
Annual Report
2013 - 14

Annual Report

2013-14

Contents

Notice of the Annual General Meeting	2
Directors' Report	7
Corporate Governance Report	16
Management's Discussion and Analysis Report	23
Financial Statements	
- Auditors' Report	26
- Balance Sheet	30
- Statement of Profit and Loss	31
- Cash Flow Statement	32
- Notes forming part of the Accounts	33

Notice

Notice is hereby given that the twenty fifth Annual General Meeting of Zenotech Laboratories Limited will be held on Monday, September 29, 2014 at 10.30 A.M. at Aalankrita Resorts, Hall: Ananda, Thumkunta Village, Karimnagar Main Road, Shameerpet Mandal, R. R. District, Telangana, INDIA, Pin - 500078, to transact the following business:

Ordinary Business:

1. To adopt the Financial Statement of the Company for the financial year ended 31st March, 2014 and the reports of the Directors' and Auditors' thereon.
2. To appoint statutory auditors of the Company.

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 139 (2) of the Companies Act, 2013 and the rules there under M/s B S R & Associates LLP, (Firm Regn. No. -116231W) Chartered Accountants 8-2-618/2, Reliance Humsafar, 4th Floor, Road No. 11, Banjara Hills, Hyderabad - 500 034, India, be and are hereby appointed as auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and is hereby authorized to fix their remuneration for the period".

Special Business:

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

"RESOLVED that pursuant to the provisions of Section 149, 152, 160 and other applicable provisions of the Companies Act, 2013, the Rules there under and read with Schedule IV thereto, Mr. K. L. Khurana (DIN - 02193237), a Director liable to retire by rotation under the erstwhile Companies Act, 1956 and holds office as Independent Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for five (5) consecutive years upto March 31, 2019."

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

"RESOLVED that pursuant to the provisions of Section 149, 152, 160 and other applicable provisions of the Companies Act, 2013, the Rules there under read with Schedule IV thereto, Dr. R. S. Bakshi (DIN-06381483), a Director liable to retire by rotation under Companies Act, 1956 and holds office as Independent Director of the Company be and is hereby appointed as an Independent Director of the Company to hold office for five (5) consecutive years upto March 31, 2019.

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

"RESOLVED that, pursuant to the provisions of Section 152, 160 and other applicable provisions of the Companies Act, 2013, the Rules there under, Mr. Rajiv Gulati (DIN- 06820663), Additional Director appointed in terms of the provisions of Section 260 of the erstwhile Companies Act, 1956 and liable to retire at the 25th Annual General Meeting, be and is hereby appointed as Director of the Company liable to retire by rotation."

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

"RESOLVED that in supersession of the Resolution passed by the Shareholders at the Extra-Ordinary General Meeting of the Company held on August 05, 2004 and pursuant to the provisions of Section 180(1)(c) and other applicable provisions of the Companies Act, 2013 (Act), consent be and is hereby accorded to the Board of Directors of the Company to borrow any sum or sums of money from time to time notwithstanding that the money to be borrowed together with the money already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the Paid-up Capital and Free Reserves of the Company, but be subject to an overall limit of 10000 lakhs (Rupees Ten thousand lakhs only)."

By order of the Board
For Zenotech Laboratories Limited

Place : Gurgaon
Date : August 30, 2014

K L Khurana
Chairman

Notes:

1. **The statement pursuant to Section 102 (1) of the Companies Act, 2013 relating to Special Business is annexed hereto.**
2. 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. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total Share Capital of the Company carrying voting rights. A member holding more than ten percent, of the total Share Capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or member.
3. The Register of members and Transfer Books of the Company will be closed from 25th, to 29th September, 2014 (both days inclusive).
4. The members are requested to -
 - a. Quote Ledger Folio/Client ID in all the correspondence.
 - b. Carry a copy of the Annual Report and attendance slip to the Meeting.
5. Members holding shares in physical form are requested to notify any change of their addresses timely to the 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, Telangana. For members holding shares in electronic form, intimation needs to be made to the respective Depository Participant and not to the Company or the Registrar.
6. Members seeking any information with regard to accounts are requested to write to the Company atleast seven (7) days before the Meeting.
7. All the documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered office of the Company during office hours on all working days except public holidays, between 11.00 A.M. and 1.00 P.M. up to the date of the Annual General Meeting.
8. The Company pursuant to Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, is extending e-voting facility for its members to enable them to cast their vote electronically instead of participating and voting physically at the Annual General Meeting. The Company has appointed Mr. Mahadev Tirunagari, Practicing Company Secretary who in the opinion of the Board is a duly qualified person, as a scrutinizer who will collate the electronic voting process in a fair and transparent manner.
9. The e-voting facility will be available at the link <https://evoting.karvy.com> during the voting period.
10. The login ID and password for e-voting along with process, manner and instructions for e-voting is being sent to the members who have not registered their e-mail IDs with the Company/their respective Depository Participants along with physical copy of the Notice. Those members who have registered their e-mail IDs, with the Company/their respective Depository Participants are being forwarded the login id and password for e-voting along with process manner and instructions by e-mail.
11. Members are requested to note that the e-voting will open on September 23, 2014 and shall remain open for 3 days i.e. upto September 25, 2014. E-voting shall not be allowed beyond 6 P.M. on September 25, 2014.
12. The Procedure and instructions for e-voting are as follows:
 - i. Open your web browser during the voting period and navigate to ' <https://evoting.karvy.com>'
 - ii. Enter the login Credentials (i.e., user-id & password)provided to you as mentioned at point no.10 supra.
 - iii. Please contact toll free No. 1-800-34-54-001 for further clarifications.
 - iv. After entering these details appropriately, click on "LOGIN".

- v. Members holding shares in Demat/Physical form will now reach Password Change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case(a-z), one number value (0-9) and a special character. Kindly note that this password can be used by the Demat holders for voting for resolution of any other company on which they are eligible to vote, provided that Company opts e-voting through Karvy Computershare Private Limited e-voting platform. System will prompt you to change your password and update any contract details like mobile number, email ID etc. on first login. You may also enter the Secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - vi. You need to login again with the new credentials.
 - vii. On successful login, system will prompt to select the 'Event' i.e., 'Zenotech Laboratories Limited.
 - viii. If you are holding shares in Demat form and had logged on to <https://evoting.karvy.com> and casted your vote earlier for any company, then your exiting login id and password are to be used.
 - ix. On the voting page, you will see Resolution Description and against the same the option 'FOR/AGAINST/ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR/AGAINST/ABSTAIN' or alternatively you may partially enter any number in 'FOR ' and partially in 'AGAINST' but the total number in 'FOR/AGAINST' taken together should not exceed your total shareholding. If the shareholder do not wants to cast, select "ABSTAIN".
 - x. After selecting the resolution, if you have decided to vote on, click on "SUBMIT. A confirmation box will be displayed if you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
 - xi. Once you "CONFIRM" YOUR VOTE ON THE RESOLUTION, you will not be allowed to modify your vote.
 - xii. Corporate/Institutional Members (corporate/FIs/FILs/Trust/Mutual Funds/Banks, etc) are required to send scan (PDF format) of the relevant Board resolution to the Scrutinizer through e-mail to mahadev.pcs@gmail.com with copy to evoting@karvy.com. the file scanned image of the Board Resolution should be in the naming format "Corporate Name_Event no."
 - xiii. Once the vote on the resolutions is cast by the shareholder, he shall not be allowed to change it subsequently.
13. Members 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.
-

ANNEXURE TO THE NOTICE

(Statement pursuant to Section 102(1) of the Companies Act, 2013)

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.3

Pursuant to the provisions of Section 149 and other applicable provisions of the Companies Act, 2013 every listed company is required to have atleast one-third of the total number of Directors as Independent Directors, who shall hold office for a term upto five (5) consecutive years.

Mr. K. L. Khurana is appointed as Director liable to retire by rotation under the erstwhile Companies Act, 1956 and he holds office as Independent Director according to Clause 49 of the listing agreement.

The Company has received consent from Mr. K. L. Khurana conveying his willingness to continue as Director and has accordingly, submitted declarations stating that he fulfills the conditions of being appointed as Independent Director as prescribed under Sub Section (6) Section 149 of the Companies Act, 2013. The Board of Directors after review of the declarations is also of the opinion that he fulfills the conditions specified under the act for such appointment.

The Company has received notice in writing from a member along with the requisite deposit under Section 160 of the Act proposing the candidature of Mr. K. L. Khurana to the office of Independent Director. Accordingly and as recommended by the Board, it is proposed to appoint Mr. K. L. Khurana as Independent Director under the provisions of Section 149 of the Companies Act, 2013 to hold office for five (5) consecutive years and he shall not be liable to retire by rotation.

Brief profile of Mr. K. L. Khurana

Mr. K. L. Khurana aged about 72 years is B. Tech. in Chemical Engineering from University of Madras and M. Tech. in Chemical Engineering from IIT Kharagpur. Mr. Khurana has rich experience of over 46 years and had been earlier associated with companies like Coromandal Fertilizers Ltd., Hindustan Insecticides Ltd. and Ranbaxy Laboratories Ltd. Currently, he is into providing technical services to process industries and manufacturing process instruments.

The Board of Directors considers that appointment of Mr. K. L. Khurana as an Independent Director would immensely benefit the Company and therefore, recommends the proposal for approval of the Shareholders.

Mr. K. L. Khurana is not Director of any other company and does not hold any share in the Company nor related to any other Director of the Company.

Except Mr. K. L. Khurana and his relatives, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested in the Resolution set forth above under this item no.3.

Item No.4

Pursuant to the provisions of Section 149 and other applicable provisions of the Companies Act, 2013 every listed company is required to have atleast one-third of the total number of Directors as Independent Directors, who shall hold office for a term upto five (5) consecutive years.

Dr. R. S. Bakshi is appointed as Director liable to retire by rotation under the erstwhile Companies Act, 1956 and he holds office as Independent Director according to Clause 49 of the listing agreement.

The Company has received consent from Dr. R. S. Bakshi conveying his willingness to continue as Director and has accordingly, submitted declarations stating that he fulfills the conditions of being appointed as Independent Director as prescribed under Sub Section (6) Section 149 of the Companies Act, 2013. The Board of Directors after review of the declarations is also of the opinion that he fulfills the conditions specified under the act for such appointment.

The Company has received notice in writing from a member along with the requisite deposit under Section 160 of the Act proposing the candidature of Dr. R. S. Bakshi to the office of Independent Director. Accordingly and as recommended by the Board, it is proposed to appoint Dr. R. S. Bakshi as Independent Director under the provisions of Section 149 of the Companies Act, 2013 to hold office for five (5) consecutive years and he shall not be liable to retire by rotation.

Brief profile of Dr. R. S. Bakshi.

Dr. R. S. Bakshi aged about 65 years, did his M.B.B.S from Government Medical College, Amritsar. During his illustrious career spanning over thirty nine 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 appointment of Dr. R. S. Bakshi as an Independent Director would immensely benefit the Company and therefore, recommends the proposal for approval of the Shareholders.

