Registrar and Transfer agent is the common agency to look after physical and Demat share work. The shares lodged for transfer at the registrar are processed and returned to shareholders within the stipulated time.

11. Shareholding (as on March 31, 2011):

a) Distribution of shareholding as on March 31, 2011

No. of Shares	Holding Capital	% to accounts	No. of Accounts	% to Total
1 - 500	8,32,520	2.42	6,217	87.88
501 - 1000	3,82,443	1.11	469	6.63
1001 - 2000	3,22,306	0.94	208	2.94
2001 - 3000	1,67,043	0.49	65	0.92
3001 - 4000	1,12,385	0.33	31	0.44
4001 - 5000	1,56,481	0.45	33	0.47
5001 - 10000	1,81,897	0.53	26	0.37
10001 & above	3,22,72,425	93.73	25	0.35
GRAND TOTAL	3,44,27,500	100.00	7,074	100.00

b) Categories of Shareholders as on March 31, 2010

Category	No. of shareholders	No. of shares	Percentage
Indian Promoters	1	1,61,27,293	46.85
Foreign Promoters	1	68,86,500	20.00
Banks, Financial Institutions, Insurance Companies (Central / State Gov. Institutions / Non- Government Institutions)	3	4,514	0.01
Private Corporate Bodies	224	10,64,013	3.09
Indian Public	6,781	69,54,170	20.20
NRIs / OCBs	57	33,87,661	9.84
Clearing Members	7	3,349	0.01
TOTAL	7,074	3,44,27,500	100.00

Subsequent to completion of open offer by Daiichi Sankyo Company, Limited (Daiichi) to the shareholders' of Zenotech Laboratories Limited in August, 2010; Ranbaxy Laboratories Limited and Daiichi, are only the promoters of the Company.

12. Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 81.07% of the company's share capital are dematerialized as on March 31, 2011. The Company's shares are regularly traded on Bombay Stock Exchange Limited.

13. As on March 31, 2011, the company did not have any outstanding GDRs / ADRs / Warrants or any convertible instruments

14. Manufacture facility : Zenotech Laboratories Limited
Survey No. 250-252 and 253, Turkapally Village,
Shameerpet Village, R R District 500 078, Andhra Pradesh

15. Address of Correspondence : Zenotech Laboratories Limited
Survey No. 250-252 and 253, Turkapally Village,
Shameerpet Village, R R District 500 078, Andhra Pradesh

Certificate on Compliance of Corporate Governance

To
The Members
Zenotech Laboratories Limited
Hyderabad

I have examined the compliance of the conditions of Corporate Governance by Zenotech Laboratories Limited for the year ended March 31, 2011 as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of management. My examination has been limited to a review of the procedures and implementation there of, adopted by the Company or ensuring the compliance with the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, and the representations made by the management, I certify that the Company has not complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement except making management Discussion Analysis and CEO/CFO Certification part of Annual Report

Place : Hyderabad
Date : May 19, 2012

Mahadev Tirunagari
Practicing Company Secretary
FCS: 6681, C.P. No. 7350

Management's Discussion and Analysis Report

(This review contains discussion on the Company's operations and should be read in conjunction with the accompanying Financial statements including notes thereon and Directors' Report)

Biosimilars and Injectable formulations present a large potential in the emerging Pharmaceutical market scenario. A number of Biological products are coming off Patents in 2013-2015, which offers a substantial opportunity in the areas of your Company's focus. This opportunity also poses a big challenge requiring a complex mix of Manufacturing/Development abilities and a vast amount of technical data being generated and collated to meet Regulatory needs in different parts of the world.

The Biosimilar Market in India has reached a level of Rs 1500 crores and is one of the fastest growing segments of the Indian Pharmaceutical market. Previously it was dominated by international players, but is now being increasingly driven by the major Indian Companies, linked with a plethora of regional players. Almost 70% of the market is Institutional business driven with support of strong Marketing, Distribution and Logistics network backed-up by a good Scientific/Clinical database. These are the challenges before your Company.

As would be seen from the data provided in this Annual Report, the Company's operations came to a halt in end April 2011 due to an illegal strike by the employees, encouraged by the previous Management. After numerous attempts and based on the orders of the Hon'ble Company Law Board, with the assistance of Advocate Commissioners, the present Management took possession of the Plant at Turkapally Village in November 2011. Some of the employees rejoined duty thereafter and the team is now focused on getting the facilities operational.

The present Management has reviewed all issues relating to the technical viability of the facilities and further steps required to be taken to restart the Company's facilities for Bio-tech products, Oncology Injectables manufacturing plant and FDA approved Injectables manufacturing Plant, including the manpower requirements etc. Presently, cleaning of the facilities and validation of the all processes is being undertaken, including training of new personnel. Applications for renewal of all expired Drug licenses have been made. Management is hopeful that the completion of all these activities will enable the Company to restart the operations by end of third quarter in this fiscal. It is the endeavor of the Management to comply with all Technical, Legal, Regulatory and other compliances and to this direction, all necessary steps are in progress.

A comprehensive Market Survey is being undertaken by the Management to evaluate the restoration of current product pipelines with current set-up and the Management is hopeful of completing the same in the coming 2 to 3 months. Based on the same, the Management will also initiate necessary steps to evaluate and commence development of a new range of products. The objective of this direction is to upscale the market presence of our product range.

The R & D team of the Company has also commenced work on technical and clinical data collection for preparation of Regulatory Approval Applications for the product range in emerging markets in Asia, Africa and Latin America countries.

The current fund position of your Company is not at all favourable and we are facing a severe liquidity crunch due to poor financial management in the last few years in spite of substantial funds injection. The present Management has adopted a cautious approach to initiating action to grow the Company through new initiatives. It needs to be recognized that the accumulated losses are already more than half of our net worth with the result that the Company has already become a potentially sick Company. The management is now exploring various options to meet the fund requirements and would intimate you once the plans have been drawn up for execution.

Cautionary Statement: Statements in this Report, which seeks to describe the Company's objectives, projections, estimates, expectations or predictions may be considered to be "forward looking statements" and are stated as required by applicable laws and regulations. Actual results could differ from those expressed or implied. Many factors including global and domestic demand-supply conditions, prices, raw-materials availability, technological changes in Government Regulations and policies, tax laws and other statutes may affect the actual results, which can be different from what the Directors envisage in terms of future performance and outlook.

Auditors' Report

Auditors' Report to the Members of Zenotech Laboratories Limited

1. We were engaged to audit the attached balance sheet of Zenotech Laboratories Limited ("the Company") as at March 31, 2011, the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. It has been represented to us that the financial statements have been considered and approved by the Board of Directors in their meeting conducted in Hyderabad, India on May 19, 2012.
2. Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. Because of the matters described in paragraphs 3 and 4 below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
3. *As more fully explained in note 1 of schedule 22 to the financial statements, as a result of the ongoing dispute between the current Management and the co-managing director, who is also a significant shareholder of the Company and the erstwhile promoter, the Company is not in possession of certain books and records including supporting documents and statutory registers required to be maintained as per the various provisions of the Companies Act, 1956. The Company has reconstructed the books of account on the basis of intensive efforts made to establish alternate appropriate evidence of transactions. Photocopies/duplicate copies of relevant documents and records have been obtained from external sources in support of many transactions for which the original documents and records were not available. In view of this we carried out reasonable alternative audit procedures to obtain sufficient appropriate evidence except as stated below:*
 - (a) *We have not been able to obtain corroborative documentary evidence for administrative and other expenses aggregating to INR 20,520 thousands, product development expenses of INR 12,063 thousands, certain manufacturing expenses aggregating to INR 21,829 thousands recognized in the profit and loss account. In the absence of such documents, we are unable to comment on the private or business nature, completeness, validity and accuracy of the above expenditures;*
 - (b) *As more fully explained in note 1 of schedule 22 to the financial statements, the Company has not complied with many provisions of applicable laws and regulations. In the absence of complete documentation, the financial implications of such non compliances cannot presently be determined, and no provision for any potential financial consequence has been made in the financial statements. Accordingly we are unable to comment on the impact, if any, of such non compliances on the loss for the year ended March 31, 2011 and net assets of the Company as at March 31, 2011;*
 - (c) *The Company has under the new Management carried out an operational and business review including technical assessment of manufacturing facilities by an independent valuation expert, basis which it has recorded certain exceptional charges aggregating to an amount of INR 230,103 thousands towards impairment charges relating to certain fixed assets, capital work in progress identified as unsuitable for use, provision for doubtful debts, write down of investment in subsidiaries and provision for loans and advances and demands from authorities. While these charges are appropriate in the context of information available in this regard, we are unable to conclude whether this would be so, had original books of accounts and complete information been available.*
 - (d) *As more fully explained in Note 16 of schedule 22 to the financial statements, regarding completeness of the list of related parties with the Company due to non receipt of form 24AA "Notice by the Interested Directors" pursuant to Section 299 of the Companies Act, 1956 from two of its directors, and in the context of non-availability of complete information in this regard, we are unable to comment on the completeness of disclosures related to related parties as required under Accounting Standard 18 "Related Party Disclosures" as well as whether there would be any other impact on the financial statements.*
4. *The Company has represented to us that it has been able to substantively reconstruct the books of account and that based on the steps taken by Management and evidence available from subsequent events, it believes that in its assessment the risk that the financial statements may be materially misstated is not significant. However, since certain original books and supporting documents are not available we are unable to verify this assertion.*

