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# Annual Report 2012 - 2013

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# Annual Report

## 2012-2013

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## Notice

Notice is hereby given that the twenty fourth Annual General Meeting of Zenotech Laboratories Limited will be held on Tuesday, August 13, 2013 at 10.30 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 Statement of Profit and Loss for the year ended March 31, 2013, Balance Sheet as at that date and the reports of the Directors' and Auditors' thereon.
2. To appoint Prof. N. K. Ganguly, who retires by rotation and, being eligible, offers himself for reappointment as Director.
3. To appoint Dr. R. S. Bakshi, who retires by rotation and, being eligible, offers himself for reappointment as Director.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company and fix their remuneration. M/s. B S R & Associates (Firm Regn. No. 116231W), the retiring auditors are eligible for reappointment.

### Special Business:

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

"RESOLVED that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions if any, of the Companies Act, 1956 ("Act") read with Part II and Part III of Schedule XIII to the said Act, Memorandum and Articles of Association of the Company and subject to the approval of the Central Government if required, the Company hereby accords its approval for the payment of remuneration to Mr. B. K. Raizada as Managing Director of the Company for a period of two years effective October 1, 2012, on the following terms and conditions:

- I. Salary: Not exceeding ₹. 45,00,000/- per annum with the authority granted to the Board of Directors (hereinafter referred to as "the Board" which term shall include a Committee of Directors) to determine the salary and grant increases from time to time within the aforesaid limit.
- II. Allowances & Perquisites: He will be entitled to perquisites, allowances, benefits, facilities and amenities (collectively "allowances & perquisites") such as medical reimbursement, leave travel reimbursement/allowance, membership fees for clubs, group hospitalization insurance for self and spouse, group term insurance, travel insurance and any other "allowances & perquisites" as per the policy/rules of the Company in force and/or as may be approved by the Board from time to time, provided that the aggregate value of such allowances and perquisites shall not exceed ₹. 3,00,000/- per annum. Allowances & Perquisites will be valued as per the Income-tax rules, wherever applicable and at actual cost to the Company in other cases.
- III. In addition to the above, he will also be entitled to the following reimbursement of expenses:
  - a. Running and maintenance of car on actual basis,
  - b. Telephone(s) and
  - c. Entertainment expenditure actually incurred for the business of the Company.

"RESOLVED FURTHER that the Board of Directors be and is hereby authorised to fix actual remuneration of Mr. B. K. Raizada, and revise it from time to time within the aforesaid ceilings."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to take such steps as it may consider necessary or expedient to give effect to aforesaid Resolution."

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 Section 94 and other applicable provisions, if any, of the Companies Act 1956, the Authorised Share Capital of the Company be and is hereby increased from ₹. 35,00,00,000 ( Rupees Thirty Five crores only) divided into 3,50,00,000 (Three crores Fifty Lakhs only) equity shares of ₹ 10/- each to ₹. 100,00,00,000 (Rupees One Hundred crores only) divided into 10,00,00,000 (Ten crores only) equity shares of ₹. 10/- each.

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorized 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 modification(s), the following resolution as an ORDINARY RESOLUTION:

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

#### Clause V

The Authorised Capital of the Company is ₹ 100,00,00,000 (Rupees One Hundred crores only) divided into 10,00,00,000 (Ten crores only) equity shares of ₹. 10/- each. The Company has the 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 into 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 are hereby authorised to do all such acts, deeds or things as may be 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 that pursuant to the provisions of Section 31 and other applicable provisions, if any, 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 ₹.100,00,00,000 (Rupees One Hundred Crores Only) divided into 10,00,00,000 (Ten Crore Only) equity shares of ₹.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 “₹. 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 aforesaid Resolution.”

**By order of the Board  
For Zenotech Laboratories Limited**

Place : Hyderabad  
Date : July 16, 2013

**B. K. Raizada  
Managing Director**

**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 August 07, to August 13, 2013 (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. Any Shareholder holding shares in physical form is requested to notify any change of his / her 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 shareholder holding shares in electronic form, intimation needs to be made to the respective Depository Participant and not to the Company or 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 the aforesaid address.

**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. 2**

Prof. N. K. Ganguly aged about 72 years is a Graduate in Science and completed his M.B.B.S from University of Kolkata in 1965. He did his M.D. in Microbiology from PGIMER, Chandigarh in 1969. His major specialization is in the disciplines of Infectious Diseases, Immunology, Biotechnology, Public Health and Policy and has undertaken researches majorly, in the areas of Tropical, Cardiovascular and Diarrheal diseases. He has been associated as member and Chairman with numerous reputed national and international committees and was also the Chairman of various WHO committees and Global Antibiotic Resistance Partnership (GARP), Country Chairman. Currently, he is the President of Jawaharlal Institute of Post Graduate Medical Education and Research (JIPMER) Pondicherry, and Asian Institute of Public Health, Bhubaneswar. Prof N K Ganguly has over forty years of experience in the fields of research and teaching and has authored many books and publications. Apart from being conferred with various notable national and international awards, Prof. N K Ganguly has been conferred with Padma Bhushan Award in Medicine by President of India in 2008.

The Board of Directors considers that the reappointment of Prof. N. K. Ganguly as a Director of the Company would immensely benefit the Company and therefore, recommends the proposal for approval of the shareholders.

Prof. N. K. Ganguly is neither a Director nor holds committee membership of any other company.

He does not hold any share in the Company and is not related to any other Director of the Company.

Prof. N. K. Ganguly is interested or concerned in the proposed Resolution. None of the Director is interested or concerned in the proposed resolution.

**Item No.3**

Dr. R. S. Bakshi aged about 64 years, did his M.B.B.S from Government Medical College, Amritsar. During his illustrious career spanning over thirty eight years, Dr. Bakshi has been associated with various hospitals, NGOs, bodies and institutions providing community healthcare services to the underprivileged sections of society. 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.

The Board of Directors considers that reappointment of Dr. R.S.Bakshi as a Director of the Company would immensely benefit the Company and therefore, recommends the proposal for approval of the shareholders.

Dr. R.S., Bakshi is neither a Director nor holds committee membership of any other company.

He does not hold any share in the Company and is not related to any other Director of the Company.

Dr. R. S. Bakshi is interested or concerned in the proposed Resolution. None of the Director is interested or concerned in the proposed resolution.

**Item No. 5:**

Mr. B.K.Raizada was re-appointed as Managing Director of the Company effective October 1, 2012 for a period of two years vide an Ordinary resolution passed by the members of the Company at the 23rd Annual General Meeting held on December 28, 2012. However special resolution for payment of remuneration to Mr. Raizada as Managing Director could not be passed with requisite majority (72.19% of total votes were casted in favour of the resolution). In view of the above, though Mr. Raizada continued to discharge his duties as a Managing Director, the Company is unable to pay him remuneration. Hence this resolution is put forth for the approval of the Shareholders.

It may be noted that payment of proposed remuneration to Mr. Raizada satisfies all the requirements as laid down in Section II of the Schedule XIII to the Companies Act, 1956, except that the Company has defaulted in making payment of its outstanding dues towards the loan assistance provided by Technology Development Board (TDB). Since the matter related to payment of dues to TDB was referred to arbitration, the Company could not have repaid the outstanding dues pending the award by the Arbitrator. In the meanwhile, award was pronounced on February 28, 2013 which is currently subject to stay order granted by the Hon'ble High Court of Andhra Pradesh in pursuance to a petition filed by Dr. Jayaram Chigurupati. In view of the above, till the time such default continues, approval of Central Government for payment of remuneration to Mr. Raizada is required.

The proposal for payment of remuneration as detailed in the resolution has been approved and recommended by the Remuneration cum Compensation Committee of the Board. The same is now placed before the shareholders for their consideration.

The Board of Directors recommends the proposed resolution for payment of remuneration to Mr. Raizada commensurate with his qualifications, background and experience.

Mr. B.K.Raizada is interested or concerned in the proposed Resolution. None of the Director is interested or concerned in the proposed resolution.

The Notice read with Explanatory Statement should be considered as an abstract of the terms of appointment and payment of remuneration to Mr. Raizada as Managing Director and a memorandum as to nature of the concern or interest of the Director as required under Section 302 of the Companies Act, 1956.

**The other particulars as required under provisions of Section II of part II of Schedule XIII to the Companies Act, 1956 are provided hereunder:**

In view of the non-availability of the various information and records as reported the information provided hereunder is subject to limitations.

**General Information**

**1. Nature of industry and date or expected date of commencement of commercial production**

Zenotech Laboratories Limited (herein after referred to as "Zenotech /the Company"), bearing CIN L72200AP1998PLC029831 having its Registered Office cum Corporate Office situated at Survey No. 250-252, Turkapally Village, Shameerpet Mandal, R.R. Dist - 500078, Andhra Pradesh, is a public limited company listed on the Bombay Stock Exchange Limited (BSE). It was incorporated on June 15, 1989

Zenotech Laboratories Limited commenced its pharmaceutical operations in 2003-04 and has since then become a specialty generic injectables company with expertise in the area of Biotechnology. The Company's injectables products portfolio primarily, serves niche therapy areas like oncology and anesthesiology. It has R&D facilities and manufacturing facilities located in Hyderabad.

Presently, the Company is a specialty Biosimilars and generic injectables company with expertise in the area of Recombinant bio-technology.

**2. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.**

Not Applicable.

### 3. Financial performance based on given indicators

The financial performance of the Company (Based on Stand-alone financial statements) on given indicators in last three years is as under:

(Amount in ₹. Lakhs)

Financial Parameters	Year ended March 31, 2011	March 31, 2012*	March 31, 2013
Sales	700.14	218.42	304.41**
Profit/(Loss) Before exceptional items	(1,482.78)	(868.84)	(2,552.19)
Net Profit/(Net Loss)	(3,783.81)	(1,026.19)	(2,552.19)
Dividend %	Nil	Nil	Nil

\* the financial statements for the years 2010-11 and 2011 –12 are prepared on Reconstructed basis as more fully explained in the relevant notes to accounts forming part of the financial statements for those years.

\*\* including ₹. 444. 29 (2011 – 12) & 109.5 (2012 – 2013) lakhs, towards price equalization on sales.

### 4. Export performance and net foreign exchange collaborations

(Amount in ₹. Lakhs)

Financial Parameters	Year ended March 31, 2011	Year ended March 31, 2012*	Year ended March 31, 2013*
F.O.B value of exports	8.38	-	-
Royalty/technical consultancy fees	-	-	-
Dividend	-	-	-
Others	-	-	-

\* the financial statements for the years 2010-11 and 2011 – 12 are prepared on Reconstructed basis as more fully explained in the relevant notes to accounts forming part of the financial statements for those years.

### 5. Foreign investments or collaborators, if any.

As per the audited financials of 2009-10 and previous years, the Company has the following overseas subsidiaries:

1. Zenotech Farmaceutica Do Brasil Ltda, Brazil
2. Zenotech Laboratories Nigeria Ltd, Nigeria
3. Zenotech Inc., USA

- a. On getting possession of the premises in 2011, the new management noticed that no books of account and records of the overseas subsidiaries of the company were available. As part of efforts to obtain relevant information, the management had approached the consultants and advisors of the subsidiaries in the respective countries, and tried to retrieve the relevant information. However the company has been unsuccessful and was unable to retrieve any relevant information, books and records. Under the circumstances, it is firmly believed that the entities were sham entities and do not exist anymore.

After evaluating the extent of the missing information and the regulatory non compliances etc., relating to the above subsidiaries, your Company had issued a legal notice to Dr. Jayaram Chigurupati, former Managing Director, to immediately release all the details pertaining to these subsidiaries including the documents / certificates related to all the foreign exchange transactions which include certain loans and investments made in those subsidiaries. He has further been instructed to complete audit of those subsidiaries and submit the financial statements to the Company. However, it is unfortunate that in spite of reminders no response was received from Dr. Chigurupati. Accordingly the Company approached Company Law Board (CLB) for issuing directions to Dr. Chigurupati to return and produce all the missing records. Even after the directions from CLB, no proper response has been forthcoming from Dr. Chigurupati. In view of the same, the Company has now initiated contempt proceedings before the Hon'ble High Court of Andhra Pradesh, which are currently pending.

- b. In view of the foregoing paragraphs:

- i) It is believed that the above entities are delinquent and do not exist anymore;
- ii) No audited statements of the subsidiaries are available for the financial periods from 2008-2013;

- iii) the present Management had on a prudent basis, written down the investments in its subsidiaries and loans and advances to these subsidiaries in the year 2010-11, in addition to the writing off the investments in Brazil and Nigeria in the year 2008-09;
- iv) Despite repeated requests by the present Management, the Company could only get some limited information or copies of SWIFT transmissions from respective bankers/authorised dealers;
- v) In view of the above, consolidated accounts could not be prepared. Further, your company has not been able to attach and provide the statements and particulars as required under the provisions of Section 212 of the Companies Act, 1956, relating to subsidiary companies
- vi) Further, 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.

## 6. Information about the appointee

### a. Background details and past remuneration

Mr. B. K. Raizada aged about 69 years is a graduate in Commerce and is a Fellow Member of the Institute of Chartered Accountants in England and Wales and also of Institute of Chartered Accountants of India. He was initially appointed as Managing Director of the Company effective from March 19, 2011 for a period of two years on a remuneration of ₹.15.00 lacs per annum, subject to approval from the Central Government. Appropriate application was made to the Central Government seeking approval for the payment of remuneration to Mr. Raizada in view of the default by the Company in the repayment to the financial institutions existing on March 31, 2012; in terms of provisions of para C of Section II of Schedule XIII to the Companies Act, 1956. Ministry of Corporate Affairs (MCA) granted its approval for the payment of remuneration to Mr. Raizada subject to the condition that the Company makes payment of its outstanding dues towards the loan assistance provided by Technology Development Board (TDB). Since the matter related to payment of dues to TDB was referred to arbitration, the Company could not have repaid the outstanding dues pending passing of the award by the Arbitrator. This fact was explained by the Company to the Ministry of Corporate Affairs. In the meanwhile, Award was pronounced on February 28, 2013 which is currently subject to stay order granted by the Hon'ble High Court of Andhra Pradesh in pursuance to a petition filed by Dr. Jayaram Chigurupati. Pending approval from the Central Government, remuneration has not been paid to Mr. Raizada.

### b. Recognition or awards

Mr. B. K. Raizada was nominated by Government as member of the Committee on R & D for Pharmaceutical Industry (called the Mashelkar Committee) and the Group on Patent Laws (which helped write the new law adopted in 2002) as well the 'Industry group on new Pharmaceutical Policy' in 2001-02. He had been providing advisory services to pharmaceuticals companies on strategic issues.