Dr. R.S. Bakshi is not Director of any other company and does not hold any share in the Company nor related to any other Director of the Company.

Except Dr. R. S. Bakshi and his relatives, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested in the Resolution set forth above under this item no.4.

Item No. 5

Mr. Rajiv Gulati was appointed as Additional Director of the Company effective from February 14, 2014. Pursuant to the provisions of Section 161 (1) of the Companies Act, 2013, his office as Additional Director shall expire at the ensuing Annual General Meeting.

The Company has received consent from Mr. Rajiv Gulati conveying his willingness to continue as Director and has accordingly, submitted declarations stating that he fulfills the conditions of being appointed as a Director. The Board of Directors is also of the opinion that he fulfills the conditions specified under the Companies Act, 2013 for such appointment.

The Company has received a notice in writing from a member along with the requisite deposit in terms of Section 160 of the Act proposing him as Director. Accordingly, it is proposed to appoint Mr. Rajiv Gulati as Director liable to retire by rotation.

Brief profile of Mr. Rajiv Gulati

Mr. Rajiv Gulati aged about 57 years has over 28 years of experience in the pharmaceutical industry, spanning generic and innovator companies.

An MBA, from the Indian Institute of Management, Ahmedabad, India, he also holds an M.Pharm degree from the Banaras Hindu University, India.

He has worked extensively in multicultural global business leadership roles in many countries, including the US, across wide-ranging domains such as business revitalisation; in-licensing/out-licensing of technologies and products; and the creation and implementation of long term strategies. A seasoned professional, Mr. Gulati is adept at managing large business teams across key functions of Marketing, Business Development and Corporate Strategy.

He has been associated with the Pharmaceutical Industry as Vice President of the Organisation of Pharmaceutical Producers of India (OPPI); Chair - Pharmaceutical Industry, American Chamber of Commerce (AMCHAM), New Delhi, India; and Advisory Board Member of the National Institute of Pharmaceutical Education and Research (NIPER).

The Board of Directors considers that appointment of Mr. Rajiv Gulati as a Director would immensely benefit the Company and therefore, recommends the proposal for approval of the Shareholders. Mr. Gulati is nominated onto the Board by Ranbaxy Laboratories Ltd and is a Non Executive Promoter Director.

Mr. Rajiv Gulati is not Director of any other Indian company and does not hold any share in the Company nor related to any other Director of the Company.

Except Mr. Rajiv Gulati and his relatives, none of the other Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested in the Resolution set forth above under this item no.5.

Item No. 6

The Shareholders at the Extra-Ordinary General Meeting held on August 05, 2004 had authorised the Board of Directors to borrow any sum or sums of money from time to time (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) notwithstanding that the money or monies to be borrowed may exceed Company's paid up capital and free reserves but subject to the overall limit of INR 5000 Lakhs.

In view of persistent losses and to meet the requirement of additional borrowing as may arise from time to time, consent of the Shareholders is sought to authorise the Board to borrow up to INR 10000 Lakhs (Rupees Ten Thousands Lakhs only). Provisions of Section 180 of the Companies Act, 2013, require approval of the Shareholders by way of a Special Resolution.

In view of the foregoing, the Board recommends approval to the proposed Special Resolution to increase the borrowing limit of the Company.

None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested in the Resolution set forth above under this item no.6.

By order of the Board
For Zenotech Laboratories Limited

Place : Gurgaon
Date : August 30, 2014

K L Khurana
Chairman

Directors' Report

Your Directors are pleased to present the twenty fifth Annual Report together with the audited accounts of the Company for the year ended March 31, 2014.

Standalone results

(₹ in thousands)

Particulars	2013-14	2012-13
Sales (net)	27,557	30,441
Other Income	23,868	1,719
Depreciation	35,561	35,150
Loss before tax	(228,554)	(255,219)
Exceptional Items	-	-
(Loss) after tax	(228,554)	(255,219)
Loss brought forward from previous year	(12,47,557)	(992,338)
Profit/(Loss) carried forward to Balance Sheet	(1,476,111)	(1,247,557)

OPERATIONS

The year under review was challenging for your Company in the absence of technical documents, as it strived to revive the bio-technology division to manufacture products such as Rituximab with the available cell lines. After repeated trials on bacterial cell lines, your Company was able to manufacture products such as GCSF and GMCSF on commercial lines. It was however observed that expressions of the mammalian products was exceptionally low demonstrating that the available cell lines were weak. Your Company recognized that manufacturing of products with minimal yield would lead to unacceptable commercial viability, leading to further losses. Therefore, the limited operations at Unit-II are temporarily suspended.

As members are aware, there are legacy issues that inhibit your Company from delivering commercially viable products. Most vital technical information and essential lab records have not been accessible since 2011, the time when the present management took over the actual control of the affairs of your Company. All the DNA clones relating to the biotech products and projects on which your Company was working upon have been unavailable.

Team Zenotech is committed to strengthen the business performance, create and rebuild product pipeline and deliver superior results despite the constraints and hence has been focused on the core business of chemo oncological range. The team has commenced work on technical and clinical data collection for preparation of regulatory approval applications for building a product range with market opportunities in emerging markets.

While your Company has been vigorously pursuing the erstwhile promoter with criminal law suits and is confident of positive outcome, the management is fully committed to develop products that are in demand in commercially attractive therapeutic segments.

In the meantime, your Company is streamlining, cost cutting and turning cost competitive and as part of the action plan aims to improve the operational efficiency. At the same time, care is also being taken not to compromise on quality of both processes and products and to gear Zenotech to meet the demands of a highly competitive market.

During the year under review, WHO GMP approval was received for the range of products manufactured in the Company's facility. Operations in chemo-oncologicals were continued and supplies were made in the domestic market. Your Company participated in select tenders and it is gratifying that orders from institutional supplies, though of small volumes, are being received.

OUTLOOK

Looking ahead, your Company aims to explore opportunities in the international markets and has generated interest among a few customers. It must be appreciated that such rebuilding exercise of a pharmaceutical organization has to be

calibrated carefully which is inherently a time consuming process, with probable under utilization of manufacturing capacity. Efforts are hence, being made to seek business by offering in-house facilities to reputed companies to outsource their requirements by manufacturing at Zenotech's production units. Overall, your Company is positive that revenue streams would improve in the foreseeable future.

RESEARCH & DEVELOPMENT

A detail on Research & Development has been provided in form B to annexure-C attached and forms part of this report.

BIFR

The Company became a Potential Sick Company as defined under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) in the year ended March 31, 2011. The Company continues to be a potentially sick company under the said provisions. The matter has been intimated to Board for Industrial and Financial Reconstruction (BIFR). A report on the foregoing is provided as annexure - A to this report.

PUBLIC ANNOUNCEMENT BY SUN PHARMA UNDER SEBI (SUBSTANTIAL ACQUISITION OF SHARES AND TAKEOVER) REGULATIONS, 2011

On April 6, 2014, the Board of Directors of Sun Pharmaceutical Industries Limited have communicated that they ('Sun Pharma/Acquirer') and Ranbaxy Laboratories Limited ('Ranbaxy'), have approved a Scheme of Arrangement under the provisions of Sections 391 to 394 and other applicable provisions of the Companies Act, 1956 and corresponding provisions of the Companies Act, 2013 ('Scheme') whereby Ranbaxy shall merge into Sun Pharma ('Primary Acquisition').

By virtue of Ranbaxy holding 16,127,293 equity shares representing 46.79% of the fully diluted equity and voting capital of Zenotech Laboratories Limited (Zenotech), post consummation of the Primary Acquisition and the consequential implementation of the Scheme, the merger of Ranbaxy into Sun Pharma pursuant to the Scheme will result in Sun Pharma indirectly acquiring 46.79% of the voting rights held by Ranbaxy in, and control over Zenotech, although the acquisition of voting rights in or control over Zenotech is not the objective of the Primary Acquisition.

Accordingly, a public announcement has been issued pursuant to Regulation 3(1) and Regulation 4 read with Regulation 5(1) and Regulation 13(2)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 for and on behalf of the Acquirer to the public shareholders of Zenotech excluding the Acquirer, person acting in concert with the Acquirer, Ranbaxy, person acting in concert with Ranbaxy or such other persons as are excluded by law.

However, in terms of the explanation to the proviso to Regulation 13(4) of the SEBI (SAST) Regulations, this Open Offer is subject to the completion of the Primary Acquisition as provided in the Scheme and other executed documents. Therefore, it is hereby clarified that in the event the Acquirer is unable to exercise or direct the exercise of voting rights in, or control over, Zenotech on account of the Primary Acquisition having failed, the Acquirer shall not proceed with this Open Offer.

SHARE CAPITAL

The authorized share capital of the Company has been increased from ₹ 35 crores to ₹ 100 crores during the year under review, while the subscribed and the paid up capital remain unchanged.

AUDITORS' QUALIFICATIONS/REMARKS

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

- a. Regarding Para No. 1 in the Basis for Qualified Opinion of the Audit report: Reconstructed books of account for the financial years ended March 31, 2011 and 2012, differences between the current management and the then Co-Managing Director, non resolution of the above, inability of the auditors to determine the adjustments/disclosures which may become necessary etc.: As has been reported in the annual report for the previous year, it is reiterated that your Company, under the current management, has initiated appropriate steps to recover various missing assets and properties, valuable information and records of the Company and the matters are currently being investigated or sub-judice.

Post November 12, 2011, the reconstruction of the books of account for the years ended March 31, 2011 and March 31, 2012 were carried out by the present management with the best of its ability within the constraints. Any further adjustments/disclosures to the financial statements, if required, would be made in the financial statements as and when the outcome of the uncertainties related to those years become known and the consequential adjustments/disclosures are identifiable/determinable.

- b. Regarding Para No. 2 in the Basis for Qualified Opinion of the Audit report: Contravention of the provisions of Companies Act, 1956 with respect to payment of ₹ 7,980 thousands towards managerial remuneration for the period from October 1, 2007 to March 31, 2011: It is informed that your Company in order to recover the excess amount paid, has filed money suit before the Hon'ble Court of Chief Judge, City Civil Court, Hyderabad, and the matter is currently sub-judice.
- c. Regarding Para No. 3 in the Basis for Qualified Opinion of the Audit report: Application made to the Ministry of Corporate Affairs, Government of India (MCA) seeking approval to pay remuneration to Mr. B. K. Raizada, former Managing Director of the Company: **The management wishes to inform that MCA vide letter dated February 27, 2012 conveyed approval to the Company to pay remuneration to Mr. B. K. Raizada subject to the condition that the Company cleared its outstanding dues to Technology Development Board (TDB) and file a compliance report with MCA by February 29, 2012.** As the Company is unable to repay the outstanding dues towards the loan assistance granted by TDB, the Company has not been able to pay remuneration to Mr. B. K. Raizada, former Managing Director of the Company.
- d. Regarding Para No. 4 in the Basis for Qualified Opinion of the Audit report: Notice by ex-Director pursuant to Section 299 of Companies Act, 1956 for the year ended March 31, 2013, non availability of complete information etc.: This is to inform you that the ex Director ceased to be a Director of the Company effective from December 28, 2012 and there was no business transaction with him during the year ended March 31, 2014.
- e. Regarding Point no. (x) of Annexure to the Audit Report: Accumulated losses exceeding fifty percent of Company's net worth: Appropriate intimation has been made to Board for Industrial and Financial Reconstruction under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 and a more detailed report has been attached as annexure - A to this report.
- f. **Regarding Point no. (xi) of Annexure to the Audit Report: Outstanding dues that included interest on the loan assistance granted by Technology Development Board was overdue.** The Company has no other outstanding loans from any bank/financial institution.
- g. Regarding Point no. (xvii) of Annexure to the Audit Report: Money raised on short-term basis utilized for long-term uses: The utilization was made due to losses suffered by the Company. The management is taking all the requisite steps to minimize costs and increase revenue to meet its short-term fund requirements.