5. As more fully explained in Note 1 (c)(ii) of Schedule 22 to the financial statements, the Company has filed a legal case against the co-managing director for recovering the managerial remuneration paid amounting to INR 7,980 thousands during the period from October 1, 2007 to March 31, 2011, including an amount of INR 2,280 thousands which is in excess of the prescribed limits for the year ended March 31, 2011 without obtaining the necessary prior approval from the Central Government of India which is in contravention of the provisions of the Companies Act, 1956. Pending resolution of the matter, recovery of the said amounts is not certain and accordingly no adjustment in this regard has been made in the accompanying financial statements;
6. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Ministry of Corporate Affairs in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
7. Further to our comments in the Annexure referred to above, we report that:
- (i) In view of the matters discussed above we have not been able to obtain all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) as explained in paragraph 3 above, certain books and supporting documents were not available for our examination. In our opinion the Company has made comprehensive efforts to reconstruct the books of account. However, we are unable to express an opinion whether whether proper books of account as required by law were kept by the Company and whether these were maintained at the registered office of the Company;
 - (iii) the balance sheet, the profit and loss account and the cash flow statement dealt with by this report are in agreement with the reconstructed books of account;
 - (iv) in our opinion, subject to adjustments, if any, as might have been determined to be necessary had all original documents, vouchers and records been available as discussed in paragraphs 3 and 4 above, the balance sheet, the profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) Mr. A Raghu Vasu, director and Dr. Jayaram Chigurupati, director and Co-Managing Director have not produced written representation as to whether the companies in which Mr. A Raghu Vasu and Dr. Jayaram Chigurupati are also directors as on March 31, 2011, have not defaulted in terms of section 274(1)(g) of the Companies Act, 1956. In the absence of this representation, we are unable to comment whether Mr. A Raghu Vasu and Dr. Jayaram Chigurupati are disqualified from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956. As far as other directors are concerned, on the basis of the written representations received from such directors, and taken on record by the Board of Directors, we report that none of the remaining directors is disqualified as on 31 March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
 - (vi) Because of the significance of the matters discussed in paragraphs 3-5 above, we are unable to express an opinion on the financial statements.

for **B S R & Associates**
Chartered Accountants
Firm Registration No: 116231W

Sriram Mahalingam
Partner
Membership No: 049642

Place : Hyderabad
Date : June 4, 2012

Annexure to the Auditors' report

Annexure referred to in the Auditors' Report to the Members of Zenotech Laboratories Limited ("the Company") for the year ended March 31, 2011. We report that:

- i. (a) The Company has carried out, subsequent to year end, a detailed exercise comprising physical verification of fixed assets and an independent valuation in the absence of complete historical information of its fixed assets. Based on such an exercise, it has updated the fixed asset register and now maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) *The Company does not have regular programme of physical verification of its fixed assets during the year. However, as mentioned in clause (a) above, as part of a one-time exercise the Company has physically verified all of its fixed assets subsequent to the year end and material discrepancies noted on such verification of fixed assets have been properly dealt with in the books of account.*
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- ii. (a) The inventory has been verified by the Management at the year end. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures of physical verification of inventories followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business
- (c) *The internal control procedures were inadequate with regard to tracking quantitative movements of inventories during the year and maintaining adequate records during the year. Whilst the Company is in process of implementing a robust internal control system regarding inventory movements subsequent to year end, the year end inventories were valued based on a physical verification conducted with the closing inventory being adjusted for shortages/excesses.*
- iii. *As fully explained in the note 1 of schedule 22 to the financial statements, the Company is not in possession of the mandatory secretarial records required as per various provisions of the Companies act, 1956. Accordingly, we are unable to comments on clause 4(iii) of the Order.*
- iv. *In our opinion and according to the information and explanations given to us, there are weaknesses in internal control procedures with regard to purchase of inventory and fixed assets and for sales of goods and services during the year including absence of a formal internal control framework and which continues as on the date of the financial statements. However, the current management has initiated institution of certain internal controls over purchases of goods and fixed assets and sale of goods and services post year-end.*
- v. *As fully explained in the note 1 of schedule 22 to the financial statements, the Company is not in possession of the mandatory secretarial records required as per various provisions of the Companies act, 1956. Accordingly, we are unable to comments on clause 4(v) of the Order.*
- vi. The Company has not accepted any deposits from the public.
- vii. *The Company does not have an internal audit system.*
- viii. *The Company has not maintained cost records as required under Section 209(1)(d) of the Companies Act, 1956 for any of the products manufactured/services rendered by the Company.*
- ix. (a) According to the information and explanations given to us and on the basis of examination of the statutory returns of the Company, supporting records, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Income Tax, Provident Fund, Employees' State Insurance, Sales-Tax, Service Tax, Custom Duty, Excise Duty and Wealth tax have generally been regularly deposited with the appropriate authorities *though there have been slight delays in the case of Professional Tax dues.* As explained to us, the provisions of Investor Education and Protection Fund are not applicable to the Company.

According to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax and Wealth tax, and other material statutory dues were in arrears as at March 31, 2011 for a period of more than six months from the date they became payable except for following dues of Service tax, Customs duty and Excise duty.

Name of the Statute	Nature of Dues	Amount in INR'000	Period to which the amount relates	Due Date	Date of Payment
The Central Excise Act, 1944	Excise duty	1,835	Financial year 2005-06 to 2008-09	Various	August 1, 2011
The Custom Act, 1962	Custom duty	12,145	Financial Year 2006-07	Financial Year 2006-07	April 16, 2012, April 23, 2012 and May 2, 2012
The Finance Act, 1994	Service Tax	360	Financial Year 2009-10 and 2010-11	Various	Yet not paid

As explained to us, the Company did not have dues on account of Investor Education and Protection Fund.

- (b) According to the information and explanations given to us, there are no dues of Income-tax, Sales tax, Wealth tax, Custom duty, Excise duty and Cess which have not been deposited with the appropriate authorities on account of any dispute as at balance sheet date. The Company however disputes the following Service tax dues-

Name of the Statute	Nature of Dues	Amount in INR'000	Period to which the amount relates	Forum where dispute is pending*
The Finance Act, 1994	Service Tax	8,504	Financial Year 2007-08	Supintendent of Central Excise Medchal Range Sector II
The Finance Act, 1994	Service Tax	4,522	Financial Year 2007-08, 2008-09 and 2009-10	Supintendent of Central Excise Medchal Range Sector II
The Finance Act, 1994	Service Tax	11,016	Financial Year 2006-07 and 2007-08	Supintendent of Central Excise Medchal Range Sector II

* The Company has sought legal advise and is in process of filing an appeal with the concerned authorities in respect of these disputes.

- x. *The Company's accumulated losses at the end of the financial year are not less than fifty percent of its net worth and it has incurred cash losses in the current year and immediately preceding financial year.*
- xi. *On the basis of audit procedures performed by us, and according to the information, explanations and representation given to us by the Management, the Company had delayed in certain repayments of dues (including interest) to financial institutions. The delayed principal amount and the interest aggregates to Rs. 50,705 thousands and Rs 22,242 thousands respectively, and delays ranges from 19 days to 1,207 days. The Company has outstanding dues of Rs. 24,235 thousands as of balance sheet date. The Company did not have any outstanding debentures during the year.*
- xii. *In our opinion and according to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.*
- xiii. *In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.*
- xiv. *According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Order are not applicable to the Company.*
- xv. *As fully explained in the note 1 of schedule 22 to the financial statements, the Company is not in possession of the mandatory secretarial records required as per various provisions of the Companies act, 1956. Accordingly, we are unable to comments on clause 4(xv) of the Order.*
- xvi. *In the absences of adequate documentations and records, we are unable to comments whether the term loans taken by the company have been applied for the purpose for which they were raised during earlier years.*
- xvii. *According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.*
- xviii. *The Company has not made any preferential allotment of shares to companies/ firms/ parties covered in the register maintained under Section 301 of the Companies Act, 1956.*
- xix. *The Company did not have any outstanding debentures during the year.*
- xx. *The Company has not raised any money by public issues during the year.*
- xxi. *According to the information and explanations provided to us, given the state of affairs which exists and the events arising out of the ongoing disputes as more fully explained in note 1 of Schedule 22, the irregularities noted are under investigation. Pending assessment of the financial consequences by the current management, we are unable to comment whether any fraud on or by the Company has been noticed or reported during the year.*

for **B S R & Associates**
Chartered Accountants
Firm Registration No: 116231W

Sriram Mahalingam
Partner
Membership No: 049642

Place : Hyderabad
Date : June 4, 2012

Balance Sheet as at March 31, 2011

Rs in thousands

	Schedule	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	2	344,275	344,250
Reserves and surplus	3	1,164,324	1,164,176
		1,508,599	1,508,426
Share application money pending allotment		122	296
Loan Funds			
Secured loans	4	31,852	97,548
Unsecured loans	5	1,112	1,280
		32,964	98,828
		1,541,685	1,607,550
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	6	815,068	811,740
Less: Accumulated depreciation		148,634	116,412
Less: Provision for impairment		11,284	-
Net Block		655,150	695,328
Capital work-in-progress (net of impairment of Rs. 121,450 thousands, previous year Rs Nil)		-	127,273
		655,150	822,601
Investments	7	-	10,584
Current Assets, Loans and Advances			
Inventories	8	8,038	23,213
Sundry debtors	9	5,351	17,318
Cash and bank balances	10	15,764	163,277
Loans and advances	11	42,718	85,422
		71,871	289,230
Current Liabilities and Provisions			
Current liabilities	12	67,184	36,030
Provisions	13	7,871	5,405
		75,055	41,435
Net Current Assets		(3,184)	247,795
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	14		
Product development expenditure		-	15,232
Profit and Loss Account		889,719	511,338
		1,541,685	1,607,550
Significant accounting policies	1		
Notes to the accounts	22		

The schedules referred to above form an integral part of the balance sheet.