He has been active in professional and with other social organizations and was country's Representative for the Institute of Chartered Accountant in England and Wales for 10 years. Presently, Mr. Raizada is the member of the Board of Governors of the Institute of Internal Auditors, Delhi Chapter; Treasurer of the Association of UK Chartered Accountants in India and was past President of both organizations.

### c. Job profile and his suitability

In an illustrious career spanning over 45 years, Mr. B. K. Raizada has held various senior management positions in companies in India and abroad and has worked for about 30 years, in various capacities with Ranbaxy Laboratories Limited, one of India's largest pharmaceutical companies, He has headed the finance function, strategic planning, logistics and new business development divisions of the company. From 1997 till his retirement in 2003 he was responsible for Ranbaxy's worldwide non-human health business. His expertise majorly, span over Pharmaceutical Business Strategy, Financial Management & Industry relations.

### d. Remuneration proposed

A detail on the proposed remuneration is provided in the resolution No. 5.

### e. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)

The remuneration proposed for Mr. B. K. Raizada is commensurate with the remuneration paid to the Managing Directors of other pharmaceutical companies and is commensurate with his job profile and business complexities of the Company.

### f. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any.

Mr. B. K. Raizada is not related to any of the Directors as well as Managerial Personnel of the Company. He does not have any pecuniary relationships directly or indirectly with the Company or its managerial personnel, other



than his remuneration in the capacity as Managing Director of the Company. He does not hold any shares in the Company.

**7. Other information**

**a. Reasons of loss or inadequate profits**

The Company in August 2006, raised ₹. 20.00 crores from Ranbaxy Laboratories Limited ('Ranbaxy') by allotting 20,00,000 equity shares of ₹.10/- each at ₹.100/- (inclusive of a premium of ₹.90/- per share) under preferential allotment.

In October 2007, in pursuance to the entering into definitive agreements between Dr. Jayaram Chigurupati and associates ('Erstwhile Promoters'), the Company and Ranbaxy;

- Ranbaxy purchased 78,78,607 shares from promoters;
- Ranbaxy was allotted 54,89,536 shares on preferential basis; and
- the aforesaid acquisition triggered on the part of Ranbaxy to make an open offer to the then shareholders of the Company, and thus it acquired 7,58,851 shares of Company pursuant to the open made in this regard.

Pursuant to above acquisition of shares, Ranbaxy held 1,61,27,293 shares constituting 46.94% of the paid-up capital of the Company and became the single largest shareholder. The Company could raise ₹.87.83 crores from Ranbaxy under this preferential allotment. As on January 30, 2008; Ranbaxy appointed three nominee Directors and the said Directors have vacated their offices consequent to non-holding of 19th Annual General Meeting of the Company by the due date i.e. 31.12.2008.

Post to the acquisition of 63.92 % by Daiichi Sankyo (Daiichi) stake in Ranbaxy Laboratories Limited in October 2008, Daiichi announced an open offer to acquire 20% share of the Company at ₹. 113.62 per share. Aggrieved by the pricing of the share, erstwhile promoters and one or two 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 based on the petition filed by Daiichi. 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 the shares of the Company. SAT directed Daiichi to price the open offer at ₹ 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 ruled in favor of Daiichi and allowed the open offer to be made at the price of ₹ 113.62 per share.

In the mean time, erstwhile promoters filed a petition on June 30, 2009 before Company Law Board (CLB) alleging oppression against Ranbaxy and its associates. Ranbaxy also filed on October 7, 2009 counter, alleging oppression and mismanagement against erstwhile promoters before CLB.

Post completion of open offer by Daiichi, with the intervention of CLB and Hon'ble Andhra Pradesh High Court, the Board of Zenotech Laboratories Limited got restructured in January, 2011 and the new Board comprising nominees of Ranbaxy started functioning effective March 19, 2011. Until this period, Dr. Chigurupati was at the helm of the affairs as the Managing Director of the Company and was thus responsible for its affairs. At this stage, the Company was incurring huge losses and the financial performance of the Company (Based on Stand-alone financial statements) on given indicators in preceeding three years up to March 31, 2011 was as under:

(Amount in ₹. Lakhs)

Financial Parameters	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011*
Sales	602.32	656.51	700.14
Profit/(Loss) Before exceptional items	(1,696.98)	(1,247.49)	(1,482.78)
Net Profit/(Net Loss)	(2,162.46)	(1,247.49)	(3,783.81)
Dividend %	Nil	Nil	Nil

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.

The Board of Directors expressed its complete dissatisfaction over the performance of Dr. Jayaram Chigurupati as Managing Director of the Company and viewed that Dr. Chigurupati has failed from all aspects in discharging the functions and responsibilities as the Managing Director of the Company. It was further viewed that he was not taking steps to improve Company's performance, which had started to deteriorate from quarter to quarter. It also viewed that instead of taking effective steps for reviewing and readjusting the operations and pricing of the

products range sync with the market dynamics, he was more focused and indulged on exploiting the situation to his advantage and making personal gains leaving the company to languish.

To bring in clarity over the functioning of the two Managing Directors, the Board allocated the responsibilities between the two Managing Directors. However, due to persistent irresponsible actions in utter disregard to his fiduciary duties and responsibilities, the Board of Directors at its meeting held on July 21, 2011, removed Dr. Chigurupati from the position of Managing Director of the Company and the matter is currently subjudice before CLB.

Despite the best efforts, Mr. Raizada and his management team were not able to access the premises of Company's registered office and the plants. It was in November 2011, with the orders of the CLB that the new Management could access and was able to get possession of the Company premises in the presence of Advocate Commissioner appointed by CLB. Once the access was made, the Management was shocked to discover that key records, assets, books of accounts and statutory records of the Company were missing. Though appropriate actions against the responsible persons, have already been initiated by the Management, the Company was unable to resume operations in the absence of various key records. During the financial year ended March 31, 2013, though your Company took all the necessary steps to resume operations at plants and production of trial batches for some of the products range aimed at meeting quality specifications and standards, was commenced in October 2012 it was unable to resume its commercial production. All equipments' validation was undertaken and extensive repairs and maintenance work were also completed to ensure that the plants were geared to commence production up to their installed capacities. Despite various steps undertaken by the Company during the year, Company continued to incur losses.

**b. Steps taken or proposed to be taken for improvement**

The Company had reviewed matters relating to technical viability and other steps required to be taken to resume operations of the Company production of trial batches for some of the products range aimed at meeting quality specifications and standards, was commenced in October 2012. The renewal applications filed for all expired Drug licenses have been approved by both the State and Central Drug Regulators. The plants are now geared to start production to its capacities.

Further, the management to evaluate the restoration of current product pipelines with current set-up and to leverage on account its product strength commensurate with the size of market potential, and the Management will also initiate necessary steps to evaluate and commence development of a new range of products to upscale the market presence of our products 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 the Company is not at all favourable and is facing a severe liquidity crunch due to lack of financial management in the last few years in spite of substantial funds injection. Based on the audited financial statements as at March 31, 2011; the Company had become a potential sick company as contemplated under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The necessary intimations as required under the provisions of the said section of SICA were made to the Board of Industrial and Financial Reconstruction (BIFR). The management is also exploring various options to meet the fund requirements including raising equity from the existing shareholders etc. Further, the Board of Directors has initiated actions to engage an independent outside agency to review and recommend a revival strategy including steps required for increasing the Net worth of the Company.

**c. Expected increase in productivity and profits in measurable terms.**

Oncology and Biotech Products are a high technology area which needs continued Research and Development efforts. Also as availability improves, prices do get reduced. We are now focusing more on efficiency in production and reduction in costs. It is too early to comment on the impact on profitability but the management is hopeful to improve volumes and commercial production and start exports to countries like Asia, Africa and Americas in the next few years.

**Disclosures:**

The relevant disclosures as on March 31, 2013 as required under Corporate Governance code stipulated under clause 49 of the listing agreement are made in the Report on Corporate Governance and forms part of this Annual Report.

**Item Nos. 6 & 7**

The present Authorised Share Capital of the Company is ₹ 35,00,00,000/- divided into 3,50,00,000 equity shares of ₹10/- each.

The proposal to increase the Authorised Share Capital and consequent alteration in the Memorandum of Association of the Company as detailed in the Resolutions at Item no. 6 & 7 were placed before the Shareholders at the 22nd Annual General Meeting of the Company and were passed but the Special Resolution for altering the Articles of Association of the Company could not be passed with requisite majority (72.19% of total votes casted were in favour of the resolution).

The Board of Directors of the Company felt that for revival of the Company, further funding through raising share capital is essential. Hence fresh approval of the Shareholders is being sought for increasing the Authorised share capital of the Company to ₹100,00,00,000, divided into 10,00,00,000 (Ten Crores) equity shares of ₹10/- each.

The proposed increase of the authorised capital of the Company requires the approval of the members in general meeting. Further, the proposed change of authorised capital, also necessitates amending the existing capital clauses as appearing in Memorandum, which also requires the approval of shareholders in general meeting.

The Board recommends the resolutions for your approval.

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

**Item No. 8**

The proposal to amend the Articles of Association of the Company as detailed in the Resolution at Item no. 8 was already placed before the Shareholders at the 22nd and 23rd Annual General Meetings of the Company but the same could not be passed with requisite majority. The Board recognizing their criticality and relevance has placed the said proposal once again for the approval of the Shareholders particularly, in view of:

- Increase in the Authorized Share Capital of the Company;
- Incorporation/effecting changes to make the Articles in line with the amendments in the provisions of the Companies Act & rules framed there-under;
- 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 your approval.

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

**By order of the Board**  
**For Zenotech Laboratories Limited**

Place : Hyderabad  
Date : July 16, 2013

**B. K. Raizada**  
**Managing Director**

## Directors' Report

Your Directors are pleased to present the twenty fourth Annual Report together with the audited annual accounts of the Company for the year ended March 31, 2013.

### Standalone working results under Indian GAAP

(₹. in thousands)

Particulars	2012-13	2011-12
Sales(net)	30,441	21,842
Other Income	1,719	1,337
Operating expenses	2,22,718	61,341
Research & development expenses	14,797	8,744
Finance costs	14,714	5,051
Depreciation	35,150	34,927
Loss before tax	(255,219)	(86,884)
Exceptional Items	-	15,735
(Loss) after tax	(255,219)	(102,619)
Loss brought forward from previous year	(992,338)	(889,719)
Profit/(Loss) carried forward to balance sheet	(1,247,557)	(992,338)
Earnings Per Share (₹.) - Basic	(7.41)	(2.98)

### Operations

The management recruited new manpower and commenced implementation and training to ensure that the plants would meet GMP standards. In the last one year, while all the necessary steps have been taken by the Company to resume operations at plants, production of trial batches aimed at meeting quality specifications and standards, was commenced in October 2012 for some of the products range. The renewal applications were filed for all expired drug licenses and by September 2012 the applications for oncology range were approved by the Drug Authorities after completing inspections/ audits by both the State and Central Drug Regulators. All equipments' validation was also undertaken and extensive repairs and maintenance work have been undertaken to ensure that the plants are geared to commence production up to their installed capacities. Approval of central authorities for biologics licences is expected shortly as all inspections and enquiries are completed. Further, steps have been initiated for certifications under WHO GMP and inspections in this regard by the regulatory authorities concerned, have been completed. . Since October 2012, market seeding of your Company's products has been undertaken with assistance from our largest shareholder. We have also commenced quoting for our products in various tenders in the new fiscal.

### BIFR

Your Company had become a potentially sick Company in terms of the provisions of Section 23 of Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and the matter was intimated to Board for Industrial and Financial Reconstruction (BIFR) in August 2012 after approval of the Accounts for the year ended March 2011. Your Company had received a communication from BIFR seeking information and the course of action contemplated by the Company to increase its Networth. The Board of Directors has initiated actions to engage an independent financial agency to review and recommend a revival strategy including steps required for increasing the Networth of the Company.

A report to the shareholders detailing the reasons for such erosion and the steps taken/ proposed to be taken as required under the above-mentioned provisions of SICA is provided as Annexure A to this Report.

### Share Capital

There has been no change in the share capital of the Company during the year.

### Board's responses to Auditors Qualifications/Remarks

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

- Paragraph No. 1 in the Basis for Qualified Opinion of the said Auditors' report as to recognition of certain expenditures during the years ended 31 March 2011 and 31 March 2012 and outcome of the uncertainties, related to several

financial and non financial irregularities, which are sub judice and various ongoing legal proceedings, current Management has initiated necessary steps to recover various missing assets, valuable information and records before CLB as well as appropriate court of law. The current Management had carried out reconstruction of books of account for the year ended 31 March 2011 and 31 March 2012 with the best of its ability, given the limitations, and any further adjustments / disclosures to the financial statements, if required, would be made in the financial statements of the Company as and when the outcome of the uncertainties related to those years is known and the consequential adjustments / disclosures are identifiable/ determinable.

- b. Paragraph No. 2 in the Basis for Qualified Opinion of the said Auditors' 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 said matter is pending before the Court of the Hon'ble Chief Judge City Civil Court at Hyderabad. As the matter remains sub-judice, no adjustments have been made to the financial results for years ended March 31, 2013 as well as March 31, 2012.
- c. Paragraph No. 3 in the Basis for Qualified Opinion of the said Auditors' report as to pending approval of managerial remuneration to another co-Managing Director, the Management wishes to state that MCA had granted its approval for payment of remuneration to Mr. Raizada, subject to the condition that the company makes payment of its outstanding dues towards the loan assistance granted by TDB by February 29, 2012. The company, while citing the Arbitration proceedings pending with TDB requested MCA to modify the above date to "within 30 days of the Arbitration Award". The company is yet to receive the Ministry's response in this regard. In the meantime, the Arbitration Award has been announced on February 28, 2013 which TDB is unable to enforce, including action on the personal guarantees of Dr. Chigurupati, as there is a stay granted by the Hon'ble High Court of Andhra Pradesh.
- d. Point no. (ix) (a) of Annexure to Auditors' Report with regard to few instances of delay in depositing provident fund, employees' state insurance, service tax and income tax deposit with the departments: Company was generally regular in depositing material statutory dues during the year. However, due to heavy losses incurred by the Company during the last few years including in the current year due to the reasons as indicated in this Annual Report few instances of delay occurred. Your Company is taking all the required steps to resume production and increase revenues and ensure timely deposit of the statutory dues.
- e. Point no. (x) of Annexure to Auditors' Report with regard to accumulated losses being more than fifty percent of its net worth and cash losses incurred during the current year and immediately preceding financial year ; Appropriate intimation as required under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 have been made to Board of Industrial and Financial Reconstruction and necessary steps are being taken to revive the Company which includes decision to engage an independent financial agency to review and recommend a rehabilitation scheme and suggest ways to increase the net worth of your Company.
- f. Point no. (xi) of Annexure to Auditors' Report with regard to delay in payment of certain dues (including interest ) to financial institutions; Interest and loan taken from Technology Development Board was overdue and was subject matter of Arbitration proceedings. Award has been pronounced by Arbitrator on February 28, 2013 which is currently subject to stay order granted by the Hon'ble High Court of Andhra Pradesh in pursuance to a petition filed by Dr. Jayaram Chigurupati. It is further informed that as on date, the Company has no outstanding loans from Banks/ Financial institutions except loan outstanding from TDB.
- g. Point no. (xvii) of Annexure to Auditors Report with regard to utilization of money raised on short term basis to long-term: Utilization of money raised on short term basis to long term was made due to losses suffered by your Company during the period, which was in turn, due to the reasons indicated in this Annual Report. Your Company is taking all required steps to resume production and increase revenue to meet to its short term requirements of the funds.

