

Annual Reports  
2007-2008  
and  
2008-2009

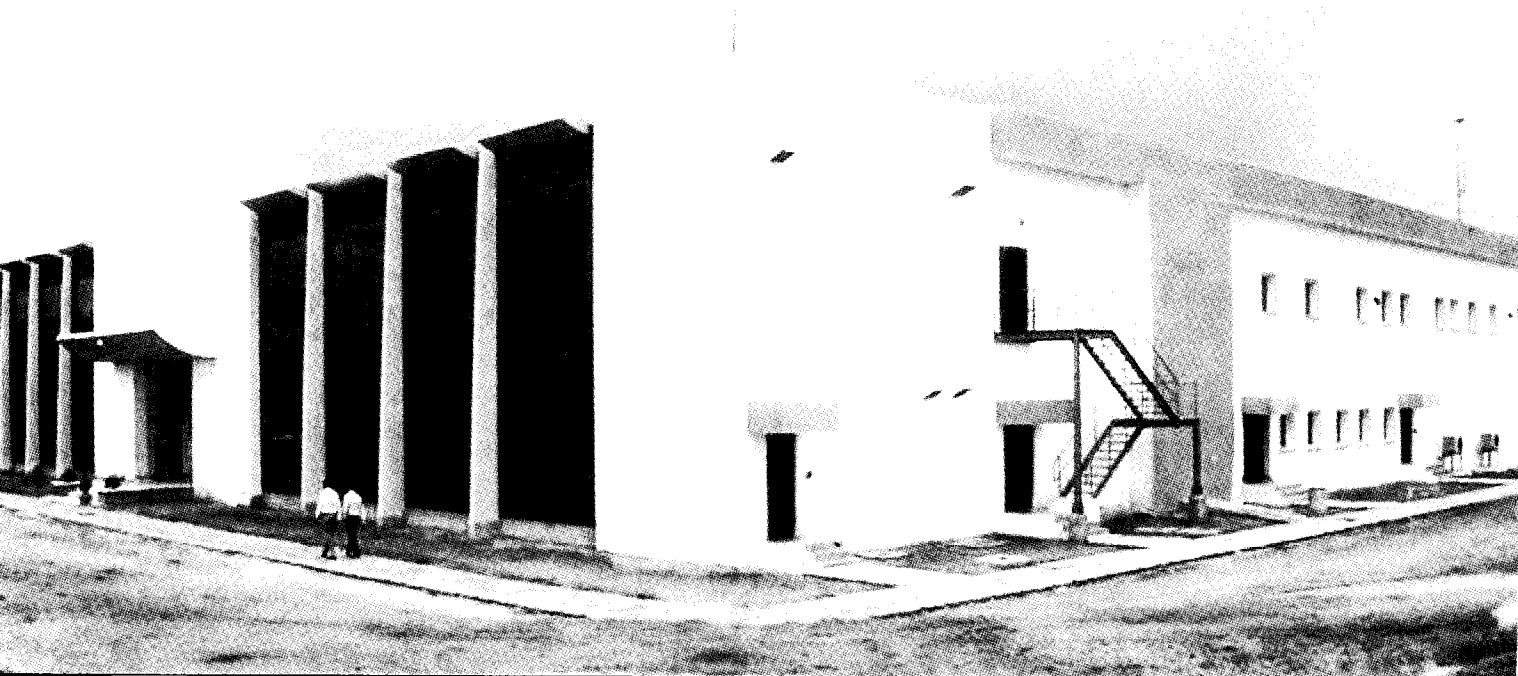
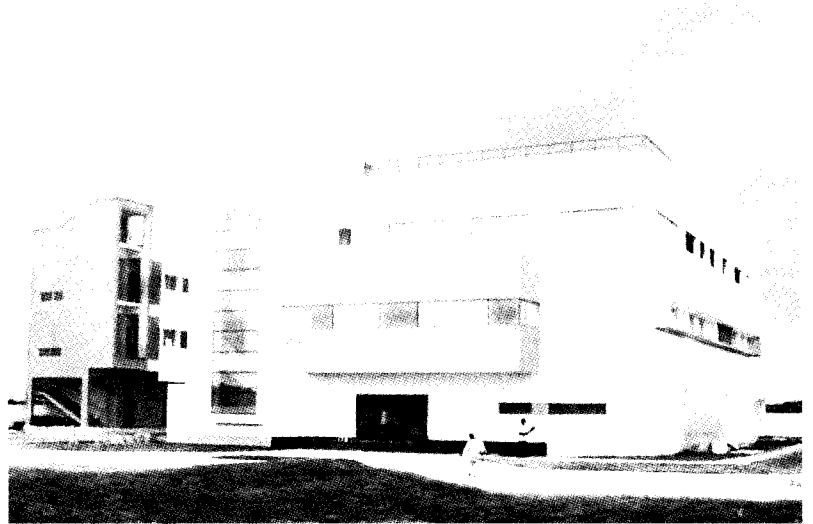


zenotech  
LABORATORIES LTD.



Dr. Jayaram Chigurupati  
Founder and Managing Director

State of the Manufacturing facilities



# Annual Report

## 2007-2008

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The Company believes that good corporate governance practices enable the management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's goal of maximizing value for all its stake holders.

The board considers it self as a trustee of its shareholders and acknowledges its responsibilities to the Shareholders for creating and safeguarding shareholders wealth, while upholding the core values of transparency, integrity, honesty and accountability.

The Company's code of conduct serves as a guide to the employees on the values, ethics and business principles expected of them.

## **Board of Directors**

The Board of Zenotech Laboratories Limited consists of eight eminent Directors including Non-executive Chairman out of whom, four are independent non-executive directors. Accordingly, the Composition of the Board is in conformity with Clause 49 of the listing agreement entered with Stock Exchanges.

The Board provides leadership, strategic guidance, objective and independent view to the Company's management. The Board of the Company meets at regular intervals for planning, assessing and evaluating all important business activities.

None of the Directors on the Board is a member on more than 10 committees or Chairman of more than 5 committees as specified in clause 49, across all the Companies in which he is a Director. Necessary disclosures regarding Committee positions have been made by the Directors.

8 Board Meetings were held during the year ended March 31, 2008 and the gap between any two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows.

June 21, 2007; August 29, 2007; September 13, 2007; October 3, 2007; October 14, 2007; October 31, 2007; November 23, 2007 and January 31, 2008.

None of the Non-Executive Directors have any material pecuniary relationship or transaction with the Company. Mr. Atul Sobti, Mr. Dipak Chattaraj and Mr. Omesh Sethi, the Directors, being the senior executives of Ranbaxy Laboratories Limited represent it, with which the Company has several agreements in place on exclusive and semi-exclusive basis.

The minimum necessary information as mentioned in Annexure 1A to clause 49 of the listing agreement has been placed before the Board for their consideration.

The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and the number of Directorships and Committee memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited Companies and companies incorporated outside India. Chairmanship/membership of Board committees, include only membership of Audit and Shareholders/Investors Grievance Committee.

**Corporate Governance Report**

Name	Category	No. of Board Meetings attended during the year 2007-08	Whether Attended AGM held on 08.11.07	No. of Directorships in other public Companies		No. of committee positions held in other public Companies	
				Chairman	Member	Chairman	Member
Mr. Atul Sobti **, Chairman	Non-Independent Non-Executive	-	No	-	1	-	-
Dr. Jayaram Chigurupati Managing Director	Executive (Promoter)	7	Yes	-	6	-	-
Mr. Dipak Chattaraj **	Non-Independent Non-Executive	-	No	-	-	-	-
Mr. Omesh Sethi **	Non-Independent Non-Executive	-	No	-	4	-	-
Mr. S M Bhutani	Independent Non-Executive	-	No	-	-	-	-
Mr. M.R. Vikram	Independent Non-Executive	8	Yes	-	5	-	6
Mr. Sanjeev Puri	Independent Non-Executive	-	No	-	1	-	-
Lt. Col.(Retd.) Sukhdev Singh Gill	Independent Non-Executive	-	No	-	-	-	-
Mr. Rajiv Sahai Endlaw #	Independent Non-Executive	-	No	-	1	-	-
Dr. A. Ranganadha Rao *	Independent Non-Executive	8	Yes	-	N.A.	N.A.	N.A.
Dr. Denis Broun *	Independent Non-Executive	6	No	-	N.A.	N.A.	N.A.
Mr. K. Ramakrishna Prasad *	Independent Non-Executive	7	Yes	-	N.A.	N.A.	N.A.
Prof. Vithala R. Rao * @	Independent Non-Executive	-	No	-	N.A.	N.A.	N.A.

\* Resigned effective close of business hours on January 31, 2008

\*\* Appointed as additional directors of the Company on January 31, 2008

# Resigned effective close of business hours on April 8, 2008

@ Attended all the meetings through teleconference.

## Audit Committee

The Audit Committee of the Company, which is reconstituted with effect from January 31, 2008, consists of 3 directors, out of whom 2 are independent Directors and the Chairman is a fellow member of the Institute of Chartered Accountants of India. All of the members of the committee are financially literate.

The terms of reference of the Audit Committee are broadly as under:

- 1 Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement reflects a true and fair position and that sufficient and credible information is disclosed.
- 2 Recommending the appointment and removal of the statutory auditors, fixation of audit fees and also approval for payment for any other services.
- 3 Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- 4 Reviewing, with the management, the annual financial statements before submission to the board, focusing primarily on :
  - a. Matters required to be included in the Directors' responsibility statement to be incorporated as required under Section 217(2AA) of the Companies Act, 1956;
  - b. Any changes in accounting policies and practices;
  - c. Major accounting entries based on the exercise of judgment by management;
  - d. Significant adjustments arising out of audit;
  - e. Compliance with listing and other legal requirements relating to financial statements;
  - f. Disclosure of any related party transactions;
  - g. Qualifications in the draft audit report;
  - h. Compliance with accounting standards and
  - i. Management discussion and analysis of financial condition and results of operations.
- 5 Reviewing the Quarterly Financial Results before submitting the same to the Board's approval.
- 6 Reviewing, with the management, the performance of external auditors and adequacy of the internal control systems.
- 7 Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee meetings are usually held at the Registered and Corporate office of the Company and are usually attended by the Managing Director, Finance Head and representatives of the Statutory Auditors. The Company Secretary acts as the Secretary of the Audit Committee.

The last Annual General Meeting of the Company was held on November 8, 2007 and the Chairman of the Audit Committee has attended the same.

Five Audit Committee Meetings were held during the year ended March 31, 2008 i.e. June 21, 2007; August 29, 2007; September 13, 2007; October 31, 2007 and January 31, 2008.

## Corporate Governance Report

The necessary quorum was present at all meetings.

The composition of the Audit Committee as on March 31, 2008 and particulars of meetings attended by the members are as follows:

Name	No. of Meetings attended during the year 2007-08
Mr. M.R. Vikram, Chairman	5
Dr. A. Ranganadha Rao*	5
Dr. Denis Broun*	4
Mr. K. Ramakrishna Prasad *	4
Prof. Vithala R. Rao* @	5 @
Mr. S.M. Bhutani **	-
Dr. Jayaram Chigurupati **	-

\* Resigned effective close of business hours on January 31, 2008.

\*\* Inducted as members of the committee with effect from January 31, 2008 in view of the reconstitution of committee and after the reconstitution, no meetings were held during the year.