CONSOLIDATED FINANCIAL STATEMENTS

As has been reported in annual reports for the financial years ended March 31, 2012 and 2013, it is reiterated that the overseas subsidiaries of the Company do not exist anymore. Due to the missing and non-availability of the books of account and other related records and documents of those overseas subsidiaries, the Company is unable to prepare consolidated accounts and attach the required statements and particulars in terms of the provisions of Section 212 of the Companies Act, 1956 and the listing agreement with BSE Ltd.

Overseas subsidiaries were apparently created, investments and loans were made during the period from 2006-07 to 2010-11 under the erstwhile management. It was the responsibility of that management to handover those details to the present management during the transition. However, no details on those subsidiaries were made available to your Company. Despite several attempts by the current management to recover them, details concerning those subsidiaries including the documents and certificates related to the foreign exchange transactions which included loans and investments made to those foreign subsidiaries, could not be obtained.

The erstwhile management deliberately ignored and has so far remained non-compliant to the directions of your Company. Your Company therefore has filed a complaint before the Hon'ble Economic Offences Court, Nampally, Hyderabad, under

the provisions of Section 630 of the erstwhile Companies Act, 1956 against the former Managing Director, who was in complete control over the Company affairs during the period of these events. The matter is currently sub-judice.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, wherever applicable;
- b. they 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;
- c. they 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 to the extent possible in the circumstances;
- d. they have prepared the annual accounts on a going concern basis.

EMPLOYEE STOCK OPTION SCHEME

Disclosures as on March 31, 2014 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 in the Annexure B to this Report.

REPORT ON CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS

Report on Corporate Governance together with the compliance 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 the Management Discussion & Analysis form part of this Annual 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 appointed as statutory auditors for a period of one year to hold office from the conclusion of the 25th Annual General Meeting till the conclusion of 26th Annual General Meeting of the Company, according to the provisions of Companies Act, 2013.

COST AUDIT

For the financial year ended March 31, 2014, the Board of Directors had appointed M/s. K.C. Kohli & Co., Cost Consultant & Advisor, Delhi, as Cost Auditor and the audit report for the year shall be submitted to the Central Government in the due course.

For the financial year ending March 31, 2015 it has been advised that the Company is exempted from cost audit in terms of the provisions of Section 148 of the Companies Act, 2013 read with Companies (Cost Records and Audit) Rules, 2014. Accordingly, your Company has not appointed Cost Auditor for the financial year 2014-15.

DIRECTORS

As members are aware, 24th Annual General Meeting of your Company was held on August 13, 2013. Dr. N. K. Ganguly and Dr. R. S. Bakshi who retired by rotation and were re-appointed as Directors, liable to retire by rotation.

During the year, restructuring of the Board was made on November 6, 2013. Dr. Junichi Koga, nominee of Daiichi Sankyo Company Limited, was appointed as Additional Director of the Company. Dr. Sudershan Kumar Arora and Dr. N. K. Ganguly resigned from the Board of Directors while Mr. B. K. Raizada resigned from the office as Managing Director of the Company. Dr. Sudershan Kumar Arora was appointed as Alternate Director to Dr. Junichi Koga.

Mr. Rajiv Gulati was appointed as Additional Director on February 14, 2014 and is proposed to be appointed as Director at the ensuing Annual General Meeting. Mr. B. K. Raizada resigned from the office as Director effective from February 24, 2014. Dr. Junichi Koga also resigned from the office as Director effective from June 10, 2014. According to the provisions of the Companies Act, 2013, Dr. Sudershan Kumar Arora vacated his office as Alternate Director from the date.

In terms of the provisions of the Companies Act, 2013, Mr. K. L. Khurana and Dr. R. S. Bakshi, Independent Directors, are being proposed for appointment as Independent Directors for a period of five years. Mr. Rajiv Gulati is being proposed to be appointed as Director liable to retire by rotation. Appropriate resolutions with the requisite information are being placed before the members for their approval at the meeting.

PARTICULARS OF EMPLOYEES

Statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956 ('Act') and Rules framed there under forms part of the Annual Report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Act, this Report and Accounts are being sent to all the members excluding the Statement of particulars of employees under Section 217(2A) of the Act. Any Member interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

LISTING AT STOCK EXCHANGE

The Equity Shares of the Company continue to be listed on BSE. The annual listing fee for the year 2014-15 has 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 in the 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 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 the difficult times.

For and on behalf of the Board

Place : Gurgaon
Date : August 13, 2014

K. L. Khurana
Chairman

Annexure - A**Report to the Shareholders under section 23(1)(b) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA)**

Provisions of Section 23 (1) (b) of SICA provides that 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 audited accounts for the financial year, is required to

- i. report the fact of such erosion to the Board for Industrial and Financial Reconstruction and
- ii. 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 had 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 envisaged under the provisions of Section 23 of SICA. As required, the Company filed the required declaration in Form C with Board for Industrial and Financial Reconstruction (BIFR) reporting the status of Potential Sickness.

Causes for Erosion

In August 2006, your Company had made a Preferential Issue of Shares to Ranbaxy Laboratories Limited ("Ranbaxy") for INR 200 millions. Further, in October 2007;

- Ranbaxy purchased 78,78,607 Shares from Dr. Jayaram Chigurupati and associates ("the erstwhile promoters");
- Ranbaxy was allotted 54,89,536 Shares on preferential basis; and
- The aforesaid acquisition triggered required Ranbaxy to make an Open offer to the Shareholders of the Company, and thus Ranbaxy acquired 7,58,851 shares of Company pursuant to the Open.

Post acquisition of the Shares, Ranbaxy held 1,61,27,293 Shares of the Company representing 46.94% of the then Paid-Up Capital of the Company and became the single largest Shareholder while your Company was able to raise ₹ 87.83 crores under the said preferential allotment. 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% Shares at ₹ 113.62 per share. Aggrieved by the pricing of the Shares, the erstwhile Promoters and one or two more Shareholders filed a petition in the Hon'ble High Court of Madras. Your Company was made a Respondent in the 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 before Securities Appellate Tribunal (SAT) with respect to the pricing of the Shares. SAT directed Daiichi to price the Open Offer at Rs 160/- per Share. However, aggrieved by the Order Daiichi filed an appeal against the order before the Hon' ble Supreme Court of India. The Hon'ble 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 Rs 113.62 per Share.

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

Post completion of Open Offer formalities by Daiichi and pursuant to the intervention of Company Law Board (CLB) and Hon'ble Andhra Pradesh High Court, the Board of Zenotech Laboratories Limited was restructured in January, 2011 and the new Board comprising 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 all its affairs. At that stage, your Company started incurring huge losses. The financial performance of your Company (Based on Stand-alone financial statements) on given indicators in preceding three years up to March 31, 2011 are provided hereunder:

(Amount in ₹ thousands)

Financial Parameters	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011
Sales	60232	65651	70014
Profit/(Loss) Before exceptional items	(169698)	(124749)	(148278)
Net Profit/(Net Loss)	(216246)	(124749)	(378381)

The reconstituted Board of Directors reviewed the state of affairs of the Company and being completely dissatisfied with the performance of the then Managing Director appointed Mr. B. K. Raizada as another Managing Director for a period of two years effective March 19, 2011. Dr. Jayaram Chigurupati contested the decision of the Board of Directors of your Company in appointing Mr. B. K. Raizada as another Managing Director. However, CLB upheld the decision of the Board of Directors and allowed Mr. Raizada to function as Managing Director. Board of Directors also observed that due to irresponsible conduct of then Managing Director, the performance of your Company had deteriorated and your Company had incurred huge losses.

Despite efforts, Mr. B. K. Raizada after his appointment as Managing Director, and his management team were unable to access the premises of Company's Registered Office and its facilities. It was in November 2011 and pursuant to the orders of CLB, the present management was able to gain access and took possession of the facilities of the Company in the presence of Advocate Commissioner appointed by CLB. Post taking over the facilities, the management was shocked to discover that key records, assets, books of accounts and statutory records of the Company were missing. Appropriate actions, including filing of criminal complaints against the persons responsible were promptly initiated by the current management. The Hon'ble CLB vide its order dated 8 October 2012 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 been evasive in complying with the order.

The year under review was challenging for your Company in the absence of technical documents, as it strived to revive the bio-technology division to manufacture products such as Rituximab with the available cell lines. After repeated trials on bacterial cell lines, your Company was able to manufacture products such as GCSF and GMCSF on commercial lines. It was, however, observed that the expressions of the mammalian products was exceptionally low. Your Company further found that manufacturing of products with minimal yield would lead to unacceptable commercial viability, leading to further losses.

There are legacy issues that inhibit your Company from delivering commercially viable products. Most vital technical information and essential lab records have not been accessible since 2011, the time when the present management took over your Company. All the DNA clones relating to the biotech products and projects on which your Company was working upon have been unavailable.

Remedial Measures

Your Company is committed to strengthen the business performance, create and rebuild product pipeline and deliver superior results despite the constraints and hence, has been focused on the core business of chemo oncological range. The team has commenced work on technical and clinical data collection for preparation of regulatory approval applications for building a product range with market opportunities in emerging markets. The management is fully committed to develop products that are in demand in commercially attractive therapeutic segments. On the other hand, your Company is streamlining, cost cutting and turning cost competitive and as part of the action plan aims to improve the operational efficiency. WHO GMP approval has been received for the range of products manufactured in the Company's facility. Your Company participated in select tenders and it is gratifying that orders from institutional supplies are being received. Your Company is poised to explore opportunities in the international markets and has generated interest among a few customers. Efforts are hence, being made to seek business by offering in-house facilities to reputed companies to outsource their requirements by manufacturing at Zenotech's production units. Overall, your Company is positive that revenue streams would improve in the foreseeable future.

Annexure - B
Details of Stock Options granted under Zenotech Stock Option Scheme, 2005 (ZESOS, 2005) as on 31.03.2014*. 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 BSE as per SEBI (ESOS & ESPS) Guidelines, 1999 in vogue.
Options vested during FY 2013-14	Nil*
Options exercised during FY 13 - 14	Nil
The total number of shares arising as a result of exercise of options	Nil
Options lapsed during FY 2013-14 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, 2014 (cumulative)	15,000*
Grant details of members of senior management team during the year 2013-14	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	₹ (6.64)
Difference between the employee compensation cost so computed at 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

* The information provided is as on March 31, 2014 and based on the inferred data. Since all employees to whom these options were granted either did not rejoin the Company or have left the Company and have not opted to exercise their options the valuation has not been undertaken by the Company.