Per our report attached
for **B S R & Associates**
Chartered Accountants
Firm's Registration Number:116231W

Sriram Mahalingam
Partner
Membership No.: 049642

Place : Hyderabad
Date : June 4, 2012

for and on behalf of the Board of Directors of
Zenotech Laboratories Limited

Dr. Sudershan K. Arora
Chairman

B. K. Raizada
Managing Director

I. Srinivas
Company Secretary

Place : Hyderabad
Date : May 19, 2012

Profit and Loss Account for the year ended March 31, 2011

Rs in thousands

	Schedule	For the year ended March 31, 2011	For the year ended March 31, 2010
INCOME			
Income from sales and operations		71,651	69,158
Less : Excise duty		(1,637)	(3,507)
Net sales		70,014	65,651
Other income	15	8,633	21,126
		78,647	86,777
EXPENDITURE			
Raw material consumed and change in inventories	16	34,784	24,905
Payments and benefits to employees	17	53,417	46,008
Manufacturing expenses	18	44,776	40,042
Administrative and other expenses	19	22,998	26,322
Product development expenses		12,063	10,331
Finance expenses	20	8,277	19,542
Depreciation	6	35,378	32,434
Amortisation of miscellaneous expenditure			
- Product development expenditure	14	15,232	11,008
- Other		-	934
		226,925	211,526
Loss for the year before taxation		(148,278)	(124,749)
Less : Exceptional items	21	230,103	-
Loss for the year after exceptional items		(378,381)	(124,749)
Current tax for earlier year written back		-	(203)
Loss for the year after taxation		(378,381)	(124,546)
Loss brought forward from previous year		(511,338)	(386,792)
Balance carried to Balance sheet		(889,719)	(511,338)
Earnings per share (Face value of Rs.10/- each)	22 (9)		
Basic and diluted (Rs.)		(10.99)	(3.62)
Significant accounting policies	1		
Notes to the Accounts	22		

The schedules referred to above form an integral part of the profit and loss account.

Per our report attached
for **B S R & Associates**
Chartered Accountants
Firm's Registration Number:116231W

Sriram Mahalingam
Partner
Membership No.: 049642

Place : Hyderabad
Date : June 4, 2012

for and on behalf of the Board of Directors of
Zenotech Laboratories Limited

Dr. Sudershan K. Arora
Chairman

B. K. Raizada
Managing Director

I. Srinivas
Company Secretary

Place : Hyderabad
Date : May 19, 2012

Cash Flow Statement for the year ended March 31, 2011

Rs in thousands

	For the year ended March 31, 2011	For the year ended March 31, 2010
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit / (loss) before tax and extraordinary items	(148,278)	(124,749)
Adjustments for:		
Depreciation	35,378	32,434
Amortisation of miscellaneous expenditure	15,232	11,942
Interest income	(7,646)	(19,887)
Foreign exchange loss/(gain)	248	3,305
Interest expense	7,977	16,172
Loss/(Profit) on sale of fixed assets (net)	-	452
Operating profit before working capital changes	(97,089)	(80,331)
Adjustments for change in working capital:		
Inventory	15,176	5,737
Sundry debtors	11,997	(11,393)
Loans and advances	41,931	2,192
Current liabilities and provision	36,395	(10,768)
Cash generated from/(used in) operations	8,410	(94,563)
Taxes paid	(917)	(2,847)
Net cash flow from/ (used in) operating activities	7,493	(97,410)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(6,589)	(12,876)
Sale of fixed assets	-	756
Interest received	7,570	30,088
Proceeds from bank fixed deposits	(40,000)	312,157
Investment in bank fixed deposits	-	(40,000)
Net cash flow from /(used in) investing activities	(39,019)	290,125
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Share application money pending allotment	-	296
Repayment of borrowings	(52,841)	(74,323)
Interest paid	(23,146)	(9,046)
Net cash inflow from/ (used in) financing activities	(75,987)	(83,073)
Net increase/(decrease) in cash and cash equivalents	(107,513)	109,642
CASH AND CASH EQUIVALENTS AT THE COMMENCEMENT OF THE YEAR	123,277	13,635
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15,764	123,277

Cash Flow Statement for the year ended March 31, 2011 (Contd.)

Notes:

1. Cash and cash equivalents include cash and bank balances in current and deposit accounts. Reconciliation of cash and bank balances (Refer Schedule 10) with cash and cash equivalents is as follows:

	Rs in thousands	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Cash on hand	1	18
Bank balance	3,604	650
Fixed deposits	-	110,000
Margin account	12,159	12,609
Cash and cash equivalents	<u>15,764</u>	<u>123,277</u>
Fixed deposits (see note 2 below)	-	40,000
Cash and bank balances	<u>15,764</u>	<u>163,277</u>

2. Fixed deposits with banks with maturity period of more than three months are classified and grouped in investing activities and not included in cash and cash equivalents.
3. Cash and cash equivalents includes restricted cash balance (margin money) of Rs. 12,159 thousands (previous year: Rs. 12,609 thousands).
4. Cash flow statement has been prepared under the 'Indirect Method' as set out in Accounting standard (AS 3) 'Cash Flow Statement'.

Per our report attached
for **B S R & Associates**
Chartered Accountants
Firm's Registration Number:116231W

Sriram Mahalingam
Partner
Membership No.: 049642

Place : Hyderabad
Date : June 4, 2012

for and on behalf of the Board of Directors of
Zenotech Laboratories Limited

Dr. Sudershan K. Arora
Chairman

B. K. Raizada
Managing Director

I. Srinivas
Company Secretary

Place : Hyderabad
Date : May 19, 2012

Schedules forming part of the Balance Sheet and Profit and Loss Account

Schedule 1. Significant accounting policies:

1.1 Company overview

Zenotech Laboratories Limited is a public limited company listed on BSE. Zenotech Laboratories Limited was incorporated on June 15, 1989 as a Private Limited company by the name of MAA Shakti Mills Private Limited under the Companies Act, 1956. On April 1, 1992, its name was changed to Sunline Tubes Private Limited and on August 25, 1993 it was converted into a Public Limited Company. Subsequently, on December 6, 2000 its name was changed to Sunline technologies Limited. In 2004, the said Company entered into a scheme of amalgamation with Zenotech Laboratories Private Limited. The Hon'ble High Court of Andhra Pradesh sanctioned the scheme of amalgamation by its order dated July 1, 2004 with effect from November 1, 2003 pursuant which, its name was changed to its present form, Zenotech Laboratories Limited with effect from August 10, 2004.

The Company commenced pharmaceutical operations in 2003 and has since become a specialty generic injectables company with expertise in the area of bio-technology. The Company's injectables product portfolio primarily serves niche therapy areas like oncology and anesthesiology.

1.2 Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with the generally accepted accounting principles in India and comply with the Accounting Standards (AS), prescribed by the Companies (Accounting Standards) Rules, 2006 and other pronouncements of Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956, to the extent applicable. The financial statements are presented in Indian rupees, unless otherwise stated. The financial statements have been prepared and presented from the reconstructed books of accounts as detailed in note 1 of Schedule 22.

1.3 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods. Refer note 1 of schedule 22 for certain key factors impacting the management estimates.

1.4 Fixed assets and Depreciation

Fixed assets are carried at cost of acquisition or construction less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of those fixed assets. Acquired intangible assets are recorded at the consideration paid for acquisition. Borrowing costs directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

Depreciation on fixed assets is provided on the straight-line method and at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956, except in respect of improvements to leasehold premises, where depreciation is charged over the lease period.

Assets individually costing Rs 5,000 or less, are depreciated fully in the year of purchase. Depreciation is charged on a proportionate basis for all assets purchased and sold during the year.

The cost of fixed assets not ready for their intended use before such date, are disclosed as capital work-in-progress.

1.5 Product development expenditure

Direct material and overhead costs in relation to product development activities are treated as deferred revenue expenditure and amortized over five years from the date of revenue is generated from the respective products. All other revenue expenditure is expensed as incurred and capital expenditure incurred on product development is capitalized as fixed assets and depreciated in accordance with depreciation policy of the Company. The Company has written off product development expenditure fully during the year.

1.6 Foreign currency translations

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the respective transaction. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the profit and loss account of the year.