@ Attended all the meetings through teleconference.

## Compensation Committee

The Compensation Committee of the Company, which is reconstituted with effect from January 31, 2008, consists of 3 directors, out of whom 2 are independent Directors including the Chairman of the committee.

The broad terms of reference of the remuneration Committee are as under:

- a. To review the remuneration and commission / other incentives payable to the Managing and other executive Directors for each financial year.
- b. To frame policies, systems and administer the Employee Stock Option Scheme.
- c. Such other matters as the Board may, from time to time, request the Compensation Committee to examine and recommend / approve.

During the year ended March 31, 2008, two meetings of the Compensation Committee were held on June 21, 2007 and January 30, 2008.

The Composition of the Compensation Committee and details of meeting attended by the Directors are given below.

Name	No. of Meetings attended during the year 2007-08
Mr. M.R. Vikram, Chairman	2
Dr. A. Ranganadha Rao*	2
Dr. Denis Broun*	2
Mr. K. Ramakrishna Prasad *	2
Prof. Vithala R. Rao* @	–
Mr. S.M. Bhutani **	–
Dr. Jayaram Chigurupati **	–

\* Resigned effective close of business hours on January 31, 2008.

\*\* Inducted as members of the committee with effect from January 31, 2008 in view of the reconstitution of committee and after the reconstitution, no meetings were held during the year.

@ Attended through teleconference.

### Remuneration Policy

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

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

The details of stock options granted under above stock option scheme, as on March 31, 2008 to eligible employees and the independent Directors of the Company and the detailed information in this regard is provided in the Directors Report. Further on July 30, 2008 the Compensation Committee has granted 42,500 stock options to the eligible employees of the Company.

### Details of Remuneration and other terms of appointment of Directors

#### a) Managing Director

The Company pays remuneration by way of salary, perquisites and allowance (fixed component) to its Managing Director. The total remuneration paid to him during the financial year ended March 31, 2008 was Rs. 17.39 lacs, inclusive of perquisites amounting to Rs.6.89 Lacs

Besides above, he is eligible for Commission @ 3% of the net profits as determined under provisions of Sections 349 and 350 of the Companies Act, 1956 as well as entitled for Company's contribution to Provident Fund and Superannuation Fund or Annuity Fund to the extent, not taxable under the Income-Tax Act' 1961, Gratuity and encashment of earned



## Corporate Governance Report

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leave, as per the rules of the Company. The term of appointment of the Managing Director is for a period of 5 years with effect from October 1, 2007.

### b) Non- Executive Directors

The Non-Executive Directors (NEDs) are not paid any sitting fee for attending either Board or its Committee meetings. The Company reimburses the out of pocket expenses incurred by the Directors for attending meetings.

In terms of the Zenotech Stock Option Scheme, 2005 and pursuant to the recommendations of Compensation Committee, directors except the Managing Director of the Company as on July 17, 2006 have been granted options @ 25,000 options to each Director. Each vested option is exercisable into one fully paid up Equity Share at a price of Rs.69.70 per share, which was the latest available share price of the Company quoted on BSE, as on the date of grant of option i.e. on July 16, 2006. As on March 31, 2008, consequent to exercise of options, 50,000 equity shares of Rs.10/- each were allotted against the options granted under the said scheme.

### Share holdings of the Directors in the Company as on March 31, 2008

Name	Category	No. of Shares of Rs.10/- each
Dr. Jayaram Chigurupati	Executive (Promoter)	32,43,853

### Shareholders/Investors Grievance Committee

The shareholders/Investors Grievance Committee of the Company, which is reconstituted with effect from January 31, 2008, consists of 2 directors including one independent Non-Executive Director as the Chairman of the Committee.

The Shareholders'/Investors' Grievance Committee performs all the functions relating to share transfers/transmissions and handling of shareholders' grievances. The Committee inter-alia approves issue of duplicate share certificates and oversees and reviews all matters connected with the securities transfers. The Committee also looks into redressing of shareholder's complaints like non-transfer of shares, loss of share certificates, non-receipt of notices/annual reports etc.

Further, to comply with the corporate governance norms with regard to expediate the process of share transfers, the Board has authorised the Managing Director or Company Secretary of the Company, severally, to attend the share transfer formalities at least once in a fortnight.

The Composition of the shareholder/ investors Grievance Committee and the number of meetings attended by its members is given below.

Name	No. of Meetings attended during the year 2007-08
Dr. A. Ranganadha Rao*	9
Dr. Jayaram Chigurupati	9
Mr. K. Ramakrishna Prasad *	9
Mr. M.R. Vikram, Chairman **	—

\* Resigned effective close of business hours on January 31, 2008.

\*\* Inducted as members of the committee with effect from January 31, 2008 in view of the reconstitution of committee and after the reconstitution, no meetings were held during the year.

Nine Shareholders/Investors Grievance Committee Meetings were held during the year ended March 31, 2008 i.e. May 10, 2007; May 18, 2007; June 21, 2007; July 5, 2007; July 12, 2007; July 19, 2007; August 10, 2007; August 24, 2007 and January 10, 2008.

The necessary quorum was present at all meetings.

Company Secretary is the Compliance Officer.

Details of complaints received and redressed:

Opening Balance as on 01.04.2007	Received during the period 01.04.2007 to 31.03.2008	Resolved during the period 01.04.2007 to 31.03.2008	Closing Balance as on 31.03.2008
Nil	3	3	Nil

### General Body Meetings

The 19th Annual general Meeting of the Company for the financial year 2007- 08 will be held at factory premises of the Company situated at Survey No. 250-252, Turkapally Village, Shameerpet Mandal, R R District 500 078, Andhra Pradesh.

Details of Last three Annual general Meetings are as follows:

Year	Meeting the Meeting	Day, Date and Time of	Venue
2006-07	18th AGM	Thursday, November 8, 2007 at 3.00 P. M.	Surana Udyog Auditorium FAPCCI Premises, Federation House, Hyderabad - 500 004
2005-06	17th AGM	Saturday, September, 30, 2006 at 10.30 A. M.	K.L.N. Prasad Auditorium FAPCCI Premises, Federation House, Hyderabad - 500 004
2004-05	16th AGM	Thursday, September 29, 2005 at 4.00 p.m.	Surana Udyog Auditorium FAPCCI Premises Federation House, Hyderabad - 500 004

## Corporate Governance Report

The details of special resolutions passed by the members during the last three Annual General Meetings of the Company:

No. of AGM	Item on which special resolution passed
18th AGM	1. Create, offer, issue and allot up to 54,89,536 equity shares of the Company to Ranbaxy Laboratories Limited on preferential allotment basis at a price of Rs.160/- per share.
17th AGM	Nil
16th AGM	1. Amendment of Articles of Association of the Company pursuant to increase in Authorised Share Capital. 2. De-listing of equity shares from HSE and CSE. 3. Place of keeping the Register of Members and Index of Members. 4. Create, offer, issue and allot Equity shares / Debentures / Global Depository Receipts (GDRs) / Foreign Currency Convertible Bonds (FCCBs)/warrants and/ or instrument which is fully or partly convertible into Equity shares whether in Indian Rupee or any foreign currency to the extent of Rs.100 crores. 5. Issue of shares under "Zenotech's Employee Stock Option Scheme".

All the above resolutions were passed with requisite majority

For past three years there were no ordinary or special resolutions passed that require a postal ballot. No Special Resolution, which requires approval through postal ballot, is proposed to be conducted at the ensuing Annual General Meeting.

### Disclosures

There are no materially significant related party transactions of the Company with Promoters, directors or the Management or their relatives or the Subsidiary Company which have potential conflict with the interest of Company at large. Transactions with related parties as per requirements of Accounting Standards - (AS-18) - "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are disclosed in Note 17 of Schedule 18 to Standalone financials in the annual report.

There were no cases of non-compliance by the Company, penalties, strictures imposed on the Company by stock exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the year March 31, 2008.

The Company is in compliance with all the mandatory requirements and has fulfilled the non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreement with Stock Exchanges to the extent of setting up a remuneration committee, which was renamed as "Compensation Committee". Please see the paragraph on Remuneration Committee for details.

**Code of conduct:** The code of conduct as adopted by the Board of Directors is applicable to all directors, senior management and employees in above officers' level. The prime purpose of the code is to create an environment wherein all the Board Members and Senior Management of the Company maintain ethical standards and to ensure compliance to the laid down ethical standards. The code is available on the Company's website: [www.zenotechlabs.com](http://www.zenotechlabs.com)

**Declaration as required under Clause 49 of the Listing Agreement**

All the directors and senior management of the Company have affirmed compliance with the Company's code of conduct for the financial year ended March 31, 2008

Hyderabad  
November 16, 2009

**Dr. Jayaram Chigurupati**  
Managing Director

**Compliance:** At every Board meeting, a statement of Compliance with all laws and regulations as certified by the Managing Director is placed before the Board for its review. The Board reviews the compliance of all the applicable laws and gives appropriate directions wherever necessary.

**Risk Management:** The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up.

**Preferential Issue Proceeds:** The utilization of preferential issue proceeds are regularly placed before the Audit Committee for review.

**CEO & CFO certificate:** The Managing Director and Senior Manager - Finance have certified to the Board on the matters required to be reported as per Clause 49 of the listing agreement.

**Secretarial Audit:** A practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid-up capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

**Means of Communication**

The quarterly, half-yearly and annual results of the Company are published in leading newspapers, which include, the Financial Express, Business standard, Andhrabhoomi and Andhrajyothi. The results are also displayed on the Company's web site [www.zenotechlabs.com](http://www.zenotechlabs.com). Official press releases made by the Company from time to time are also displayed on the website. Presentations made to the institutional investors and analysts after the declaration of quarterly, half-year and annual results are displayed on the Company's website. The Management's Discussion and Analysis is a part of the Company's annual report.

**General Shareholders information**

- |   |                        |  |
|---|------------------------|--|
| 1 | Annual General Meeting |  |
|   | Date                   | : February 26, 2010  |
|   | Time                   | : 10.00 A.M.   |
|   | Venue                  | : Survey No. 250-252 and 253, Turkapally Village,<br>Shameerpet Mandal, R R District 500 078, Andhra Pradesh.. |
| 2 | Financial Calendar     |  |
|   | Year ending            | : March 31, 2008   |
|   | AGM                    | : February 26, 2010  |

**Corporate Governance Report**

- 3 Date of Book Closure : January 22, 2010 to January 23, 2010  
(Both days inclusive)
- 4 Listing on Stock Exchange : Bombay Stock Exchange Limited  
(The Company has paid the listing fee for 2008-09 to the Bombay Stock Exchange Limited)
- 5 Stock Code / Symbol on BSE  
(Physical & Demat) : ZENOTECH LAB / 532039
- 6 International Securities Identification  
Number (ISIN) allotted to the  
Company's Shares : INE486F01012
- 7 **Market Price Data:** High, Low ( Based on the closing prices) and number of shares traded during each month in the last financial year on the Bombay Stock Exchange Limited, Mumbai.