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:**

The following information during the financial year ended March 31, 2014 should be read along with annual 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 significant measures to reduce energy consumption by using energy efficient equipments.

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

a) Power and fuel consumption	2013-14	2012-13
1. Electricity		
i. Purchased		
Units	24,95,528	15,82,496
Total amount (₹)	1,74,42,650	146,13,322
Rate/unit (₹)	6.99	9.23
ii. Own generation through diesel generation set		
Units	228,580	562,880
Total amount (₹)	36,43,155	87,07,050
Units per liter of diesel oil	3.04	3
Rate/unit (₹)	15.93	15.50
2. Diesel (used in boiler)		
Quantity(tones)	2,180	2,113
Total cost (₹)	99,42,655	80,43,750
Average rate (₹)	4560.85	3806.80
b) Consumption per unit of production		
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 (R & D)**

After having received the marketing authorization from DCGI, your Company subsequently received license to manufacture Rituximab. In the absence of technical documents and records, your Company attempted to explore possibility of manufacturing by undertaking small scale batches at R & D level. However, it was observed that the yield of the mammalian products was exceptionally low demonstrating that the available cell lines were weak.

Expenditure on R&D

₹ in thousands

a. Capital	Nil
b. Recurring	26,942
c. Total	26,942
d. Total as percentage of turnover	97.77%

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)	17,965

Report on Corporate Governance

(Pursuant to Clause 49 of listing agreement)

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

Zenotech Laboratories Limited (herein after referred to as "Company") as an organisation, 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 adoption of 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

A detail on the Board of Directors, their attendance at meetings during the financial year ended March 31, 2014 and other details are provided hereunder:

Name of the Director	Designation & Category	No. of Board Meetings attended	Attendance at Previous AGM held on 13.08.2013	Number of Directorships held in other Public companies	Number of Board Committee (a) memberships held in such companies	Number of Chairmanship of Board Committees (a) held in such
Mr. K. L. Khurana, Chairman	Non Executive & Independent Director	4	Yes	-	-	-
Mr. B. K. Raizada	Managing Director	4	Yes	4	2	1
Dr. Sudershan K. Arora	Non Executive & Promoter Director	3	No	-	-	-
Prof. N.K. Ganguly	Non-Executive & Independent Director	1	No	-	-	-
Dr. R. S. Bakshi	Non Executive & Independent Director	4	Yes	-	-	-
Dr. Junichi Koga	Non Executive & Promoter Director	Nil	Not Applicable	-	-	-
Mr. Rajiv Gulati	Non Executive & Promoter Director	1	Not Applicable	-	-	-

Notes:

- "Other Companies" exclude Private limited companies and foreign companies. "Board committees" include only Stakeholders Committee and Audit Committee of the Board;
- Restructuring of the Board of Directors on November 6, 2014: Dr. Junichi Koga was appointed as Additional Director. Mr. B. K. Raizada resigned from the office of Managing Director. Prof. N. K. Ganguly and Dr. Sudershan K. Arora resigned from their offices as Directors. Dr. Sudershan K. Arora was appointed as Alternate Director to Dr. Junichi Koga, Additional Director. Mr. K. L. Khurana is appointed as Chairman of the Board of Directors.
- Mr. Rajiv Gulati was appointed as Additional Director effective from February 14, 2014;
- Mr. B. K. Raizada resigned from the office as Director effective from February 24, 2014;
- Dr. Junichi Koga resigned from the office as Director effective from June 10, 2014. Consequently, Dr. Sudershan K. Arora, Alternate Director to Dr. Junichi Koga ceased to hold such office.

Board Meetings

During the year ended March 31, 2014, four meetings of the Board of Directors were held on May 25, 2013, August 12, 2013, November 06, 2013 and February 14, 2014.

3. Audit Committee**a) Composition**

The Audit Committee comprises the following members as on August 07, 2014:

1. Mr. K. L. Khurana - Chairman;
2. Dr. R S. Bakshi - Member and
3. Mr. Rajiv Gulati - Member.

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.

The Company Secretary is the Secretary of the Committee. During the financial year ended March 31, 2014, four meetings of the Committee were held on May 25, 2013, August 12, 2013, November 06, 2013 and February 14, 2014 and all the members of the committee attended the meetings.

4. Remuneration and Compensation Committee;

The Remuneration and Compensation Committee comprised the following members:

- i) Prof. N. K. Ganguly - Chairman;
- ii) Dr. R. S. Bakshi and
- iii) Mr. K. L. Khurana.

Prof. N.K. Ganguly resigned from the Board on November 06, 2013 and consequently ceased to be member of the committee.

Nomination and Remuneration Committee

In accordance with the provisions of Section 178 (1) of The Companies Act, 2013 and Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014 and other applicable provisions of Companies Act, 2013 the Nomination and Remuneration Committee of the Board was constituted effective from May 26, 2014.

Composition:

1. Dr. R S Bakshi - Chairman;
2. Mr. Rajiv Gulati - Member and
3. Mr. K L Khurana - Member.

Terms of reference:

- a) formulate a Policy which shall lay down the criteria to determine qualifications, positive attributes and independence of a Director and recommend to the Board policy relating to remuneration of Directors, Key Managerial Employees and other employees ;
- b) The quorum for the meeting shall be 2 directors personally present;
- c) Shall identify persons who are qualified to become Directors;

- d) Recommend to the Board the appointment and removal of Directors and shall also carry out evaluation of every Director's performance;
- e) formulate a Policy laying down the criteria for determining qualifications, positive attributes of persons and recommend persons who may be appointed in the senior management;
- f) such other powers as may be delegated by the Board of Directors or entrusted under law in India:

Directors Remuneration; No Director was paid any remuneration and Sitting fees for the year ended March 31, 2014. The Company has reimbursed the travelling, out of pocket expenses and other incidental expenses incurred by the Directors in attending meetings of the Board and its Committees.

5. Stakeholders Relationship Committee

The Shareholders / Investors Grievance and Share Transfer Committee has been renamed in accordance with the provisions of Section 178 of The Companies Act, 2013 as Stakeholders Relationship Committee with terms of reference remaining the same. The Committee comprises of the following members:

1. Dr. R S Bakshi - Chairman;
2. Mr. Rajiv Gulati - Member.

The Committee is vested with the following powers:

1. The Stakeholders Relationship Committee shall consider and resolve the grievances of security holders of the company;
2. To specifically look into and resolve shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc;
3. To approve share transfers, dematerialization, rematerialization and all other similar functions;
4. To consider and resolve the grievances of any other security holders of the company;

There was no meeting of the committee during the year ended March 31, 2014.

Mr. Chinmoy Patnaik is the Compliance officer and is designated as Company Secretary & Head, legal.

During the year there was no complaint from any Shareholder of the Company.

6. General Body Meetings

Year	Particulars of the AGM	Day, Date & Time	Venue	Special Resolutions Passed, if any.
2012-13	24th AGM	Tuesday, August 13, 2013, 2012 at 10.30 A.M	Hotel Taj Deccan, Road No. 1, Hyderabad - 500 034	No Special Resolution passed
2011 -12	23rd AGM	Friday, December 28, 2012 at 11 A.M	Hotel Taj Deccan Road No. 1, Banjara Hills Hyderabad - 500 034	No Special Resolution passed
2010-11	22nd AGM	Wednesday, July 25, 2012, at 11.00 A.M	Auditorium Taj Deccan, Road no.1, Banjara Hills, Hyderabad	No special resolution passed.

For past three years ended as on March 31, 2014; there was 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) Shareholding of Directors.

As on March 31, 2014, 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. 2.35 to financial statements as at March 31, 2014.

(iii) Compliances by the Company

In view of the missing statutory and other records of the Company, the Company is unable ascertain and figure out whether there was any non-compliance, penalties, strictures imposed on the Company by BSE Ltd. or SEBI or any other statutory authority for the period prior to the takeover of factory premises by the current management in November, 2011. After the access and control over the factory premises, there has been no penalties nor strictures imposed on the Company by BSE Ltd or SEBI except as reported in this report. Further, the status on the statutory compliances, and penalties and strictures imposed on the Company are reported on regular basis in the annual reports of the Company apart from being communicated through other means, according to the requirements of applicable laws. As earlier reported in the annual reports, BSE Ltd has suspended the trading of the Shares of the Company in view of the non compliances of the listing agreement. However, the Hon'ble High Court of Andhra Pradesh, Hyderabad, was pleased to grant stay on the operation of the said Order, which remains in force. During the year, the Company was generally been compliant with all the provisions of Clause 49 of the listing agreement except for Clause 49 (I) (D) relating to posting of code of conduct and other requisite information on the Company's website, Clause 49 (II)(A)(i) relating to constitution of a qualified and independent Audit Committee during the period from February 24, 2014 upto March 31, 2014, Clause 49 (III) relating to subsidiaries, Clause 49 (IV) (C) relating to Board Disclosures. The reasons for the non compliances and steps taken for remedying them are mentioned hereunder.

(a) Overseas 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 applicable clauses of the listing agreement. To recover them, appropriate actions have been initiated against the previous Managing Director who was in control over the affairs of the Company during the period of the events. The matter is currently sub-judice.

(b) Company's Website and posting of Code of Conduct

Due to unavailability of administrative control over the Company's website, domain name and email servers, the Company has been constrained and prevented from publishing various reports on its website, which are otherwise statutorily required to be published. 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. To repossess the control over the website, the Company has initiated a complaint in the Economic Offences Court, Nampally, Hyderabad and the matter is subjudice.

(c) 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 after obtaining opinion from an independent expert.

(iv) CEO/CFO Certificate

Certificate from Chief Executive Officer and Head (Finance & Accounts) for the financial year ended March 31, 2014 was placed and noted by the Board of Directors In terms of Clause 49 (V).

(v) Management Discussion and Analysis

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

(vi) 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.

(vii) 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 Company Law Board's (CLB) order dated 6 August, 2010. These Shares were allotted during the period before the current management gained access to the Company's premises and the fact that these Shares are unlisted came to the notice subsequently. On further assessment it was revealed that no return of allotment with respect to those Shares was filed with the Registrar of Companies, Hyderabad. Besides, due to the missing statutory records and registers of the Company including the Minutes of the meetings of the Board of Directors, the Company is unable to undertake the compliance formalities with respect to the said allotments and seek enlistment of the shares on BSE Ltd. Under the constraints, the Company is able to file with BSE Ltd a qualified audit report on Reconciliation of Share Capital in terms of Regulation 55A of SEBI (Depositories Participants) Regulations, 1996.

(viii) Access to Audit Committee

During the year under report, no personnel of the Company was denied access to the Audit Committee.

DECLARATION

As provided under Clause 49(1) (D) of Listing Agreement with the Bombay Stock Exchange, the Board members and the Senior Management Personnel have confirmed compliance with the Code of Conduct for year ended March 31, 2014.

