

# B S R & Associates

Chartered Accountants

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## **Review Report on Year to Date Financial Results of Zenotech Laboratories Limited Pursuant to the Clause 41 of the Listing Agreement**

To  
The Board of Directors of  
Zenotech Laboratories Limited

1. We have reviewed the accompanying statement of unaudited financial results ('the Statement') of Zenotech Laboratories Limited ('the Company') for the six months ended 30 September 2012, except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the Management and have not been reviewed by us. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors of the Company in their meeting held on 1 December 2012. Our responsibility is to issue a report on the statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the statement is free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. *As more fully explained in note 2 to the accompanying statement, the figures for the quarter ended 30 September 2012 and 30 June 2012 of the relevant financial year and for the quarter ended 30 September 2011 and for the six months ended 30 September 2011 have not been published and have not been subjected to limited review or audit.*
4. *As more fully explained in Note 8 to the accompanying statement, the Company had filed a legal case against the co-managing director for recovering the managerial remuneration paid amounting to INR 7,980 thousands during the period from 1 October 2007 to 31 March 2011, including an amount of INR 2,280 thousands which is in excess of the prescribed limits for the year ended 31 March 2011 without obtaining the necessary prior approval from the Central Government of India which is in contravention of the provisions of the Companies Act, 1956. Pending resolution of the matter, recovery of the said amounts is not certain and accordingly no adjustment in this regard has been made in the accompanying the accompanying statement. Our audit report on the financial results for the year ended 31 March 2012 was also qualified in respect of this mater.*
5. *As more fully explained in Note 9 to the accompanying statement, the Company's application under the Companies Act, 1956 to the Ministry of Corporate Affairs (MCA), Government of India for approval of managerial remuneration of Rs. 2,202 thousands payable to the another co-managing director for the period from 19 March 2011 to 30 September 2012 is yet not approved. Pending approval of the amount, no adjustment in this regard has been made in the*



*accompanying financial results. Our audit report on the financial results for the year ended 31 March 2012 was also qualified in respect of this mater.*

6. Based on our review conducted as above, *subject to the effect of the matters included in the paragraph 3, 4 and 5 above*, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with the Accounting Standards notified pursuant to the Companies (Accounting Standards) Rules, 2006 and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

*for* **B S R & Associates**

*Chartered Accountants*

Firm Registration No: 116231W



**Sriram Mahalingam**

*Partner*

Membership No: 049642

Place: Hyderabad

Date: 1 December 2012

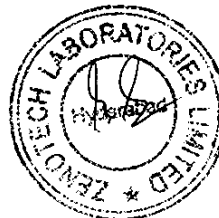


ZENOTECH LABORATORIES LTD.

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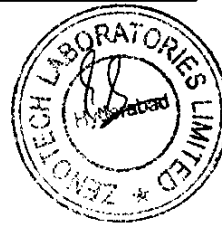
**ZENOTECH LABORATORIES LIMITED**  
Survey No. 250-252, Turkapally (V), Shameerpet (M), Ranga Reddy (Dt)  
Hyderabad - 500078  
**Standalone Unaudited Financial Results for the six months ended September 30, 2012**

Part 1: Statement of Standalone Financial Results		(Rs.In Lakhs)	
	Particulars	Six months ended	Previous year ended
		30.09.2012	31.03.2012
		(Unaudited)	(Audited)
1	a) Net Sales / income from operations (net of excise duty)	78.90	174.13
	b) Other operating income	63.87	44.29
	<b>Total income from operations (net)</b>	<b>142.77</b>	<b>218.42</b>
2	<b>Expenses</b>		
	a. Cost of material consumed	31.27	20.31
	b. Purchase of traded goods	73.90	70.57
	c. Changes in inventories of finished goods, work-in-progress and stock -in-trade	-	42.18
	d. Employee benefits expense	256.29	110.58
	e. Depreciation and amortisation expense	176.24	349.27
	f. Other expenses	473.08	457.20
	<b>Total expenses</b>	<b>1,010.78</b>	<b>1050.11</b>
3	<b>Profit / (Loss) from operations before other income, finance costs and exceptional items (1 - 2)</b>	<b>(868.01)</b>	<b>(831.69)</b>
4	Other income	7.95	13.37
5	<b>Profit / (Loss) from ordinary activities before finance costs and exceptional items (3 ± 4)</b>	<b>(860.06)</b>	<b>(818.32)</b>
6	Finance costs	65.93	50.51
7	<b>Profit / (Loss) from ordinary activities after finance costs but before exceptional items (5 ± 6)</b>	<b>(925.99)</b>	<b>(868.83)</b>
8	Exceptional items - Expenditure / (Income)	-	157.35
9	<b>Profit / (Loss) from ordinary activities before tax (7 ± 8)</b>	<b>(925.99)</b>	<b>(1026.18)</b>
10	Tax expense	-	-
11	<b>Net Profit / (Loss) from ordinary activities after tax (9 ± 10)</b>	<b>(925.99)</b>	<b>(1026.18)</b>
12	Extraordinary items (Net of tax expense Rs. Nil)	-	-
13	<b>Net Profit / (Loss) for the period (11 ± 12)</b>	<b>(925.99)</b>	<b>(1026.18)</b>
14	Paid-up Equity Share Capital (Face Value Rs. 10/- each)	3,442.75	3,442.75
15	Reserves excluding Revaluation Reserves as per Balance sheet of previous accounting year	-	1,719.86
16	Earning Per Share (before extraordinary items - not annualised)		
	(a) Basic	(2.69)	(2.98)
	(b) Diluted	(2.69)	(2.98)
17	Earning Per Share (after extraordinary items - not annualised)		
	(a) Basic	(2.69)	(2.98)
	(b) Diluted	(2.69)	(2.98)