Schedule 1. Significant accounting policies (Contd.)

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date, the resultant exchange differences are recognised in the profit and loss account.

1.7 Investments

Long term investments are stated at cost of acquisition less provision for permanent diminution in value of such investments.

1.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The method of determining cost of various categories of inventories is as below:

- i) Raw materials, Packing materials, Stores and spares - First - in - First Out method.
- ii) Finished goods and Work-in-process - Weighted average method, which comprises direct material costs and appropriate overheads.

Inventories are stated net of write downs or allowances on account of obsolete, damaged or slow moving inventories.

1.9 Employee Retirement benefits

Liability for employee benefits, both short and long term, for present and past services which are due as per terms of employment are recorded in accordance with Accounting Standard (AS) 15 " Employee Benefits" as notified by the Companies (Accounting Standards) Rules, 2006.

- i) Gratuity

Liability on account of Gratuity is determined and charged to Profit and Loss account on the basis of valuation by an independent Actuary. The liability is unfunded.

- ii) Provident Fund

Contribution to Provident Fund (a defined contribution plan) is recognized and expensed on accrual basis.

- iii) Compensated Absences

Liability in respect of compensated absence is determined and charged to Profit and Loss account on the basis of valuation by an independent actuary.

All actuarial gains and losses arising during the year are recognized in the profit and loss account.

1.10 Revenue recognition

Sale of goods is recognized on despatch and upon transfer of significant risk and rewards of ownership to the customer. Sales include amount recovered towards excise duty but excludes sales tax and is net of sales returns.

Service income is recognized as per the terms of the contract with customers when the related services are performed.

Interest on deposits is recognized on the time proportion method using the underlying interest rates.

1.11 Taxation

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). 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 recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/ virtually certain (as the case may be) to be realised.

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 where it intends to settle such assets and liabilities on a net basis.

Schedule 1. Significant accounting policies (Contd.)**1.12 Leases**

Assets taken on lease where the company acquires substantially the entire risks and rewards incidental to ownership are classified as finance leases. The amount recorded is the lesser of the present value of minimum lease rental and other incidental expenses during the lease term or the fair value of the assets taken on lease. The rental obligations, net of interest charges, are reflected as secured loans. Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases and recorded as expense on a straight line basis.

1.13 Miscellaneous expenditure

Written off over a period of five years or the period over which the benefit of the expenditure is expected to be derived.

1.14 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset or a group of assets comprising a cash generating unit may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. For an asset or group of assets that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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 recognised in the profit and loss account. 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 depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

1.15 Provisions and contingent liabilities

The Company recognises 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. Where there is a possible obligation or a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

1.16 Earnings per share

Basic earnings per share ("EPS") is computed by dividing the net profit after tax 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, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the year, unless they have been issued at a later date.

Schedules to the Balance Sheet

Rs in thousands

	As at March 31, 2011	As at March 31, 2010
Schedule 2 : Share capital		
Authorised		
3,50,00,000 (previous year: 3,50,00,000) Equity Shares of Rs.10/- each	350,000	350,000
Issued, subscribed and paid-up capital		
3,44,27,500 (previous year 3,44,25,000) Equity Shares of Rs. 10/- each fully paid	344,275	344,250
	344,275	344,250
Of the above		
a) 1,11,27,664 equity shares of Rs.10/- each issued to erstwhile shareholders of Credence Pharmaceuticals Limited and Hemarus Healthcare Private Limited pursuant to Scheme of Amalgamation.		
b) 91,82,500 equity shares of Rs.10/- each issued to erstwhile Shareholders of Zenotech Laboratories Private Limited, pursuant to Scheme of Amalgamation.		
c) Under the Zenotech Stock Option Scheme 2005, the Company has granted (net of options lapsed) 1,25,000 options of which 125,000 vested options have been exercised.		
d) Under the Zenotech Employee Stock Option Scheme 2005, the Company Granted 17,000 options [net of options lapsed) of which 4,250 vested options have been exercised during the previous year and are pending allotment to the extent of 1,750 shares. (Refer Note 19 of Schedule 22)]		
e) Under the Zenotech Employee Stock Option Scheme 2005, the Company Granted 32,500 options (net of options lapsed) unvested as on 31.03.2011		
Schedule 3 : Reserves and surplus		
Securities Premium		
Balance at the beginning of the year	1,164,176	1,164,176
Add : On issue of equity shares	148	-
	1,164,324	1,164,176
Schedule 4 : Secured loans		
Term loans from Financial Institutions		
Andhra Pradesh State Financial Corporation (note 1)	-	31,700
Technology Development Board (note 2)	30,826	51,281
Vehicle Loans		
From Banks (note 3)	950	1,468
Interest accrued and due		
	76	13,099
	31,852	97,548
<p>Note 1: Secured by way of hypothecation of plant and machinery and mortgage of land related to Biologics facility and R&D facility and personal guarantee of the Director of the Company.</p> <p>Note 2: Secured by way of pari passu first charge on the whole of movable properties of the Company including movable plant and machinery, both present and future and pari passu first charge of land or other immovable property of the Company, present and future, and personal guarantee of the Director of the Company.</p> <p>Note 3: Secured by way of hypothecation of the respective vehicles.</p>		
Schedule 5 : Unsecured loans		
Biotech Consortium India Limited	1,112	1,280
	1,112	1,280
Repayable within one year Rs. 168 thousands (previous year: Rs 168 thousands)		

Schedules to the Balance Sheet

Schedule 6: Fixed assets Rs in thousands

Description	Gross block			Accumulated depreciation			Impairment losses		Net block			
	As at April 1, 2010	Additions	Deletions	As at March 31, 2011	As at April 1, 2010	For the year	Deletions	As at April 1, 2010	For the year	Deletions	As at March 31, 2011	As at March 31, 2010
Tangibles												
Freehold land (note 1)	14,008	—	—	14,008	—	—	—	—	—	—	14,008	14,008
Buildings	205,227	4,503	—	209,730	25,980	6,856	—	32,836	—	—	176,894	179,247
Leasehold improvements	3,261	—	3,261	—	2,953	203	3,156	—	—	—	—	308
Plant and machinery (note 2)	562,083	1,827	—	563,910	77,525	26,082	—	103,607	—	11,284	449,019	484,558
EDP equipment	4,697	131	—	4,828	3,177	533	—	3,710	—	—	1,118	1,520
Office equipment	531	101	—	632	150	39	—	189	—	—	443	381
Furniture and fixtures	12,289	27	—	12,316	3,156	745	—	3,901	—	—	8,415	9,133
Vehicles (note 2)	9,644	—	—	9,644	3,471	920	—	4,391	—	—	5,253	6,173
Total	811,740	6,589	3,261	815,068	116,412	35,378	3,156	148,634	—	11,284	655,150	695,328
Previous year	690,833	122,524	1,617	811,740	84,387	32,434	409	116,412	—	—	695,328	

Notes :

1. Freehold land includes a sum of Rs.3,716 thousands in respect of which conveyance is pending.
2. Refer note 1 to schedule 22

Schedules to the Balance Sheet

Rs in thousands

	As at March 31, 2011	As at March 31, 2010
Schedule 7 : Investments (Refer Note 1 to Schedule 22)		
Long term, at cost		
Trade, unquoted		
Shares in wholly owned subsidiaries		
Zenotech Farmaceutica Do Brasil Ltda 39,600 (previous year: 39,600) quotas of Reais 10 each Less: Provision for diminution in value	11,661 (11,661)	11,661 (11,661)
Zenotech Laboratories Limited, Nigeria 9,99,000 (previous year: 9,99,000) Ordinary shares of Naira 1 each Less: Provision for diminution in value	317 (317)	317 (317)
Zenotech Inc., USA 10,00,000 (previous year: 10,00,000) shares of USD 0.10 each Less: Provision for diminution in value	10,560 (10,560)	10,560 -
Shares in associate company		
Credence Organics Private Limited 2,400 (previous year: 2,400) shares of Rs.10/- each Less: Provision for diminution in value	24 (24)	24 -
	<u>-</u>	<u>10,584</u>
Schedule 8: Inventories (as lower of cost and net realisable value)		
Raw and packing material	3,842	10,370
Work in process	7	11,594
Finished goods	4,189	1,249
	<u>8,038</u>	<u>23,213</u>
Schedule 9 : Sundry debtors (unsecured)		
Debts outstanding for a period exceeding six months		
Considered good	-	3,080
Considered doubtful	2,777	-
Less : Provision for doubtful debts	(2,777)	-
	<u>-</u>	<u>3,080</u>
Other debts		
Considered good	5,351	-
Considered doubtful	1,337	14,238
Less : Provision for doubtful debts	(1,337)	-
	<u>5,351</u>	<u>14,238</u>
	<u>5,351</u>	<u>17,318</u>
Schedule 10 : Cash and bank balances		
Cash on hand	1	18
Balances with scheduled banks		
- Current accounts	3,576	622
- Fixed deposits	-	110,000
- Margin account	12,159	12,609
Balances with non-scheduled banks*		
- Current accounts	28	28
- Fixed Deposits	-	40,000
	<u>15,764</u>	<u>163,277</u>

* Balance with Coastal Local Area Bank Limited. Maximum balance during the year is Rs. 40,028 thousands (Previous year Rs. 40,029 thousands). One of director of the Company is also a Director/Shareholder of this Bank.