August 13, 2014

Dinesh Kapoor
Chief Executive Officer

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 Financial Express and Surya apart from being displayed on the website of BSE Ltd.

9. General Shareholder information

- i. Annual General Meeting
 - Date : September 29, 2014
 - Time : 10.30 A.M.
 - Venue : Aalankrita Resorts, Hall: Ananda,
Thumkunta Village, Karimnagar Main Road,
Shameerpet Mandal, R. R. District,
Pin - 500078, Telangana, INDIA
- ii. Financial Year ended : March 31, 2014
- iii. Book Closure : 25th to 29th September, 2014
(Both days inclusive)
- iv. Listing on Stock Exchange : Bombay Stock Exchange Limited
(listing fees has been paid upto financial year 2014-15)
- 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, 2014 and Company's closing share price as against BSE Sensex closing on the BSE Ltd, Mumbai is provided hereunder:

Month	High	Low	Close	BSE Sensex (Closing)
13-Apr	30.95	21	30	19,504.18
13-May	32.35	24.55	27.25	19,760.30
13-Jun	28.5	25.9	27.1	19,395.81
13-Jul	29.8	16.4	16.4	19,345.70
13-Aug	15.65	11.05	11.05	18,619.72
13-Sep	10.83	9.8	10.6	19,379.77
13-Oct	14.68	10.81	14.68	21,164.52
13-Nov	31.01	14.97	26.67	20,791.93
13-Dec	28.75	22.5	28.75	21,170.68
14-Jan	31.05	20.3	21.75	20,513.85
14-Feb	21.2	16	17.6	21,120.12
14-Mar	18.9	15.5	16.5	22,386.27

(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 - 44655178; 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, 2014, two requests for registration of transfer of 6,00,050 Shares were received by the Registrar and Share Transfer Agent of the Company which were registered in the name of the Transferees .

- x. Shareholding (as on March 31, 2014):

a) Distribution of shareholding as on March 31, 2014

Sl.No.	Category (Shares)	No.of Holders	% To Holders	No.of Shares	% To Equity
1.	1 - 500	5314	86.45	732210	2.13
2.	501 - 1000	432	7.03	351155	1.02
3.	1001 - 2000	212	3.45	326530	0.95
4.	2001 - 3000	67	1.09	170776	0.5
5.	3001 - 4000	18	0.29	65948	0.19
6.	4001 - 5000	35	0.57	162412	0.47
7.	5001 - 10000	30	0.49	215414	0.63
8.	10001 & above	39	0.63	32403055	94.12
	GRAND TOTAL	6147	100	34427500	100

b) Categories of Shareholders as on March 31, 2014

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
3	Banks, Mutual funds, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Govt. Institutions)	2	4414	0.01
4	Private Corporate Bodies	156	200088	0.58
5	Indian Public	5932	7187401	20.88
6	NRIs / OCBs	46	4020547	11.68
7	Clearing members	8	1257	0
TOTAL		6146	34427500	100

Ranbaxy Laboratories Limited and Daiichi Sankyo Company Limited are 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, 2014. The Company's Shares are regularly traded on Bombay Stock Exchange Limited.

xii. As on March 31, 2014, the Company did not have any outstanding GDRs /ADRs / Warrants or any convertible instruments

xiii. Manufacture facility & Address for correspondence:

Zenotech Laboratories Limited
 Survey No. 250-252 and 253, Turkapally Village,
 Shameerpet Village, R. R. District 500 078,
 Telangana.

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 March 31, 2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchange.

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 complied with all the conditions of corporate governance code as envisaged under Clause 49 of 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, Clause 49 (IV) (C) relating to Board Procedures and Clause 49 (II) (A) (i) relating to constitution of a qualified and independent Audit Committee during the period from February 24, 2014 upto March 31, 2014. The committee is validly reconstituted on May 21, 2014.

Mahadev Tirunagari

Place : Hyderabad
 Date : August 13, 2014

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

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL INDUSTRY STRUCTURE AND DEVELOPMENTS

According to an authoritative research report published in November 2013, the global expenditure on medicines is expected to exceed US\$ 1 trillion in 2014 and reach almost US\$ 1.2 trillion in 2017, from US\$ 956 billion in 2011. The market is forecasted to grow at a compounded annual growth rate (CAGR) of 3-6% over 2013-17. Of this increase, over 70% is expected to come from emerging markets, which are expected to grow at 12-15%, while the rest of the growth is expected from the developed markets, which could grow between 1-4% per annum.

Emerging markets offer the biggest growth opportunities for the pharmaceutical industry, albeit with lesser margins. The global pharmaceutical industry is facing a major structural change. Even though global sales have risen in recent years, profit margins have dropped, considerably.

Rise in Research & Development (R&D) costs worldwide over the past 10 years and simultaneous fall in the new products launches is indicative that Return on Investment (ROI) in R&D is more or less negative. Greater efficiency in research and more collaboration with third-party providers will become increasingly important. Focusing on high-growth emerging markets could provide a way out of this tough situation. R&D expenditures by pharmaceutical companies are, in part, a consequence of changing industry structure, particularly, with the rise of the biotechnology sector.

Generics are expected to reach 36% of the total global pharmaceutical spending by 2017 in value terms and globally generics market is expected to grow at a rate of 10-12%, as compared to the 1-2% growth rate expected for the patented branded market.

The generics market expansion may be led primarily by the increase in genericisation due to losses of exclusivity (patent expiry), slower uptake of new medicines, healthcare cost containment by governments/payers and relatively low penetration in some of the major geographies. Generics are expected to continue to dominate growth in spending in pharmerging markets and are likely to account for 63% of the total incremental market by 2017.

Seen in perspective, the pharmerging markets themselves are expected to grow at a significantly higher rate than the rest of the world and are estimated to account for over 30% of the global pharmaceutical spending by that time. Contribution from the pharmerging markets has already gone up, with China, India, Brazil and Russia contributing over 40% of the sales in the generics industry.

INDIAN SCENERIO

The Indian pharmaceutical industry revenue is expected to expand at a CAGR of 17% during 2008-16 and reach US\$ 36 billion. The generics market is expected to grow to US\$ 26 billion by 2016. India's pharmaceutical industry accounts for about 1.4% of the global pharmaceutical industry in value terms and 10% in volume terms.

The country provides generic medicines to around 200 countries globally. It is responsible for about 40% of the generic and over-the-counter drugs consumed in the US. India's pharmaceutical exports stood at US\$ 14.84 billion in 2013-14 with the United States being the biggest market for pharma exports accounting for about 25%, followed by the United Kingdom. India has been able to make its name as a quality supplier of affordable medicines across the globe giving credence to the industry experts' estimate of 12% growth in 2014-15. Seen in perspective, pharma exports from India will be more than the size of the domestic sales in 2014-15, according to a report by India Ratings & Research.

OPPORTUNITIES AND THREATS

Large numbers of drugs going off-patent in the US and Europe have offered a big opportunity for the Indian companies to capture these markets. Since generic drugs are commodities by nature, Indian producers have the competitive advantage, as they are the low cost producers of drugs in the world.

Opening up of health insurance sector and the expected growth in per capita income are key growth drivers from a long-term perspective. This leads to the expansion of healthcare industry of which pharma industry is an integral part. Being the lowest cost producer combined with largest number of FDA approved plants, Indian companies can become a global outsourcing hub for pharmaceutical products.

Biosimilars and injectable formulations present a huge potential in the emerging pharmaceutical market scenario. The creation of a market for biomedical science and increased vertical competition within the industry are likely to spur innovation and raise productivity.

With innovation increasingly dependent on financially vulnerable firms and complex contractual arrangements, R&D investment might be becoming more sensitive to price controls or other cost containment measures.

Threats from other low cost countries exist as a challenge for Indian pharma industry. However, on the quality front, India is better known for reliability as compared to most countries. Prices of drugs being subject to control and regulation by the Government is another potential threat to margins.

OUTLOOK

The outlook on the Indian pharmaceutical companies remains favourable as it is believed that companies would continue to benefit from recovery in the domestic market, strong growth potential in export markets and potential outsourcing opportunities. Overall, investments including capital expenditure are likely to remain buoyant over the medium term.

RISKS AND CONCERNS

Every business carries inherent risks and all of them cannot be eliminated. The management at Zenotech has been striving to minimize the known risks. Despite the fact that the Company is not fully operational due to the legacy issues, the management has been endeavoring to explore business opportunities for research, manufacturing and seeking business by offering in-house facilities to reputed companies to outsource their requirements by manufacturing at your Company's facilities.

At the macro level, pharma industry faces major economic and operational challenges, in its bid to capitalize on the opportunities and create more value for healthcare payers, providers and patients. Pharmaceutical and biotechnology companies are facing unprecedented challenges. The scope of these challenges, like the industry itself, has grown global - and so have the attendant risks.

Companies cannot afford to ignore the corporate, reputational and personal risks attached to their business activities, wherever in the world they operate. In the ultimate analysis, the industry and therefore the patients stand to benefit with enhanced operating procedures that overcome the challenges.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company endeavors to comply with all the applicable technical, legal, regulatory and other compliances. The Company has an adequate system of internal control towards achieving efficiency in operations, optimal utilization of available resources, effective monitoring thereof and compliance with applicable laws.

OPERATIONAL PERFORMANCE

As already stated, upon gaining access to the factories premises, the present management conducted an internal assessment to take stock of the assets. The management also reviewed all issues relating to the technical viability of all the facilities and further steps required to be taken to restart them for bio-tech and oncology products, including the manpower requirements etc.

Assessment, review and validation of records, equipments as well as all processes were completed during the previous two years after the takeover of the possession of the factories. The assessment revealed that DNA/human clones, technical documents/registers, technical information and other proprietary information belonging to Zenotech were missing.

In the absence of these necessary items, it became impossible for the present management to carry on production and since then the manufacturing facilities have been underutilized. Therefore, the operations at the facilities have been adversely affected which compelled the management to align the organization with the available capabilities.

The financials of the Company do not reflect the true potential of the operations. The figures given below are hence subject to the constraints and challenges faced by the present management.

FINANCIAL PERFORMANCE

(₹ in thousands)

Particulars	2013-14	2012-13
Sales(net)	27,557	30,441
Other Income	23,868	1,719
Depreciation	35,561	35,150
Loss before tax	(228,554)	(255,219)
Exceptional Items	-	-
(Loss) after tax	(228,554)	(255,219)
Loss brought forward from previous year	(12,47,557)	(992,338)
Profit/(Loss) carried forward to balance sheet	(1,476,111)	(1,247,557)
Earnings per Share (₹) Basic	(6.64)	(7.41)

The cash flow position of the Company continues to be under pressure and the Company is facing a severe liquidity crisis owing to gross mismanagement committed by the erstwhile management of Dr. Jayaram Chigurupati in the past few years, before the takeover of the factory premises. The Company became a Potential Sick Company as defined under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) in the year ended March 31, 2011. The Company continues to be a potentially sick company under the said provisions.