### **Consolidated Financial Statements**

On getting possession of the premises in 2011, the new management noticed that no books of account and records of the overseas subsidiaries of the company were available. As part of efforts to obtain relevant information, the management had approached the consultants and advisors of the subsidiaries in the respective countries, and tried to retrieve the relevant information. However the company has been unsuccessful and was unable to retrieve any relevant information, books and records. Under the circumstances, it is firmly believed that the entities were sham entities and do not exist anymore.

After evaluating the extent of the missing information and the regulatory non compliances etc., relating to the above subsidiaries, your Company had issued a legal notice to Dr. Jayaram Chigurupati, former Managing Director, to immediately release all the details pertaining to these subsidiaries including the documents / certificates related to all the foreign exchange transactions which include certain loans and investments made in those subsidiaries. He has further been instructed to complete audit of those subsidiaries and submit the financial statements to the Company. However, it is unfortunate that in spite of reminders no response was received from Dr. Chigurupati. Accordingly the Company approached Company Law Board for issuing directions to Dr. Chigurupati to return and produce all the missing records.

Even after the directions from CLB, no proper response has been forthcoming from Dr. Chigurupati. In view of the same, the Company has now initiated contempt proceedings before the Hon'ble High Court of Andhra Pradesh, which are currently pending.

In view of the above, consolidated accounts could not be prepared. Further, your company has not been able to attach and provide the statements and particulars as required under the provisions of Section 212 of the Companies Act, 1956, relating to subsidiary companies.

### **Directors' Responsibility Statement**

In terms of provisions of Section 217(2AA) of the Companies Act, 1956("Act"), your Directors confirm that:

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, wherever applicable;
- the Directors have 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 have 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;
- the Directors have prepared the annual accounts on a going concern basis.

### **Employee Stock Option Scheme**

Disclosures as on March 31, 2013 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 B to this Report.

### **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; prepared based on the information to the extent available are provided as Annexure B to this report.

### **Report on Corporate Governance and Management's Discussion Analysis**

Reports on Corporate Governance together with the certificate of Mr. Mahadev Tirunagari, Company Secretary in Practice, Hyderabad, on the status of compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement and Management Discussion and Analysis form part of this Annual Report and enclosed 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. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

### **Cost Audit:**

The Board of Directors of the Company appointed M/s. K.C. Kohli & Co., Cost Consultant & Advisor, Delhi, as Cost Auditor of the Company for the financial year ended March 31, 2014. The audit report for the cost accounts of the Company for the year ended March 31, 2013, will be submitted to the Central Government in the due course.

### **Directorate**

At the 22nd Annual General Meeting of the Company held on July 25, 2012:

- i) Mr. Udbhav Ganjoo term as Additional Director of the Company expired and since he sought not to be appointed as Director at the said AGM, he ceased to be a Director from that date;
- ii) Dr. R. S. Bakshi and Mr. K.L. Khurana were appointed as Directors of the Company;

- iii) Mr. Ranjit Kohli, who sought not to be reappointed, retired by rotation and the members decided not to fill the resultant vacancy;

At the 23rd Annual General Meeting of the Company held on December 28, 2012:

- i) Dr. Jayaram Chigurupati retired by rotation and sought his reappointment as Director of the Company. However, the resolution for his reappointment as Director was not passed at the AGM and the members resolved not to fill the resultant vacancy.
- ii) Mr. B. K. Raizada was reappointed as the Managing Director of the company for a further period of 2 years effective October 1, 2012.

Prof. N. K. Ganguly and Dr. R.S. Bakshi retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

#### **Particulars of Employees**

None of the employees of the Company have drawn remuneration in excess of the limits contemplated under the provisions of the said section.

#### **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 2013–2014 have been paid to the Exchange.

#### **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 provided as Annexure C to this report.

#### **Acknowledgement**

The Board of Directors would like to express their grateful appreciation for the assistance and co-operation received from the financial institutions, banks, various Government Authorities, customers, vendors and members of the Company during the period.

Your Directors also wish to place on record the sincere efforts and committed services put in by the employees across all levels, who continued to stand and support the Company and its Management in these difficult times.

**For and on behalf of the Board**

Place : Gurgaon  
Date : May 25, 2013

**Dr. Sudershan K. Arora**  
**Chairman**

## Annexure –A

### Report to the shareholders under section 23(1) (b) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA)

Pursuant to the provisions of Section 23 (1) (b) of SICA, if the accumulated losses of a company, as at the end of any financial year have resulted in erosion of fifty per cent or more of its peak net worth during the immediately preceding four financial years, the Company, within a period of sixty days from the date of finalization of the duly audited accounts of the company for the relevant financial year, is required to

- report the fact of such erosion to the Board for Industrial and Financial Reconstruction and
- hold a general meeting of the shareholders of the company for considering such erosion and forward to every member of the company a report as to such erosion and the causes for such erosion.

In terms of the audited financial statements of the Company for the year ended March 31, 2011 (prepared on reconstructed books of accounts) as adopted by the shareholders in their 22nd AGM of the Company held on July 25, 2012, your Board of Directors observed that the accumulated losses of the Company as on March 31, 2011 have resulted in erosion of more than 50% of its peak net-worth during the immediately preceding four financial years and thus the Company had become a potential sick company as contemplated under Section 23 of SICA. As required under the provisions of the said section of SICA, on 24 September 2012, the Company has filed required declaration under in Form C with the BIFR intimating the aforesaid fact potential sickness of the Company.

#### Causes for Erosion

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 issue of shares to Ranbaxy Laboratories Limited ('Ranbaxy') for ₹. 20.00 Crores. Further, in October 2007, pursuant to entering of definitive agreements with Dr. Jayaram Chigurupati and associates ("erstwhile promoters");

- Ranbaxy had purchased 78,78,607 shares from the erstwhile promoters;
- Ranbaxy was allotted 54,89,536 shares on preferential basis; and
- The aforesaid acquisition triggered on the part of Ranbaxy to make an open offer to the then shareholders of the Company, and thus it had acquired 7,58,851 shares of Company pursuant to the open made in this regard.

Post the acquisition of the shares,, Ranbaxy held 1,61,27,293 shares of the Company constituting 46.94% of the then paid-up capital of the Company becoming the single largest shareholder and the Company was able to raise ₹.87.83 crores from Ranbaxy under the said preferential allotment. As on January 30, 2008; Ranbaxy appointed three nominee Directors and the said Directors vacated their offices, consequent to non-holding of 19th Annual General Meeting of the Company which fell due by 31.12.2008.

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 ₹. 113.62 per share. Aggrieved by the pricing of the share, erstwhile Promoters and one or two other shareholders filed a petition in the Hon'ble High Court of Madras. The Company has been named as Respondent in the said case. An interim injunction in connection with the offer was given by the Hon'ble High Court of Madras and subsequently it was quashed by the Hon'ble Supreme Court based on a petition filed by Daiichi against the said injunction. Meanwhile, some of the shareholders (other than Ranbaxy) including erstwhile promoter of the Company filed a petition with Securities Appellate Tribunal (SAT) with respect to the pricing of the share of the Company. SAT directed Daiichi to price the open offer at ₹ 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 ruling in favor of Daiichi allowed the open offer to be made at the price of ₹ 113.62 per share.

In the mean time, the erstwhile Promoters had filed a petition on June 30, 2009 before Company Law Board (CLB) alleging oppression against Ranbaxy and its associates. Ranbaxy filed its petition on October 7, 2009 before CLB counter alleging oppression and mismanagement against Erstwhile Promoters.

Post completion of open offer formalities by Daiichi as explained above, pursuant to the intervention of Company Law Board (CLB) and Hon'ble Andhra Pradesh High Court, the Board of Zenotech Laboratories Limited got restructured in January, 2011 and the new Board containing nominees of Ranbaxy started functioning effective March 19, 2011. Until this period, Dr. Jayaram Chigurupati was at the helm of the affairs of the Company as the Managing Director and was thus responsible for its affairs. At that stage, the Company had started incurring huge losses and the financial performance of the Company (Based on Stand-alone financial statements) on given indicators in preceding three years up to March 31, 2011 is provided as under:

(Amount in ₹. Lakhs)

Financial Parameters	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011*
Sales	602.32	656.51	700.14
Profit/(Loss) Before exceptional items	(1,696.98)	(1,247.49)	(1,482.78)
Net Profit/(Net Loss)	(2,162.46)	(1,247.49)	(3,783.81)



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 of Directors expressed its complete dissatisfaction over the performance of the Company and the way the affairs of the Company were managed by Dr. Jayaram Chigurupati as Managing Director. Board also observed that due to irresponsible conduct of Dr. Jayaram Chigurupati the performance of the Company had started deteriorating from quarter to quarter and he had failed to take appropriate steps to review and readjust the operations in tune with market dynamics. The Board further observed that Dr. Chigurupati did not change the pricing policy for the Company's products for the last 4 years since their introduction, in line with the changing market dynamics as a result of which the prices had become totally uncompetitive and the company was not operating even at breakeven level forcing it to incur further losses.

Dismissing an appeal filed by Dr. Jayaram Chigurupati, CLB upheld the decision of the Board of Directors as legal in appointing Mr. Raizada as Managing Director of the Company and allowed him to function as a Managing Director. Due to his continuing irresponsible conduct resulting huge losses to the Company Dr. Jayaram Chigurupati was removed from the office of Managing Director of the Company at its meeting held on July 21, 2011, and the matter is currently sub judice.

Despite the best efforts, Mr. Raizada and his management team were not able to access the premises of Company's registered office and the plants, in view of the Registered Office of the Company was found locked and some employees had restored to illegal strike. It was only in November 2011 that pursuant to the orders of the CLB, the present 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 made, the Management was shocked to discover that key records, assets, books of accounts and statutory records of the Company were missing. Appropriate action, including filing of criminal complaints against the persons responsible including Dr. Chigurupati, has already been initiated by the Management. The Hon'ble CLB vide its order dated 8 October 2012 also directed Dr. Chigurupati to return all the documents and provide written details of all missing documents/ assets/ statutory records / equipment of the Company. However, Dr. Jayaram Chigurupati has so far not complied with the orders of the CLB.

During this period under review, as already explained, there has been no production in the plants as employees of the Company were on illegal strike. As a result of closure of operations for the full year, the Company recorded a total loss after tax of ₹. 11.81 crores for the year ended March 31, 2013.

#### **Remedial Measures**

- a. Soon after the new management was allowed to function, sale of the Company's products in Oncology has been resumed though Licenced Toll production after obtaining necessary approvals from various authorities and thus achieved a turnover of ₹. 219. 03 lakhs including ₹. 44.29 lakhs towards price equalization on sales. This has been done to ensure continued availability of your Company's products to meet tender commitments, revival of brand names and demand for life saving drugs from the market. While the turnover reported may be lower, but may be viewed as a positive step by the Management towards ensuring a longer term Market standing for the Company.
- b. The Management after taking over the possession of the plant premises in November, 2011, 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, certain employees submitted their resignations. 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 operations comprising of Biologics API, Formulations (General Injectables, which is FDA approved) and Oncology Injectables formulations plant including further manpower requirements etc. In the last one year, while all the necessary steps have been taken by the Company to resume operations at plants, production of trial batches aimed at meeting quality specifications and standards, was commenced in October 2012 for some of the products range. The renewal applications were filed for all expired drug licenses and by September 2012 the applications for oncology range were approved by the Drug Authorities after completing inspections/audits by both the State and Central Drug Regulators. All equipments' validation was also undertaken and extensive repairs and maintenance work have been undertaken to ensure that the plants are geared to commence production up to their installed capacities. Approval of central authorities for biologics licences is expected shortly as all inspections and enquiries are completed. Further, steps have been initiated for certifications under WHO GMP and inspections in this regard by the regulatory authorities concerned, have been completed. Since October 2012, market seeding of your Company's products has been undertaken. The Company has also commenced quoting for Company's products in various tenders in the new fiscal.
- c. The Management is in process of working out a roadmap both for operations and fund support. As informed, all the required steps have been taken to gear the plants for production to their capacities. The Board of Directors has also initiated actions to engage an independent financial agency to review and recommend a revival strategy including steps required for increasing the Net worth of the Company.

**Annexure – B**

**Details of Stock Options granted under Zenotech Stock Option Scheme, 2005 (ZESOS, 2005) as on 31.03.2013\*.**  
Pursuant to SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

DESCRIPTION	PLAN 2
Number of Options available under the Scheme	42,500
Total Number of Options granted	42,500
Options granted during the year	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 2012-13	Nil
Options exercised during FY 2012-13	Nil
The total number of shares arising as a result of exercise of options	Nil
Options lapsed during FY 2012-13 which are subject to reissue	Nil
Variation of terms of options	Nil
Money realized by exercise of options	Nil
Grant Price (Face value of ₹.10)	₹. 103.65
Total Number of options in force as on March 31, 2013 (cumulative)	15,000*
Grant details of members of senior management team during the year 2012-13	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
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
Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20	₹.(2.97)
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	30.07.2008
Weighted Average Exercise Price	₹.103.65
Weighted Average Net Fair Value (Fair Value-Grant Price)	₹.2.84
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))	8.53
Expected volatility (%)	45.80%
Dividend yield	0.00%

\* The information provided is as on March 31, 2013 and based on the inferred data. Majority of employees to whom these options have been granted have not rejoined the Company, after reopen of facilities in November, 2011. Even the employees rejoined the Company have not opted to exercise their options, in view of the price of the scrip is quoting below the exercise price.

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 year ended 31 March 2010, which was subject to leave of the Company Law Board. Of these, the Company allotted 2,500 shares vide Company Law Board order dated 6 August 2010 and balance is pending for allotment subject to leave of the Company Law Board. Accordingly, ₹. 1,22,000 received on exercise of options has been shown under Share application money.