PART - 2			
SR. NO	Particulars	Six months ended	Previous year ended
		30.09.2012	31.03.2012
		(Unaudited)	(Audited)
<b>A</b>	<b>PARTICULARS OF SHAREHOLDING</b>		
<b>1</b>	<b>Public Share Holding</b>		
	- Number of Shares	11,413,707	11,413,707
	- Percentage of Shareholding	33.15%	33.15%
<b>2</b>	<b>Promoter and Promoter Group Shareholding</b>		
	<b>a) Pledged / Encumbered</b>		
	- Number of Shares	NIL	NIL
	- Percentage of Shareholding (as a % of the total shareholding of promoter and promoter group)	NIL	NIL
	- Percentage of Shares (as a % of total share capital of the Company)	NIL	NIL
	<b>b) Non - Pledged / Encumbered</b>		
	- Number of Shares	23,013,793	23,013,793
	- Percentage of Shares (as a % of total shareholding of promoter and promoters group)	100.00%	100.00%
	- Percentage of Shares (as a % of total share capital of the Company)	66.85%	66.85%

	Particulars	Six Months ended 30.09.2012
<b>B</b>	<b>INVESTOR COMPLAINTS</b>	
1	Pending at the beginning of the Quarter	-
2	Received during the year	-
3	Disposed of during the Quarter	-
4	Remaining unresolved at the end of the Quarter	-



Statement of Assets and Liabilities		(Rs.In Lakhs)	
Particulars		As at 30-09-2012 (Unaudited)	As at 31-03-2012 (Audited)
<b>A EQUITY AND LIABILITIES</b>			
<b>1 Shareholders' funds</b>			
Share capital		3,442.75	3,442.75
Reserves and surplus		793.87	1,719.86
<b>Sub-total-Shareholders' funds</b>		<b>4,236.62</b>	<b>5,162.61</b>
<b>2 Share application money pending allotment</b>			
		1.22	1.22
<b>3 Non-Current liabilities</b>			
Long-term borrowings		9.93	8.71
Long term provisions		34.91	23.56
<b>Sub-total-Non-current liabilities</b>		<b>44.84</b>	<b>32.27</b>
<b>4 Current liabilities</b>			
Short-term borrowings		1,000.00	200.00
Trade payables		416.32	236.56
Other current liabilities		1,112.58	1,208.44
Short term provisions		2.81	2.49
<b>Sub-total-Current liabilities</b>		<b>2,531.71</b>	<b>1,647.49</b>
<b>TOTAL-EQUITY AND LIABILITIES</b>		<b>6,814.39</b>	<b>6,843.59</b>
<b>B ASSETS</b>			
<b>1 Non-current assets</b>			
Fixed assets		6,061.43	6,213.82
Non current investments		-	-
Long-term loans and advances		393.13	374.39
<b>Sub-total-Non-current assets</b>		<b>6,454.56</b>	<b>6,588.21</b>
<b>2 Current assets</b>			
Inventories		108.80	29.53
Trade receivables		6.62	6.62
Cash and cash equivalents		142.55	171.69
Short term loans and advances		63.59	13.91
Other current assets		38.27	33.63
<b>Sub-total-Current assets</b>		<b>359.83</b>	<b>255.38</b>
<b>TOTAL-ASSETS</b>		<b>6,814.39</b>	<b>6,843.59</b>