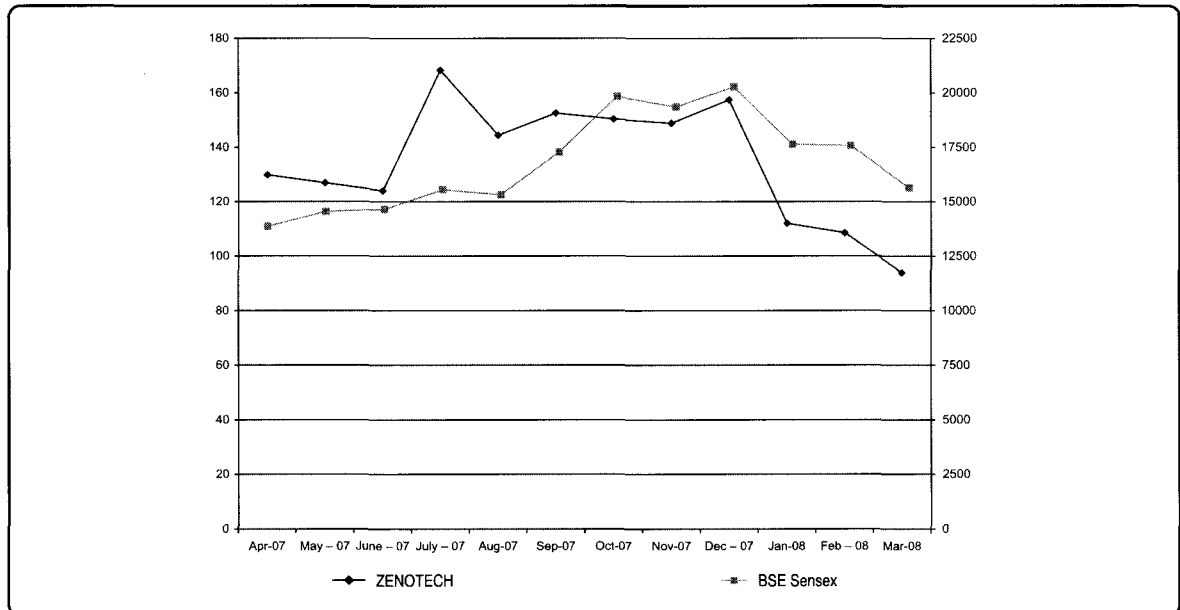
Month	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
Apr - 07	140.05	95.05	7,13,146
May - 07	143.00	114.00	6,89,489
June - 07	132.00	113.00	8,02,775
July - 07	180.05	126.00	23,95,700
Aug - 07	176.00	140.10	7,42,642
Sep - 07	179.80	138.00	10,02,167
Oct - 07	182.90	136.15	24,34,104
Nov - 07	167.00	144.00	94,85,246
Dec - 07	167.50	146.70	17,76,524
Jan - 08	161.95	101.65	10,67,724
Feb - 08	124.80	96.10	5,33,515
Mar - 08	110.00	72.40	5,21,536

8 Performance of share price of the Company in comparison to BSE Sensex

Month	Zenotech's Closing Price (Rs.)	BSE Sensex Closing
Apr - 07	129.85	13,872.37
May - 07	126.90	14,544.46
June - 07	123.95	14,650.51
July - 07	168.25	15,550.99
Aug - 07	144.40	15,318.60
Sep - 07	152.55	17,291.10
Oct - 07	150.35	19,837.99
Nov - 07	148.90	19,363.19
Dec - 07	157.40	20,286.99
Jan - 08	112.05	17,648.71
Feb - 08	108.55	17,578.72
Mar - 08	93.85	15,644.44

(Source: The information is compiled from the data available from the BSE website)

Chart pertaining to the movement of Company's share price on BSE compared to BSE Sensex during the financial year 2007-08.



9 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 - 23420818 & 23420828, Fax: 91 - 40 - 23420814  
 E-mail: ksreddy@karvy.com Website: www.karvy.com

## Corporate Governance Report

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### 10 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.

### 11 Shareholding (as on March 31, 2008):

#### a) Distribution of shareholding as on March 31, 2008

No. of Shares	Holding Capital	% to accounts	No. of Accounts	% to Total
1 – 500	10,85,341	3.16	6,924	82.26
501 – 1000	5,79,197	1.69	695	8.26
1001 – 2000	5,27,295	1.53	339	4.03
2001 – 3000	3,62,891	1.06	138	1.64
3001 – 4000	1,76,786	0.51	49	0.58
4001 – 5000	2,65,227	0.77	56	0.66
5001 – 10000	8,23,480	2.40	110	1.31
10001 & above	3,05,29,783	88.88	106	1.26
<b>GRAND TOTAL</b>	<b>3,43,50,000</b>	<b>100.00</b>	<b>8,417</b>	<b>100.00</b>

#### b) Categories of Shareholders as on March 31, 2008

Category	No. of shareholders	No. of shares	Percentage
Indian Promoters	1	32,43,853	9.44
Foreign Promoters	1	24,12,500	7.02
Persons acting in Concert - Indian	1	30,60,500	8.91
Banks, Financial Institutions, Insurance Companies (Central / State Gov. Institutions / Non-government Institutions)	3	1,25,150	0.36
Foreign Institutional Investors	2	1,88,151	0.55
Private Corporate Bodies *	317	1,72,59,326	50.24
Indian Public	8,000	78,81,673	22.95
NRIs / OCBs	59	1,57,611	0.46
Any other (Trust)	1	2,000	0.01
Clearing Members	32	19,236	0.06
<b>TOTAL</b>	<b>8,417</b>	<b>3,43,50,000</b>	<b>100.00</b>

\* The Bodies Corporate as mentioned above includes 1,61,27,293 equity shares, constituting 46.95% of the paidup capital of the company, belongs to Ranbaxy Laboratories Ltd., in respect of which, opinion regarding status of shareholder is awaited.

- 12 Dematerialization of shares and liquidity:  
The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 64.29% of the company's share capital are dematerialized as on March 31, 2008. The Company's shares are regularly traded on Bombay Stock Exchange Limited.
- 13 As on March 31, 2008, the company did not have any outstanding GDRs /ADRs / Warrants or any convertible instruments
- 14 Location of Manufacturing facility : Zenotech Laboratories Limited  
Survey No. 250-252 and 253, Turkapally Village,  
Shameerpet Mandal, R R District 500 078, Andhra Pradesh
- 15 Address of Correspondence : Zenotech Laboratories Limited  
8-2-120/112/88-89, Park View Estate, 4th Floor,  
Road No.2, Banjara Hills, Hyderabad-500 034

### **Certificate on Compliance of Corporate Governance**

#### **To the members of Zenotech Laboratories Limited**

I have examined the compliance of the conditions of Corporate Governance by Zenotech Laboratories Limited for the year ended March 31, 2008 as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of management. My examination has been limited to a review of the procedures and implementation there of, 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 directors and the management, I certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

As per records maintained by the Company, I state that no investor grievances are pending for a period exceeding one month against the Company.

I further state that such compliance is neither an assurance as to the future viability of company nor the efficiency of effectiveness with which the management has conducted the affairs of the Company.

Place : Hyderabad  
Date : November 16, 2009

**K. Ramesh Babu**  
Practicing Company Secretary  
C.P. No. 6115



## Directors' Report

Dear Members,  
Zenotech Laboratories Limited

Your directors herewith present the Nineteenth Annual Report together with the audited accounts of the company for the year ended March 31, 2008.

### Financial Highlights

	2007-08	2006-07
		Rs. in lacs
Sales	857.03	2264.64
Other Income	216.90	29.49
Profit/(Loss) before interest, depreciation and amortization of Misc. expenditure	(1929.97)	573.32
Interest	270.91	211.14
Depreciation	290.45	182.10
Amortization of Misc. expenditure	133.41	91.26
Profit/(Loss) before tax	(1235.20)	88.82
Provision for tax (including deferred taxes)	235.06	(273.65)
Profit / (Loss) after tax	(1474.76)	362.47
Loss brought forward from previous year	(226.09)	(588.56)
Profit/(Loss) carried forward to balance sheet	(1700.85)	(226.09)
Earnings Per Share (Rs.) - Basic	(4.78)	1.29

### Company's business and operating results

Revenues for the year were Rs. 1073.93 lakhs, as against Rs. 2294.13 lakhs (including the license fee of Rs.900.00 lakhs) during the previous year. The revenues were mainly from the Indian market with about Rs.17.81 lacs coming from the export markets.

Your Company has filed 7 ANDAs for general injectables. The US FDA has inspected your company's facility in Jan, 2009. Your Company is expecting US FDA approval in the next few months. The ANDAs are being reviewed by the US FDA.

Your Company has initiated clinical trials for generic rituximab recently for non-hodgkins lymphoma. Ranbaxy is conducting the trials as a CRO. Your Company also completed toxicity studies for generic etanercept at National Institute of Nutrition, Hyderabad. The Company is filing application with the DCGI, New Delhi for conducting clinical trails in the Rheumatoid arthritis. Two other generic biologicals, interferon beta and generic darbepoetin are entering toxicity studies.

The Company has, so far, launched 15 generic chemical oncology products in India. Your Company has three generic biological products, recombinant human granulocyte macrophage-colony stimulating factor (GM-CSF), recombinant human granulocyte colony stimulating factor (G-CSF) and Interlukin-2 (IL-2). All the three are used in cancer therapy.

Your Company is in the process of developing two more therapeutic synthetic peptides. Besides octreotide, the pipeline has now expanded to include goserelin and leuprolide as well.

## Export market and strategical alliances:

During the year under review, your Company has made exports to Kenya and Vietnam. The Company has launched oncology products in Philippines. Your Company has several distribution agreements in place including distribution agreement with Ranbaxy for CIS and Latin American countries.

## Share capital

Your company has made the following allotments during the year

1. Allotment of 54,89,536 equity shares of Rs.10/- each on a preferential basis, at a price (including premium) of Rs.160/- each on November 23, 2007 to Ranbaxy Laboratories Limited.
2. Allotment of 50,000 equity shares of Rs. 10/- each at a price of Rs.69.70 per share aggregating to Rs.34.85 lakhs under Part B of Zenotech Employee Stock Option Scheme, 2005 on January 30, 2008 to directors of the Company.

In view of above, the issued and paid up equity capital of the Company as on March 31, 2008, stand increased to Rs.3435.00 lacs from 2881.05 lakhs and its securities premium account increased to Rs. 11,596.98 Lacs from Rs.3,332.82 lakhs.

Further, the Company has allotted 75,000 equity shares of Rs. 10/- each at a price of Rs.69.70 per share aggregating to Rs.52.28 lakhs under Part B of Zenotech Employee Stock Option Scheme, 2005 on May 31, 2008 and June 30, 2008 to directors of the Company. As a result, the issued and paid up equity capital of the Company as on date stood at Rs. 3442.50 lakhs comprising of 3,44,25,000 equity shares of Rs. 10/- each.

## Preferential allotment

Out of monies collected by way of issue of preferential allotment of Rs.87.83 Crores, the Company has utilized Rs. 66.21 Crores as on October 31, 2009 towards, reimbursement of secured and unsecured loans, incurring of R&D expenditure, expansion activities and working capital needs of the Company. The balance amount of Rs.21.62 Crores is kept in fixed deposits with banks.

## Internal audit system and payment of Interest on Secured loans:

The Company is in the process of implementing the internal audit system. Further, the Company as on date has paid all amounts of loan and interest except loan availed from Technology Development Board (TDB), as was reported in point no. xi in annexure to the Auditors' Report. In respect of the loan availed from TDB, the Company is pursuing the matter with their head office, for reschedulement of the installments.