## Annexure – C

Additional information as required under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988:

As reported earlier, the plants of the Company were shut down from April, 2011. Soon after the taking over the facilities of the Company in November 2011 by the present management; the focus was to repair, renovate and validate the equipments and facilities and, further, to renew the expired licenses. Your Company had incurred expenditure to carry on the Research and Development activities in few areas.

The following information during the financial year ended March 31, 2013 should be read in conjugation with financial statements and is subject to the same limitations as detailed in various paragraphs of this report.

## FORM A

### A. Conservation of Energy

The Company has taken measures to reduce energy consumption by making use of energy efficient equipments.

Form for disclosure of particulars with respect to conservation of energy:

A.	Power and fuel consumption	2012 – 13	2011 – 12
1.	Electricity		
	<b>i) Purchased</b>		
	Units	15,82,496	1,99,144
	Total amount (₹.)	146,13,322	15,32,079
	Rate/unit (₹.)	9.23	7.70
	<b>ii) Own generation through diesel generation set</b>		
	Units	562,880	69,880
	Total amount (₹.)	87,07,050	10,45,568
	Units per liter of diesel oil	3	3
	Rate/unit (₹.)	15.50	14.96
2.	Diesel (used in boiler)		
	Quantity(tones)	2,113	N.A.
	Total cost (₹.)	80,43,750	
	Average rate (₹.)	3806.80	
<b>B.</b>	<b>Consumption per unit of production</b>		
	The Company manufactures injectables of various forms and strengths. It is therefore, impractical to apportion the consumption and cost of utilities to each unit.		

### B. Technology Absorption

During the year, the Company has not undertaken any technology transfer.

## FORM B

### Research and Development

As already informed, soon after the taking over the possession of the company premises and facilities in November, 2011 by the present Management, it was noticed that the most vital technical information, essential lab records including other technical data both maintained in all forms were missing. Further, it was noted that, most of the DNA Mammalian clones relating to the Biotech product projects on which the Company was either working on hitherto or already commercially launched were not available including other vital information. Appropriate actions, including filing of criminal complaints against the persons responsible including Dr. Jayaram Chigurupati, have already been initiated by the Management. In view of non-availability of information, it is impossible to comment on the status of these projects. Subject to above, attempt was made to give the following information based on the records, to the extent available either with the Company or with outside agencies and public domain etc. Therefore, in case the actual records are later found to be inconsistent with the present information, the same requires to be represented again.

#### 1. Specific areas in which R&D was carried out by the Company and benefits derived as a result of the same.

During the year ending on the date of this report, the areas of focus for R & D has been the following.

- Human comparative clinical trial for biosimilar Etanercept, study being initiated by the CRO Clinsys, after receiving approval from the DCGI
- We have improved the final yield of G-CSF (Xphil) at least by two fold by improving upon the process. Further shifted to Indian Pharmacopia testing methods from in house method.
- Steps are being taken to further improve the process of GM-CSF (Macrogen) so that your Company can follow the European Pharmacopis testing methods.

The pre-clinical toxicology studies for pegylated filgrastim and Interferon beta1b have been approved by the RCGM and the studies have been initiated. The human clinical trials for Rituximab are completed and the Company has received final approval for Marketing Authorization from DCGI. Now, company has applied to DCA for license for Rituximab.

The Etanercept clinical trials are being initiated at different centers across the country.

In view of missing of vital data etc., as an alternative measure, further steps were initiated to upgrade the three flagship biosimilar products from the Biotech R&D product pipeline (Xphil nuTM, MacrogenTM and RecilTM).

#### 2. Future plan of action

In view of persisting peculiar situation as mentioned above, the Management intends to complete all required toxicological and clinical studies in two mammalian bio-similar products of the Company i.e. Rituximab and Etanercept and commercial launch of the same.

#### 3. Expenditure on R & D

₹. in Thousands

a.	Capital	Nil
b.	Recurring	25,855
c.	Total	25,855
d.	Total as percentage of turnover	84.93%

#### 4. Technology absorption, adoption and innovation

All processes transferred for pilot scale and commercial production will be developed by the in-house R&D team. There are no plans to collaborate with or outsource technology from outside agencies.

#### C. Foreign Exchange Earnings and Outgo

Total foreign exchange used and earned:

₹. in Thousands

i)	Foreign Exchange earnings	Nil
ii)	Foreign Exchange outgo (including raw materials, components and spare parts of capital goods, investments and other expenditures in foreign currency including dividends)	29,590

## Corporate Governance Report for the year 2012-13

(As required under Clause 49 of Listing Agreement)

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

Zenotech Laboratories Limited (herein after "Company") as an institution, strongly believes that good corporate governance practices are vital tools in directing and controlling the affairs of the Company in a most effective and efficient manner. We further believe that by adopting the best Corporate Governance practices, the Company would be able to achieve its long term goal of maximizing Company's value for all its stake holders.

Transparency, integrity, honesty and accountability are recognized as core values in discharging the responsibilities towards this end.

### 2. Board of Directors

The Board of Directors of the Company comprised of adequate number of Independent Directors in conformity with Clause 49 of the Listing Agreement entered with Stock Exchanges after Dr. R S. Bakshi and Mr. K. L. Khurana were appointed as Independent Directors of the Company by the Shareholders at the 22nd Annual General Meeting held on July 25, 2012.

Details of the Board of Directors of the Company, their attendance at meetings and other details during the financial year ended March 31, 2013 are provided hereunder:

Name of Director	Designation / Category	No. of Board Meetings attended during 2012-13	Attendance at AGM held on 28.12.2012	Number of Directorships held in other Public 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	7	Yes	-	-	-
Mr. B.K.Raizada,	Managing Director	7	Yes	4	2	2
Prof. N.K. Ganguly	Non-Executive Independent	4	No	-	-	-
Mr. R. S. Bakshi	Non-Executive Independent	5	Yes	-	-	-
Mr. K.L.Khurana	Non-Executive Independent	5	Yes	-	-	-
Mr. Ranjit Kohli	Non-Executive Non-Independent	2	Not Applicable	4	-	-
Mr. Udbhav Ganjoo	Non-Executive Non-Independent	2	Not Applicable	-	-	-
Dr. Jayaram Chigurupati	Managing Director <sup>(e)</sup>	1	Yes	4	-	-

#### Notes:

- Mr. Udbhav Ganjoo, who sought not to be reappointed, retired by rotation at the 22nd Annual General Meeting of the company held on July 25, 2012..
- Dr. R. S. Bakshi and Mr. K.L. Khurana have been appointed as Directors of the Company at the 22nd Annual General Meeting held on July 25, 2012.
- Mr. Ranjit Kohli, who sought not to be reappointed, retired by rotation at the 22nd Annual General Meeting of the company held on July 25, 2012 and the members decided not to fill the resultant vacancy.
- Mr. B. K. Raizada was reappointed as the Managing Director of the company for a further period of 2 years effective October 1, 2012. However, Special Resolution for payment of remuneration to Mr. Raizada as Managing Director of your company was not passed.
- The Board of Directors of the Company at their meeting held on July 21, 2011 removed Dr. Jayaram Chigurupati as Managing Director of the Company subject to the approval of CLB, which is pending for disposal. Further, consequent to the expiry of his term, Dr. Jayaram Chigurupati ceased to be Managing Director of the Company effective from the closing business hours of September 30, 2012. Dr. Jayaram Chigurupati retired by rotation and sought his reappointment as Director of the Company. However, the resolution for his reappointment as Director was not passed at the AGM held on December 28, 2012 and the members resolved not to fill the resultant vacancy. Dr. Jayaram Chigurupati did not provide any declaration with regard to his membership and chairmanship in committees of the Board in other companies. As a result, the Company is unable to furnish information on the same.

### Board Meetings

During the year ended March 31, 2013, seven meetings of the Board of Directors of the Company were held on May 19, 2012, June 04, 2012, August 08, 2012, November 14, 2012, December 01, 2012, December 28, 2012 and February 08, 2013.

In view of the continuing obstacles created by Dr. Jayaram Chigurupati, erstwhile promoter of the Company, the composition of the Board of Directors and Committees could not meet the requirement of Clause 49 of the Listing Agreement. At the 22nd Annual General Meeting of the company held on July 25, 2012, the Company could appoint two independent Directors and thereafter the composition of the Board and the Committees is in compliance with the said Clause.

### 3. Audit Committee

The Audit Committee of the Board was constituted according to the provisions of Section 292A of the Companies Act, 1956 and clause 49 of the listing agreement.

#### Brief description of the terms of reference

- 1) Oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 2) Recommending the appointment, reappointment and, if required, the replacement or removal of statutory auditor and fixation of audit fee and also approval for payment for any other services.
- 3) Reviewing with the management the annual financial statements before submission to the Board for approval.
- 4) Reviewing with the management, the quarterly financial statements before submission to the Board for its approval.
- 5) Review with the management, performance of statutory and internal auditors and of adequacy of internal control systems.

#### Composition

The Audit Committee of the Board is constituted with the following Directors as its members:

1. Mr. K. L. Khurana – Chairman
2. Dr. R. S. Bakshi – Member
3. Mr. B. K. Raizada – Member

The Company Secretary of the Company is the Secretary of the Committee. During the financial year ended March 31, 2013, three meetings of the Audit Committee of the Board were held on November 14, December 01, 2012 and February 08, 2013. All the members of the committee attended the meetings.

### 4. Remuneration cum Compensation Committee

Consequent to the resignation of Justice (Retd.) A. Gopal Rao as Director of the Company effective from July 7, 2011, the Remuneration cum Compensation Committee of the Board stood dissolved. The Remuneration cum Compensation Committee of the Board has been constituted again on August 08, 2012 in conformity with the provisions of Section 269 read with Schedule XIII of the Companies Act, 1956, Clause 49 of the listing agreement and SEBI (Employees Stock Option Scheme and Stock Purchase Scheme) Guidelines 1999. The Committee has the following Directors as its members:

1. Prof. N. K. Ganguly – Chairman
2. Dr. R. S. Bakshi – Member
3. Mr. K. L. Khurana – Member

The Committee met once on November 14, 2012 during the year under report and all the members attended the meeting.

#### Brief description of the terms of reference

1. To review and recommend to the Board of compensation package of all the Executive Directors of the Company;
2. To review and recommend the Board about the criteria of making payments to non-Executive Directors;
3. To review and recommend to Compensation package of all the employees of the Company and
4. To administer the Company's ESOP and other schemes as set up under SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 or such other Rules as may be in force from time to time and

**Remuneration Policy**

The Company’s remuneration policy is driven by the success and performance of the individual employees as well as their expertise in the critical areas of operations of the Company. The Company follows a compensation of fixed pay. Performance of the individuals measured through the annual appraisal process. Further, in terms of Zenotech Employees Stock Option Scheme, 2005, the Remuneration cum Compensation Committee is authorised to select the eligible employees for granting the options and for this purpose, the following types of employees shall be considered:

- a. Employees with an exceptional annual performance shall be eligible for grants under the Plan.
- b. Employees who are members of the team considered critical to the success of the Company shall be eligible for grants under the Plan.
- c. New employees who are considered critical to the success of the Company shall be eligible for grants under the Plan.

Details of remuneration and other terms of appointment of Directors:

(Amount in ₹. Lakhs)

Name of the Director	Salary	Commission	Perquisites	Service Tenure	Notice period
Mr. B.K. Raizada	15.00	Nil-	Nil-	2 years	3 months

Mr. Raizada is eligible for Company’s contribution to Provident Fund and Superannuation Fund or Annuity Fund, to the extent these, either singly or together are not taxable under the Income-Tax Act, Gratuity payable at a rate not exceeding half month’s salary for each completed year of service and encashment of leave at the end of the tenure payable as per rules of the Company.

**Notes:**

- i) Mr. B K Raizada was initially appointed as Managing Director of the Company for a period of two years effective from March 19, 2011.
- ii) Owing to the losses incurred by the Company due to the mismanagement of affairs by the previous management, and an earlier default in repayment of its loan taken from Technology Development Board (TDB) the Company had applied to the Central Government seeking approval for payment of remuneration to Mr. Raizada. Central Government vide its letter dated February 27, 2012 granted a conditional approval for the payment of aforesaid remuneration, stating that Company makes payment of its outstanding dues towards loan assistance granted by TDB. Since the matter related to payment of dues to TDB was referred to arbitration, the Company could not have repaid the outstanding dues pending the award by the Arbitrator. This fact was explained by the Company to the Ministry of Corporate Affairs. In the meanwhile, Award was pronounced on February 28, 2013 which is currently subject to stay order granted by the Hon’ble High Court of Andhra Pradesh in pursuance to a petition filed by Dr. Jayaram Chigurupati. Pending approval from the Central Government, remuneration has not been paid to Mr. Raizada.
- iii) Mr. B.K. Raizada was reappointed as Managing Director of the Company on revised terms w.e.f October 1, 2012, for a period of two years, subject to requisite approvals. The shareholders of the Company approved the appointment of Mr. Raizada but the special resolution approving the payment of remuneration to Mr. Raizada could not be passed.
- iv) The Board of Directors of the Company, based on the recommendation of the Remuneration cum Compensation Committee, reconsidered the matter at its meeting held on May 25, 2013 and approved the proposal of paying revised remuneration to Mr. B. K. Raizada as Managing Director of the Company subject to requisite approvals. The said proposal has been placed before the ensuing Annual General Meeting of the Company for its consideration.

**Non- Executive Directors**

The Non-Executive Directors (NEDs) are not paid any sitting fee for attending either Board or its Committee meetings. The Company reimburses travelling, out of pocket expenses and other incidental expenses incurred by the Directors for attending various meetings of the Company. They are also not paid any other remuneration.

**5. Shareholders / Investors Grievance and Share Transfer Committee**

On May 12, 2012, the Company had constituted Shareholders / Investors Grievance and Share Transfer Committee. The Shareholders / Investors Grievance and Share Transfer Committee of the Board has been reconstituted on August 08, 2012 with the following Directors as its member:

1. Dr. Sudershan K. Arora – Chairman
2. Prof. N. K. Ganguly – Member
3. Dr. R. S. Bakshi - Member

The Company Secretary of the Company is the Secretary of the Committee.

During the year ended March 31, 2013, the Committee had met once on May 19, 2012 and all the members attended the meeting. During the year under report, eight investor complaints were received to and all have been addressed. As on March 31, 2013 there was no investor complaint pending with the Company for redressal.