Schedules to the Balance Sheet

Rs in thousands

	As at March 31, 2011	As at March 31, 2010
Schedule 11 : Loans and advances		
Unsecured, considered doubtful		
Loans to Associate	2,430	2,247
Loan to subsidiary (interest free loan)		
Zenotech Inc., USA (Maximum amount outstanding during the year Rs. 23,292 thousands (previous year Rs 23,292 thousands)	23,039	23,292
Advance to subsidiary (interest free advance)		
Zenotech Laboratories Limited, Nigeria (Maximum and outstanding during the year Rs.814 thousands (previous year Rs 814 thousands)	814	814
Zenotech Inc, USA (Maximum and outstanding during the year Rs.2,257 thousands (previous year: Rs. 2,548 thousands)	2,233	2,257
Application money for investement in:		
Zenotech Farmaceutica Do Brasil Ltd	31,956	31,956
Zenotech Laboratories Limited, Nigeria	2,614	2,614
Zenotech Inc., USA	11,055	11,055
Advances recoverable in cash or in kind or for value to be received	161	-
	<u>74,302</u>	<u>74,235</u>
Less: Provision for doubtful advances (Refer note 1 to schedule 22)	(74,302)	(35,384)
	-	38,851
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received*	2,745	4,231
Deposits	2,892	3,858
Interest accrued on loans / deposits	2,312	2,236
Balance with Excise and custom authorities	13,846	16,239
Advance Income Tax (net of provision)	20,923	20,007
	<u>42,718</u>	<u>46,571</u>
	42,718	85,422
* Includes due from Managing Director of the Company Rs. Nil (previous year Rs. 147 thousands). Maximum amount outstanding during the year Rs.684 thousands (previous year Rs. 2,673 thousands)		
1. Disclosure in terms of Clause 32 of the listing agreement:		
a. Interest free advance given to Credence Clinical Research Private Limited Rs. Nil (Previous year Rs. 2,089 thousands). Certain Director of the Company is also Director/Shareholer of the above Company. Maximum amount outstanding during the year Rs. 2,089 thousands (previous year Rs 2,089 thousands)		
Schedule 12 : Current liabilities		
Sundry Creditors		
i) Due to Micro, Small and Medium Enterprises (Refer note 13 to Schedule 22)	-	-
ii) Due otherthan to Micro, Small and Medium Enterprises*	19,815	20,973
Zenotech Inc.,USA	1,985	1,985
Interest accrued but not due	-	1,727
Other liabilities**	45,384	11,345
	<u>67,184</u>	<u>36,030</u>

Note: 1. There are no amount due and outstanding to be credited to Investors Education and Protection Fund.

* Included interest accrued and due to Ranbaxy Laboratories Limited Rs. 705 thousands (previous year: Rs 705 thousands)

** Included dues to Managing Director Rs. Nil (Previous year: Rs. 1,575 thousands)

Schedules to the Balance Sheet

Rs in thousands

	As at March 31, 2011	As at March 31, 2010
Schedule 13 : Provisions		
Compensated absences	3,405	2,493
Gratuity	4,466	2,912
	<u>7,871</u>	<u>5,405</u>

Schedule 14 : Miscellaneous expenditure

(to the extent not written off or adjusted)

	Balance as at 1 April 2010	Additions during the Period	Written off	Balance as at March 31, 2011
Product development expenses	15,232	-	15,232	-
	15,232	-	15,232	-

Schedules to the Profit and Loss Account

Rs in thousands

	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule 15 : Other income		
Interest on deposits and loans [tax deducted at source Rs.796 thousands (previous year: Rs 2,760 thousands)]	7,646	19,887
Miscellaneous income	987	1,239
	8,633	21,126
Schedule 16 :Raw material consumed and change in inventories		
a) Raw material and packing material consumed		
Opening stock	10,370	16,390
Purchases	24,655	24,946
	35,025	41,336
Less: Closing stock	3,842	10,370
	31,183	30,966
Less: Transferred to product development expenses	4,794	5,428
	26,389	25,538
b) (Increase) / decrease in finished goods and work-in-process		
Opening Stock :		
- Finished Goods	1,249	1,289
- Work - in - process	11,594	11,271
	12,843	12,560
Less: Closing stock :		
- Finished Goods	4,189	1,249
- Work - in - process	7	11,594
	4,196	12,843
	8,647	(283)
c) Excise duty on increase/(decrease) of finished goods, stocks		
	(252)	(350)
	34,784	24,905
Schedule 17 : Payments and benefits to employees		
Salaries, Wages and allowances	43,533	37,557
Contribution to Provident and other funds	4,431	3,248
Staff welfare	5,453	5,203
	53,417	46,008
Schedule 18 : Manufacturing expenses		
Power, fuel and water	22,950	18,936
Repairs and maintenance		
- Plant and machinery	6,451	6,685
- Building	1,936	1,234
- Others	7,412	8,171
Contract manpower expenses	5,900	4,810
Other manufacturing expenses	127	206
	44,776	40,042

Schedules to the Profit and Loss Account

Rs in thousands

	For the year ended March 31, 2011	For the year ended March 31, 2010
Schedule 19 : Administrative and other expenses		
Rent	2,317	2,119
Office and general maintenance	2,821	3,237
Rates and taxes	740	7,092
Insurance	852	991
Printing and stationery	721	512
Communication expenses	996	1,054
Legal and professional charges	9,280	6,205
Travelling and conveyance expenses	2,771	1,927
Commission on sales	130	421
Selling and distribution expenses	448	279
Provision for doubtful advances	161	-
Loss on sale/write off of fixed assets (net)	-	452
Miscellaneous expenses	1,761	2,033
	22,998	26,322
Schedule 20 : Finance expenses		
On term loans	7,834	12,415
On other loans	143	3,757
Foreign exchange loss / (gain)	248	3,250
Bank charges	52	120
	8,277	19,542
Schedule 21 : Exceptional Items (Refer note 1 of Schedule 22)		
Provision for diminution in the value of investments	10,584	-
Provision for doubtful loan and advances	38,757	-
Provision for doubtful debtors	4,114	-
Fixed assets and CWIP write off	17,929	-
Provision for impairment	132,734	-
Provision for other taxes	25,985	-
	230,103	-

Schedule 22. Notes to the Accounts**1. Reconstruction of books and records because of the state of affairs existing on account of events and circumstances resulting from ongoing disputes between the Co-Managing Director and the Current Management****a. Background**

The Company in August 2006, with an intention to mobilize funds for funding the Company's product development and Abbreviated New Drug Application (ANDA) filings in the United States and European Union had made a preferential allotment of 2,000,000 equity shares of Rs. 10/- each at Rs. 100/- (inclusive of a premium of Rs.90/- per share) to Ranbaxy Laboratories Limited ('Ranbaxy') under relevant SEBI Guidelines.

In October 2007, pursuant to entering of definitive agreements among Dr. Jayaram Chigurupati and associates ('Erstwhile Promoters'), the Company and Ranbaxy;

- Ranbaxy had purchased 7,878,906 equity shares from erstwhile promoters;
- Ranbaxy had been allotted 5,489,536 equity shares on preferential basis; and
- the aforesaid acquisition triggered Open Offer by Ranbaxy to the then shareholders of the Company wherein, it acquired 758,851 shares of Company.

Pursuant to above acquisition of equity shares, Ranbaxy held 16,127,293 shares of the Company constituting 46.94% of the then paid-up capital of the Company and become the single largest shareholder of the Company.

Subsequent to Daiichi Sankyo Company Limited (Daiichi) acquiring 63.92% stake in Ranbaxy in October 2008, Daiichi announced an open offer to acquire 20% share of the Company at a price of Rs. 113.62 per share. Aggrieved by the pricing of the share, erstwhile promoters and few other shareholders filed a petition in the Hon'ble High Court of Madras. An interim injunction in connection with the offer was given by the Hon'ble High Court of Madras which was subsequently quashed by the Hon'ble Supreme Court on an appeal filed by Daiichi against the said injunction. Meanwhile some of the shareholders (excluding Ranbaxy) including erstwhile promoter of the Company filed a petition with Securities Appellate Tribunal (SAT) with respect to the pricing of Open Offer. SAT directed Daiichi to price the open offer at Rs. 160/- per share. Daiichi filed an appeal against the SAT order in the Supreme Court. The Supreme Court vide its order dated July 8, 2010 has ruled in favor of Daiichi and allowed the open offer to be made by Daiichi to the Shareholders of the Company at the price of Rs 113.62 per share.

In the mean time, the erstwhile promoters had filed a petition under Section 397, 398 and other applicable provisions of the Companies Act, 1956 in 2009 with the Company Law Board (CLB) alleging oppression against Ranbaxy and its associates. Ranbaxy had filed another on October 7, 2009 before CLB counter alleging oppression and mismanagement against erstwhile promoters. These petitions related to various matters relating to control and management of the Company's affairs.

b. Developments during the year, state of affairs which exist and circumstances resulting in reconstruction of the books of accounts.