HUMAN RESOURCES

Manufacturing facilities have never been able to carry on production at the same/similar levels for which they were set-up or to fully utilize the capacity. The present strength of human resource engaged by the Company is around 50. Industrial relations have been cordial during the year under report.

(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. Several 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 2014, 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 (collectively referred to as the "financial statement").

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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 qualified audit opinion.

Basis for Qualified Opinion

1. *As more fully explained in note 2.25 to the financial statements, based on the available information the books of account for the financial years ended 31 March 2011 and 2012 were reconstructed by the Management post 12 November 2011. Given the fact that certain matters relating to the differences between the current Management and the then Co- Managing Director are currently sub-judice and unresolved, our audit opinion on the related financial statement for the years ended 31 March 2011, 31 March 2012 and 31 March 2013 were modified accordingly. These related to obtaining audit evidence on the related financial statements and the consequential impact of the adjustments if any relating to the unresolved matters pertaining to non-compliance with applicable laws and regulations and any consequential adjustment/ disclosures arising out of the outcome of ongoing legal proceedings.*

The Company has represented to us that based on the steps taken by the 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 have been identified after 31 March 2012.

In view of the non-resolution of these, our opinion on the current year's financial statements is qualified in respect of both, the current year and the corresponding year, 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.

2. *As more fully explained in Note 2.26(b) 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 thousand during the period from 1 October 2007 to 31 March 2011, including an amount of INR 2,280 thousand 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. Since the current management has filed a claim for the entire amount, there is a continuing default in relation to the excess remuneration paid.

3. As more fully explained in Note 2.26(a) to the financial statements, the Company's application under the Act to the Ministry of Corporate Affairs (MCA), Government of India is pending for approval of managerial remuneration of ₹3,000 thousands payable to Mr. B. K. Raizada, the erstwhile co-managing director for the period from 19 March 2011 to 18 March 2013. Pending requisite approval of the amount, no adjustment in this regard has been made in the accompanying financial statements.
4. As more fully explained in Note 2.35 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 year ended 31 March 2013 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 corresponding year ended 31 March 2013.

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 2014;
- (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) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - 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;
 - d) in our opinion, except for possible effects, if any, as discussed in Basis for Qualified Opinion, 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 2014, and taken on record by the Board of Directors, none of the director is disqualified as on 31 March 2014, 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 LLP
Chartered Accountants
Firm Registration Number: 116231W

Place : Hyderabad
Date : 26 May 2014

Sriram Mahalingam
Partner
Membership No: 049642

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 2014. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noted on such verification.
 - (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 of India 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 Income tax, Service tax, Sales tax, Excise duty, Provident fund, Employees' state insurance and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. 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 Sales tax, Provident fund, Employees' state insurance, Income tax, Customs duty, Excise duty and other material statutory dues that were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable except for following dues of 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 Finance Act, 1994	Service tax	3,395	Financial Year 2009-10 and 2010-11	Various	Yet not paid

Annexure to the Independent Auditors' report (Contd.)

- (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	Superintendent of Central Excise Medchal Range Sector II
The Finance Act, 1994	Service tax	4,611	Financial Year 2007-08, 2008-09 and 2009-10	Superintendent of Central Excise Medchal Range Sector II
The Finance Act, 1994	Service tax	11,124 (1,000 paid under protest)	Financial Year 2006-07 and 2007-08	Commissioner of Custom and Central Excise, Hyderabad
The A.P. VAT Act, 2005	Valued added tax	3,952	Financial Year 2009-10, 2010-11, 2012-2013	Deputy Commissioner, Commercial Taxes (Appeal)

- (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 ₹30,320 thousand and ₹13,963 thousand respectively, and delays ranges from 142 days to 2,302 days. The Company has outstanding dues of ₹44,283 thousand 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 ₹498,275 thousand 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 LLP
Chartered Accountants
Firm Registration Number: 116231W

Sriram Mahalingam
Partner

Membership No: 049642

Place : Hyderabad
Date : 26 May 2014

Balance Sheet as at March 31, 2014

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

	Note	As at 31 March 2014	As at 31 March 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	2.1	344,275	344,275
Reserves and surplus	2.2	(311,787)	(83,233)
		32,488	261,042
Share application money pending allotment	2.3	122	122
Non-current liabilities			
Long-term borrowings	2.4	842	1,553
Long-term provisions	2.5	4,855	4,643
		5,697	6,196
Current liabilities			
Short-term borrowings	2.6	437,491	129,900
Trade payables	2.7	33,445	42,909
Other current liabilities	2.8	136,617	169,646
Short-term provisions	2.9	56,039	60,137
		663,592	402,592
		701,899	669,952
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	2.10	562,458	588,906
Capital work-in-progress		-	-
Non-current investment	2.11	-	-
Long-term loans and advances	2.12	31,402	35,546
		593,860	624,452
Current assets			
Inventories	2.13	38,509	22,026
Trade receivable	2.14	911	662
Cash and bank balances	2.15	63,951	15,656
Short-term loans and advances	2.16	920	1,204
Other current assets	2.17	3,748	5,952
		108,039	45,500
		701,899	669,952
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 LLP**
 Chartered Accountants
 Firm Registration Number:116231W

Sriram Mahalingam
 Partner
 Membership No.: 049642

Place : Hyderabad
 Date : 26 May 2014

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

K.L. Khurana
 Chairman

R.S. Bakshi
 Director

Rahul Bal Vohra
 G.M.-Finance & Accounts

Chinmoy Patnaik
 Company Secretary &
 Head, Legal

Place : Hyderabad
 Date : 26 May 2014

Statement of Profit and Loss for the year ended March 31, 2014

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

	Note	For the year ended 31 March 2014	For the year ended 31 March 2013
Revenue from operations			
Gross sales		30,920	30,441
Less : Excise duty		(3,363)	-
Net sales		27,557	30,441
Other income	2.18	23,868	1,449
Total revenue		51,425	31,890
Expenses			
Cost of materials consumed	2.19	22,398	14,736
Purchase of traded goods		-	10,095
Changes in inventories	2.20	2,638	(3,382)
Manufacturing expenses	2.21	58,352	52,028
Research & development expenses	2.36	15,461	14,797
Employee benefits expense	2.22	62,559	52,861
Finance costs	2.23	46,864	14,714
Depreciation and amortisation	2.10	35,561	35,150
Other expenses	2.24	36,146	96,110
Total expenses		279,979	287,109
Loss before tax		(228,554)	(255,219)
Income tax expense		-	-
Net profit after tax		(228,554)	(255,219)
Earning per share (equity share, par value ₹10 each)	2.29		
Basic and diluted (₹)		(6.64)	(7.41)

The note referred to above form an integral part of statement of profit and loss

Significant accounting policies

1

Notes on accounts

2

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

Firm Registration Number:116231W

Sriram Mahalingam

Partner

Membership No.: 049642

Place : Hyderabad

Date : 26 May 2014

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

K.L. Khurana

Chairman

Rahul Bal Vohra

G.M.-Finance & Accounts

Place : Hyderabad

Date : 26 May 2014

R.S. Bakshi

Director

Chinmoy Patnaik

Company Secretary &
Head, Legal

Cash Flow Statement for the year ended March 31, 2014

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

	For the year ended 31 March 2014	For the year ended 31 March 2013
Cash flows from operating activities		
Loss before taxation	(228,554)	(255,219)
Adjustments:		
Depreciation and amortisation	35,561	35,150
Loss on sale of fixed assets, net	10	2,071
Unrealised foreign exchange loss, net	1,780	1,374
Provision for doubtful debts and advances, net	(3,368)	61
Interest expenses	46,812	14,675
Interest income	(3,669)	(1,166)
Operating cash flows before working capital changes	(151,428)	(203,054)
(Increase)/decrease in inventories	(16,483)	(19,073)
Decrease in trade receivables	3,119	270
(Increase)/decrease in loans and advances and other assets	(489)	(2,778)
Increase in current liabilities and provisions	(84,407)	123,799
Cash generated from operating activities	(249,688)	(100,836)
Income taxes paid/ TDS (net)	6,667	2,776
Net cash used in operating activities	(243,021)	(98,060)
Cash flows from investing activities		
Purchase of fixed assets	(9,688)	(7,276)
Proceeds from sale of fixed assets	265	2,531
Interest income received	4,423	327
Net cash used in investing activities	(5,000)	(4,418)
Cash flows from financing activities		
Proceeds from short term borrowings, net	307,591	109,900
Proceeds/ (repayment) of long term borrowings, net	(627)	(235)
Interest paid	(10,648)	(8,700)
Net cash provided by financing activities	296,316	100,965
Net increase/(decrease) in cash and cash equivalents during the year	48,295	(1,513)
Cash and cash equivalents at the beginning of the year	15,656	17,169
Cash and cash equivalents at the end of the year (refer Note 2.15)	63,951	15,656

Note 1 : Cash and cash equivalents includes restricted cash balance (Margin money) of ₹8,135 (previous year: ₹11,909).

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 LLP**
 Chartered Accountants
 Firm Registration Number:116231W

Sriram Mahalingam
 Partner
 Membership No.: 049642

 Place : Hyderabad
 Date : 26 May 2014

 for and on behalf of the Board of Directors of
Zenotech Laboratories Limited
K.L. Khurana
 Chairman

Rahul Bal Vohra
 G.M.-Finance & Accounts

 Place : Hyderabad
 Date : 26 May 2014

R.S. Bakshi
 Director

Chinmoy Patnaik
 Company Secretary &
 Head, Legal

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.

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 2.25 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

Significant accounting policies (Contd.)

- 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.

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

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

1.7 Research and development expenditure:

Revenue expenditure incurred on research and development is expensed as incurred and capital expenditure incurred is capitalized as fixed assets and depreciated in accordance with depreciation policy of the Company.

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.

Significant accounting policies (Contd.)

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

1.12 Revenue recognition:

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

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

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

1.13 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

Significant accounting policies (Contd.)

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 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.

1.15 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 if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined, if no impairment loss had been recognised.

1.16 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.

2. Notes on Accounts

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

	As at 31 March 2014	As at 31 March 2013
2.1 Share capital		
Authorised		
100,000,000 (previous year: 35,000,000) Equity Shares of ₹10/- each	1,000,000	350,000
Issued, subscribed and paid-up capital		
34,427,500 (previous year 34,427,500) Equity Shares of ₹10 each fully paid	344,275	344,275
	344,275	344,275

Notes:

- a) 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.
- b) 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.

c) The reconciliation of the number of equity shares outstanding is set out below;

Name of the Share holder	Number of equity shares	Number of equity 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	34,427,500	34,427,500

d) The details of shareholders holding more than 5% equity shares is set below;

Name of Shareholder	As at 31 March 2014		As at 31 March 2013	
	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	4,222,524	12.27%	4,822,632	14.01%
Padmasree Chigurupati	3,060,000	8.89%	3,060,500	8.89%
	30,296,317	88.00%	30,896,925	89.74%

Notes on Accounts (Contd.)