## Employee Stock Option Scheme

Disclosures in this regard upto March 31, 2008 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 – A to this report.

Further, 42,500 stock options were granted on July 30, 2008 to the eligible employees of the Company at a exercisable option price of Rs. 103.65 per share.

## Delisting

The application made by the Company for delisting of its shares from Calcutta Stock Exchange Association Limited (CSE) has been approved by the said stock exchange vide its letter dated July 18, 2008. However, the Company's equity shares continue to remain listed on the Bombay Stock Exchange Limited (BSE).

## Corporate Governance and Management Discussion and Analysis Report

Separate reports on Corporate Governance along with Certificate of practicing Company Secretary on its compliance and Management Discussion and analysis forming part of this report are given in separate sections in this Annual Report.

## Status of Legal Case filed against the Company

Core Promoters of the company have filed a Petition before Hon'ble Company Law Board Chennai, alleging Oppression and Mis-Management against the largest single shareholder, its past Directors where the company is a party.

The Largest Shareholder also filed before Hon'ble Company Law Board, Chennai alleging Oppression and Mis-Management against the Core Promoters, where company is a party.

The above proceedings are pending adjudication before Hon'ble Company Law Board, Chennai.

## Subsidiary Companies

- 1) The Company has a wholly owned subsidiary company, Zenotech Farmaceutica Do Brasil Limitada (ZFDBL), Brazil. The subsidiary company was acquired in January 2005. The subsidiary company has received ANVISA approval for its warehouse facility in Brazil. Further regulatory approvals are to be received before commencement of commercial business. The Company has consolidated the financials in accordance with the IGAAP.
- 2) The Company has a wholly owned subsidiary company, Zenotech Laboratories Nigeria Limited (ZLNL), Nigeria. The subsidiary company was established in August 2005. The Company has obtained regulatory clearances for its product range to commence commercial business and is already supplied with stocks, which are yet to be sold. The Company has consolidated the financials in accordance with the IGAAP.
- 3) The Company has a wholly owned subsidiary company, Zenotech Inc., New Jersey, USA. The subsidiary company has consolidated the financials in accordance with the IGAAP.

However, in view of serious software problem encountered in accounting packages used by the subsidiaries as mentioned at 1 to 3 above, they could submit only un-audited financial statements, as approved by their respective Board of Directors as per Indian GAAP and the directors of your company have relied upon the same. In terms of section 212 of the Companies Act, 1956 the said un-audited financial statements as approved by the respective boards of above subsidiaries as well as a statement prepared pursuant to Section 212 (1) (e) of the said Act are attached herewith.

## Directors' Responsibility Statement

In compliance of Section 217 (2AA) of the Companies Act, 1956, the Board submits as under:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- the Directors had 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 profit or loss of the Company for that period;
- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the annual accounts on a going concern basis.

## Deposits

The Company has not accepted any deposit under Section 58A of the Companies Act, 1956 during the year under review.

## Audit committee of the Board

The Audit Committee of the company met five times, during the year and the Chairman of the Audit Committee was present at the previous Annual General Meeting held on November 8, 2007.

## Directors

During the period under review, Dr. Ranganadha Rao, Sri. Rama Krishna Prasad, Dr. Denis Broun, Prof. Vithala R Rao, Sri. Rajiv Sahai Endlaw and Sri. Sanjeev Puri have resigned from the Board. The Board places on record its appreciation of the services rendered by them during their tenure as Directors.

During the period under review, Dr. Ranganadha Rao, Sri. Rama Krishna Prasad, Dr. Denis Broun, Prof. Vithala R Rao, Sri. Rajiv Sahai Endlaw and Sri. Sanjeev Puri have resigned from the Board. The Board places on record its appreciation of the services rendered by them during their tenure as Directors.

The Company has been granted extension upto December 31, 2008 to hold the Annual General Meeting for the financial year ended March 31, 2008. However due the circumstances beyond the control of the Management the said Annual General Meeting could not be held on or before December 31, 2008 being the last date for holding the Annual General Meeting, despite the best of the efforts. In view of the same, Sri. Atul Sobti, Sri. Dipak Chattaraj and Sri. Omesh Sethi, who were appointed as additional Directors of the Company and holding the office till the December 31, 2008 have vacated the office as Directors on that date. Further Sri. M R Vikram and Sri. S Ravi who are liable to retire by rotation at the Annual General Meeting have retired as directors of the Company on that date.

Further, pursuant to the resignations submitted by Mr.S.M.Bhutani and Lt.Col. Sukhdev Singh Gill, in terms of clause No. 97 of Articles of Association of the Company, Mr.M.R. Vikram and Dr.K.Uma Devi have been appointed as the additional directors of the Company with effect from October 1, 2009, who holds the office of the directorships till the date of the ensuing AGM.

## Directors' Report

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The Company has received representations from the shareholders under Section 257 along with the deposit amount for appointment of Mr. M.R. Vikaram and Dr. K. Uma Devi. Board recommends their appointment as directors and the notice calling the ensuing annual general meeting contains the appropriate resolutions in this regard.

### Auditors

M/s Deloitte Haskins and Sells, Chartered Accountants, the Statutory Auditors of the company retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. The Company has received confirmation that their appointment, if made, would be within the limits prescribed under Sec. 224(1B) of the Companies Act, 1956.

### Particulars of Employees

During the year under review, none of the employees of the Company have drawn remuneration as specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

### Energy Conservation, Research and Developments, Technology absorption, Foreign exchange earnings and Outgo

The particulars relating to energy conservation, research and development, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are provided as Annexure – B to this report.

### Acknowledgement

The Board of Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions and Banks, like Andhra Pradesh State Financial Corporation (APSFC), Technology Development Board (TDB), Yes Bank, other banks, Government Authorities, Customers, Vendors and Members during the year under review.

Yours Directors also wish to place on record the sincere efforts and committed services put in by the employees at all levels.

For and on behalf of the Board

Place : Hyderabad  
Date : November 16, 2009

**Dr. Jayaram Chigurupati**  
Managing Director

**Annexure – A :**

Details of Stock Options granted under Zenotech Stock Option Scheme, 2005 (ZESOS, 2005) as on 31.03.2008.

Pursuant to SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Sl.No	Particulars	ZESOS 2005
1	Total Number of Option granted	2,17,000
2	Pricing formula	Market price as defined under SEBI (ESOS & ESPS) Guidelines, 1999 in vogue
3	Total number Options vested	1,25,000
4	Total number of Options exercised and total number of shares arising as a result of exercise of option	50,000
5	Total number of Options lapsed	63,000
6	Variations of terms of options	Nil
7	Money realized by exercise of options	Rs. 34.85 lakhs
8	Total number of options in force	96,000
9	Details of options granted	
	a) Directors other than Managing Director	1,25,000
	b) Senior Managerial Personnel	15,000
	c) Any other employees, who receives a grant in any one year of Options amounting to 5% or more of the Options granted during the year.	Nil
	d) Identified employees who were granted Options during any one year, equal to or exceeding 1% of the issued capital of the Company at the time of grant.	Nil
10	Diluted Earning Per Share (EPS) pursuant to issue of Ordinary shares on exercise of Options calculated in accordance with Accounting Standard (AS) 20 'Earning per share'.	Rs. (4.78)
11	The recognition of value of the difference between the employee compensation cost as per intrinsic value and the employee compensation cost that shall have been recognized, if it had used the fair value of the options (incase 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.

**Annexures to the Directors' Report**

Sl.No	Particulars	ZESOS 2005																
12	Weighted-average exercise prices and Weighted average fair value of options (in Rs.)	<table border="1"> <thead> <tr> <th>Stock Options</th> <th colspan="2">Weighted Average</th> </tr> <tr> <th>Granted on</th> <th>Exercise Price</th> <th>Fair value</th> </tr> </thead> <tbody> <tr> <td>a) Options, whose exercise price equals market price</td> <td>17.06.2006</td> <td>69.70</td> <td>22.05</td> </tr> <tr> <td>b) Options, whose exercise price exceeds market price</td> <td colspan="2">Not Applicable</td> </tr> <tr> <td>c) Options, whose exercise price less than market price</td> <td colspan="2">Not Applicable</td> </tr> </tbody> </table>	Stock Options	Weighted Average		Granted on	Exercise Price	Fair value	a) Options, whose exercise price equals market price	17.06.2006	69.70	22.05	b) Options, whose exercise price exceeds market price	Not Applicable		c) Options, whose exercise price less than market price	Not Applicable	
Stock Options	Weighted Average																	
Granted on	Exercise Price	Fair value																
a) Options, whose exercise price equals market price	17.06.2006	69.70	22.05															
b) Options, whose exercise price exceeds market price	Not Applicable																	
c) Options, whose exercise price less than market price	Not Applicable																	
13	Description of the method used during the year to estimate the fair value of the options.	The fair value of the options granted has been estimated using the Black-Scholes option pricing Model. Each tranche of vesting have been considered as a separate grant for the purpose of valuation.																
14	The assumptions used in the estimation of the same has been detailed below																	
	(i) Risk free interest rate	7.49%																
	(ii) Expected life of options	3.02 years																
	(iii) Expected volatility	55.51%																
	(iv) Expected dividends	0%																
	(v) The price of the underlying share in market at the time of option grant	Rs.69.70																

**Annexure – B :**

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

**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	As on March 31, 2008
1. Electricity	
i) Purchased	
Units	26,84,379
Total amount (Rs.)	105,71,930
Rate/unit (Rs.)	3.94
ii) Own generation through diesel generation set	
Units	1,75,296
Total amount (Rs.)	17,97,995
Units per liter of diesel oil	3.32
Rate/unit (Rs.)	10.26
2. Diesel (used in boiler)	
Quantity (tonnes)	3,785
Total cost (Rs.)	60,54,964
Average rate (Rs.)	1,600

**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 financial year, the Company has not undertaken any technology transfer.



**Annexures to the Directors' Report****FORM B : Research and Development****1. Specific areas in which R&D was carried out by the Company**

In the year 2007-08, Company's R & D focus can be broadly categorized into the following few areas;

1. Addition of new biosimilar therapeutic proteins to the pipeline
2. Yield improvement for generic monoclonal antibodies
3. Technology transfer of processes to the manufacturing team for the production of IL-2, Rituximab and Etanercept
4. Evaluation of the humanized EGFR monoclonal antibody (the new biological entity) for biological potency
5. Expansion of the pipeline for therapeutic synthetic peptides

More biosimilar products were added to the pipeline for development. Molecules like recombinant Factor VII, Factor VIII and Interferon beta1a, have been taken up for transfection and clone selection studies. The factors VII and VIII are recombinant therapeutic proteins used in the treatment of blood clotting disorders like hemophilia. Recombinant interferon beta is used in the treatment of multiple sclerosis, a neuronal disease. Various media optimization studies in cell culture have been able to increase the productivity by as much as 10-fold in some cases. The cell culture processes with the improved yields were transferred to the manufacturing team for producing material for clinical trials (Rituximab) and animal toxicology studies (Etanercept). Significant yield and product quality improvements were achievable in the processes for the purification of the MABs and IL-2. Analytical methods were developed for the quality testing of both the MAB products for batch release of these drug products for clinical trial and animal toxicity studies. A second clone for humanized EGFR monoclonal antibody viz., HZED-7 was created and is being developed in parallel with the earlier HZED-8 clone for a comparative product characterization and in vivo potency evaluation studies. The potency evaluation study in animals will establish the efficacy of this product in causing tumour regression.