**Notes:**

- 1 The above financial results are prepared for furnishing the same to the Stock Exchange as required under Clause 41 of the Listing Agreement by the Company's Management approved by the Board of Directors at its meeting held on today i.e. December 1, 2012. These financial results should be read together with the audited financial statements for the year ended 31 March 2012.
- 2 The Company has been in non-compliance of the requirement of clause 41 of the listing agreement regarding furnishing the quarterly and year to date results from the quarter ended 31 March 2011 till the quarter ended 30 June 2012. Due to said non-submission of quarterly and year to date results in the past the figures for the quarter ended 30 September 2012 and 30 June 2012 of the relevant financial year and for the quarter ended 30 September 2011 and for the six months ended 30 September 2011 have not been published and have not been subjected to limited review or audit by the statutory auditors.
- 3 These financial results for the six months ended September 30, 2012 have been subjected to limited review by the Statutory Auditors of the Company who have issued a qualified limited review report thereon. With respect to the corresponding period of the previous financial year, the auditors have been unable to express an opinion thereon in the absences of relevant financial information as explained in note 2 above.
- 4 The entire operations relate to only the pharmaceuticals segment. Accordingly there are no reportable segments to be disclosed as required by Accounting Standard 17 'Segment reporting'.
- 5 All necessary steps have been taken by the Company's Management to be able to resume operations at the plant. As a result, trial production of Commercial batches are already being undertaken for some of the product range of the Company. The renewal applications filed for all expired Drug licenses have been approved by the concerned authorities after completion of their necessary inspections/audits at both the State and Central level. The plant is now geared to start Production to its capacity by end of December 2012.
- 6 The financial statements prepared by the Company under the Companies Act, 1956, for the year ended March 31, 2012 had been subjected to an audit by the Statutory Auditors of the Company, however, due to the significant matters, as highlighted in the Auditors Report on the financial statements, the Auditors' were unable to express an opinion on those financial statements for the year ended March 31, 2012.
- 7 There have been no significant updates to the pending litigations and other matters as more fully explained in the audited financial results and audited financial statements for the year ended 31 March 2012 approved by the Board of Directors on November 14, 2012.



- 8 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 Rs. 7,980 thousands (excluding interests) paid to Co-Managing Director without the approval of the Central Government of India during the period from October 1, 2007 to March 31, 2011, in contravention of the provisions of the Companies Act, 1956. This matter is sub-judice.
- 9 The Company has filed an application under the Companies Act, 1956 to the Ministry of Corporate Affairs (MCA), Government of India for approval of managerial remuneration of Rs. 23.02 lakhs payable to Mr. B. K. Raizada, Co-Managing Director for the period from 19 March 2011 to 30 September 2012. This application is pending approval.
- 10 With regard to qualifications/remarks contained in the Auditors' Review Report, Management's explanations are given as under:
- Paragraph No. 4 of the said Review report as to recovery of amount paid to Dr. Jayaram Chigurupati as Managerial Remuneration from October 1, 2007 to March 31, 2011 in contravention of provisions of the Companies Act, 1956 along with Interest thereon: The said matter is pending before the Court of the Hon'ble Chief Judge City Civil Court at Hyderabad. As the matter remains sub-judice, no adjustments have been made to the financial results for years ended March 31, 2012 as well as March 31, 2011.
  - Paragraph No. 5 of the said Review report as to pending approval of managerial remuneration to another co-Managing Director, the Management wishes to state that Mr. B. K. Raizada was appointed as another Managing Director of the Company w.e.f. March 19, 2011 for a period of two years on a remuneration of Rs.15.00 lacs per annum subject to requisite approvals. The same was approved by the shareholders in their Extraordinary General Meeting of the Company held on July 21, 2011 subject to the approval of Central Government pursuant to the provisions of Schedule XIII to the Companies Act.
- MCA had granted its approval for payment of remuneration to Mr. Raizada subject to the condition that the Company makes payment of its outstanding dues towards the loan assistance granted by TDB by February 29, 2012. The Company while citing the Arbitration proceedings pending with TDB requested MCA to modify the above date to "within 30 days of the Arbitration Award". The Company is yet to receive the Ministry's response in this regard. Dr. Jayaram Chigurupati has also filed a case before Hon'ble Andhra Pradesh High Court challenging the enforcement of the notice of TDB, and the matter is currently sub-judice.
- 11 Figures for previous period/year have been regrouped to conform to the current period's presentation.

Date: 1 December 2012

Place: New Delhi

By Order of the Board/Committee  
**B.K. Raizada**  
Managing Director