## 6. Annual General Meetings

**Year Particulars Day, Date & Time Venue Special Resolutions of the AGM Passed, if any.**

Year	Particulars	Day, Date & Time of the AGM	Venue	Special Resolutions Passed, if any.
2011-12	23rd AGM	Friday, December 28, 2012 at 10.30 A.M	Hotel Taj Deccan, Road No. 1, Banjara Hills, Hyderabad - 500 034	Resolutions for amending certain clauses of Articles of Association and payment of remuneration to Mr. B K Raizada were proposed but could not be passed
2010-11	22nd AGM	Wednesday, July 25, 2012 at 11.00 A.M	Hotel Taj Deccan, Road No. 1, Banjara Hills, Hyderabad - 500 034	Special Resolution for amending certain clauses of Articles of Association was proposed but could not be passed.
2009-10	21st AGM	Tuesday, January 18, 2011, at 11.00 A.M	Survey No. 250-252, Sameerpet Mandal, Turkapally Village, R. R. District- 500 078	No special resolution passed

For past three years ending as on March 31, 2013; 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.

## 7. Disclosures

### (i) Shareholdings of the Directors.

As on March 31, 2013, no Director of the company held any share in the Company.

### (ii) Materially significant related party transactions

Transactions with related parties as per requirements of Accounting Standards - (AS-18) - "Related Party Disclosures" are disclosed in Schedule No. 2.36 to financial statements as at March 31, 2013.

### (iii) Compliances by the Company

In view of the missing and non availability of statutory and other records of the Company, the Company is unable ascertain and figure out whether was 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 the same. BSE 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, had been pleased to grant stay of the said order issued by BSE, after considering company's submissions that the non-compliances were due to non-availability of records with the Company. Effective from the last quarter of the financial year ended March 31, 2013, the Company has met to all the requirements of Clause 49 of the listing agreement except Clause 49 (III) relating to subsidiaries, Clause 49 (IV) (C) relating to Board Disclosures and Clause 49(I)(D) relating to posting of code of conduct on the website of the company, reasons for which and the steps taken for mitigating the same are mentioned hereunder

### (iv) Subsidiaries

Due to the missing and non availability of related records, the Company was unable to adhere to and comply with the applicable provisions of Companies Act, 1956 and the terms of the listing agreement. Appropriate actions have been and are being initiated against the previous Managing Director to recover the records and the matter is currently sub-judice.



**(v) Company's Website and posting of Code of Conduct**

Due to unauthorized and illegal holding of intellectual property rights of the Company including continuing holding and controlling Company's website through his affiliate by Dr. Jayaram Chigurupati, the erstwhile Managing Director of the Company, and not registering the same in the name of the Company even after vacation of his office, has prevented the Company from publishing various reports which are statutorily required to be published on the Company's website. As a result, the Company is at default in not publishing Code of Conduct on its website as envisaged under Clause 49 (1)(D) of listing agreement. In its endeavor to repossess the control of the website, the Company has filed a complaint with the Shameerpet Police Station in January, 2012 and lodged a complaint in the Court of Hon'ble VI Metropolitan Magistrate, Ranga Reddy District, Medchal on January 18, 2012. F.I.R No.32 of 2012 and the matter is under investigation /sub- judice.

**(vi) Risk Management**

Business risk evaluation and management is an ongoing process within the Company. The matter relating to laying down specific procedures to inform the Board members about the risk assessment and minimization procedures will be taken up by the Board of Directors in due course of time.

**(vii) CEO/ CFO Certificate**

Certificate from Managing Director and Head (Finance & Accounts) for the financial year ended March 31, 2013 was placed before the Board of Directors In terms of Clause 49 (V).

**(viii) Management Discussion and Analysis**

A report on the Management Discussion and Analysis forms part and annexed to this Annual Report;

**(ix) Disclosure of Accounting Treatment**

In the preparation of the financial statements, the Company has followed the Accounting Standards referred to in Section 211 (3)(c) of the Companies Act, 1956. The significant accounting policies which are consistently applied are set out in the Schedule 1 to Notes to the Accounts.

**(x) Allotment of 2,500 shares under Company's ESOS**

The Company had allotted 2,500 shares to its employees under Company's Employees Stock Option Scheme in August, 2010 pursuant to CLB's order dated 6 August, 2010. As required under the provisions of Companies Act, 1956; relevant return in respect of the said allotment is not filed under MCA portal due to non-availability of related Board minutes. As a result of the same, the Company is not in a position to make listing application to BSE for the said shares and also not in position to file Corporate Action Forms with both depositories i.e. NSDL & CDSL. Consequently, the Company is also not able to file Reconciliation of Share Capital Audit report with BSE.

**Declaration**

As provided under Clause 49(1) (D) of Listing Agreement with the Bombay Stock Exchange, the Board members and the Senior Management Personnel as on March 31, 2013 have confirmed compliance with the Code of Conduct after its adoption on January 1, 2013.

May 25, 2013

B.K.Raizada  
**Managing Director**

**8. Means of communication**

The quarterly, annual results and other statutory reports of the company are communicated by disseminating the same to Bombay Stock Exchange. The Company also publishes its financial results, normally, in Business Standard and Andhra Bhoomi apart from being announced on BSE website.

## 9. General Shareholder information

- i. Annual General Meeting
- Date : August 13, 2013
- Time : 10.30 A.M.
- Venue : Auditorium of Hotel Taj Deccan, Road No. 1, Banjara Hills, Hyderabad - 500 034
- ii. Financial Calendar
- Year ending : March 31, 2013
- iii. Book Closure : August 07, 2013 to August 13, 2013  
(Both days inclusive)
- iv. Listing on Stock Exchange : Bombay Stock Exchange Limited  
(The Company has paid the listing fee for 2012-13 to the Bombay Stock Exchange Limited)
- v. Stock Code / Symbol on BSE (Physical & Demat) : ZENOTECH LAB / 532039
- vi. International Securities Identification Number (ISIN) allotted to the Company's Shares : INE486F01012
- vii. Market Price Data: Monthly High & Low during each month in the financial year ended March 31, 2013 and Company's closing share price vis a vis BSE Sensex closing on the BSE Limited, Mumbai is provided hereunder:

Month	High	Low	(Closing price)	BSE SENSEX (Closing)
April	41.40	29.50	34.2	17,318.81
May	36.20	27.15	27.75	16,218.53
June	28.95	25.10	27.35	17,429.98
July	39.80	27.00	38.75	17,236.18
August	40.10	32.05	32.15	17,429.56
September	37.20	30.60	34.45	18,762.74
October	42.05	32.10	33.25	18,505.38
November	38.40	31.10	32.15	19,339.90
December	34.90	29.00	30	19,426.71
January	31.95	26.00	26.6	19,894.98
February	28.65	24.85	25.1	18,861.54
March	25.10	20.30	20.75	18,835.77

(The information is sourced from BSE Limited website)

### viii. 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

- ix. 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. During the financial year ended March 31, 2013, no request for transfer of shares was received by the Company.

x. Shareholding (as on March 31, 2013):

a) Distribution of shareholding as on March 31, 2013

Distribution of Shareholding as on 31/03/2013 (TOTAL)						
Sl. No	Category (Shares)	No. of Holders	% To Holders	No. of Shares	% To Equity	
1	1 - 500	5565	86.86	748237	2.17	
2	501 - 1000	443	6.91	359550	1.05	
3	1001 - 2000	214	3.34	331910	0.96	
4	2001 - 3000	65	1.01	165049	0.48	
5	3001 - 4000	25	0.39	89346	0.26	
6	4001 - 5000	30	0.47	141428	0.41	
7	5001 - 10000	27	0.42	190814	0.56	
8	10001 and above	38	0.59	32401166	94.11	
	<b>TOTAL:</b>	<b>6407</b>	<b>100.00</b>	<b>34427500</b>	<b>100.00</b>	

b) Categories of Shareholders as on March 31, 2013

Sl. No.	Category	No. of Holders	No. of Shares	Percentage to equity
1	Indian Promoters	1	16127293	46.84
2	Foreign Promoters	1	6886500	20.00
3	Banks, Mutual funds, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt. Institutions)	3	4514	0.01
4	Private Corporate Bodies	172	357493	1.04
5	Indian Public	6171	6993376	20.31
6	NRIs / OCBs	50	4055421	11.78
7	Clearing members	8	2903	0.01
	<b>TOTAL</b>	<b>6407</b>	<b>34427500</b>	<b>100.00</b>

\* 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.

xi. Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 81.29 percent of the company's share capital are dematerialized as on March 31, 2013. The Company's shares are regularly traded on Bombay Stock Exchange Limited.

xii. As on March 31, 2013, the company did not have any outstanding GDRs / ADRs / Warrants or any convertible instruments

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

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

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## Certificate on Compliance of Corporate Governance under clause 49 of Listing Agreement

Members,  
Zenotech Laboratories Limited,  
Hyderabad.

I have examined the compliance of the conditions of Corporate Governance by Zenotech Laboratories Limited for the year ended 31 March 2013 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 thereof, 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 upto 31 December 2012 except for the following;

- a. Constitution of Board of Directors of the Company w.e.f. 25 July 2012,
- b. Constitution and composition of Committees of the Board of Directors w.e.f. 8 August 2012 and
- c. CEO/CFO Certification.

However, effective from 1 January 2013 the Company has complied with all the conditions of corporate governance code as envisaged under Clause 49 of the Listing Agreement except for Clause 49(I)(D) relating to posting of code of conduct on the website of the company, Clause 49 (III) relating to subsidiaries and Clause 49 (IV) (C ) relating to Board Disclosures.

Place : Hyderabad  
Date : May 25, 2013

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

## MANAGEMENT DISCUSSION AND ANALYSIS

*(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 oncology formulations present a huge potential in the emerging pharmaceutical market scenario. A number of biological products are coming off patents in 2013-2015, which would offer substantial opportunity in the areas of your Company's focus. Simultaneously, it would also pose a big challenge requiring a complex mix of manufacturing/developing abilities and a vast amount of technical data being generated and collated to meet to the regulatory needs in India and different parts of the world.

India is one of the biggest sources of Biosimilars and is also an emerging market with its high population and investment in technology. It can emerge as one of the leaders in global biologic development by the end of this decade. Biological have potential to reach up to 50% share in global pharmaceutical market in the next few years. There exists an incredible opportunity for Biosimilar producers to capitalise on what is set to become the fastest growing sector of the pharmaceutical industry. The oncology and Biosimilar markets in India have reached a level of ₹ 1800 crores and is recently being increasingly driven by major Indian Companies, linked with a plethora of regional players. Majority of the market is institutional business driven with the support of a strong marketing, distribution and logistics network backed-up by a good scientific/clinical database. Your Company is focused to generate and maintain technical data. The oncology market in India is also growing at 20 per cent annually and is expected to touch ₹ 3,831 crores by 2017.

Post acquisition of the premises of the Company in November, 2011 the Management reviewed all issues relating to the technical viability of the facilities and further steps required to restart them for Bio-tech and Oncology products, including the manpower requirements etc. In the last one year, while all the necessary steps have been taken by the Company to resume operations at plants, production of trial batches aimed at meeting quality specifications and standards, was commenced in October 2012 for some of the products range. The renewal applications were filed for all expired drug licenses and by September 2012 the applications for oncology range were approved by the Drug Authorities. All equipments' validation was also undertaken and extensive repairs and maintenance work have been undertaken to ensure that the plants are geared to commence production up to their installed capacities. All inspections and enquiries are completed for biologics licences. Further, steps have been initiated for certifications under WHO GMP and inspections in this regard by the regulatory authorities concerned, have been completed. Since October 2012, a market seeding of your Company's products has been undertaken and has also commenced quoting for our products in various tenders in the new fiscal.

A comprehensive market survey has been undertaken by the Management to evaluate the restoration of current product pipelines with current set-up. Based on the same, the Management is taking the necessary steps to evaluate and commence development of a new range of products to upscale the market presence of our product range, keeping in mind the patent expiry opportunities.

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 fund position of your Company continues to be the biggest concern. Based on the audited financial statements as at March 31, 2011; the Company had become a potential sick company as contemplated under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The necessary intimations as required under the provisions of the said section of SICA were made to the Board of Industrial and Financial Reconstruction (BIFR). The Management is exploring various options to meet the fund requirements including raising equity from the existing shareholders etc. Your Company is also engaged in dialogue with a Consultant, which is expected to examine and draw a comprehensive rehabilitation scheme including suggesting steps to be taken to increase the net worth of the Company for revival.

*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.*

## Independent Auditors' Report to the Members of Zenotech Laboratories Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Zenotech Laboratories Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis for Qualified Opinion

1. *As more fully explained in note 2.26 to the financial statements, as a result of the ongoing dispute being adjudicated before the Company Law Board, between the current Management and the erstwhile co-managing director, who is also a significant shareholder of the Company and its 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 for periods upto 12 November 2011. The books of account upto the said period have been reconstructed by the Management post 12 November 2011 on the basis of intensive efforts made to establish alternative 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 had carried out reasonable alternative audit procedures to obtain sufficient appropriate evidence except as stated below.*
  - a) *We were not able to obtain corroborative documentary evidence for certain administrative and other expenses aggregating to INR 382 thousands and certain product development and manufacturing expenses aggregating to INR 1,885 thousands recognized in the statement of profit and loss for the year ended 31 March 2012. Further, we were 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 and certain manufacturing expenses aggregating to INR 21,829 thousands recognized in the statement of profit and loss for the year ended 31 March 2011. Therefore, we are unable to comment on the private or business nature, completeness, validity and accuracy of the above expenditures and their consequent impact on the financial statements.*
  - b) *The Company had not complied with many provisions of applicable laws and regulations in the period upto 12 November 2011. 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. The Management is of the view that since matters relating to several financial and non financial irregularities are sub judice and various legal proceedings are ongoing, any further adjustments / disclosures in the financial statements, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties can be reliably determined and the consequential adjustments*

/ disclosures are identified. Accordingly, we are unable to comment on the impact, of any, of such irregularities on the financial statements.

- c) The Company had under the new management carried out an operational and business review including technical assessment of manufacturing facilities by an independent valuation expert, basis which, in the financial statements for the year ended 31 March 2011, it had 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 provisions for loans and advances and demands from authorities. While these charges were appropriate in the context of information available in this regard, we are unable to conclude whether this would be so, if complete information is available.
- d) As more fully explained in Note 2.37 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 Act from one of its ex-directors for the years ended 31 March 2013 and 31 March 2012 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 for the year ended 31 March 2013 and the corresponding figures for the year ended 31 March 2012.

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 so far, in its assessment the risk that the financial statements may be materially misstated is low. Further no additional significant claims have been received or any additional significant adjustments identified after 31 March 2012.