- i. The CLB through its various interim orders allowed Ranbaxy to appoint its nominee directors and also appointment of Mr. B K Raizada as one more Managing Director of the Company. Some of the interim orders were challenged by Dr. Jayaram Chigurupati (Co-Managing Director) in the Hon'ble High Court of Andhra Pradesh which were found to be without any substance by the Hon'ble High Court and were accordingly dismissed.

The Co-Managing Director unilaterally terminated the lease deed of the premises where the Registered Office of the Company was located, which forced current Management to shift the Registered Office to the Factory premises with effect from 1 August 2011. However, the current Management have been unable to get the possession of books of account, records and other information pertaining to accounts, finance, legal, secretarial matters, etc., which were maintained at the previous registered office.

Upon obtaining possession of the factory premises under the supervision of Advocate Commissioner (appointed by CLB vide its order dated November 11, 2011) on November 13, 2011, the current Management carried out various steps to restore operations including a detailed technical and business assessment of the status of entire manufacturing facilities, all its fixed assets, inventories, legal review of pending cases, search of documents, accounting books and records and other key records of the Company to the extent available in the factory.

The current Management based on a best effort basis and so far as practicable under the circumstances embarked upon a exercise of reconstruction of books of accounts which comprised of various steps and limitations including but not limited to the following:

- a. In absence of the historical cost details relating to all the items of fixed assets purchased/ constructed, the Company engaged an independent certified valuer to value its existing assets. The value as prescribed by the independent certified valuer in aggregate is in excess of the carrying value of the assets and accordingly no adjustments were warranted. However, in the absence of all underlying documents and a definitive business plan relating to certain items of building under construction and plant and machineries, classified under capital work in progress and fixed assets, the Management has impaired the same fully in the current year.
- b. The current Management based on statutory returns filed and supporting records available with it observed various non compliances of applicable laws and regulations including the Companies Act, 1956, SEBI regulations, listing agreement, etc. The Management is in the process of evaluating financial impact, if any, of such non compliances. Further the Management is also in process of regularizing and compounding such non compliances with various authorities concerned.
- c. Per the audited financials of 2009-10 and previous years, the Company has the following overseas subsidiaries:
 - i. Zenotech Farmaceutica Do Brasil Ltda, Brazil
 - ii. Zenotech Laboratories Nigeria Ltd, Nigeria
 - iii. Zenotech Inc., USA

Upon taking control of the Company, the current Management observed that no books of account and records were available regarding its overseas subsidiaries. As part of efforts to obtain relevant information, the Company through its consultants and local advisors in the respective countries above reached out to the overseas subsidiaries. The Management has been unable to retrieve any relevant information, books and records and based on all reasonable efforts that it could have made under the circumstances believes that information relating to the subsidiaries is missing and the entities are either delinquent or do not exist anymore. This was further substantiated by the fact that in once case the Company has a written confirmation from one of the erstwhile auditors of a subsidiary they did the last audit of that subsidiary way back in the year 2006. The Company also has a written communication from legal counsel that the subsidiary has ceased to operate in a substantial manner and there is no listing of the Company in the last known business address of that entity. Furthermore, in another case per the records of the Corporate Affairs Commission of the country, the subsidiary does not exist.

This also led the current Management to believe that the annual reports for the prior years' presented by the previous management misrepresented that there were software problems in the years 2008 to 2010, on account of which the accounts of the subsidiaries could not audited.

In addition, the Company, as part of its efforts to reconstruct the books and records, also attempted to reach out to various bankers through whom the foreign exchange payments have been made over the years to these overseas subsidiaries. While the Company has some limited information on copies of SWIFT transmissions from one of its Authorised dealer, the majority of the foreign exchange remittances to these overseas subsidiaries had been made through another Authorised dealer. But as of the date, we have not been provided the relevant documentation from said Bank despite repeated requests. The Company plans to issue a notice to the said Bank, with a copy to the Reserve Bank of India (RBI) in this regard to expedite the process of obtaining copies of the relevant documentation that could be used for establishing the veracity of the remittances.

There have also been no responses from any of the entities for requests of balance confirmation letters circulated. Considering the above matters and as a result of non availability of primary books and records, during the year, the Management has on a prudent basis, written down the investments in its subsidiaries and loans and advances to these subsidiaries, in addition the write down of the investments of Brazil and Nigeria in the year 2008-09.

The Management is currently in the process of evaluating the extent of the missing information and the regulatory non compliances, if, any relating to the above subsidiaries. Provision has not been made for potential financial consequences arising out of such ongoing evaluations, the outcome of which will depend on the nature and extent of non compliances which is currently not determinable.

- d. The Company has received communications from various tax authorities regarding non compliances of provision of certain provisions of laws related to direct and indirect taxes. The Company is in the process of assessment of the same. However, as a matter of abundant caution, the Company has provided towards potential financial consequences expected to arise out of such non compliances.
- e. The current Management has been unable to obtain possession of secretarial records and relevant supporting documents to substantiate the reasonableness of the administrative and other expenses, product development expenses, manufacturing expenses except for power and fuel. The Management believes that, as no further significant claims have been received subsequent to year end till date, the unrecorded liabilities, if any, are not expected to be material.

Due to non availability of all relevant books of account and records with the current Management, the Company's current management carried out a detailed exercise including as mentioned above as part of its operational reviews to reconstruct the books of accounts and other financial information by obtaining photocopies/ duplicate copies, requisite information of relevant books and records from external sources including previous auditors, banks and financial institutions, customers, suppliers, tax authorities, Ministry of Corporate Affairs, employees and other relevant sources.

The events as explained above and the operating restructuring of the Zenotech business by the current management has led to certain one off exceptional costs being recognized in the financial statements for the year ended March 31, 2011. These relate to:

1. Fixed assets impaired
2. Capital work in progress impaired
3. Corporate costs incurred
4. Investments written down
5. Doubtful loans and advances provided for
6. Doubtful debtors provided for and
7. Provisions for demands towards disputed matters

The current management based on the steps taken by it, disclosures made, and supporting documents, evidence available from subsequent events believes that in its assessment the risk that the financial statements are materially misstated is not significant. These financial statements has been considered and approved by the Board of Directors in their meeting conducted in Hyderabad, India on May 19, 2012.

c. Legal cases filed by the Company on account of the ongoing dispute with the co-managing director

- i. The current Management has filed a case with the Hon'ble Metropolitan Magistrate with regard to the loss of vehicles / technical data / missing records etc., against certain employees of the Company including Co-Managing Director under applicable provisions of the Indian Penal Code for which the complaints have been registered with the concerned police authorities and the investigation is under process.
- ii. The current Management has filed a case against Co-Managing Director in the Court of the Hon'ble Chief Judge City Civil Court at Hyderabad for receipt of managerial remuneration aggregating to Rs. 7,980 thousands during the period from October 1, 2007 to March 31, 2011 from the Company, in contravention of the provisions of the Companies Act.
- iii. The current management has filed a suit against Co- Managing Director for passing off and illegal use of the name 'Zenotech' in his personally owned entity 'Zenotech LLC', a US incorporated LLC.
- iv. The Company received a letter dated January 9, 2012 from Bombay Stock Exchange (BSE) stating, inter alia, that the Company had defaulted in compliance with various clauses of listing agreement and requiring the Company to show cause as to why appropriate action including suspension of trading of securities of the Company should not be taken against it. The Company informed to BSE about reason of non compliance and corrective measures taken by it. However, BSE, vide its public notice dated March 27, 2012 proposed to suspend the trading of the Company's scrips effective from April 20, 2012, unless all the compliances under listing agreement were made good subject to the satisfaction of BSE. The Company filed a writ petition before Hon'ble Andhra Pradesh High Court wherein the Hon'ble Court suspended the operation of the above public notice, in so far it relates to the suspension of the trading of the shares of the Company. As a result the trading of the Company's scrip was restored from April 23, 2012 on the BSE.

2. Value of imported and indigenous consumption

Particulars	For the year ended March 31, 2011		For the year ended March 31, 2010	
	Rs. in thousands	%	Rs. in thousands	%
i) Raw and packing materials				
- Imported	1,950	6	4,257	14
- Indigenous	29,233	94	26,709	86
	<u>31,183</u>		<u>30,966</u>	
ii) Components and spare parts	-		-	
	31,183		30,966	

Note: Components and spare parts referred to in para 4D(c) of Part II of Schedule VI to Companies Act, 1956 are assumed to be those incorporated in the goods produced and not those for maintenance of Plant and Machinery.

3. Value of imports (on CIF Basis):

Rs. in thousands

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Capital goods	1,034	6,069
Raw materials and others	1,238	3,475
Spares	1,292	602
	3,564	10,146

4. Earnings in foreign exchange:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Exports of finished goods on FOB basis	839	798

5. Expenditure in foreign currency

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Product development expenses	-	2,206
Others	-	1,285
	-	3,491

6. Managerial remuneration

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Salary and allowances	2,100	2,100
Contribution to provident fund	180	180
	2,280	2,280

Note: Having regards to the fact that Gratuity is a defined benefit accrued based on actuarial valuation the amount applicable to an individual employee is not ascertainable and accordingly, has not been considered in the above computation.

