

ZENOTECH LABORATORIES LIMITED
 Survey No.250-252, Turkapally (V), Shameerpet (M), Ranga Reddy (Dt)
 Hyderabad - 500078
 Financial Results for the Quarter and Year ended 31 March 2013

(in lakhs)

| Particulars | | Standalone | | | |
|-------------|--|---------------------------|---------------------------|-------------------------|-------------------------|
| | | 3 months ended | | Year ended | |
| | | 31-03-2013 (Audited) * | 31-12-2012 (Unaudited) | 31-03-2013 (Audited) | 31-03-2012 (Audited) |
| [1] | Income from operations | | | | |
| | a) Net sales / income from operations (Net of excise duty) | 23.49 | 138.15 | 304.41 | 218.42 |
| | b) Other operating income | - | - | - | - |
| | Total income from operations(net) | 23.49 | 138.15 | 304.41 | 218.42 |
| [2] | Expenses | | | | |
| | a) Cost of materials consumed | 66.95 | 49.14 | 147.36 | 20.31 |
| | b) Purchase of stock-in-trade | - | 27.05 | 100.95 | 70.57 |
| | c) Changes in inventories of finished goods, work-in-progress and stock-in-trade | (33.82) | - | (33.82) | 42.18 |
| | d) Employee benefit expense | 140.38 | 131.94 | 528.61 | 110.58 |
| | e) Depreciation and amortisation expense | 86.71 | 88.55 | 351.50 | 349.27 |
| | f) Other expenses | 909.30 | 249.67 | 1,632.05 | 457.21 |
| | Total expenses | 1,169.52 | 546.35 | 2,726.65 | 1,050.12 |
| [3] | Profit/(Loss) from operations before other Income, finance costs and exceptional items (1-2) | (1,146.03) | (408.20) | (2,422.24) | (831.70) |
| [4] | Other income | 6.39 | 2.85 | 17.19 | 13.37 |
| [5] | Profit/(Loss) from ordinary activities before finance costs and exceptional items (3±4) | (1,139.64) | (405.35) | (2,405.05) | (818.33) |
| [6] | Finance costs | 40.90 | 40.31 | 147.14 | 50.51 |
| [7] | Profit/(Loss) from ordinary activities after finance costs but before exceptional items (5±6) | (1,180.54) | (445.66) | (2,552.19) | (868.84) |
| [8] | Exceptional items | - | - | - | 157.35 |
| [9] | Profit/(Loss) from ordinary activities before tax (7±8) | (1,180.54) | (445.66) | (2,552.19) | (1,026.19) |
| [10] | Tax expense | | | | |
| | a) Current | - | - | - | - |
| | b) Deferred tax expense / (benefit) | - | - | - | - |
| [11] | Net Profit/(Loss) from ordinary activities after tax (9±10) | (1,180.54) | (445.66) | (2,552.19) | (1,026.19) |
| [12] | Extraordinary items (net of tax expense ` Nil) | - | - | - | - |
| [13] | Net Profit/(Loss) for the period (11±12) | (1,180.54) | (445.66) | (2,552.19) | (1,026.19) |
| [14] | Share of profit / (loss) of associates | - | - | - | - |
| [15] | Minority interest | - | - | - | - |
| [16] | Net Profit / (Loss) after taxes, minority interest and share of profit / (loss) of associates (13 ± 14 ± 15) | (1,180.54) | (445.66) | (2,552.19) | (1,026.19) |
| [17] | Paid-up equity share capital (Face value of ` 10/- per share) | 3,442.75 | 3,442.75 | 3,442.75 | 3,442.75 |
| [18] | Reserves excluding revaluation reserves as per balance sheet of previous accounting year | - | - | (832.33) | 1,719.86 |
| [19] | Earnings per share (before extraordinary items) | | | | |
| | (i) (of ` 10/- each) | | | | |
| | a) Basic and Diluted EPS | (3.43) | (1.29) | (7.41) | (2.98) |
| | Earnings per share (after extraordinary items) | | | | |
| | (ii) (of ` 10/- each) | | | | |
| | a) Basic and Diluted EPS | (3.43) | (1.29) | (7.41) | (2.98) |