2. As more fully explained in Note 2.27 to the financial statements, the Company has filed a legal case against the erstwhile co-managing director for recovering the managerial remuneration paid amounting to INR 7,980 thousands during the period from 1 October 2007 to 31 March 2011, including an amount of INR 2,280 thousands which was in excess of the prescribed limits for the year ended 31 March 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 no adjustment in this regard has been made in the accompanying financial statements.
3. As more fully explained in Note 2.27 to the financial statements, the Company's application under the Act to the Ministry of Corporate Affairs (MCA), Government of India for approval of managerial remuneration of ₹. 3,000 thousands payable to Mr. B. K. Raizada, the co-managing director for the period from 19 March 2011 to 18 March 2013 is still pending. Pending requisite approval of the amount, no adjustment in this regard has been made in the accompanying financial statements.

In view of the non-resolution of above significant matters, our opinion on the current period's financial statements is qualified in respect of both, the current period and the corresponding period, as we are unable to determine the adjustments/ disclosures which may become necessary depending upon the outcome and the possible effects of the matters mentioned above.

### Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:
- a) *we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the current period except for the matters explained in the Basis for Qualified Opinion paragraph.*
  - b) *As explained in Basis for Qualified Opinion paragraph, not all the original books and supporting documents upto 12 November 2011 were available for our examination. The company has made comprehensive efforts to reconstruct the books of account. In our opinion, in respect of the transactions of the current period, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books. However, we are unable to express an opinion whether proper books of account as required by law were kept by the Company in the previous year and whether these were maintained at the registered office of the Company;*
  - c) *the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account/reconstructed books of the account, as the case may be;*
  - d) *In our opinion, except for possible effects, if any, as might have been determined to be necessary had all original documents, vouchers and records been available as discussed in Basis for Qualified Opinion paragraph 1 above and of the matters described in the Basis for Qualified Opinion paragraphs 2 and 3 above, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable;*
  - e) *on the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the director is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.*

**for B S R & Associates**

*Chartered Accountants*

Firm Registration Number: 116231W

**Sriram Mahalingam**

*Partner*

Membership No: 049642

Place : Hyderabad  
Date : 25 May 2013



## Annexure to the Independent Auditors' Report

The Annexure referred to in the independent auditors' report to the Members of Zenotech Laboratories Limited ("the Company") for the year ended 31 March 2013. We report that:

- (i) (a) As part of reconstruction of books of account for the year ended 31 March 2011 and 31 March 2012, the Company had carried out a detailed exercise comprising physical verification 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 maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has formulated policy in respect of regular programme of physical verification of its fixed assets. However, as mentioned in clause (a) above, as part of a one-time exercise the Company had physically verified all of its fixed assets during the previous year and material discrepancies noted on such verification of fixed assets had been properly dealt with in the books of account for the year ended 31 March 2011.
- (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 physically verified by the Management at the year end. In our opinion, the frequency of such verification is reasonable.
- (b) The procedures for the physical verification of inventories followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act').
- (iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, with regard to purchase of inventory and fixed assets and with regard to sale of goods. The activities of the Company does not involve rendering of services. We have not observed any major weaknesses in the internal control system during the course of the audit.
- (v) In our opinion and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register referred to in Section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Act in respect of sales of goods by the Company and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Sales tax, Excise duty and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities *though there are slight delays in few cases of Provident fund, Employees' state insurance, Service tax and Income tax*. As explained to us, the Company did not have any dues on account of Custom duty, Investor Education and Protection Fund and Wealth tax.

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, Customs duty, Excise duty and other material statutory dues that were in arrears as at 31 March 2013 for a period of more than six months from the date they became payable except for following dues of Sales tax and Service tax.

Name of the Statute	Nature of Dues	Amount in INR'000	Period to which the amount relates	Due Date	Date of Payment
The Central Sales Tax Act, 1956	Sales tax	218	Financial Year 2007-08	Various	8 April 2013
The Central Sales Tax Act, 1956	Sales tax	437	Financial Year 2008-09	Various	8 April 2013
The Finance Act, 1994	Service tax	3,395	Financial Year 2009-10 and 2010-11	Various	Yet not paid

- (b) According to the information and explanations given to us, there are no dues of Income tax, Sales tax, Wealth tax, Excise duty, Custom duty and other material statutory dues which have not been deposited by the Company on account of disputes. However, the Company 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	8,498	Financial Year 2007-08	Suprintendent of Central Excise Medchal Range Sector II
The Finance Act, 1994	Service tax	4,611	Financial Year 2007-08, 2008-09 and 2009-10	Suprintendent of Central Excise Medchal Range Sector II
The Finance Act, 1994	Service tax	11,124	Financial Year 2006-07 and 2007-08	Suprintendent of Central Excise Medchal Range Sector II
The Finance Act, 1994	Service tax	1,090	Financial Year 2009-10	Suprintendent of Central Excise Medchal Range Sector II

\* The Company 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 more 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 repayments of certain dues (including interest) to financial institutions. The delayed principal amount and the interest aggregates to ₹. 29,984 thousands and ₹. 9,522 thousands respectively, and delays ranges from 142 days to 1,937 days. The Company has outstanding dues of ₹. 39,170 thousands as of balance sheet date.* The Company did not have any outstanding debentures during the year.
- (xii) 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.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company did not have any term loans outstanding during the year.

- (xvii) *According to information and explanations given to us, and on an overall examination of the balance sheet of the Company, we are of the opinion that funds of ₹. 2,89,541 thousands raised on short term basis have 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 Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**for B S R & Associates**

*Chartered Accountants*

Firm registration No.: 116231W

**Sriram Mahalingam**

*Partner*

Membership No.: 049642

Place : Hyderabad  
Date : 25 May 2013

## Balance sheet as at March 31, 2013

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

	Note	As at 31 March 2013	As at 31 March 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2.1	344,275	344,275
Reserves and surplus	2.2	(83,233)	171,986
		<b>261,042</b>	<b>516,261</b>
<b>Share application money pending allotment</b>	2.3	122	122
<b>Non-current liabilities</b>			
Long term borrowings	2.4	1,553	871
Long term provisions	2.5	4,643	2,356
		<b>6,196</b>	<b>3,227</b>
<b>Current liabilities</b>			
Short term borrowings	2.6	129,900	20,000
Trade payables	2.7	42,909	23,656
Other current liabilities	2.8	169,753	96,694
Short term provisions	2.9	60,030	24,399
		<b>402,592</b>	<b>164,749</b>
		<b>669,952</b>	<b>684,359</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
	2.10		
Tangible assets		588,906	621,382
Capital work-in-progress		-	-
Non-current investment	2.11	-	-
Long-term loans and advances	2.12	35,546	37,439
		<b>624,452</b>	<b>658,821</b>
<b>Current assets</b>			
Inventories	2.13	22,026	2,953
Trade receivable	2.14	662	662
Cash and bank balances	2.15	15,656	17,169
Short-term loans and advances	2.16	1,204	1,391
Other current assets	2.17	5,952	3,363
		<b>45,500</b>	<b>25,538</b>
		<b>669,952</b>	<b>684,359</b>

The note referred to above form an integral part of balance sheet

Significant accounting policies

1

Notes on accounts

2

As per our report of even date attached  
for **B S R & Associates**

Chartered Accountants

Firm Registration Number:116231W

**Sriram Mahalingam**

Partner

Membership No.: 049642

Place : Hyderabad

Date : 25 May 2013

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

**Dr. Sudershan K. Arora**  
Chairman

**B. K. Raizada**  
Managing Director

**Rahul Kumar**  
Head of Finance

Place : Gurgaon

Date : 25 May 2013

## Statement of Profit and Loss for the year ended March 31, 2013

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

	Note	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Revenue from Operation</b>			
Income from Sales and Operations		30,441	21,903
Less : Excise duty		-	(61)
Net sales		30,441	21,842
Other income	2.18	1,719	1,337
<b>Total revenue</b>		<b>32,160</b>	<b>23,179</b>
<b>Expenses</b>			
Cost of materials consumed	2.19	14,736	2,031
Purchase of traded goods		10,095	7,057
Changes in inventories	2.20	(3,382)	4,218
Manufacturing expenses	2.21	52,028	8,634
Research & development expenses	2.37	14,797	8,744
Employee benefits expense	2.22	52,861	11,058
Finance costs	2.23	14,714	5,051
Depreciation and amortisation	2.10	35,150	34,927
Other expenses	2.24	96,380	28,343
<b>Total expenses</b>		<b>287,379</b>	<b>110,063</b>
<b>Loss before exceptional items and tax</b>		<b>(255,219)</b>	<b>(86,884)</b>
Less : Exceptional items	2.25	-	15,735
<b>Loss before tax</b>		<b>(255,219)</b>	<b>(102,619)</b>
Income tax expense		-	-
<b>Net profit after tax</b>		<b>(255,219)</b>	<b>(102,619)</b>
<b>Earning per share (equity share, par value ₹. 10 each)</b>	2.30		
Basic and diluted (₹.)		(7.41)	(2.98)
The note referred to above form an integral part of statement of profit and loss			
Significant accounting policies	1		
Notes to accounts	2		

As per our report of even date attached  
 for **B S R & Associates**  
 Chartered Accountants  
 Firm Registration Number:116231W

**Sriram Mahalingam**  
 Partner  
 Membership No.: 049642

Place : Hyderabad  
 Date : 25 May 2013

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

**Dr. Sudershan K. Arora**  
 Chairman

**B. K. Raizada**  
 Managing Director

**Rahul Kumar**  
 Head of Finance

Place : Gurgaon  
 Date : 25 May 2013

## Cash flow statement for the year ended March 31, 2013

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Cash flows from operating activities</b>		
Loss before taxation and exceptional items	(255,219)	(86,884)
<b>Adjustments:</b>		
Depreciation and amortisation	35,150	34,927
Loss on sale of fixed assets, net	2,071	-
Unrealised foreign exchange loss	1,374	-
Provision for doubtful debts and advances, net	61	583
Interest expenses	14,675	4,830
Interest income	(1,166)	(1,184)
<b>Operating cash flows before working capital changes</b>	<b>(203,054)</b>	<b>(47,728)</b>
(Increase)/ decrease in inventories	(19,073)	5,085
Decrease in trade receivables	270	4,675
(Increase) / decrease in loans and advances and other assets	(2,778)	1,215
Increase in current liabilities and provisions	123,799	19,845
<b>Cash generated from operating activities</b>	<b>(100,836)</b>	<b>(16,908)</b>
Income taxes paid/ TDS (net)	2,776	(208)
<b>Net cash (used in)/provided by operating activities</b>	<b>(98,060)</b>	<b>(17,116)</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(7,276)	(1,159)
Proceeds from sale of fixed assets	2,531	-
Interest income received	327	133
<b>Net cash used in investing activities</b>	<b>(4,418)</b>	<b>(1,026)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short term borrowings	109,900	20,000
Proceeds/(repayment) of long term borrowings, net	(235)	(330)
Interest paid	(8,700)	(123)
<b>Net cash provided by/ (used in) financing activities</b>	<b>100,965</b>	<b>19,547</b>
<b>Net increase/ (decrease) in cash and cash equivalents during the year</b>	<b>(1,513)</b>	<b>1,405</b>
Cash and cash equivalents at the beginning of the year	17,169	15,764
<b>Cash and cash equivalents at the end of the year (refer Note 2.15 )</b>	<b>15,656</b>	<b>17,169</b>

Note 1 : Cash and cash equivalents includes restricted cash balance (Margin money) of ₹. 11,909 (previous year: ₹. 12,159).

Note 2: Cash flow statements has been prepared under the 'Indirect Method' as set out in Accounting Standard (AS 3) 'Cash Flow Statement'.

As per our report of even date attached  
for **B S R & Associates**  
Chartered Accountants  
Firm Registration Number:116231W

**Sriram Mahalingam**  
Partner  
Membership No.: 049642

Place : Hyderabad  
Date : 25 May 2013

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

**Dr. Sudershan K. Arora**  
Chairman

**Rahul Kumar**  
Head of Finance

Place : Gurgaon  
Date : 25 May 2013

**B. K. Raizada**  
Managing Director

## Notes forming part of the Accounts

### 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 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 is a pharmaceutical specialty generic injectables company engaged in the area of manufacturing bio-technology products. 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. Refer note 2.27 for the basis of preparation of the financial statements for the year ended 31 March 2012.

#### 1.3 Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the accumulated losses, as one of the significant shareholder has undertaken to provide such financial support as necessary, to enable the Company to continue its operations and to meet its liabilities as and when they fall due. Accordingly these financial statements do not include any adjustments relating to the recoverability and classification of carrying amount of assets or the amounts and classification of liabilities that may be necessary if the entity is unable to continue as a going concern.

#### 1.4 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 2.27 certain key factors impacting the management estimates.

#### 1.5 Current–non-current classification

All assets and liabilities are classified into current and non-current.

##### Assets

An asset is classified as current when it satisfies any of the following criteria:

- a. it is expected to be realised in, or is intended for sale or consumption in, the company's normal operating cycle;
- b. it is held primarily for the purpose of being traded;
- c. it is expected to be realised within 12 months after the reporting date; or
- d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

##### Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a. it is expected to be settled in the company's normal operating cycle;
- b. it is held primarily for the purpose of being traded;
- c. it is due to be settled within 12 months after the reporting date; or
- d. the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

## Notes forming part of the Accounts

### Significant accounting policies (Contd.)

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

#### Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

#### 1.6 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 ₹ 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.

#### 1.7 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 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.

#### 1.8 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.

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 statement of profit and loss.

#### 1.9 Investments:

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

#### 1.10 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.

#### 1.11 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 the statement of profit and loss 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 the statement of profit and loss on the basis of valuation by an independent actuary.

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



## Significant accounting policies (Contd.)

### 1.12 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.

Royalty income is recognized as per the terms of the contract with customers when the related goods or services are sold/ performed by the Customers on behalf of the Company.

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.

### 1.13 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.

### 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 statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of 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 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.