Two more therapeutic synthetic peptides were taken up for development. Besides octreotide, the pipeline has now expanded to include goserelin and leuprolide as well. One of the highlights during the year has been the commercial launch of Recil - (recombinant human Interleukin-2), a biosimilar protein molecule developed with completely in-house technology. It indicated for the treatment of metastatic renal carcinoma.

**2. Benefits derived as a result of the R&D**

The technologies developed by the Company's Biotech R & D team have helped it to achieve a wide array of biosimilar products in the area of therapeutic proteins and monoclonal antibodies. The Company has not only developed products and processes at R & D stage but also scaled up the same for pilot and commercial scale manufacture. Hence, the company did not require to outsource technologies at R & D or commercial scale for the manufacture of its biosimilar products. The enviable pipeline of products, the efficient processes and the GMP compliant documentation has helped to attract several international outsourcing customers who were on the look out for partners for development or manufacture of biosimilar molecules.

**3. Future plan of action**

The plan for the year is to successfully conclude the two major studies in the regulatory pathway for two biosimilar monoclonal antibodies; 1) clinical trials for Rituximab and 2) animal toxicology studies for Etanercept. During the year the studies required for the registration of biosimilar G-CSF in Europe will be initiated. For G-CSF, the PK/PD and animal toxicology studies are likely to be completed and the human clinical trials approval will be sought from the EMEA. Further development of biosimilar G-CSF, Rituximab and Etanercept molecules for different regulatory markets will be initiated. The products in the pipeline will continue with their development and regulatory plans.

**4. Expenditure on R & D**

	Rs. in Lakhs
a. Capital	198.89
b. Recurring	342.36
c. Total	541.25
d. Total as percentage of turnover	65.72%

**5. 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 out source technology from outside agencies.

**6. Foreign Exchange Earnings and Outgo**

Total foreign exchange used and earned:

	Rs. in lakhs
i) Foreign Exchange earnings	16.85
ii) Foreign Exchange outgo (including raw materials, components and spare parts of capital goods, investments and other expenditures in foreign currency including dividends)	550.55

For and on behalf of the Board

Place : Hyderabad  
Date : November 16, 2009

**Dr. Jayaram Chigurupati**  
Managing Director

## Management's Discussion and Analysis Report

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### MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

*(This review contains Management's discussion of the Company's operational results and financial condition, and should be read in conjunction with the accompanying audited financial statements and associated notes).*

#### Industry Structure, Development and Outlook

Biotechnology is globally recognized as a rapidly emerging industry. It is often described as the technology of hope for its promise of food, health and clean environment. Bio pharmaceuticals account for \$ 62 billion in sales in 2006 and is growing at 21.7% compared to chemical pharmaceutical industry growth rate of 9.5%. Global sales of monoclonal antibody therapeutics account of \$10 billion in 2002 and is projected to reach \$30 billion by 2010.

The recombinant therapeutics market in India was estimated to be Rs. 640 crore in 2005-06. There are about 14 different recombinant therapeutics that have gained market approval in India. Of these products, seven are indigenously manufactured. Prominent products in this segment include the recombinant human insulin, recombinant human erythropoietin, gametocyte colony stimulating factor, interferon-alpha and interferon-beta, human growth hormone and recombinant streptokinase and others.

All the seven are generic versions of branded bio-pharmaceuticals. Until a few years ago this segment was largely ruled by multinational players. The predominant business models involved importing and marketing the products rather than indigenous manufacturing. However recent years have witnessed not just the emergence but increasing dominance of domestic players.

India is today among the top five countries in the Asia Pacific region that shows immense potential, not only as a destination for outsourcing clinical trials and contract research, but also for becoming an important hub for new generation pharmaceuticals, biotech products and diagnostics.

#### Opportunities, Threats, Risks and Concerns

The global market for oncology is will \$30 billion in 2005 and is increasing at a rate of 18%. This increased demand for oncology drugs is a tremendous opportunity for companies like Zenotech, if it can tap the global market. The immunology market segment is also expected to grow rapidly and Zenotech, with its enviable position among the first players in the market for generic monoclonal antibodies, can expect to make significant revenues with proper marketing strategies.

The increase in awareness regarding bio-generics among the prescribers is the biggest boost that can happen to Indian biotechnology industry. There is a vast unmet medical need of patients around the world who cannot afford high value medicines. The gradual streamlining of approval protocols for bio-generics especially in regulated markets will offer Indian companies a big opportunity to export to US and Europe. Recent years have also witnessed a lot of cross-country alliances by Indian companies with local companies in a given market. Such alliances ease the barrier for entry caused due to lack of brand awareness in untapped markets and help establish a local presence. With its excellent manufacturing capability of international standards and comparatively lower costs of manufacturing, Zenotech is in a position to grab a significant share of the opportunity in the bio-generics space.

The threat comes from the expanding biotech industry both within and outside the country. Several biotechnology companies in India have realized the market potential in having a pipeline of generic therapeutic monoclonal antibodies. Some big pharma companies have been able to make the switch from generic therapeutic proteins to monoclonal antibodies by outsourcing the product development activities to contract organizations in developed countries, thereby cutting short their time to market. This is only the beginning and the competition is likely to only intensify in the years to come. So, the rewards for Zenotech, with its unique pipeline of generic monoclonal antibodies, might fade unless some innovative tie-ups or marketing strategies are

devised. Apart from this, the price eroding market is also a serious concern. Competition from companies with lower cost structure will pose a problem. Besides pricing the uncertainty regarding the IP rights and product registrations increases the 'Time to Market' and consequently deprives the advantage of 'First to Market'. Tactics used by innovator companies by introducing reformulated versions, Modified drug delivery systems, Intellectual Property consolidation of the manufacturing processes, Lack of effective regulatory policies in developed markets like the US and Europe and finally lack of awareness about bio-generics among prescribers may also pose some problems to the operations of the Company.

Zenotech has been actively pursuing development of several generic recombinant therapeutic proteins and monoclonal antibodies. Due to the lengthy regulatory process in our country for biotech products, it may take several years or more for product approvals. The market meanwhile witnesses launches of generic versions of these products from countries like Korea and China, which can mitigate the first mover advantage for Zenotech. However a close analysis of Zenotech's past will show that construction of manufacturing facilities in parallel with product development was after all, a well calculated risk. As product approvals roll in, sales can be triggered to greater heights without a concomitant need to install additional manufacturing facilities. The manufacture of large volume monoclonal antibodies can also be accomplished in the existing manufacturing facility by just increasing the capacity to facilitate the volume demand.

The Company's strengths lie in the fact that it is following a proven business model that is capable of being executed by a team of professionals with good managerial and technical expertise. Zenotech has had the ability to attract and retain experienced research and development and manufacturing teams in a low cost environment like India and tap other emerging markets that help it to maintain cost leadership. The Company has a sustainable competitive advantage because of the hands-on experience the top team has in developing, manufacturing and marketing bio-generics in emerging markets. Their ability to operationalize businesses in various countries around the globe along with a good portfolio of products that combine generic drugs and biopharmaceuticals can be utilized for cost effectiveness.

## **Analysis of financial performance of the Company**

Revenues for the year were Rs. 1073.93 lakhs as against the previous year revenues of 2,294.13 lakhs. The Company had an operating loss of Rs. 1,929.97 lakhs for the year as against a operating profit (PBDIT) of Rs.573.32 lacs of previous year and the net loss after tax is Rs.1,474.76 lakhs as against a net profit of Rs. 362.47 lakhs of previous year. During the current year under review, the Company has reversed the deferred Tax Assets, worth of Rs.893.03 lakhs, which was recognized in the previous year on carried forward business losses and unabsorbed depreciation, basing on the assumption that, it would make adequate profits in future and would realize the same. As a result, apart from the decrease in turnover, the aforementioned fact has also increased the loss of the Company for the year as was reported.

### **Liquidity and capital resources:**

Shareholders funds increased by Rs. 8,818.11 lakhs during the financial year 2007-08. As an overall strategy of the Company to reduce the interest burden, the Company, during the year under review, has repaid term loans to the extent of Rs. 911.55 Lakhs, which were availed earlier from IOB and Andhra Bank towards the setting up EOU plant. Further, the Company has also closed its working capital facilities to the extent of Rs. 407.59 Lakhs with Andhra Bank and Axis Bank and availing the same from Yes Bank Limited. In view of all the above developments, the secured loans have decreased to Rs.1,734.92 lakhs from 3,043.44 lakhs. Presently, the Company avails the working capital facilities from Yes Bank Limited.

The Company has invested over Rs.421.62 lakhs in acquiring long term assets and made an advance of Rs. 56.98 lakhs towards share Capital and Rs. 178.24 lakhs as loans and advances to its wholly owned subsidiaries in Brazil, USA and Nigeria.

## Management's Discussion and Analysis Report

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Net working capital stood at Rs.7,426.34 lakhs against Rs.1,533.17 lakhs of previous year and the increase is mainly due to depositing of the monies received on account of preferential allotment.

The Company's ability to generate funds from operating activities, including product sales, equity funds and debt financing from its financial institutions and others are expected to provide sufficient liquidity to meet its expansion/modernization and Research and Development programs and working capital needs of the Company.

### Material developments in HR/Industrial Relations front including number of people employed

Your Company believes that the quality of its employees is the key to its success. It is committed to providing necessary human resource development and training opportunities to equip them with necessary skills, which enables them to adapt to contemporary technological advancements.

Employee relations during the year continued to be cordial and your Company is committed to maintaining good relations.

### Internal control systems and their adequacy

The Company has an extensive system of internal controls to ensure that all of its assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly.

The Company is aimed at implementing an internal control system that is geared towards achieving efficiency in operations, optimum utilization of resources, effective monitoring and compliance with all applicable laws and regulations.

### Future outlook

Your Company envisions developing G-CSF for EU market in Collaboration with Ranbaxy Laboratories Limited. Several generic monoclonal antibodies are in clinical development and are likely to be launched in India.