* Balancing figure (refer note 9)

See accompanying notes to the financial results

P.S.

| | | Standalone | | | |
|-------------|---|------------|------------|------------|------------|
| Particulars | | 31-03-2013 | 31-12-2012 | 31-03-2013 | 31-03-2012 |
| A | PARTICULARS OF SHAREHOLDING | | | | |
| [1] | Public shareholding | | | | |
| | -Number of shares | 11,413,707 | 11,413,707 | 11,413,707 | 11,413,707 |
| | -Percentage of shareholding | 33.15% | 33.15% | 33.15% | 33.15% |
| [2] | Promoters and promoter group shareholding | | | | |
| | a) Pledged /Encumbered | | | | |
| | -Number of shares | - | - | - | - |
| | -Percentage of shares (as % of the total shareholding of promoter and promoter group) | - | - | - | - |
| | -Percentage of shares (as % of the total share capital of the Company) | - | - | - | - |
| | b) Non-encumbered | | | | |
| | -Number of shares | 23,013,793 | 23,013,793 | 23,013,793 | 23,013,793 |
| | -Percentage of shares (as % of the total shareholding of promoter and promoter group) | 100.00% | 100.00% | 100.00% | 100.00% |
| | -Percentage of shares (as % of the total share capital of the Company) | 66.85% | 66.85% | 66.85% | 66.85% |

| Particulars | | 3 months ended 31-03-2013 |
|-------------|--|---------------------------|
| B | INVESTOR COMPLAINTS | |
| | Pending at the beginning of the quarter | - |
| | Received during the quarter | 6 |
| | Disposed of during the quarter | 6 |
| | Remaining unresolved at the end of the quarter | - |

| Statement of assets and liabilities as at 31 March 2013 | | | |
|---|--|----------------------------|----------------------------|
| Particulars | | Standalone | |
| | | As at 31-03-2013 (Audited) | As at 31-03-2012 (Audited) |
| A | EQUITY AND LIABILITIES | | |
| 1 | Shareholders' Funds | | |
| | Share capital | 3,442.75 | 3,442.75 |
| | Reserves and surplus | (832.33) | 1,719.86 |
| | Sub-total-Shareholders' funds | 2,610.42 | 5,162.61 |
| 2 | Share application money pending allotment | 1.22 | 1.22 |
| 3 | Non-current liabilities | | |
| | Long-term borrowings | 15.53 | 8.71 |
| | Long term provisions | 46.43 | 23.56 |
| | Sub-total-Non-current liabilities | 61.96 | 32.27 |
| 4 | Current liabilities | | |
| | Short-term borrowings | 1,299.00 | 200.00 |
| | Trade payables | 429.09 | 236.56 |
| | Other current liabilities | 1,697.53 | 966.94 |
| | Short term provisions | 600.30 | 243.99 |
| | Sub-total-Current liabilities | 4,025.92 | 1,647.49 |
| | TOTAL-EQUITY AND LIABILITIES | 6,699.52 | 6,843.59 |
| B | ASSETS | | |
| 1 | Non-current assets | | |
| | Fixed assets | 5,889.06 | 6,213.82 |
| | Non current investments | - | - |
| | Long-term loans and advances | 355.46 | 374.39 |
| | Sub-total-Non-current assets | 6,244.52 | 6,588.21 |
| 2 | Current assets | | |
| | Inventories | 220.26 | 29.53 |
| | Trade receivables | 6.62 | 6.62 |
| | Cash and cash equivalents | 156.56 | 171.69 |
| | Short term loans and advances | 12.04 | 13.91 |
| | Other current assets | 59.52 | 33.63 |
| | Sub-total-Current assets | 455.00 | 255.38 |
| | TOTAL-ASSETS | 6,699.52 | 6,843.59 |