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

	As at 31 March 2014	As at 31 March 2013
2.2 Reserves and surplus		
Securities premium reserve		
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>
Deficit from statement of profit and loss		
Opening balance	(1,247,557)	(992,338)
Add: Net loss for the year	(228,554)	(255,219)
Closing balance	<u>(1,476,111)</u>	<u>(1,247,557)</u>
	<u>(311,787)</u>	<u>(83,233)</u>
2.3 Share application money		
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, ₹122,000 received on exercise of options has been shown under Share application money.		
2.4 Long term borrowings		
Secured		
Vehicle loans (note 1)	402	945
Unsecured		
Biotech Consortium India Limited (note 2)	440	608
	<u>842</u>	<u>1,553</u>
1. Secured by hypothecation of respective vehicles, repayable in monthly instalments.		
2. Repayable in ten yearly instalments of ₹168 each. The Company has not paid installment for the year ended 31 March 2012, 31 March 2013 and 31 March 2014 fall due in November 2011, November 2012, November 2013 respectively and default continue as of the balance sheet date.		
2.5 Long-term provisions		
Provision for employee benefit		
Provision for gratuity	2,368	2,233
Provision for compensated absences	2,487	2,410
	<u>4,855</u>	<u>4,643</u>
2.6 Short term borrowings		
Secured		
Term loan from banks (note 1)	-	129,900
Unsecured		
Term loan from related party (note 2)	437,491	-
	<u>437,491</u>	<u>129,900</u>
1. 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.		
2. Term loans from related party has been taken at 10.25% to 11.25% interest p.a. along with penal interest of 2% in case default in payment of interest. Loan is repayable on demand.		

Notes on Accounts (Contd.)

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

	As at 31 March 2014	As at 31 March 2013
2.7 Trade payables		
Total outstanding due to micro and small enterprises (Refer note 2.39)	-	-
Others	33,445	42,909
	33,445	42,909
2.8 Other current liabilities		
Bank overdraft	-	20,164
Current maturities of loan from others (refer note 2.4)	672	504
Current maturities of vehicle loan (refer note 2.4)	533	617
Current maturities of loan from financial institution*	29,648	29,648
Interest accrued and due	46,922	9,522
Interest accrued but not due	-	1,236
Advance from customers	1,077	1,077
Advance from related party	8,712	41,522
Security deposits	1,672	1,672
Statutory liabilities	5,288	6,403
Payable to employees	11,772	11,043
Payable towards claim	14,522	13,142
Provision for expenses	15,799	33,096
	136,617	169,646
<p>* 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 erstwhile Director of the Company. The Company has not paid above loan due and the default continues as of balance sheet date.</p> <p>There are no amount due and outstanding to be credited to Investor Education and Protection Fund.</p>		
2.9 Short-term provisions		
Provision for employee benefits		
Provision for gratuity	109	92
Provision for compensated absences	505	445
Other		
Provision for indirect taxation (refer note 2.33)	55,425	59,600
	56,039	60,137

Notes on Accounts (Contd.)

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

	As at 31 March 2014	As at 31 March 2013
2.11 Non-current investments		
Long-term, unquoted (at cost)		
Shares in wholly owned subsidiaries		
Zenotech Farmaceutica Do Brasil Ltda 39,600 (previous year: 39,600) quotas of Reais 10 each	11,661	11,661
Less: Provision for diminution in value	(11,661)	(11,661)
Zenotech Laboratories Limited, Nigeria 9,99,000 (previous year: 9,99,000) Ordinary shares of Naira 1 each	317	317
Less: Provision for diminution in value	(317)	(317)
Zenotech Inc., USA 10,00,000 (previous year: 10,00,000) shares of USD 0.10 each	10,560	10,560
Less: Provision for diminution in value	(10,560)	(10,560)
Shares in associate company		
Credence Organics Private Limited 2,400 (previous year: 2,400) shares of ₹10 each	24	24
Less: Provision for diminution in value	(24)	(24)
	-	-
2.12 Long-term loans and advances		
Unsecured, considered doubtful		
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	331
	75,202	75,202
Less: Provision for doubtful advances	(75,202)	(75,202)
	-	-
Unsecured, considered good		
Advance income taxes (net of provisions)	11,688	18,355
Deposits with Government, public bodies and others	5,735	2,063
Balance with customs, central excise etc	13,969	15,120
Others	10	8
	31,402	35,546
	31,402	35,546

Notes on Accounts (Contd.)

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

	As at 31 March 2014	As at 31 March 2013
2.13 Inventories		
(at lower of cost or net realisable value)		
Raw and packing materials	37,765	18,644
Work-in-progress	740	3,382
Finished goods	4	-
	<u>38,509</u>	<u>22,026</u>
2.14 Trade receivable		
<i>Unsecured</i>		
Trade receivables outstanding for period exceeding six months		
Considered good	-	-
Considered doubtful	490	3,858
Less: Provision for bad and doubtful trade receivables	(490)	(3,858)
	<u>-</u>	<u>-</u>
Other trade receivables, considered good	911	662
	<u>911</u>	<u>662</u>
2.15 Cash and bank balances		
Cash in hand	10	30
Balances with schedule banks		
- in current accounts	55,806	3,717
- in deposit accounts*	8,135	11,909
	<u>63,951</u>	<u>15,656</u>
* Deposit held against margin money		
2.16 Short-term loans and advances		
Unsecured, considered good		
Advance to supplier for material and services	474	842
Loans and advances to employee	-	98
Rent and other deposits	4	40
Prepaid expenses	442	224
	<u>920</u>	<u>1,204</u>
2.17 Other current assets		
Interest accrued but not due	3,448	4,202
Other receivables	300	1,750
	<u>3,748</u>	<u>5,952</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 2014	For the year ended 31 March 2013
2.18 Other income		
Interest income	3,669	1,166
Provision for professional fees reversed*	14,890	-
Miscellaneous trade payable and provision balances written back	5,085	-
Miscellaneous income	224	283
	<u>23,868</u>	<u>1,449</u>
* During the year, the Company has reversed provision accrued towards US FDA fees.		
2.19 Cost of materials consumed		
Opening stock	18,644	2,953
Add : Purchases	55,864	39,188
Less : Closing stock	37,765	18,644
	<u>36,743</u>	<u>23,497</u>
Less: Transferred to research & development expenses	14,345	8,761
	<u>22,398</u>	<u>14,736</u>
2.20 Changes in inventories		
Opening stock		
Work in progress	3,382	-
Finished goods	-	-
	<u>3,382</u>	<u>-</u>
Closing stock		
Work in progress	740	3,382
Finished goods	4	-
	<u>744</u>	<u>3,382</u>
	<u>2,638</u>	<u>(3,382)</u>
2.21 Manufacturing expenses		
Power and fuel	32,513	33,099
Repairs and maintenance		
- Buildings	470	1,010
- Plant and machinery	16,744	11,367
Contract manpower	5,007	5,974
Other manufacturing	3,618	578
	<u>58,352</u>	<u>52,028</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 2014	For the year ended 31 March 2013
2.22 Employee benefits expense		
Salaries, wages and bonus	55,981	46,386
Contribution to provident and other funds	2,906	3,172
Workmen and staff welfare	3,672	3,303
	62,559	52,861
2.23 Finance costs		
Interest	46,812	14,675
Other finance cost	52	39
	46,864	14,714
2.24 Other expenses		
Advertisement	93	28
Communication	321	265
Rates and taxes	7,688	36,872
Rent	-	217
Insurance	2,751	1,348
Repair and maintenance - others	3,337	3,097
Legal and professional	8,648	29,276
Printing & Stationery	388	638
Office and general maintenance	2,447	2,478
Research and development	-	-
Security	2,898	3,363
Selling and distribution	137	308
Commission on sales	-	-
Product development expenditure written off	-	-
Bad trade/ advance receivable written off	487	5,038
Provision for doubtful trade receivable written back	(3,368)	(270)
Provision for doubtful advances	-	331
Travelling and conveyance	5,765	8,211
Loss on termination of land agreement	-	1,427
Foreign exchange (gain) /loss, net	3,333	1,507
Loss on sale of fixed assets, net	10	644
Miscellaneous	1,211	1,332
	36,146	96,110

Notes on Accounts (Contd.)

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

2.25 a) Update on the events and circumstances relating to ongoing differences with Dr. Jayaram Chigurupati, the erstwhile Promoter and Managing Director of the Company.

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 legal cases being filed by both the parties before various forums. The current Management was denied and, therefore, could not gain access to the factory and other premises of the Company due to which a legal case was filed before the Company Law Board (CLB), Chennai, for taking over the physical possession of the factory premises from Dr. Jayaram Chigurupati, the erstwhile Promoter and Managing Director of the Company.. Owing to the protracted legal case, the physical possession of the factory premises could be taken over on November 13, 2011, in pursuance to an Order passed by the CLB in the presence of CLB appointed Advocate Commissioner. Subsequent to the gaining of the possession of the factory premises, further assessment by the current Management revealed that, among others, certain books and records, supplementary documents and statutory register till the period 12 November 2011 were missing and which are still not in the possession of the current Management. The Honorable Company Law Board vide order dated 8 October 2012 further directed Erstwhile Promoter and Managing Director of the Company 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 a similar order. The Company has not yet been provided with these documents/ information.

The current Management, therefore, based on the available limited records, statutory returns filed, supplementary documents, invoices, external corroborative evidence and after considering the various non compliances under the Companies Act, 1956 and listing agreement etc post 12 November 2011, reconstructed financial statements 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 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) During the previous year, the Company had 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.

Notes on Accounts (Contd.)

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

2.26 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.

2.27 Contingent liabilities and commitments

	As at 31 March 2014	As at 31 March 2013
Contingent liabilities		
i) Claims against the company not acknowledged as debt	12,064	12,064
ii) Bank guarantees	8,135	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. 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. During the year, 600,000 equity shares of the Company held by erstwhile Co-Managing Director was transferred to TDB which were pledged as security.
- b. In addition to the legal claim as mentioned in note 2.26 (b) above, the Company has filed certain legal cases before the appropriate forum against the erstwhile promoter and 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.

2.28 Leases

The Company is obligated under cancellable operating lease agreements. Total rental expense under cancellable operating leases was ₹Nil (previous year: ₹217) 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)

2.29 Earnings per share (EPS)

	For the year ended 31 March 2014	For the year ended 31 March 2013
<i>Earnings</i>		
Loss for the year	(228,554)	(255,219)
Number of share outstanding		
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	(6.64)	(7.41)
Diluted	(6.64)	(7.41)

* 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.

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

	For the year ended 31 March 2014	For the year ended 31 March 2013
Statutory audit fee	1,600	1,600
Out of pocket expenses	255	83
	1,855	1,683

2.31 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 2014 and for the year arising on account of timing differences, as stipulated in Accounting Standard (AS) 22 – Accounting for taxes on income.

2.32 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)

2.33 Other Provisions

Movement in provisions:

	For the year ended 31 March 2014	For the year ended 31 March 2013
Opening balance	59,600	24,257
Addition	9,917	35,343
Utilisation/reversal	(14,092)	-
Closing balance	55,425	59,600

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.