### Cautionary statement

*Statements in the Management's Discussion & Analysis Report, which seek to describe the Company's objectives, projections, estimates, expectations or predictions may be considered to be "forward looking statements" and are stated as required by applicable laws and regulations. Actual results could differ from those expressed or implied. Many factors including global and domestic demand-supply conditions, prices, raw-materials availability, technological changes, changes in Government Regulations and policies, tax laws and other statutes may effect the actual results, which can be different from what the Directors envisages in terms of future performance and outlook*

**To the members of Zenotech Laboratories Limited,**

1. We have audited the attached Balance Sheet of Zenotech Laboratories Limited as at March 31, 2008 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section 4A of Section 227 of the Companies Act, 1956 we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, 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;
  - 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - e) In our opinion and according to the information and explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
    - (ii) in the case of Profit and Loss Account, of the loss for the year ended on that date, and
    - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.
5. On the basis of the written representations received from the directors as on March 31, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For Deloitte Haskins & Sells**  
Chartered Accountants

Place : Hyderabad  
Date : June 30, 2008

**A.C. Gupta**  
Partner  
M.No. 8538

## Annexure to the Auditors' Report

### Annexure referred to in paragraph 3 of our report of even date to the members of Zenotech Laboratories Limited on the accounts for the year ended March 31, 2008

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) All the fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable, having regard to the size of the Company and the nature of its assets and no material discrepancies were noticed in respect of those assets which have been physically verified during the year.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the Company.
- (ii) (a) Inventory has been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory 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 is maintaining proper records of inventory and discrepancies noticed on physical verification were not material.
- (iii) According to the information and explanations given to us, the Company during the year has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly paragraph (iii)(b),(c),(d), (f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items of the expenditure are of a special nature and their prices cannot be compared with alternative quotations, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed by continuing failure to correct major weaknesses in internal control systems.
- (v) (a) As explained to us and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered in the register in pursuance of section 301 of the Companies Act, 1956 in respect of each party during the year have been entered in the register.
- (b) In our opinion and according to the information and explanations given to us, having regard to our comments in para (iv) above, the transactions made in pursuance of such contracts or arrangements and exceeding the value of five lakhs rupees in respect of any party during the year have been made at prices which were reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted deposits from the public to which the provision of Section 58(A) and 58 (AA) of the Companies Act, 1956 and the rules made there under apply.
- (vii) *The Company does not have an internal audit system.*
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, in respect of manufacture of Pharmaceutical Products and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the said records.

- (ix) (a) According to the information and explanations given to us and according to the books and records as produced and examined by us in accordance with the generally accepted auditing practices in India, the Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, wealth tax, sales tax, excise duty, customs duty, cess and other material statutory dues as applicable with the appropriate authorities during the year.
- (b) As at March 31, 2008, according to the records of the Company and the information and explanations given to us there were no dues on account of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess matters that have not been deposited on account of any dispute.
- (x) The accumulated losses of the Company as at March 31, 2008, are less than fifty percent of its net worth as on that date. The Company has incurred cash loss during the financial year, however, no cash loss was incurred in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has defaulted in repayment of dues to financial institutions and banks as stated below:

Amount of default (loan and interest) (Rs. Lakhs)	Period of delay (in days)
117.48	1-10
92.32	11-20
71.35	21-30
97.76	31-49
105.83	50-90
5.30	115
116.67	122
134.67	More than 180 days

- (xii) The Company during the year has not granted loans advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a nidhi / mutual benefit fund / society to which the provisions of special statute relating to chit fund are applicable.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) As explained to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) As explained to us, the term loans taken by the Company have been applied for the purpose for which they were obtained.
- (xvii) Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not been used for long term investment.



**Annexure to the Auditors' Report**

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- (xviii) During the year Company has made preferential allotment of equity shares to a Company covered in the register maintained under Section 301 of the Companies Act, 1956. According to the information and explanations given to us, and based on the records verified by us, the price at which the shares have been issued is not pre-judicial to the interest of the Company.
- (xix) As there are no debentures outstanding as at the year end, paragraph (xix) of the order is not applicable.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) According to the information and explanations given to us, during the year, no fraud on or by the Company has been noticed or reported.

**For Deloitte Haskins & Sells**  
Chartered Accountants

Place : Hyderabad  
Date : June 30, 2008

**A.C. Gupta**  
Partner  
M.No. 8538

**Balance sheet as at March 31, 2008**

Rs. in Lakhs

	Schedules	As at March 31, 2008	As at March 31, 2007
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share capital	1	3,435.00	2,881.05
(b) Reserves and surplus	2	11,596.98	3,332.82
		15,031.98	6,213.87
<b>2. Loan Funds</b>			
(a) Secured Loans	3	1,734.92	3,043.44
(b) Unsecured Loans	4	124.54	248.39
		1,859.46	3,291.83
<b>Total</b>		<b>16,891.44</b>	<b>9,505.70</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
(a) Gross block	5	6,497.09	6,083.84
(b) Less: Depreciation		554.77	265.08
(c) Net Block		5,942.32	5,818.76
(d) Capital work-in-progress (Note 11)		1,205.16	948.44
		7,147.48	6,767.20
<b>2. Investments</b>			
	6	225.62	225.62
<b>3. Deferred Tax Asset (Net)</b>			
		-	229.06
<b>4. Current Assets, Loans and Advances</b>			
(a) Inventories		528.08	506.33
(b) Sundry Debtors		216.26	974.41
(c) Cash and Bank balances		5,988.02	173.83
(d) Loans and advances		1,339.15	822.58
		8,071.51	2,477.15
<b>Less : Current Liabilities and Provisions</b>			
(a) Current Liabilities	8	602.77	923.01
(b) Provisions	9	42.40	20.97
		645.17	943.98
<b>Net Current Assets</b>		<b>7,426.34</b>	<b>1,533.17</b>
<b>5. Miscellaneous Expenditure</b>			
(to the extent not written off or adjusted)	10		
Product development expenditure		372.48	482.56
Other		18.67	42.00
		391.15	524.56
<b>6. Profit and Loss Account</b>			
<b>Total</b>		<b>16,891.44</b>	<b>9,505.70</b>
Notes to the Accounts	18		

Schedules 1 to 18 annexed hereto form part of these accounts.

For and on behalf of the Board of Directors

Per our report attached  
**For Deloitte Haskins & Sells**  
 Chartered Accountants

**Atul Sobti**  
 Chairman

**Dr. Jayaram Chigurupati**  
 Managing Director

**A.C.Gupta**  
 Partner

**I. Srinivas**  
 Company Secretary

Place : Hyderabad  
 Date : June 30, 2008

**Profit and Loss Account for the year ended March 31, 2008**

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Rs. in Lakhs

	Schedules	Year ended March 31, 2008	Year ended March 31, 2007
<b>INCOME</b>			
Income from Sales and Operations		857.03	1,364.64
Less : Excise duty		33.48	62.66
Net sales			1,301.98
License Fee			900.00
Other income	11	216.90	29.49
		<b>1,040.45</b>	<b>2,231.47</b>
<b>EXPENDITURE</b>			
Raw Materials, Finished goods, etc.,	12	336.17	554.42
Personnel	13	499.69	439.52
Manufacturing expenses	14	367.23	164.16
Administrative, Selling and Distribution and other expenses	15	246.10	385.67
Product development expenses		131.69	114.38
Interest and Bank charges	16	270.91	211.14
Depreciation		290.45	182.10
Amortisation of miscellaneous expenditure			
- Product development expenditure		110.08	67.86
- Other		23.33	23.40
		<b>2,275.65</b>	<b>2,142.65</b>
<b>PROFIT /(LOSS) BEFORE TAXATION</b>		<b>(1,235.20)</b>	<b>88.82</b>
Provision for Taxation			
- Current Tax		-	7.50
- Deferred Tax - (Refer note 16)		229.06	(290.14)
- Fringe benefit Tax		5.85	8.82
- Wealth Tax		0.15	0.17
<b>PROFIT /(LOSS) AFTER TAXATION</b>		<b>(1,470.26)</b>	<b>362.47</b>
Balance brought forward from previous year		(226.09)	(588.56)
Add: Adjustment arising out of initial adoption of AS 15		(4.50)	(588.56)
Balance carried to Balance sheet		(1,700.85)	(226.09)
Earning per Share ( Note 12 )			
- Basic (Rs.)		(4.78)	1.29
- Diluted (Rs.)		(4.78)	1.29
Notes to the Accounts	18		

Schedules 1 to 18 annexed hereto form part of these accounts.

For and on behalf of the Board of Directors

 Per our report attached  
**For Deloitte Haskins & Sells**  
 Chartered Accountants

**Atul Sobti**  
 Chairman

**Dr. Jayaram Chigurupati**  
 Managing Director

**A.C.Gupta**  
 Partner

**I. Srinivas**  
 Company Secretary

 Place : Hyderabad  
 Date : June 30, 2008

**Cash Flow Statement for the year ended March 31, 2008**

	Rs. in Lakhs	
	Year ended March 31, 2008	Year ended March 31, 2007
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit / (loss) before tax and extraordinary items	(1,235.20)	88.82
<b>Adjustments for:</b>		
Depreciation	290.45	189.64
Amortisation of miscellaneous expenditure	133.41	91.26
Interest income	(200.60)	(18.65)
Interest expense	249.70	198.44
Loss on sale of vehicles	1.12	
<b>Operating profit before working capital changes</b>	<b>(761.12)</b>	<b>549.51</b>
<b>Adjustments for :</b>		
Inventory	(21.75)	(271.57)
Sundry debtors/receivables	758.15	(482.41)
Loans and advances	(21.90)	(104.12)
Trade/Other payables	(74.81)	(52.23)
<b>Cash generated from operations</b>	<b>121.43</b>	<b>(360.82)</b>
Taxes paid (including fringe benefit tax and wealth tax)	(74.86)	(15.08)
Miscellaneous expenditure paid	-	(133.18)
<b>Net cash flow from operating activities</b>	<b>(196.29)</b>	<b>(509.08)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(976.02)	(1,529.76)
Sale of fixed assets	6.50	-
Advance towards share capital of subsidiaries	(56.98)	(108.57)
Advance to subsidiaries	(23.64)	(4.95)
Loans given	(154.60)	(46.09)
Loans realised	-	31.38
Interest received	76.02	15.95
<b>Net cash used in investing activities</b>	<b>(1,128.72)</b>	<b>(1,642.04)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of equity share capital	8,818.11	2,000.00
Proceeds from borrowings (including security deposits)	514.87	1,003.93
Repayment of borrowings	(1,943.85)	(685.48)
Loans taken	600.00	53.00
Loans repaid	(600.00)	(53.00)
Interest paid	(249.93)	(157.98)
<b>Net cash inflow from financing activities</b>	<b>7,139.20</b>	<b>2,160.47</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,814.19</b>	<b>9.35</b>
<b>CASH AND CASH EQUIVALENTS AT THE COMMENCEMENT OF THE YEAR</b>	<b>173.83</b>	<b>164.48</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>5,988.02</b>	<b>173.83</b>