7. Legal and professional charges includes auditors' remuneration (excluding service tax):

Rs. in thousands

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
As Auditors		
Audit fees	2,100	1,000
Other Services	100	50
Out of pocket expenses	-	25
	2,200	1,075

*Previous year auditor's remuneration represents remuneration of previous auditors.

8. Product development expenditure incurred comprises of:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Salaries	12,442	9,870
Raw and packing material consumed	4,794	5,428
Clinical Trial and Studies	6,933	2,371
Fees for technical services	-	2,282
Depreciation	2,946	2,915
Others	577	298
	27,692	23,164

Note: Product development expenditure has been shown under appropriate expenditure heads. The Company has charged off above expenses in the current year.

9. Earnings per share:

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
a) Loss for the year (Rs. in thousands)	(378,381)	(124,546)
b) Weighted Average number of Equity Shares outstanding during the year	34,427,500	34,425,000
c) Potential equity shares on Employee Stock option granted - Anti dilutive*	-	(13,932)
d) Weighted average number of dilutive potential equity shares in respect of share application money	1,750	2,454
e) Weighted Average number of Equity Shares in computing diluted earnings per share (b + d)	34,429,250	34,427,454
f) Face value of each Equity Share (Rs.)	10	10
g) Earnings per share		
- Basic (Rs.)	(10.99)	(3.62)
- Diluted (Rs.) (a / e)	(10.99)	(3.62)

* The potential equity shares on ESOP granted are not available with the Company. The same is anti-dilutive, hence there is no impact on Earning per share.

10. Contingent liabilities:

Particulars	As at March 31, 2011	As at March 31, 2010
i. Liability in respect of Bank guarantees	11,688	11,888

ii. Legal cases filed against Company by Technology Development Board

During the year ended March 31, 2011, Technology Development Board (TDB) had filed a claim petition under Arbitration and Conciliation Act, 1996 for recovery of dues payable by the Company as per loan agreement. The matter had been heard and the Arbitrator has reserved the Award. In the mean time, TDB has issued a notice dated April 3, 2012 to Co Managing Director to settle the dues payable by the Company within 15 days failing which, TDB will sell 600,000 equity shares of the Company held pledged as security by him. The said notice was stayed by Hon'ble Andhra Pradesh High Court until further orders, in view of his filing of Writ Petition and the matter is expected to be heard in June 2012.

iii. Arbitration matter against Ranbaxy Pharmaceuticals Inc.

During the year ended March 31, 2011, the Company initiated arbitration matter against Ranbaxy Pharmaceuticals Inc., USA under development and supply contract of certain Injectable products. The arbitration matter was dismissed vide interim order dated November 14, 2011 by arbitrator and the Company was ordered to pay administrative fees, costs and expenses including the fees and expenses of legal counsel incurred etc. vide final adjudication on March 20, 2012. The Company is awaiting for the final claim. Currently, the Company is not able to quantify amount of claim. Further, the management will initiate proceeding to recover the said amount as and when same is determined, from Co-Managing Director of the Company. Accordingly no provision has been made in the books of account.

11. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for, as at March 31, 2011 is Rs. Nil (March 31, 2010: Rs. Nil).

12. Capital work-in-progress includes capital advances of Rs. Nil (March 31, 2010 Rs. Nil)

13. Amounts payable to Micro, Small and Medium enterprises:

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated August 26, 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at March 31, 2011 has been made in the financial statements based on information received and available with the Company. Further as per the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

Rs. in thousands

Particulars	Year ended March 31, 2011	Year ended March 31, 2010
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;	Nil	Nil
The amount of interest paid by the Company along with the amounts of the payment made to the supplier beyond the appointed day during the year;	Nil	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of the year;	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise.	Nil	Nil

14. Segment reporting:

The Company has considered business segment as the primary segment for disclosure. The Company is engaged in the manufacture and trading of Pharmaceuticals in India. Hence, in the view of the management the entity operates in only one business segment, 'Pharmaceutical manufacturing and trading' and in one geographical segment, 'In India'. Consequently, no information under the requirements of the Accounting Standard 17 on segment reporting has been provided.

15. Deferred taxation:

In view of the brought forwards losses and no taxable income for the current year, the company has not recorded the cumulative deferred tax liability/asset as on March 31, 2011 and for the year arising on account of timing differences, as stipulated in Accounting Standard(AS) 22 - Accounting for taxes on income.

16. Related party disclosures:

Information relating to Related Party transactions as per "Accounting Standard (AS) 18" notified by the Companies (Accounting Standards) Rules, 2006.

(A) Name of the Related Party*	Relationship
Zenotech Farmaceutica Do Brasil Limiteda, Brazil (ZFDBL) Zenotech Laboratories Nigeria Limited, Nigeria (ZLNL) Zenotech Inc., USA	} Subsidiary
Credence Organics Private Limited (COPL)	Associate
Ranbaxy Laboratories Limited (RLL) Daiichi Sankyo Company Limited	} Entity holding 20% or more
Rite Diagnostics Private Limited (RDPL) Hemarus Technologies Limited (HTL) Credence Clinical Research Private Limited (CCRPL)	} Erstwhile promoter Group companies where common control exists and with which the company had transactions
Dr. Jayaram Chigurupati - Co-Managing Director**	Erstwhile Promoter and Key Management Personnel

* The Company does not have a complete list of related parties due to absence of non receipt of form 24AA "Notice by the Interested Directors" from two of its directors namely Mr. A Raghu Vasu and Dr. Jayaram Chigurupati under Section 299 of the Companies Act, 1956 during the year. Parties identified and disclosed related to these is based on previous year audited financial statements.

** Consequence to completion of open offer formalities by Daiichi in September 2010, Dr. Jayaram Chigurupati and Associates ceased to be promoters, however, Dr. Jayaram Chigurupati continues to be Co-Managing Director of the Company.

Rs. in thousands

Particulars	Subsidiaries		Associate		Erstwhile Promoter Group		Entity holding 20% or more		Key Management Personnel and Erstwhile Promoter	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Sales to RLL	-	-	-	-	-	-	68,061	49,736	-	-
Product development expenses paid to Zenotech Inc, USA	-	2,206	-	-	-	-	-	-	-	-
Rent expenses shared with HTL	-	-	-	-	168	-	-	-	-	-
Reimbursement of expenses	-	-	-	-	-	-	-	-	54	147
Material Purchases from										
- RLL	-	-	-	-	-	-	-	132	-	-
- Zenotech Inc., USA	-	369	-	-	-	-	-	-	-	-
Fixed Assets purchased from Zenotech Inc., USA	-	2,374	-	-	-	-	-	-	-	-
Purchase of Services from RDPL	-	-	-	-	-	-	34	-	-	-
Interest accrued on loan - COPL	-	-	183	183	-	-	-	-	-	-
Directors remuneration	-	-	-	-	-	-	-	-	2,280	2,280
Provision for Diminution in investments										
- Zenotech Inc., USA	10,560	-	-	-	-	-	-	-	-	-
- COPL	-	-	24	-	-	-	-	-	-	-
Provision for advances										
- Zenotech Inc., USA	2,233	-	-	-	-	-	-	-	-	-
Provision for loans										
- Zenotech Inc., USA	23,039	-	-	-	-	-	-	-	-	-
- COPL	-	-	2,430	-	-	-	-	-	-	-

(Contd.)

Details of transactions between the Company and related Parties and the status of outstanding balances at the year end (Contd.) Rs. in thousands

Particulars	Subsidiaries		Associate		Erstwhile Promoter Group		Entity holding 20% or more		Key Management Personnel and Erstwhile Promoter		
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	
Provision towards share application money											
- ZFDBL	-	31,956	-	-	-	-	-	-	-	-	-
- ZLNL	-	2,614	-	-	-	-	-	-	-	-	-
- Zenotech Inc., USA	11,055	-	-	-	-	-	-	-	-	-	-
Outstanding balances at the year end**											
(a) Receivable (net)											
- CCRPL	-	-	-	-	-	2,089	-	-	-	-	-
- RLL	-	-	-	-	-	-	3,534	15,043	-	-	-
(b) Payable											
- RLL	-	-	-	-	-	-	107	588	-	-	-
- Zenotech Inc., USA	1,985	1,985	-	-	-	-	-	-	-	-	-
- Directors remuneration	-	-	-	-	-	-	-	-	-	-	1,575
(c) Advances towards share capital in subsidiaries											
- ZFDBL	31,956	31,956	-	-	-	-	-	-	-	-	-
- ZLNL	2,614	2,614	-	-	-	-	-	-	-	-	-
- Zenotech Inc, USA	11,055	11,055	-	-	-	-	-	-	-	-	-
(d) Advances outstanding											
- ZLNL	814	814	-	-	-	-	-	-	-	-	-
- Zenotech Inc, USA	2,233	2,257	-	-	-	-	-	-	-	-	-
-Director	-	-	-	-	-	-	-	-	-	-	147
(e) Loan due from (including interest)											
- Zenotech Inc, USA	23,039	23,292	-	-	-	-	-	-	-	-	-
- COPL	-	-	2,430	2,247	-	-	-	-	-	-	-