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 reviewed by the Audit Committee and approved by the Board of Directors at their respective meeting held on 25 May 2013.
- 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 31 March 2012 has not been published and have not been subjected to limited review or audit by the statutory auditors.
- 3 The financial statement prepared by the Company under the Companies Act, 1956, for the year ended 31 March 2013 as explained in these notes have been subjected to an audit by the Statutory Auditors of the Company who have issued a qualified audit 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. These financial results along with notes therein should be read along with the Annual Report for the year ended 31 March 2013.
- 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 Certain books and records, supplementary documents and statutory register till the period 12 November 2011 are still not in the possession of the current Management. The Honorable Company Law Board vide its order dated 8 October 2012 also directed erstwhile Promoter to return all the documents and provide written details of all missing documents/ assets/ statutory records / equipment of the Company. The Honorable High Court of Andhra Pradesh has also passed similar order. The current Management therefore had based on the available limited records, statutory return filed, supplementary documents, invoices, external corroborative evidence and after considering the various non compliances under the Companies Act, 1956 and listing agreement etc reconstructed financial statement for the years ended 31 March 2011 and 2012. Management is also in the process of taking requisite corrective action.

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 results of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments / disclosures are identifiable/ determinable.
- 6 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 erstwhile 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.
- 7 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 Rs. 30 lakhs payable to Mr. B. K. Raizada, Co-Managing Director for the period from 19 March 2011 to 18 March 2013. This application is pending approval.



- 8 Upon obtaining control of the Company, the current Management observed that no books of account and records were available regarding its overseas subsidiaries. The current management is yet to receive any response from the erstwhile co-managing director on the queries raised regarding details pertaining to these subsidiaries and seeking documents / certificates related to forex transactions with these subsidiaries including certain loans and investment made in the same. Provision has not been made for potential financial consequences arising out of such ongoing evaluations, the outcome of which will depend on the nature and extent of non compliances which is currently not determinable. In view of the above, consolidated accounts could not be prepared.
- 9 The figures of the last quarter are the balancing figures between audited figures in respect of the full financials year and published year to date figures up to the third quarter of the relevant financial year. Also the figures up to the end of third quarter were only reviewed and not subject to audit.
- 10 Figures for previous period/year have been regrouped to conform to the current period's presentation.

Date: 25 May 2013
Place: Gurgaon

By Order of the Board


B. K. Raizada
Managing Director

B S R & Associates

Chartered Accountants

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Auditor's Report on Quarterly Financial Results and Annual Financial Results of Zenotech Laboratories Limited Pursuant to the Clause 41 of the Listing Agreement¹

To
The Board of Directors of
Zenotech Laboratories Limited

We have audited the accompanying annual financial results of Zenotech Laboratories Limited (“the Company”) for the year ended 31 March 2013 attached herewith, being submitted by the Company pursuant to the requirement of clause 41 of the Listing Agreement 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 audited by us. Attention is drawn to the fact that the figures for the quarter ended 31 March 2013 as reported in these financial results are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the end of the third quarter of the relevant financial year. Also the figures up to the end of the third quarter of the relevant financial year had only been reviewed and not subjected to audit. *Also the figures for the quarter ended 31 March 2012 had not been disclosed in the accompanying financial results and had not been subjected to limited review or audit.*

Management's Responsibility for the Financial Results

These financial results have been prepared on the basis of the annual financial statements and reviewed quarterly financial results upto the end of the third quarter. Management is responsible for the preparation of these financial results that give a true and fair view of the net loss and other financial information in accordance with the recognition and measurement principles laid down in the Companies (Accounting Standards) Rules, 2006 as per Section 211(3C) of the Companies Act, 1956 and other accounting principles generally accepted in India and in compliance with Clause 41 of the Listing Agreement.

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

¹ The above report should be read along with an Auditor's Report dated 25 May 2013 issued to the Members of the Company for the year ended 31 March 2013.



Auditor's Responsibility

Our responsibility is to express an opinion on these financial results based on our audit of the annual financial results. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial results are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