### 1.16 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.

### 1.17 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.

## Notes on Accounts

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2. Notes on accounts

	As at 31 March 2013	As at 31 March 2012
<b>2.1 Share capital</b>		
<b>Authorised</b>		
35,000,000 (previous year: 35,000,000) Equity Shares of ₹.10/- each	350,000	350,000
<b>Issued, subscribed and paid-up capital</b>		
34,427,500 (previous year 34,427,500) Equity Shares of ₹. 10 each fully paid	344,275	344,275
	<b>344,275</b>	<b>344,275</b>

Notes:

- The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. On winding up of the Company, the holders of equity shares will be entitled to receive residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held by the shareholders.
- Under the Zenotech Stock Option Scheme 2005, total of 50,000 and 75,000 shares had been issued to the then directors during the year ended 31 March 2008 and 31 March 2009 respectively and 2,500 shares had been issued to employees during the year ended 31 March 2011.
- The reconciliation of the number of equity shares outstanding is set out below;**

Name of the Share holder	As at 31 March 2013	As at 31 March 2012
	Number of shares	Number of shares
Shares outstanding at the beginning of the year	34,427,500	34,427,500
Shares issued during the year	-	-
Share bought back during the year	-	-
Shares outstanding at the end of the year	<b>34,427,500</b>	<b>34,427,500</b>

- The details of shareholders holding more than 5% equity shares is set below;**

Name of Shareholder	As at 31 March 2013		As at 31 March 2012	
	No. of Shares	%	No. of Shares	%
Ranbaxy Laboratories Limited	16,127,293	46.84%	16,127,293	46.84%
Daiichi Sankyo Company Limited	6,886,500	20.00%	6,886,500	20.00%
Dr Jayaram Chigurupati	4,822,632	14.01%	4,822,632	14.01%
Padmasree Chigurupati	3,060,500	8.89%	3,060,500	8.89%
	<b>30,896,925</b>	<b>89.74%</b>	<b>30,896,925</b>	<b>89.74%</b>

**Notes on Accounts (Contd.)**

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

	As at 31 March 2013	As at 31 March 2012
<b>2.2 Reserves and surplus</b>		
<b>Securities premium reserve</b>		
Balance at the beginning of the year	1,164,324	1,164,324
Add: Received during the year	-	-
Less: Utilisation during the year	-	-
Closing balance	<u>1,164,324</u>	<u>1,164,324</u>
<b>Deficit from statement of profit and loss</b>		
Opening balance	(992,338)	(889,719)
Add : Net loss for the year	(255,219)	(102,619)
Closing balance	<u>(1,247,557)</u>	<u>(992,338)</u>
	<b><u>(83,233)</u></b>	<b><u>171,986</u></b>
<b>2.3 Share application money</b>		
Under the Zenotech Employee Stock Option Scheme, 2005, the Company had granted 17,000 options (net of options lapsed) of which 4,250 vested options had been exercised during the year ended 31 March 2010, which was subject to approval of the Company Law Board. Of these, the Company allotted 2,500 shares vide Company Law Board order dated 6 August 2010 and balance is pending for allotment subject to approval of the Company Law Board. Accordingly, ₹. 122 received on exercise of options has been shown under Share application money.		
<b>2.4 Long Term Borrowings</b>		
<b>Secured</b>		
Vehicle Loans*	945	95
<b>Unsecured</b>		
Biotech Consortium India Limited**	608	776
	<u>1,553</u>	<u>871</u>
* Secured by hypothecation of respective vehicles, repayable in monthly instalments.		
** Repayable in ten yearly installements of ₹. 168 each. The Company has not paid installment for the year ended 31 March 2012 and 31 March 2013 fall due in November 2011 and November 2012 respectively and default continue as of the balance sheet date.		
<b>2.5 Long-term provisions</b>		
Provision for employee benefit		
Provision for gratuity	2,233	1,356
Provision for compensated absences	2,410	1,000
	<u>4,643</u>	<u>2,356</u>
<b>2.6 Short Term Borrowings</b>		
<b>Secured</b>		
Term Loan from Banks*	129,900	20,000
	<u>129,900</u>	<u>20,000</u>
* Term loans from banks are secured by way of first charge on the current assets and Corporate Guarantee from Ranbaxy Laboratories Limited. The same has been taken at 10.25% to 11.25% interest p.a. and loan is repayable with one year from the date of disbursement.		

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

	As at 31 March 2013	As at 31 March 2012
<b>2.7 Trade Payables</b>		
Total outstanding due to micro and small enterprises (Refer note 2.40)	-	-
Others	42,909	23,656
	<u>42,909</u>	<u>23,656</u>
<b>2.8 Other current liabilities</b>		
Bank overdraft	20,164	79
Current maturities of loan from others (refer note 2.4)	504	336
Current maturities of vehicle loan (refer note 2.4)	617	524
Current maturities of loan from financial institution*	29,648	30,826
Interest accrued and due	9,522	4,721
Interest accrued but not due	1,236	62
Advance from customers	1,077	1,077
Advance from related party	41,522	2,699
Security deposits	1,672	1,672
Statutory liabilities	6,510	17,891
Payable to employees	11,043	5,076
Payable towards claim	13,142	12,361
Provision for expenses	33,096	19,370
	<u>169,753</u>	<u>96,694</u>
* Secured by way of paripassu first charge on the whole of movable properties of the Company including movable plant and machinery, both present and future and paripassu first charge of land or other immovable property of the Company, present and future, and person guarantee of the Director of the Company. The Company has not paid above loan due and the default continues as of balance sheet date.		
There are no amount due and outstanding to be credited to Investor Education and Protection Fund.		
<b>2.9 Short term provisions</b>		
Provision for employee benefits		
Provision for gratuity	92	67
Provision for compensated absences	445	182
Other		
Provision for taxation (refer note 2.34)	59,493	24,150
	<u>60,030</u>	<u>24,399</u>

## Notes on accounts (Continued)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2.10 Fixed assets

Description	Gross block			Accumulated depreciation				Impairment losses (refer note 1 below)			Net block		
	As at 1 April 2012	Additions	Sales / Adjustments	As at 31 March 2013	As at 1 April 2012	Charge for the period	Sales / Adjustments	As at 31 March 2013	As at 1 April 2012	For the year	As at 31 March 2013	As at 31 March 2013	As at 31 March 2012
<b>Tangible- Own Assets</b>													
Freehold land	14,008	-	3,177	10,831	-	-	-	-	-	-	-	10,831	14,008
Buildings	209,730	-	-	209,730	39,860	7,005	-	46,865	-	-	-	162,865	169,870
Plant and machinery	564,447	3,470	-	567,917	129,293	25,717	-	155,010	11,284	-	11,284	401,623	423,870
EDP equipment	5,358	666	-	6,024	4,218	609	-	4,827	-	-	-	1,197	1,140
Office equipment	659	176	-	835	229	47	-	276	-	-	-	559	430
Furniture and fixtures	12,381	1,073	-	13,454	4,648	843	-	5,491	-	-	-	7,963	7,733
Vehicles	9,644	1,891	3,133	8,402	5,313	929	1,708	4,534	-	-	-	3,868	4,331
<b>Total</b>	<b>816,227</b>	<b>7,276</b>	<b>6,310</b>	<b>817,193</b>	<b>183,561</b>	<b>35,150</b>	<b>1,708</b>	<b>217,003</b>	<b>11,284</b>	<b>-</b>	<b>11,284</b>	<b>588,906</b>	<b>621,382</b>
Previous year	815,068	1,159	-	816,227	148,634	34,927	-	183,561	11,284	-	11,284	621,382	121,450
Capital work in progress													
Less: Provision for impairment (refer note 1 below)													
<b>Net Capital work in progress</b>													<b>-</b>

### Note

- 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 year ended 31 March 2011.

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

	As at 31 March 2013	As at 31 March 2012
<b>2.11 Non-current investments</b>		
<b>Long term, unquoted (at cost)</b>		
<b>Shares in wholly owned subsidiaries</b>		
Zenotech Farmaceutica Do Brasil Ltda	11,661	11,661
39,600 (previous year: 39,600) quotas of Reais 10 each		
Less: Provision for diminution in value	(11,661)	(11,661)
Zenotech Laboratories Limited, Nigeria	317	317
9,99,000 (previous year: 9,99,000) Ordinary shares of Naira 1 each		
Less: Provision for diminution in value	(317)	(317)
Zenotech Inc., USA	10,560	10,560
10,00,000 (previous year: 10,00,000) shares of USD 0.10 each		
Less: Provision for diminution in value	(10,560)	(10,560)
<b>Shares in associate company</b>		
Credence Organics Private Limited	24	24
2,400 (previous year: 2,400) shares of ₹.10 each		
Less: Provision for diminution in value	(24)	(24)
	<u>-</u>	<u>-</u>
<b>2.12 Long-term loans and advances</b>		
<b>Unsecured, considered doubtful</b>		
Loans to Associate	2,430	2,430
Loan to subsidiary (interest free loan)		
Zenotech Inc.USA ( Maximum amount outstanding during the year ₹.23,039 (previous year ₹.23,039))	23,039	23,039
Advance to subsidiary (interest free advance )		
Zenotech Laboratories Limited, Nigeria (Maximum and outstanding during the year ₹.814 (previous year ₹.814))	814	814
Zenotech Inc, USA (Maximum and outstanding during the year ₹.2,233 (previous year: ₹.2,233 ))	2,233	2,233
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
Deposits with Government, public bodies and others	211	211
Loans and advances to employee	519	519
Balance with customs, central excise etc	331	-
	<u>75,202</u>	<u>74,871</u>
Less: Provision for doubtful advances	(75,202)	(74,871)
	<u>-</u>	<u>-</u>
<b>Unsecured, considered good</b>		
Advance income taxes (net of provisions)	18,355	21,131
Deposits with Government, public bodies and others	2,063	2,157
Balance with customs, central excise etc	15,120	14,035
Others	8	116
	<u>35,546</u>	<u>37,439</u>
	<b><u>35,546</u></b>	<b><u>37,439</u></b>

**Notes on Accounts (Contd.)**

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

	As at 31 March 2013	As at 31 March 2012
<b>2.13 Inventories</b>		
(at lower of cost or net realisable value)		
Raw and packing materials	18,644	2,953
Work-in-progress	3,382	-
	<u>22,026</u>	<u>2,953</u>
<b>2.14 Trade receivable</b>		
<i>Unsecured</i>		
Debts outstanding for period exceeding six months		
Considered good	-	-
Considered doubtful	3,858	4,128
Less: Provision for bad and doubtful debts	<u>(3,858)</u>	<u>(4,128)</u>
	-	-
Other debts		
Considered good	662	662
Considered doubtful	-	-
Less: Provision for bad and doubtful debts	<u>-</u>	<u>-</u>
	662	662
	<u>662</u>	<u>662</u>
<b>2.15 Cash and bank balances</b>		
Cash in hand	30	15
Balances with schedule banks		
- in current accounts	3,717	4,995
- in deposit accounts*	11,909	12,159
	<u>15,656</u>	<u>17,169</u>
* Deposit held against margin money		
<b>2.16 Short term loans and advances</b>		
Unsecured, considered good		
Advance to supplier for material and services	842	1,053
Loans and advances to employee	98	34
Rent and other deposits	40	205
Prepaid expenses	224	99
	<u>1,204</u>	<u>1,391</u>
<b>2.17 Other current assets</b>		
Interest accrued but not due	4,202	3,363
Other receivables	1,750	-
	<u>5,952</u>	<u>3,363</u>

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>2.18 Other income</b>		
Interest income	1,166	1,184
Reversal of provision for doubtful debts	270	-
Miscellaneous income	283	153
	<u>1,719</u>	<u>1,337</u>
<b>2.19 Cost of materials consumed</b>		
Opening stock	2,953	3,842
Add : Purchases	39,188	3,116
Less : Closing stock	18,644	2,953
	<u>23,497</u>	<u>4,005</u>
Less: Transferred to research & development expenses	8,761	1,974
	<u>14,736</u>	<u>2,031</u>
<b>2.20 Changes in inventories</b>		
Opening stock		
Work in progress	-	7
Finished goods	-	4,189
	-	<u>4,196</u>
Closing stock		
Work in progress	3,382	-
Finished goods	-	-
	<u>3,382</u>	-
Changes in inventories of work in progress and finished goods	(3,382)	4,196
Adjustment for excise duty on stock	-	22
	<u>(3,382)</u>	<u>4,218</u>
<b>2.21 Manufacturing expenses</b>		
Power and fuel	33,099	5,350
Repairs and maintenance		
- Buildings	1,010	500
- Plant and machinery	11,367	1,060
Contract manpower	5,974	1,492
Other manufacturing	578	232
	<u>52,028</u>	<u>8,634</u>



**Notes on Accounts (Contd.)**

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>2.22 Employee benefits expense</b>		
Salaries, wages and bonus	46,386	8,398
Contribution to provident and other funds	3,172	926
Workmen and staff welfare	3,303	1,734
	<u>52,861</u>	<u>11,058</u>
<b>2.23 Finance costs</b>		
Interest	14,675	4,830
Other finance cost	39	221
	<u>14,714</u>	<u>5,051</u>
<b>2.24 Other expenses</b>		
Advertisement	28	797
Communication	265	70
Rates and taxes	36,872	3,687
Rent	217	1,145
Insurance	1,348	732
Repair and maintenance - others	3,097	918
Legal and professional	29,276	8,928
Printing & Stationery	638	248
Office and general maintenance	2,478	928
Security	3,363	6,057
Selling and distribution	308	-
Bad debts written off	5,038	-
Provision for doubtful debtors	-	14
Provision for doubtful advances	331	569
Travelling and conveyance	8,211	3,884
Loss on termination of land agreement	1,427	-
Foreign exchange (gain) /loss, net	1,507	-
Loss on sale of vehicle	644	-
Miscellaneous	1,332	366
	<u>96,380</u>	<u>28,343</u>
<b>2.25 Exceptional items</b>		
Provision for claims*	-	15,735
	<u>-</u>	<u>15,735</u>

\* This pertain to claim as per Arbitration order on the dispute with Ranbaxy Pharmaceuticals Inc and includes professional fees incurred for arbitration proceeding.

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2.26 a) Update on the events and circumstances relating to ongoing differences with the erstwhile co- Managing directors

Post acquisition of stake in the Company by Ranbaxy Laboratories Limited and Daiichi Sankyo Company Limited (herein after referred to as the "Current promoters") there were disagreements on various accounts between the erstwhile promoters and the current promoters resulting in various petitions/cases being filed by both the parties at various forums. The petition resulted in a protracted legal case with the Company Law Board (CLB) for taking physical possession of the factory premises on 13 November 2011.

As a result, certain books and records, supplementary documents and statutory register till the period 12 November 2011 are still not in the possession of the current Management. The Honorable Company Law Board vide its order dated 8 October 2012 also directed Erstwhile Promoter to return all the documents and provide written details of all missing documents/ assets/ statutory records / equipment of the Company. The Honorable High Court of Andhra Pradesh has also passed similar order.

The current Management therefore had based on the available limited records, statutory return filed, supplementary documents, invoices, external corroborative evidence and after considering the various non compliances under the Companies Act, 1956 and listing agreement etc reconstructed financial statement for the years ended 31 March 2011 and 2012. Management is also in the process of regularizing and compounding such non compliances with the various authorities concerned.

Since matters relating to several financial and non financial irregularities are sub-judice and various legal proceedings are ongoing, any further adjustments / disclosures to the financial statements, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments / disclosures are identifiable/ determinable.

### b) Investment in subsidiaries:

Upon obtaining control of the Company, the current Management observed that no books of account and records were available regarding its overseas subsidiaries. The current management is yet to receive any response from the erstwhile co-managing director on the queries raised regarding details pertaining to these subsidiaries and seeking documents / certificates related to forex transactions with these subsidiaries including certain loans and investment made in the same. 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.