**Also refer note 1 of Schedule 22. Outstanding balances are before considering provision made.

17. Employee benefit plans: Disclosure as required under Accounting Standard (AS) 15 Employee Benefits in respect of Gratuity

The Company has a defined benefit gratuity plan which is presently unfunded. The components of net gratuity expense recognised in the profit and loss account and amounts recognised in the balance sheet for the gratuity plans are as provided below:

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Rs. in thousands

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Balance at April 1, 2010	2,912	2,053
Current service cost	712	670
Interest cost	292	202
Actuarial loss/(gain)	608	(482)
Past service cost	-	528
Benefits paid	(58)	(59)
Balance at March 31, 2011	4,466	2,912

Amount recognised in Balance Sheet

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Present value of funded obligations	4,466	2,912
Fair value on plan assets	-	-
Net liability/(asset)	4,466	2,912
Amounts in the balance sheet	4,466	2,912

Expense recognised in statement of profit and loss account

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Current service cost	712	670
Interest on defined benefit obligation	291	202
Expected return on plan assets	-	-
Net actuarial loss/(gain) recognized in the year	608	(482)
Past services cost	-	528
Amount included in "Personnel expenses"	1,611	918

Summary of Actuarial Assumptions

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Discount Rate	8.30%	8.30%
Salary escalation rate	10.00%	10.00%

Experience Adjustment:

Rs. in thousands

For the year ended	Experience adjustment On Benefit Obligation
March 31, 2011	6.08
March 31, 2010	(2.09)
March 31, 2009	(6.02)
March 31, 2008	(1.87)
March 31, 2007	-

Discount rate: The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

18. a) There are no outstanding forward exchange contracts as at the year end.
 b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

	Year ended March 31, 2011		Year ended March 31, 2010	
	Foreign Currency	Rs. in thousands	Foreign Currency	Rs. in thousands
(i) Amounts payable	45,524 USD	2,033	6,095 USD	2,743
(ii) Amounts receivable	8,716 USD	389	4,502 USD	203
(iii) Loan and Advance receivable	584,223 USD	26,086	584,223 USD	26,363

19. Employee stock option scheme:

- a) Under the Zenotech Employee Stock Option Scheme 2005, the Company granted 17,000 options (net of options lapsed) of which 4,250 vested options have been exercised during year 2009-10. Of these, the Company allotted 2,500 shares and balance is pending for allotment. Accordingly Rs. 122 thousands received on exercise of options has been shown under "Share Application Money pending allotment".
 b) The Company uses the fair value method for accounting employee share based payments.
 c) The company has not disclosed the impact on the net results and earnings per share (both basic and diluted) for the year using the fair value method as required in terms of the Guidance Note on Accounting for Employee Share-based Payment issued by the Institute of Chartered Accountants of India.

20. Quantitative details:

Capacity, Production, Sales, Consumptions and Stocks:

a) Quantitative information in respect of goods manufactured

	Unit	Year ended March 31, 2011	Year ended March 31, 2010
Licensed capacity per annum *			
i) Pharmaceutical formulations,	Injectable Numbers	800,000	800,000
Lyophilized & liquid injections,	Capsule Numbers	400,000	400,000
Tablets and capsules*	Tablet Numbers	1,000,000	1,000,000
ii) Granulocyte Colony Stimulating Factor (G-CSF)	Grams	200	200
iii) Granulocyte Macrophage Colony Stimulating Factor (G-MCSF)	Grams	100	100
iv) Interleukin - II (IL-2)	Grams	100	100

* Department of Industrial Policy and Promotion, Ministry of Commerce and Industry vide its Notification S.O.1386 (E) dated September 23, 2005 has omitted Drugs and Pharmaceuticals from the Scheduled List. Licensed capacity as given above is based on Licenses/Letter of Intent obtained earlier.

Installed capacity

(as certified by the management based on previous year audited financial statement and relied upon by auditors, being a technical matter)

	Unit	Year ended March 31, 2011	Year ended March 31, 2010
i) Pharmaceutical formulations, Lyophilized & liquid injections - Oncology	Injectable Numbers	800,000	800,000
ii) Granulocyte Colony Stimulating Factor (G-CSF)	Grams or equivalent Injectable Numbers	200 666,667	200 666,667
iii) Granulocyte Macrophage Colony Stimulating Factor (G-MCSF)	Grams or equivalent Injectable Numbers	100 250,000	100 250,000
iv) Interleukin - II (IL 2)	Grams or equivalent Injectable Numbers	100 90,909	100 90,909
iv) Anesthesiology and others	Injectable Numbers	2,400,000	2,400,000

Production	Unit	Year ended March 31, 2011	Year ended March 31, 2010
i) Pharmaceutical formulations, Oncology	Injectable Numbers	39,323	51,161
ii) GCSF	Injectable Numbers	38,679	20,795
iii) GMCSF	Injectable Numbers	3,820	1,712
iii) IL 2	Injectable Numbers	710	1,000

	Year ended March 31, 2011		Year ended March 31, 2010	
	Quantity	Rs. in thousands	Quantity	Rs. in thousands
b) Sales *				
Pharmaceutical formulations,				
Oncology	Injectable Numbers 33,327	38,185	49,934	51,182
G-CSF	Injectable Numbers 38,633	20,460	20,643	10,208
G-MCSF	Injectable Numbers 3,748	4,519	1,701	1,964
IL 2	Injectable Numbers 714	2,737	880	3,175
		<u>65,901</u>		<u>66,529</u>
Contract manufacturing income		5,750		2,629
		<u>71,651</u>		<u>69,158</u>
* Net of sales returns and samples				
c) Opening stock of finished goods				
Pharmaceutical formulations,				
Oncology	Injectable Numbers 1,153	942	1,036	1,289
G-CSF	Injectable Numbers -	-	-	-
G-MCSF	Injectable Numbers -	-	-	-
IL 2	Injectable Numbers 120	307	-	-
		<u>1,249</u>		<u>1,289</u>

	Year ended March 31, 2011		Year ended March 31, 2010	
	Quantity	Rs. in thousands	Quantity	Rs. in thousands
d) Closing Stock of finished goods				
Pharmaceutical formulations,				
Oncology Injectable Numbers	6,267	4,124	1,153	942
G-CSF Injectable Numbers	-	-	-	-
G-MCSF Injectable Numbers	72	65	-	-
IL 2 Injectable Numbers	-	-	120	307
		4,189		1,249
e) Raw and packing materials consumed*				
Docetaxel grams	438.50	1,140	261.50	695
Epirubicin grams	400.00	3,560	133.29	1,237
Gemcetabine grams	5497.30	1,384	6743.60	2,435
Paclitaxel grams	1307.60	2,332	1794.70	3,863
L-Asparagenase grams	-	-	346.30	1,788
Others		22,767		20,948
		31,183		30,966

* includes raw materials consumed for product development.

21. Previous year Figures of the previous year have been regrouped / recast wherever necessary to compare with current year's classification. The figures of previous year were audited by a firm of Chartered accountants other than B S R & Associates. Current year financial statements are prepared under old Schedule VI as Revised Schedule VI is applicable for financial year commencing on or after April 1, 2011.

Per our report attached
for **B S R & Associates**
Chartered Accountants
Firm's Registration Number:116231W

Sriram Mahalingam
Partner
Membership No.: 049642
Place : Hyderabad
Date : June 4, 2012

for and on behalf of the Board of Directors of
Zenotech Laboratories Limited

Dr. Sudershan K. Arora
Chairman

B. K. Raizada
Managing Director

I. Srinivas
Company Secretary

Place : Hyderabad
Date : May 19, 2012

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL
BUSINESS PROFILE (As per Part IV of Schedule VI of the Companies Act, 1956)**

i. Registration details		
Registration Number		01-10122
State code		01
Balance sheet date		March 31, 2011
ii Capital raised during the year (Amount in Rs. Thousands)		
Public issue		Nil
Rights issue		Nil
Bonus issue		Nil
Private placement - issue of ESOPs		174
iii Position of mobilization and deployment of funds (Amount in Rs. Thousands)		
Total liabilities		15,41,685
Total assets		15,41,685
Sources of funds		
Paid up capital (Including share Application Money of Rs.122 thousands)		344,397
Reserves and surplus		1,164,324
Secured loans		31,852
Unsecured loans		1,112
Deferred tax liability		Nil
Application of funds		
Net fixed assets		6,55,150
Investments		Nil
Net current assets		(3,184)
Miscellaneous expenditure		Nil
Accumulated losses		8,89,719
iv Performance of the company (Amount in Rs. Thousands)		
Turnover		70,014
Total income		78,647
Total expenditure		4,57,028
Profit/(Loss) before tax		(3,78,381)
Profit/(Loss) after tax		(3,78,381)
Earning per share (in Rs.)		(10.99)
v Generic names of three principal products/services of company		
(As per monetary terms) Item code no. (ITC Code)		Product description
30049095		Gemcitabine
30049095		Paclitaxel
30049095		Docetaxel

for and on behalf of the Board of Directors of
Zenotech Laboratories Limited

Dr. Sudershan K. Arora
Chairman

B. K. Raizada
Managing Director

I. Srinivas
Company Secretary

Place : Hyderabad
Date : May 19, 2012