Basis for Qualified Opinion

1. *As more fully explained in note 5 and 8 to the financial results, as a result of the ongoing dispute being adjudicated before the Company Law Board, between the current Management and the erstwhile co-managing director, who is also a significant shareholder of the Company and its erstwhile promoter, the Company is not in possession of certain books and records including supporting documents and statutory registers required to be maintained as per the various provisions of the Companies Act, 1956 for periods upto 12 November 2011. The books of account upto the said period have been reconstructed by the Management post 12 November 2011 on the basis of intensive efforts made to establish alternative appropriate evidence of transactions. Photocopies/duplicate copies of relevant documents and records have been obtained from external sources in support of many transactions for which the original documents and records were not available. In view of this, we had carried out reasonable alternative audit procedures to obtain sufficient appropriate evidence except as stated below:*
 - a) *We were not able to obtain corroborative documentary evidence for certain administrative and other expenses aggregating to INR 382 thousands and certain product development and manufacturing expenses aggregating to INR 1,885 thousands recognized in the statement of profit and loss for the year ended 31 March 2012. Further, we were not been able to obtain corroborative documentary evidence for administrative and other expenses aggregating to INR 20,520 thousands, product development expenses of INR 12,063 thousands and certain manufacturing expenses aggregating to INR 21,829 thousands recognized in the statement of profit and loss for the year ended 31 March 2011. Therefore, we are unable to comment on the private or business nature, completeness, validity and accuracy of the above expenditures and their consequent impact on the financial results.*
 - b) *The Company had not complied with many provisions of applicable laws and regulations in the period upto 12 November 2011. In the absence of complete documentation, the financial implications of such non compliances cannot presently be determined, and no provision for any potential financial consequence has been made in the financial results. The Management is of the view that since matters relating to several financial and non financial irregularities are sub judice and various legal proceedings are ongoing, any further adjustments / disclosures in the financial results, if required, would be made in the financial results of the Company as and when the outcome of the above uncertainties can be reliably determined and the consequential adjustments / disclosures are identified. Accordingly, we are unable to comment on the impact, of any, of such irregularities on the financial results.*

- c) *The Company had under the new management carried out an operational and business review including technical assessment of manufacturing facilities by an independent valuation expert, basis which, in the financial results for the year ended 31 March 2011, it had recorded certain exceptional charges aggregating to an amount of INR 230,103 thousands towards impairment charges relating to certain fixed assets, capital work in progress identified as unsuitable for use, provision for doubtful debts, write down of investment in subsidiaries and provisions for loans and advances and demands from authorities. While these charges were appropriate in the context of information available in this regard, we are unable to conclude whether this would be so, if complete information is available.*

The Company has represented to us that it has been able to substantively reconstruct the books of account and that based on the steps taken by management and evidence available so far, in its assessment the risk that the financial statements may be materially misstated is low. Further no additional significant claims have been received or any additional significant adjustments identified after 31 March 2012.

2. *As more fully explained in Note 6 to the financial results, the Company has filed a legal case against the erstwhile co-managing director for recovering the managerial remuneration paid amounting to INR 7,980 thousands during the period from 1 October 2007 to 31 March 2011, including an amount of INR 2,280 thousands which was in excess of the prescribed limits for the year ended 31 March 2011 without obtaining the necessary prior approval from the Central Government of India which is in contravention of the provisions of the Companies Act 1956. Pending resolution of the matter, recovery of the said amounts is not certain and no adjustment in this regard has been made in the accompanying financial results.*
3. *As more fully explained in Note 7 to the financial results, the Company's application under the Act to the Ministry of Corporate Affairs (MCA), Government of India for approval of managerial remuneration of Rs. 3,000 thousands payable to Mr. B. K. Raizada, the co-managing director for the period from 19 March 2011 to 18 March 2013 is still pending. Pending requisite approval of the amount, no adjustment in this regard has been made in the accompanying financial results.*

In view of the non-resolution of above significant matters, our opinion on the current year's financial results 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.

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, these financial results:

- (i) are presented in accordance with the requirements of Clause 41 of the Listing Agreement in this regard; and
- (ii) gives a true and fair view of the net loss and other financial information for the financial year ended 31 March 2013.

Further, we also report that we have, on the basis of the books of accounts and other records and information and explanation given to us by the management, also verified the number of shares as well as percentage of shareholdings in respect of aggregate amount of public shareholdings, as furnished by the Company in terms of Clause 35 of the Listing Agreement and found the same to be correct.

for **B S R & Associates**

Chartered Accountants

Firm Registration Number : 116231W



Sriram Mahalingam

Partner

Membership No: 049642

Place: Hyderabad

Date: 25 May 2013