2.34 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 2014	As at 31 March 2013
Opening defined benefit obligation	2,325	1,423
Current service cost	846	567
Interest cost	252	169
Actuarial losses/(gain)	(900)	166
Benefits paid	(46)	-
Closing defined benefit obligation	2,477	2,325

Amount recognised in balance sheet

	As at 31 March 2014	As at 31 March 2013	As at 31 March 2012	As at 31 March 2011	As at 31 March 2010
Present value of funded obligations	2,477	2,325	1,423	4,466	2,912
Fair value of plan assets	-	-	-	-	-
Net liability	2,477	2,325	1,423	4,466	2,912
Provision for gratuity-Long term and Short term	2,477	2,325	1,423	4,466	2,912
Actuarial losses/(gain)	(900)	166	(4,375)	608	(209)
Experience adjustment					
On account of change in assumption	(382)	159	(58)	-	-
On account of change in experience	(518)	7	(4,317)	608	(209)

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

	For the year ended 31 March 2014	For the year ended 31 March 2013
Current service cost	846	567
Interest on defined benefit obligation	252	169
Net actuarial losses / (gains) recognized in year	(900)	166
Amount, included in "Employee benefits expenses"	197	902
Actual return on plan assets	-	-

Summary of actuarial assumptions

Assumptions at the valuation date

	As at 31 March 2014	As at 31 March 2013
Discount rate	9.35% p.a.	8.05% 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.

2.35 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 20%
Zenotech Farmaceutica Do Brasil Limitada, Brazil	Subsidiary
Zenotech Laboratories Nigeria Limited, Nigeria	Subsidiary
Zenotech, Inc., USA	Subsidiary
Dr. Jayaram Chigurupati – Co-Managing Director***	Erstwhile Promoter and Key Management Personnel**
Mr. Bimal K Raizada – Co-Managing Director	Key Management Personnel

* The Company did 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 previous year ended 31 March 2013. 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)

b) Particulars of related party transactions

i) Details of related party transactions :

	For the year ended 31 March 2014	For the year ended 31 March 2013
i. Transaction with entity holding more than 20%		
Sales to Ranbaxy Laboratories Limited	27,328	25,403
Short-term borrowing taken	437,491	-
Interest on short-term borrowing	36,621	-
Reimbursement of expenses by Ranbaxy Laboratories Limited	4,133	5,161
ii. Transaction with Key Management Personnel		
Reimbursement of expenses to Mr. Bimal K Raizada	191	1,664
Remuneration payable to Mr. Bimal K Raizada	-	1,448

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

	As at 31 March 2014	As at 31 March 2013
i. Amount Due from:		
Ranbaxy Laboratories Limited (disclosed under trade receivables)	107	3,475
ii. Amount payable to :		
Ranbaxy Laboratories Limited (disclosed as advance from related party under "other current liabilities")	8,712	41,522
Ranbaxy Laboratories Limited (disclosed as interest accrued and due "other current liabilities")	32,959	-
Ranbaxy Laboratories Limited (disclosed under trade payable)	3,075	3,075
Zenotech Inc., USA (disclosed under trade payable)	1,985	1,985
Mr. Bimal K Raizada (disclosed under other current liabilities)	3,000	3,424
iii. Advance towards share capital :		
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
iv. Advance outstanding :		
Zenotech Laboratories Nigeria Limited, Nigeria	814	814
Zenotech Inc., USA	2,233	2,233
v. Loan due from :		
Zenotech Inc., USA	23,039	23,039
Credence Organics Private Limited	2,430	2,430
vi. Loan due to :		
Ranbaxy Laboratories Limited	437,491	-
vii. For detail of investment, refer Note 2.11		

* Also refer Note 2.25. 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)

2.36 Research and development expenditure incurred comprises of:

	For the year ended 31 March 2014	For the year ended 31 March 2013
Salaries	8,082	7,722
Raw and packing material consumed	14,345	8,761
Clinical trial and studies	138	5,959
Depreciation	2,946	2,946
Others	1431	467
	26,942	25,855

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

2.37 CIF value of imports

	For the year ended 31 March 2014	For the year ended 31 March 2013
Raw material	8,226	5,615
Spares	4,699	419
Capital goods	4,142	1,240
	17,067	7,274

2.38 Expenditure in foreign currency (on accrual basis)

	For the year ended 31 March 2014	For the year ended 31 March 2013
Professional fees	898	91
US FDA fees*	-	22,225
Total	898	22,316

*Also Refer note 2.18

2.39 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 2014 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.

Notes on Accounts (Contd.)

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

	For the year ended 31 March 2014	For the year ended 31 March 2013
Principal The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
Interest 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

2.40 Breakup of revenue from sale of manufactured and traded products

	For the year ended 31 March 2014	For the year ended 31 March 2013
Manufactured		
Formulation		
Oncology	23,850	3,719
G-CSF	3,530	-
G-MCSF	177	-
Traded		
Oncology	-	26,722
	27,557	30,441

2.41 Breakup of purchase of raw and packing materials

	For the year ended 31 March 2014	For the year ended 31 March 2013
Oncology	13,283	16,038
Biotech R&D chemicals	9,084	8,261
Other chemicals	30,309	7,202
Packing materials	3,188	7,687
	55,864	39,188

2.42 Breakup of purchase of traded goods

	For the year ended 31 March 2014	For the year ended 31 March 2013
Oncology	-	10,095
	-	10,095

Notes on Accounts (Contd.)

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

2.43 Breakup of consumption of raw materials

	For the year ended 31 March 2014	For the year ended 31 March 2013
Oncology	12,681	6,464
Biotech R&D chemicals	9,089	7,727
Other chemicals	8,785	5,807
Packing materials	6,188	3,499
	36,743	23,497

2.44 Breakup of inventories

	For the year ended 31 March 2014	For the year ended 31 March 2013
Raw and packing material		
Oncology	10,462	9,645
Biotech	23,443	2,139
Packing materials	3,860	6,860
	37,765	18,644
Finished Goods		
Oncology	4	-
Biotech	-	-
	4	-
Work in progress		
Oncology	-	3,382
Biotech	740	-
	740	3,382

2.45 Value of imported and indigenous consumption

	For the year ended 31 March 2014	%	For the year ended 31 March 2013	%
Imported	10,578	29%	4,173	17%
Indigenous	26,165	71%	19,324	83%
	36,743	100%	23,497	100%

Notes on Accounts (Contd.)

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

2.46 Unhedge foreign currency exposure

- There are no outstanding forward exchange contracts as at the year end.
- Foreign currency exposures as at 31 March 2014 and 31 March 2013 that have not been hedged by derivative instruments or otherwise:

	As at 31 March 2014		As at 31 March 2013	
	USD	INR	USD	INR
Loans and advances	584,223	26,086	584,223	26,086
Trade payables	83,616	4,338	45,524	2,043
Trade receivables	4,619	206	4,619	206
Other payables	307,544	18,483	420,173	22,853

2.47 Segment information

The Company is engaged in a business of manufacture and trading of pharmaceuticals products and is governed by a similar set of risks and returns. The operations of the Company substantially are confined to in India. Hence, in the view of the management the entity operates in only one business segment, 'Pharmaceuticals' and in one geographical segment, 'In India'. Consequently, no information under the requirements of the Accounting Standard 17 on segment reporting has been provided.

2.48 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 LLP**
Chartered Accountants
Firm Registration Number:116231W

Sriram Mahalingam
Partner
Membership No.: 049642

Place : Hyderabad
Date : 26 May 2014

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

K.L. Khurana
Chairman

R.S. Bakshi
Director

Rahul Bal Vohra
G.M.-Finance & Accounts

Chinmoy Patnaik
Company Secretary &
Head, Legal

Place : Hyderabad
Date : 26 May 2014.

**ZENOTECH LABORATORIES LIMITED**

CIN: L27100AP1989PLC010122

Registered office: Survey no. 250 -252, Turkapally village, Shamirpet, R R District,
Hyderabad - 500 078, Telangana, India.

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule19 (3) of the Companies
(Management and Administration) Rules, 2014]

Name of Member(s) : _____

Registered Address : _____

Email Id : _____

Regd. Folio No./Client ID : _____ DP ID: _____

I/We, being the member (s) of _____ Shares of the Company, hereby appoint:

1. Name _____ Address _____

Email ID _____ Signature _____

or failing him

2. Name _____ Address _____

Email ID _____ Signature _____

or failing him

3. Name _____ Address _____

Email ID _____ Signature _____

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Fifth Annual General Meeting of the Company, to be held on Monday, the 29th day of September, 2014 at 10: 30 A.M Aalankrita Resorts, Hall: Ananda, Thumkunta Village, Karimnagar Main Road, Shameerpet Mandal, R. R. District, Telangana, INDIA - Pin - 500078 and at any adjournment thereof in respect of such resolutions as are indicated below:

Ordinary Business:

- To adopt the Financial Statement of the Company for the financial year ended 31st March, 2014 and the reports of the Directors' and Auditors' thereon.
- To appoint statutory auditors of the Company.

Special Business:

- To appoint Mr. K. L. Khurana as Independent Director.
- To appoint Dr. R. S. Bakshi as Independent Director.
- To appoint Mr. Rajiv Gulati as Director, liable to retire by rotation.
- To increase borrowing power of the Company to INR 10000 Lakhs.

Signed this _____ day of _____, 2014.

Signature of Shareholder

Affix a
15 paise
Revenue
Stamp

Signature of Proxy holder(s)

NOTE: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.



ZENOTECH LABORATORIES LIMITED

CIN: L27100AP1989PLC010122

Registered office: Survey no. 250 -252, Turkapally village, Shamirpet, R R District, Hyderabad - 500 078, Telangana, India.

ATTENDANCE SLIP

Registered Folio / DP ID & Client ID	
Number of Shares held	
Name and address of the Shareholder (In block letters)	

- I hereby record my presence at the Twenty fifth to be held on Monday, the 29th day of September, 2014 at 10:30 A.M Aalankrita Resorts, Hall: Ananda, Thumkunta Village, Karimnagar Main Road, Shameerpet Mandal, R. R. District, Telangana, INDIA - Pin - 500078.
- Signature of the Shareholder / Proxy Present _____
- Shareholder / Proxy Holder wishing to attend the meeting must bring the duly signed Attendance Slip to the meeting.
- Shareholder/Proxy Holder attending the meeting is requested to bring his / her copy of the Annual Report.

**PLEASE CUT HERE AND BRING THE ABOVE ATTENDANCE SLIP TO THE MEETING
ELECTRONIC VOTING PARTICULARS**

EVENT (E-Voting Event Number)	User ID	Password

Note: Please read the instructions given in the Notes to the Twenty fifth Annual General Meeting Notice dated August, 30, 2014. The E-Voting period starts on September, 23, 2014 at 9:00 A.M. and ends on September, 25, 2014 at 6:00 P.M. The e-voting module shall be disabled by Karvy for voting thereafter.



Manufacturing facilities & Registered office :

Survey No. 250-252, Turkapally Village,
Shameerpet Mandal, Ranga Reddy District
Hyderabad-500 078

Phone : +91 40 2348 0430 / 35 Fax : +91 40 2348 0429