### c) The Company has filed required declaration under the Sick Industrial Companies (Special Provisions) Act, 1985 with the Board of Industrial and Financial Reconstruction (BIFR) for potential sickness as the net worth of the Company has been eroded by more than fifty percent. The Management is in the process of taking all required steps to revive the Company and to increase the net worth including other steps as may be suggested by the BIFR from time to time.

### 2.27 Managerial Remuneration

- a. The Company had filed an application under the Companies Act, 1956 to the Ministry of Corporate Affairs (MCA), Government of India for approval of managerial remuneration of ₹. 3,000 thousands payable to Mr. B. K. Raizada, co-Managing Director for the period from 19 March 2011 to 18 March 2013. This application pending approval.
- b. The current Management had filed a case in the Court of the Hon'ble Chief Judge City Civil Court at Hyderabad to for recovery of managerial remuneration aggregating to ₹. 7,980 thousands (excluding interests) paid to erstwhile Co-Managing Director during the period from October 1, 2007 to March 31, 2011, in contravention of the provisions of the Companies Act, 1956.

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2.28 Contingent liabilities and commitments

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Contingent liabilities</b>		
i) Claims against the company not acknowledged as debt	12,064	12,064
ii) Bank guarantees	11,688	11,688
iii) Other matters*		

#### \* Legal cases filed by/against the Company

- a. During the year ended 31 March 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. TDB had issued a notice dated 3 April 2012 to erstwhile Co-Managing Director to settle the dues payable by the Company within 15 days failing which, TDB was to 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. The Arbitrator has issued an order with direction to the Company and erstwhile Co Managing director to pay individually or jointly the outstanding dues to TDB.
- b. In addition to the legal claim as mentioned in note 2.27 (b) above, the Company has filed certain legal cases before the appropriate forum against the erstwhile promoter / erstwhile Co Managing Director with regard to loss of vehicles, missing records including intellectual property, unauthorised use of the name of the Company and certain missing mammalian clones.
- c. Subsequent to Daiichi Sankyo Company Limited (DS) acquiring 63.92% stake in Ranbaxy in October 2008, DS announced an open offer to acquire 20% share of the Company at ₹. 113.62 per share. Aggrieved by the pricing of the share, Promoters and one or two other shareholder filed a petition in the Hon'ble High Court of Madras. The Company has been named as Respondent in the said case. An interim injunction in connection with the offer was given by the Hon'ble High Court of Madras and subsequently it was quashed by the Hon'ble Supreme Court based on a petition filed by DS against the said injunction. Meanwhile some of the shareholders (excluding Ranbaxy) including promoter of the Company filed a petition with Securities Appellate Tribunal (SAT) with respect to the pricing of the share of the Company against the order of the SEBI turning down Erstwhile Promoters' complaint. SAT directed DS to price the open offer at ₹ 160 per share. DS has 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 DS and allowed the open offer to be made at the price of ₹ 113.62 per share.

In June 2012, Erstwhile promoter has filed a writ petition before Honorable Andhra Pradesh High Court against ineralia Foreign Investment Promotion Board and Daiichi Sankyo Limited challenging acquisition of 20% shares of the Company by DS through an open offer.

### 2.29 Leases

The Company is obligated under cancellable operating lease agreements. Total rental expense under cancellable operating leases was ₹.217 (previous year: ₹. 1,145) which has been disclosed as 'Rent' in the statement of profit and loss.

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2.30 Earnings per share (EPS)

	For the year ended 31 March 2013	For the year ended 31 March 2012
<i>Earnings</i>		
Loss for the year	(255,219)	(102,619)
<b>Number of share outstanding</b>		
Weighted average number of equity shares outstanding during the year	34,427,500	34,427,500
Potential equity shares on Employee Stock option granted – Anti dilutive*	-	-
Weighted average number of dilutive potential equity shares in respect of share application money	1,750	1,750
Weighted Average number of Equity Shares in computing diluted earnings per share	34,429,250	34,429,250
Earnings per share of par value ₹. 10 per share		
Basic	(7.41)	(2.98)
Diluted	(7.41)	(2.98)

\* 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.

### 2.31 Legal and professional charges includes auditor's remuneration as follows (excluding service tax)

	For the year ended 31 March 2013	For the year ended 31 March 2012
Statutory audit fee	1,600	1,500
Out of pocket expenses	83	83
	<b>1,683</b>	<b>1,583</b>

### 2.32 Deferred Taxation:

The Company has significant amount of outstanding business loss and unabsorbed depreciation. In the absence of virtual certainty of realisation, the Company has not recorded the cumulative deferred tax asset as on 31 March 2013 and for the year arising on account of timing differences, as stipulated in Accounting Standard(AS) 22 – Accounting for taxes on income.

### 2.33 Employee Stock Option Scheme

- 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, issued 2,500 shares and balance is pending for allotment. Accordingly ₹. 1.22 lakhs received on exercise of options has been shown under "Share Application Money pending allotment".
- The Company uses the fair value method for accounting employee share based payments.
- 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.

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2.34 Other Provisions

Movement in provisions:

Particulars	For the year ended 31 March 2013	For the year ended 31 March 2012
Opening balance	24,150	24,150
Addition	35,343	-
Utilisation/reversal	-	-
Closing balance	59,493	24,150

Provision for indirect taxes are in respect of which the claims are pending before various tax authorities for a considerable period of time and based on management's estimate of claims provision is made on prudent basis that possible outflow of resources may arise in future.

### 2.35 Employee benefit plans

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

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

	As at 31 March 2013	As at 31 March 2012
Opening defined benefit obligation	1,423	4,466
Current service cost	567	902
Interest cost	169	430
Actuarial losses / (gain)	166	(4,375)
Benefits paid	-	-
Closing defined benefit obligation	<b>2,325</b>	<b>1,423</b>

#### Amount recognised in balance sheet

	As at 31 March 2013	As at 31 March 2012	As at 31 March 2011	As at 31 March 2010	As at 31 March 2009
Present value of funded obligations	2,325	1,423	1,423	2,912	2,053
Fair value of plan assets	-	-	-	-	-
<b>Net liability</b>	<b>2,325</b>	<b>1,423</b>	<b>1,423</b>	<b>2,912</b>	<b>2,053</b>
Provision for gratuity- Long term and Short term	2,325	1,423	1,423	2,912	2,053
<b>Actuarial losses / (gain)</b>	<b>166</b>	<b>(4,375)</b>	<b>608</b>	<b>(209)</b>	<b>(602)</b>
<b>Experience adjustment</b>					
On account of change in assumption	159	(58)	-	-	-
On account of change in experience	7	(4,317)	608	(209)	(602)

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### Expense recognized in statement of profit and loss

	As at 31 March 2013	As at 31 March 2012
Current service cost	567	902
Interest on defined benefit obligation	169	430
Net actuarial losses / (gains) recognized in year	166	(4,375)
Amount, included in "Employee benefits expenses"	902	(3,043)
Actual return on plan assets	-	-
<b>Summary of actuarial assumptions</b>		
Assumptions at the valuation date		
	As at 31 March 2013	As at 31 March 2012
Discount rate	8.05% p.a.	8.30% p.a.
Salary escalation rate	10% p.a.	10% p.a.

**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.

### 2.36 Related party transactions

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
Ranbaxy Laboratories Limited	Entity holding more than 20%
Daiichi Sankyo Company Limited	Entity holding more than 20%
Zenotech Farmaceutica Do Brasil Limiteda, Brazil	Subsidiary
Zenotech Laboratories Nigeria Limited, Nigeria	Subsidiary
Zenotech, Inc., USA	Subsidiary
Credence Organics Private Limited	Associate
Dr. Jayaram Chigurupati – Co-Managing Director***	Erstwhile Promoter and Key Management Personnel**
Mr. Bimal K Raizada – Co-Managing Director	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 one of its directors namely Dr. Jayaram Chigurupati under Section 299 of the Companies Act, 1956 for the year ended 31 March 2013 and for the year ended 31 March 2012. Parties identified and disclosed related to these is based on earlier years audited financial statements.

\*\* Consequence to completion of open offer formalities by Daiichi Sankyo Company Limited in September 2010, Dr. Jayaram Chigurupati and Associates ceased to be promoters.

\*\*\* Ceased to be as Managing Directors w.e.f 1 October 2012 on completion of the five year term as per reappointment approved in the Annual General Meeting dated 8 November 2007 and ceased to be as Director of the Company w.e.f. 28 December 2012.

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2.36 Related party transactions (continued)

#### b) Particulars of related party transactions

##### i) Details of related party transactions :

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b><i>i. Transaction with entity holding more than 20%</i></b>		
Sales to Ranbaxy Laboratories Limited	25,403	19,376
Reimbursement of expenses by Ranbaxy Laboratories Limited	5,161	6,119
<b><i>ii. Transaction with Key Management Personnel</i></b>		
Reimbursement of expenses to Mr. Bimal K Raizada	1,664	301
Advance received from Dr. Jayaram Chigurupati	-	1,100
Advance repaid to Dr. Jayaram Chigurupati	-	1,100
Remuneration payable to Mr. Bimal K Raizada	1,448	1,552

##### ii) The Company has the following amounts due to / from related parties:

	As at 31 March 2013	As at 31 March 2012
<b><i>i. Amount Due from:</i></b>		
Ranbaxy Laboratories Limited	3,475	3,745
<b><i>ii. Amount payable to :</i></b>		
Ranbaxy Laboratories Limited	41,522	6,596
Zenotech Inc., USA	1,985	1,985
Mr. Bimal K Raizada	3,424	1,588
<b><i>iii. Advance towards share capital :</i></b>		
Zenotech Farmaceutica Do Brasil Limiteda, Brazil	31,956	31,956
Zenotech Laboratories Nigeria Limited, Nigeria	2,614	2,614
Zenotech Inc., USA	11,055	11,055
<b><i>iv. Advance outstanding :</i></b>		
Zenotech Laboratories Nigeria Limited, Nigeria	814	814
Zenotech Inc., USA	2,233	2,233
<b><i>v. Loan due from :</i></b>		
Zenotech Inc., USA	23,039	23,039
Credence Organics Private Limited	2,430	2,430

Also refer Note 2.26. Outstanding balance are before considering provision made.

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2.37 Research and development expenditure incurred comprises of:

	For the year ended 31 March 2013	For the year ended 31 March 2012
Salaries	7,722	1,680
Raw and packing material consumed	8,761	1,974
Clinical trial and studies	5,959	1,676
Depreciation	2,946	2,946
Others	467	563
	<b>25,855</b>	<b>8,839</b>

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

### 2.38 CIF value of imports

	For the year ended 31 March 2013	For the year ended 31 March 2012
Raw material	5,615	63
Spares	419	120
Capital goods	1,240	-
	<b>7,274</b>	<b>183</b>

### 2.39 Expenditure in foreign currency

	For the year ended 31 March 2013	For the year ended 31 March 2012
Professional fees	91	3,372
Other	22,225	12,363
<b>Total</b>	<b>22,316</b>	<b>15,735</b>



## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2.40 Micro and Small Enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an Office Memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers the Entrepreneurs Memorandum Number as allotted after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2013 has been made in the financial statements based on information received and available with the Company. Further in the view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Micro, Small and Medium Enterprises Development Act, 2006 is not expected to be material. The Company has not received any claim for interest from any supplier under the said Act.

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Principal</b>		
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
<b>Interest</b>		
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

### 2.41 Breakup of revenue from sale of manufactured and traded products

	For the year ended 31 March 2013	For the year ended 31 March 2012
<b>Manufactured</b>		
Formulation		
Oncology	3,719	8,934
G-MCSF	-	69
API	-	588
<b>Traded</b>		
Oncology	26,722	12,251
	<b>30,441</b>	<b>21,842</b>

### 2.42 Breakup of purchase of raw and packing materials

	For the year ended 31 March 2013	For the year ended 31 March 2012
Oncology	16,038	426
Biotech R&D chemicals	8,261	1,590
Other chemicals	7,202	738
Packing materials	7,687	362
	<b>39,188</b>	<b>3,116</b>

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2.43 Breakup of purchase of traded goods

	For the year ended 31 March 2013	For the year ended 31 March 2012
Oncology	10,095	7,057
	<b>10,095</b>	<b>7,057</b>

### 2.44 Breakup of consumption of raw materials

	For the year ended 31 March 2013	For the year ended 31 March 2012
Oncology	6,464	1,295
Biotech R&D chemicals	7,727	1,604
Other chemicals	5,807	754
Packing materials	3,499	352
	<b>23,497</b>	<b>4,005</b>

### 2.45 Breakup of inventories

	As at 31 March 2013	As at 31 March 2012
<b>Raw and packing material</b>		
Oncology	9,645	34
Biotech	2,139	247
Packing materials	6,860	2,672
	<b>18,644</b>	<b>2,953</b>
<b>Work in progress</b>		
Oncology	3,382	-
	<b>3,382</b>	<b>-</b>

### 2.46 Value of imported and indigenous consumption

	For the year ended 31 March 2013	%	For the year ended 31 March 2012	%
Imported	4,173	17%	-	0%
Indigenous	19,324	83%	4,005	100%
	<b>23,497</b>	<b>100%</b>	<b>4,005</b>	<b>100%</b>

## Notes on Accounts (Contd.)

(All amounts in thousands of Indian Rupees except share data and where otherwise stated)

### 2.47 Unhedge foreign currency exposure

- a) There are no outstanding forward exchange contracts as at the year end.
- b) Foreign currency exposures as at 31 March 2013 and 31 March 2012 that have not been hedged by derivative instruments or otherwise:

	For the year ended 31 March 2013		For the year ended 31 March 2012	
	USD	INR	USD	INR
Loans and advances	584,223	26,086	584,223	26,086
Trade payables	45,524	2,043	45,524	2,033
Trade receivables	4,619	206	4,619	206
Other payables	420,173	22,853	65,914	3,372
	GBP	INR	GBP	INR
Trade payables	-	-	479	39

### 2.48 Segment information

The Company's business activity falls within a single primary business segment viz. 'Pharmaceuticals' and in India only. Consequently, no information under the requirements of the Accounting Standard 17 on segment reporting has been provided.

2.49 The Company has reclassified the previous year figures to confirm to current year's classification.

As per our report of even date attached  
for **B S R & Associates**  
Chartered Accountants  
Firm Registration Number:116231W

**Sriram Mahalingam**  
Partner  
Membership No.: 049642

Place : Hyderabad  
Date : 25 May 2013

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

**Dr. Sudershan K. Arora**  
Chairman

**B. K. Raizada**  
Managing Director

**Rahul Kumar**  
Head of Finance

Place : Gurgaon  
Date : 25 May 2013