
Annual Report 2012 - 2013

Annual Report

2012-2013

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Notice

Notice is hereby given that the twenty fourth Annual General Meeting of Zenotech Laboratories Limited will be held on Tuesday, August 13, 2013 at 10.30 A.M. at Auditorium of Hotel Taj Deccan, Road No. 1, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the Statement of Profit and Loss for the year ended March 31, 2013, Balance Sheet as at that date and the reports of the Directors' and Auditors' thereon.
2. To appoint Prof. N. K. Ganguly, who retires by rotation and, being eligible, offers himself for reappointment as Director.
3. To appoint Dr. R. S. Bakshi, who retires by rotation and, being eligible, offers himself for reappointment as Director.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company and fix their remuneration. M/s. B S R & Associates (Firm Regn. No. 116231W), the retiring auditors are eligible for reappointment.

Special Business:

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

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

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

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

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

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

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

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

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

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

Clause V

The Authorised Capital of the Company is ₹ 100,00,00,000 (Rupees One Hundred crores only) divided into 10,00,00,000 (Ten crores only) equity shares of ₹. 10/- each. The Company has the power from time to time to

increase or reduce its capital and to divide the shares in the original or increased capital for the same into several classes and to attach thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Companies Act, 1956 or provided by the regulations of the Company for the time being.”

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

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

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

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

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

By order of the Board
For Zenotech Laboratories Limited

Place : Hyderabad
 Date : July 16, 2013

B. K. Raizada
Managing Director

Notes:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company. The proxy form duly completed and signed should be deposited at the Registered Office of the company not later than 48 hours before the commencement of the meeting.**
2. An explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of the special business is annexed hereto.
3. The Register of members and Transfer Books of the Company will be closed from August 07, to August 13, 2013 (both days inclusive).
4. The members are requested to -
 - a. Intimate to the Registrars and Transfer Agents of the Company / respective Depository Participants of changes, if any, in their registered addresses at an early date.
 - b. Quote Ledger Folio/Client ID in all the correspondence.
 - c. Bring the copy of the Annual Report and attendance slip with them to the Annual General Meeting.
5. Any Shareholder holding shares in physical form is requested to notify any change of his / her address immediately to Company's Registrar and Share Transfer Agent, Karvy Computershare Private Limited (Unit: Zenotech Laboratories Limited), Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad - 500 081, Andhra Pradesh. For shareholder holding shares in electronic form, intimation needs to be made to the respective Depository Participant and not to the Company or its Registrars.
6. Members seeking any information with regard to accounts are requested to write to the Company Secretary at the earliest.
7. Pursuant to the provisions of the Section 109A of the Companies Act, 1956 shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the M/s. Karvy Computershare Private Limited, the Registrars and Transfer Agents at the aforesaid address.

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

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

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

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

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

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

Item No.3

Dr. R. S. Bakshi aged about 64 years, did his M.B.B.S from Government Medical College, Amritsar. During his illustrious career spanning over thirty eight years, Dr. Bakshi has been associated with various hospitals, NGOs, bodies and institutions providing community healthcare services to the underprivileged sections of society. Dr. Bakshi has been associated with various programs providing preventive, promotive and curative services spanning areas of maternal child health, family planning, reproductive health, adolescent health, health education including AIDS awareness.

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

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

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

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

Item No. 5:

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

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

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

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

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

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

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

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

General Information

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

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

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

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

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

Not Applicable.

3. Financial performance based on given indicators

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

(Amount in ₹. Lakhs)

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

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

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

4. Export performance and net foreign exchange collaborations

(Amount in ₹. Lakhs)

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

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

5. Foreign investments or collaborators, if any.

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

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

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

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

- b. In view of the foregoing paragraphs:

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

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

6. Information about the appointee

a. Background details and past remuneration

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

b. Recognition or awards

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

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

c. Job profile and his suitability

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

d. Remuneration proposed

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

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

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

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

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

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

7. Other information

a. Reasons of loss or inadequate profits

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

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

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

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

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

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

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

(Amount in ₹. Lakhs)

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

The reconstituted Board of Directors reviewed the state of affairs of the Company and being completely dissatisfied with the performance of Dr. Chigurupati, decided to appoint Mr. B. K. Raizada as another Managing Director.

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

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

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

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

b. Steps taken or proposed to be taken for improvement

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

Further, the management to evaluate the restoration of current product pipelines with current set-up and to leverage on account its product strength commensurate with the size of market potential, and the Management will also initiate necessary steps to evaluate and commence development of a new range of products to upscale the market presence of our products range.

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

The current fund position of the Company is not at all favourable and is facing a severe liquidity crunch due to lack of financial management in the last few years in spite of substantial funds injection. Based on the audited financial statements as at March 31, 2011; the Company had become a potential sick company as contemplated under Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The necessary intimations as required under the provisions of the said section of SICA were made to the Board of Industrial and Financial Reconstruction (BIFR). The management is also exploring various options to meet the fund requirements including raising equity from the existing shareholders etc. Further, the Board of Directors has initiated actions to engage an independent outside agency to review and recommend a revival strategy including steps required for increasing the Net worth of the Company.

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

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

Disclosures:

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

Item Nos. 6 & 7

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