For and on behalf of the Board of Directors

Per our report attached  
 For Deloitte Haskins & Sells  
 Chartered Accountants

Atul Sobti  
 Chairman

Dr. Jayaram Chigurupati  
 Managing Director

A.C.Gupta  
 Partner

Place : Hyderabad  
 Date : June 30, 2008

I. Srinivas  
 Company Secretary

**Schedules forming part of Balance Sheet**

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	As at March 31, 2008	Rs. in Lakhs As at March 31, 2007
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
3,50,00,000 Equity Shares of Rs.10/- each	3,500.00	3,500.00
<b>Issued and Subscribed</b>		
3,43,50,000 (previous year 2,88,10,464) Equity Shares of Rs. 10/- each fully paid	3,435.00	2,881.05
	<b>3,435.00</b>	<b>2,881.05</b>
Of the above		
a) 1,11,27,664 equity shares of Rs.10/- each issued to erstwhile shareholders of Credence Pharmaceuticals Limited and Hemarus Healthcare Private Limited pursuant to Scheme of Amalgamation		
b) 91,82,500 equity shares of Rs.10/- each issued to erstwhile Shareholders of Zenotech Laboratories Private Limited, pursuant to Scheme of Amalgamation		
c) Under the Zenotech Stock Option Scheme 2005, the Company has granted (net of options lapsed) 1,25,000 options of which 50,000 vested options have been exercised		
d) Under the Zenotech Employee Stock Option Scheme 2005, the Company has granted 29,000 options (net of options lapsed) unvested as on 31.03.2008		
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
At commencement of the year	3,332.82	1,532.82
Add : On issue of equity shares	8,264.16	1,800.00
	<b>11,596.98</b>	<b>3,332.82</b>
<b>SCHEDULE 3 - SECURED LOANS</b>		
<b>a) Cash Credits / Working Capital loans</b>		
<b>i) Banks</b>		
UTI Bank	-	70.56
Andhra Bank	7.66	344.69
YES Bank	472.28	-
<b>b) Term Loans</b>		
<b>i) Financial Institutions</b>		
Andhra Pradesh State Financial Corporation	692.54	1,077.74
Technology Development Board	552.47	600.00
<b>ii) Banks</b>		
Andhra Bank	-	491.55
Indian Overseas Bank	-	420.00
Other - Banks	9.97	27.74
c) Interest accrued and due	-	11.16
	<b>1,734.92</b>	<b>3,043.44</b>
<b>SCHEDULE 4 - UNSECURED LOANS</b>		
(other than short term)		
From Promoters - interest free *	-	105.60
Biotech Consortium India Limited	5.80	-
Security Deposits	114.19	141.50
Interest accrued and due	4.55	1.29
	<b>124.54</b>	<b>248.39</b>

\* Repayable within a year Rs. Nil (Previous year Rs.70.40 lakhs)

## SCHEDULE - 5 FIXED ASSETS

Rs. in Lakhs

Description	Cost				Depreciation			Net Book Value		
	31-Mar-07	Additions	Deductions	31-Mar-08	31-Mar-07	For the year	Deductions	31-Mar-08	31-Mar-08	31-Mar-07
Land (freehold)	140.08	-	-	140.08	-	-	-	-	140.08	140.08
Buildings	1,994.06	3.83	-	1,997.89	57.48	66.80	-	124.28	1,873.61	1,936.58
Leasehold improvements	32.61	-	-	32.61	11.24	14.25	-	25.49	7.12	21.37
Plant and machinery	3,700.80	386.24	-	4,087.04	162.07	185.68	-	347.75	3,739.29	3,538.73
EDP equipment	29.54	10.38	-	39.92	11.05	6.07	-	17.12	22.80	18.49
Office equipment	3.25	1.04	-	4.29	0.64	0.22	-	0.86	3.43	2.61
Furniture and fixtures	90.17	16.79	-	106.96	5.96	9.13	-	15.09	91.87	84.21
Vehicles	93.33	3.34	8.37	88.30	16.64	8.30	0.76	24.18	64.12	76.69
	<b>6,083.84</b>	<b>421.62</b>	<b>8.37</b>	<b>6,497.09</b>	<b>265.08</b>	<b>290.45</b>	<b>0.76</b>	<b>554.77</b>	<b>5,942.32</b>	
31-Mar-07	1,416.22	4,667.62	-	6,083.84	75.44	189.64	-	265.08	-	5,818.76

Notes :

1. Freehold land includes a sum of Rs.37.16 lakhs in respect of which conveyance is pending

Rs. in lakhs

	<u>2007-08</u>	<u>2006-07</u>
2. Depreciation - per above	290.45	189.64
Less : Transferred to product development expenditure	-	7.54
	<u>290.45</u>	<u>182.10</u>

**Schedules forming part of Balance Sheet**

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Rs. in Lakhs

	As at March 31, 2008	As at March 31, 2007
<b>SCHEDULE 6 - INVESTMENTS</b>		
At cost		
Unquoted - Long Term		
Trade		
<b>a. Shares in wholly owned subsidiaries</b>		
Zenotech Farmaceutica Do Brasil Ltda 39,600 quotas of Reais 10 each	116.61	116.61
Zenotech Laboratories Limited, Nigeria 9,99,000 Ordinary shares of Naira 1 each	3.17	3.17
Zenotech Inc., USA 10,00,000 shares of USD 0.10 each	105.60	105.60
<b>b. Shares in associate company</b>		
Credence Organics Pvt. Ltd 2400 shares of Rs.10 each	0.24	0.24
	<b>225.62</b>	<b>225.62</b>
<b>SCHEDULE 7 - CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
(as lower of cost and net realisable value)		
Raw and packing material	214.62	187.51
Work in process	35.02	96.64
Finished goods	278.44	222.18
	<b>528.08</b>	<b>506.33</b>
<b>Sundry Debtors</b>		
(Unsecured, considered good unless otherwise specified)		
Debts outstanding for a period exceeding six months	149.05	120.68
Other debts *	67.21	853.73
	<b>216.26</b>	<b>974.41</b>
* includes due from subsidiary Rs.26.54 lakhs (previous year Rs.28.95 lakhs) and license fee due Rs. Nil (previous year Rs.450 lakhs)		
<b>Cash and Bank balances</b>		
Cash on hand	0.25	0.75
With Scheduled Banks		
- Current accounts	10.04	11.16
- Fixed deposits / Margin account	5,825.93	61.71
With Non-Scheduled Bank *		
- Current accounts	1.80	0.21
- Fixed Deposits	150.00	100.00
	<b>5,988.02</b>	<b>173.83</b>

\* Balance with Coastal Local Area bank Limited. Maximum balance during the year is Rs.250 lakhs (Previous year : Rs. 250 lakhs). Certain Directors of the Company are also Directors/Shareholders of this Bank.

**Schedules forming part of Balance Sheet**

	As at March 31, 2008	Rs. in Lakhs As at March 31, 2007
<b>Loans &amp; Advances</b>		
(Unsecured, Considered good unless otherwise specified)		
Loans to Companies	14.71	14.71
Loan to subsidiary (interest free loan)		
Zenotech Inc., USA		
(Maximum amount outstanding during the year Rs.154.60 lakhs)	154.60	-
Advance to subsidiary		
Zenotech Laboratories Limited, Nigeria	8.14	4.95
Zenotech Inc, USA	20.45	-
Advances recoverable in cash or in kind or for value to be received *	542.77	452.82
Interest accrued on loans / deposits	127.27	2.70
Advances for share capital to subsidiaries		
Zenotech Farmaceutica Do Brasil Ltda	257.10	210.51
Zenotech Laboratories Limited, Nigeria	26.14	15.75
Zenotech Inc., USA	110.55	110.55
Balance with Excise Authorities on Current Account	1.81	4.89
Advance Income Tax ( including TDS Receivable)	75.61	5.70
	<b>1,339.15</b>	<b>822.58</b>

\* Includes

1. Capital advances Rs.296.88 lakhs (previous year : Rs.231.90 lakhs)
2. Advance given to Credence Clinical Research Pvt Ltd Rs.19.93 lakhs (previous year Rs.19.74 lakhs). Certain Directors of the Company are also director / shareholders of the above Company. Maximum balance during the year Rs.22.06 lakhs (previous year Rs. 37.41 lakhs)

**SCHEDULE 8 - CURRENT LIABILITIES**

Sundry Creditors (Note 14)	395.34	698.76
Interest accrued but not due	74.75	67.08
Other liabilities	132.68	157.17
	<b>602.77</b>	<b>923.01</b>

Note : There are no amount due and outstanding to be credited to Investors Education and Protection Fund.

**SCHEDULE 9 - PROVISIONS**

Provision for Taxation	9.15	9.15
Fringe Benefit Tax	1.04	-
Leave encashment	16.79	4.28
Gratuity	15.42	7.54
	<b>42.40</b>	<b>20.97</b>



**Schedules forming part of Balance Sheet**

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Rs. in Lakhs

**SCHEDULE 10 - MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)**

	Balance as at April 1, 2007	Additions during the year	Written off	Balance as at March 31, 2008
Preliminary expenses	4.99	-	1.66	3.33
Amalgamation expenses	23.01	-	7.67	15.34
Deferred payment expenditure	14.00	-	14.00	-
Product development expenses	482.56	-	110.08	372.48
	<b>524.56</b>	<b>-</b>	<b>133.41</b>	<b>391.15</b>

**Schedules forming part of Profit & Loss Account**

	Rs. in Lakhs	
	Year ended March 31, 2008	Year ended March 31, 2007
<b>SCHEDULE 11 - OTHER INCOME</b>		
Interest on deposits and loans (gross) (tax deducted at source Rs. 44.80 lakhs; Previous year Rs.3.67 lakhs)	200.60	18.65
Foreign Exchange gain / loss (net)	3.42	9.96
Miscellaneous	12.88	0.88
	<b>216.90</b>	<b>29.49</b>
<b>SCHEDULE 12 - RAW MATERIALS, FINISHED GOODS, ETC.,</b>		
<b>a) Raw material and packing material consumed</b>		
Opening stock	187.51	129.61
Purchases	350.22	512.18
	537.73	641.79
Less: Closing stock	214.62	187.51
	323.11	454.28
Less: Transferred to Miscellaneous Expenditure - Product development expenses	-	30.63
	323.11	423.65
<b>b) Purchase of Finished goods</b>	-	326.86
<b>c) (Increase) / Decrease in Finished Goods and Work-in-process</b>		
Opening Stock :		
- Finished Goods	222.18	97.34
- Work - in - process	96.64	7.81
	318.82	105.15
Less: Closing stock :		
- Finished Goods	278.44	222.18
- Work - in - process	35.02	96.64
	313.46	318.82
	5.36	(213.67)
<b>d) Excise duty on increase / (decrease) of finished goods, stocks</b>	7.70	17.58
	<b>336.17</b>	<b>554.42</b>
<b>SCHEDULE 13 - PERSONNEL</b>		
Salaries, Wages etc.,	443.21	373.54
Contribution to Provident and other funds	32.52	29.14
Staff welfare	23.96	36.84
	<b>499.69</b>	<b>439.52</b>

**Schedules forming part of Profit & Loss Account**

41

Rs. in Lakhs

	Year ended March 31, 2008	Year ended March 31, 2007
<b>SCHEDULE 14 - MANUFACTURING EXPENSES</b>		
Conversion charges	0.33	1.10
Power, fuel and water	189.55	92.49
Spare parts consumed	3.59	4.91
Repairs and maintenance		
- Plant and Machinery	60.71	17.91
- Building	10.27	1.91
- Others	47.54	8.00
Contract manpower expenses	49.62	31.37
Other manufacturing expenses	5.62	6.47
	<b>367.23</b>	<b>164.16</b>
<b>SCHEDULE 15 - ADMINISTRATIVE, SELLING AND DISTRIBUTION AND OTHER EXPENSES</b>		
Rent	20.03	12.45
Office and general maintenance	31.32	36.67
Rates and taxes	11.44	24.08
Insurance	12.16	13.36
Printing and stationery	12.99	17.83
Communication expenses	12.62	12.72
Legal and professional charges	51.58	14.65
Travelling and conveyance expenses	45.29	54.91
Commission on sales	1.53	25.07
Selling and distribution expenses	23.78	119.53
Advances written off	-	2.65
Loss/(Profit) on sale of fixed assets (net)	1.12	-
Miscellaneous	22.24	51.75
	<b>246.10</b>	<b>385.67</b>
<b>SCHEDULE 16 - Interest and bank charges</b>		
On fixed term loans	168.63	133.07
Other loans	81.07	65.37
Bank charges	21.21	12.70
	<b>270.91</b>	<b>211.14</b>

**Schedules forming part of Balance Sheet & Profit and Loss Account**
**Schedule 17 - Capacity, Production, Sales, consumptions and stocks:**
**a) Quantitative information in respect of goods manufactured**

	Unit	2007-08	2006-07
<b>Licensed Capacity per annum *</b>			
i) Pharmaceutical formulations,	Injectable Numbers	800,000	800,000
Lyophilized & liquid injections,	Capsule Numbers	400,000	400,000
Tablets and capsules	Tablet Numbers	1,000,000	1,000,000
ii) Granulocyte Colony Stimulating Factor (G-CSF)	Grams	200	200
iii) Granulocyte Macrophage Colony Stimulating Factor (G-MCSF)	Grams	100	100

\* Department of Industrial Policy and Promotion, Ministry of Commerce and Industry vide its Notification S.O.1386 (E) dated September 23, 2005 has omitted Drugs and Pharmaceuticals from the Scheduled List. Licensed capacity as given above is based on Licenses/Letter of Intent obtained earlier.

**Installed capacity**

(as certified by the management and relied upon by auditors, being a technical matter)

i) Pharmaceutical formulations,			
Lyophilized & liquid injections (Oncology)	Injectable Numbers	800,000	800,000
ii) Granulocyte Colony Stimulating Factor (G-CSF)	Grams or equivalent	200	200
	Injectable Numbers	666,667	666,667
iii) Granulocyte Macrophage Colony Stimulating Factor (G-MCSF)	Grams or equivalent	100	100
	Injectable Numbers	250,000	250,000
iv) Anesthesiology and others	Injectable Numbers	2,400,000	2,400,000

**Actual Production**

i) Pharmaceutical formulations (Oncology)	Injectable Numbers	61,616	91,909
ii) GCSF	Injectable Numbers	–	23,627
iii) GMCSF	Injectable Numbers	4,250	3,943
iv) IL 2	Injectable Numbers	650	–
v) Anesthesiology and others	Injectable Numbers	99,237	302,260

**Schedules forming part of Balance Sheet & Profit and Loss Account**

	Unit	2007-08		2006-07	
		Quantity	Rs. in lakhs	Quantity	Rs. in lakhs
<b>b) Purchases</b>					
Pharmaceutical formulations (Oncology)	Injectable Numbers	–	–	17,312	326.86
<b>c) Sales *</b>					
Pharmaceutical formulations (Oncology)	Injectable Numbers	50,907	151.05	1,16,931	1,024.35
G-CSF	Injectable Numbers	4,515	27.90	14,497	109.25
G-MCSF	Injectable Numbers	(1,790)	(29.84)	3,342	53.34
IL 2	Injectable Numbers	650	25.74	–	–
Anesthesiology and others	Injectable Numbers	(7,307)	(14.59)	2,28,754	153.18
			160.26		1,340.12
Less: Discounts			5.19		16.06
			155.07		1,324.06
Abbreviated New Drug Application (ANDA) / Contract manufacturing income			701.96		40.58
			<b>857.03</b>		<b>1,364.64</b>
* Net of sales returns					
<b>d) Opening Stocks</b>					
Pharmaceutical formulations (Oncology)	Injectable Numbers	14,514	119.87	17,591	97.34
G-CSF	Injectable Numbers	9,214	40.17	–	–
G-MCSF	Injectable Numbers	560	5.46	–	–
IL 2	Injectable Numbers	–	–	–	–
Anesthesiology and others	Injectable Numbers	62,450	56.68	–	–
			<b>222.18</b>		<b>97.34</b>
<b>e) Closing Stocks</b>					
Pharmaceutical formulations (Oncology)	Injectable Numbers	20,915	135.82	14,514	119.87
G-CSF	Injectable Numbers	3,997	54.61	9,214	40.17
G-MCSF	Injectable Numbers	6,014	16.47	560	5.46
IL 2	Injectable Numbers	–	–	–	–
Anesthesiology and others	Injectable Numbers	1,47,899	71.54	62,450	56.68
			<b>278.44</b>		<b>222.18</b>
<b>f) Raw and packing materials consumed*</b>					
Docetaxel	grams	5	0.29	427	30.08
Epirubicin	grams	–	–	180	22.31
Gemcetabine	grams	5,794	67.28	2,831	33.03
Paclitaxel	grams	1,047	26.10	1,443	55.69
L-Asparagenase	grams	–	–	739	35.39
Bleyomycin Sulphate	grams	60	9.97	56	11.72
Others			219.47		266.06
			<b>323.11</b>		<b>454.28</b>

\* includes raw materials consumed for product development.

**Schedules forming part of Balance Sheet & Profit and Loss Account****Schedule 18 - Significant accounting policies and notes on accounts for the year ended March 31, 2008****1. Significant accounting policies****a) Basis of Accounting**

The financial statements have been prepared under historical cost convention on an accrual basis and are in accordance with the mandatory Accounting Standards and the relevant provisions of the Companies Act, 1956.

**b) Fixed assets**

Fixed Assets are carried at cost of acquisition or construction less accumulated depreciation. The actual cost capitalized comprises of cost of acquisition of the asset, clearing charges in case of imported assets, duties, taxes and other incidental expenditure incurred for acquiring the assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

**c) Depreciation**

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 on a straight line basis.

**d) Product development expenditure**

Expenses on personnel, consultancy, material, overhead costs and depreciation on assets procured for Product development activities are treated as deferred revenue expenditure and amortized over five years from the date revenue is generated from the respective products. All other revenue expenditure is expensed as incurred and capital expenditure incurred on Product development is capitalized as fixed assets and depreciated in accordance with depreciation policy of the Company.

**e) Foreign currency translations**

Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction. In respect of monetary items denominated in foreign currencies, exchange differences arising out of settlement or on conversion at the closing rate are recognized in the profit and loss account except that exchange differences related to acquisition of fixed assets are adjusted in the carrying amount of the related fixed assets.

**f) Investments**

Long term investments are stated at cost.

**g) Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all 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.

## Schedules forming part of Balance Sheet & Profit and Loss Account

### h) Retirement benefits

Retirement benefits to employees are provided for by means of gratuity and provident fund.

Gratuity and leave encashment liabilities are accrued based on the actuarial valuation as at the balance sheet date.

### i) Revenue recognition

Sale of goods is recognized at the point of dispatch of finished goods to customers. 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.

Income from interest on deposits is recognised on time proportionate basis.

### j) Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

### k) Leases

The Company's significant leasing arrangements are in respect of operating leases for office premises. The leasing arrangements which are not cancelable range between 11 months to 5 years are generally and usually renewable by mutual consent on agreed terms. The aggregate lease rents payable are charged as rent in the Profit and Loss account.

### l) Miscellaneous expenditure

Written off over a period of five years or the period over which the benefit of the expenditure is expected to be derived.

## 2. Value of imported and indigenous consumption

	2007-08		2006-07	
	Value Rs. in lakhs	%	Value Rs. in lakhs	%
i) Raw and packing materials				
Imported	110.69	34	211.52	47
Indigenous	212.42	66	242.76	53
	<b>323.11</b>		<b>454.28</b>	
ii) Components and spare parts	—		—	
	<b>323.11</b>		<b>454.28</b>	

Note: Components and spare parts referred to in para 4D(c) of Part II of Schedule VI to Companies Act, 1956 are assumed to be those incorporated in the goods produced and not those for maintenance of Plant and Machinery.

**Schedules forming part of Balance Sheet & Profit and Loss Account**

Rs. Lakhs

	2007-08	2006-07
<b>3. Value of Imports (on CIF Basis)</b>		
Capital goods	312.35	495.05
Raw materials and others	93.79	191.90
Spares	7.35	3.75
<b>4. Earnings in Foreign Exchange</b>		
Exports of finished goods on FOB basis	16.85	96.42
<b>5. Expenditure in foreign currency</b>		
Product development expenses	109.98	95.80
Product registration charges	1.02	7.12
Salaries of overseas branch	–	25.67
Others	26.06	35.64
<b>6. Managerial remuneration</b>		
Salary	10.50	7.87
Perquisites	6.89	7.58
	<b>17.39</b>	<b>15.45</b>

**Note:**

- Having regard to the fact that Gratuity is a defined benefit accrued based on actuarial valuation the amount applicable to an individual employee is not ascertainable and accordingly, has not been considered in the above computation.
- Perquisites include contribution to Provident Fund Rs.1.26 lakhs (previous year Rs.0.90 lakhs)
- Out of the total remuneration of Rs.17.39 lakhs (Previous year: Rs.15.45 lakhs), Rs. Nil (previous year Rs. 3.48 lakhs) has been paid by the company to the Managing Director in his capacity as the managing director of Credence Pharmaceutical Limited which got amalgamated with the Company with effect from October 1, 2005. The amalgamation was approved by the Hon'ble High Court of Andhra Pradesh, at Hyderabad vide its Orders dated May 2, 2006.

**7. Auditor's remuneration**

Audit fees	5.00	5.00
Tax Audit fees	2.00	2.00
Other Services	9.40	5.50
Out of pocket expenses	0.74	–

**8. Contingent liabilities (Amount in Rs. Lakhs)**

	As at March 31, 2008	As at March 31, 2007
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In respect of matters under dispute:

– Customs Duty	–	14.99
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- Estimated amount of contracts remaining to be executed on capital account not provided for, as at March 31, 2008 is Rs. 452.11 lakhs (Previous year: Rs. 245.16 lakhs).

**10. Secured loans**

- Term loans taken by the Company from Andhra Pradesh State Financial Corporation (APSFC) are secured by way of hypothecation of plant and machinery and mortgage of land related to Biologics facility and R&D facility and personal guarantee of the Director of the Company.
- Term loan taken from the Technology Development Board (TDB) is secured by way of paripassu first charge on the whole of movable properties of the company including movable plant and machinery, machinery spares, tools and accessories and other movables, both present and future and paripassu first charge on land or other immovable property of the company, present and future, and personal guarantee of the Director of the Company.



## Schedules forming part of Balance Sheet & Profit and Loss Account

- iii. Cash Credit/working capital loan from Axis Bank Limited is secured by way of hypothecation on first charge basis of all the current assets of the Company, present and future, and hypothecation on second charge basis of all movable plant and machinery, furniture and fixtures, present and future and personal guarantee of the Director.
- iv. Cash Credit/ working capital taken from Andhra Bank are secured by way of first charge on the current assets ranking paripassu with Axis Bank and second charge on the fixed assets, present and future ranking paripassu with APSFC, TDB and Axis Bank Limited and personal guarantee of the Director of the Company.
- v. Cash Credit/working capital loan from YES Bank is secured by first Pari Passu charge on current assets of the Company.
- vi. Vehicle loans taken by the Company from ICICI Bank Limited and HDFC Bank Limited are secured by way of hypothecation of respective vehicles.
- vii. In respect of loans repaid, the Company is in the process of filing satisfaction of charges.

### 11. Capital work-in-progress includes incidental expenditure incurred during construction as under:

	2007 - 08 Rs. in lakhs	2006 - 07 Rs. in lakhs
Opening balance	93.59	266.72
Add : Incurred during the year		
Salaries	-	6.14
Power, water and fuel	-	29.60
Repairs and maintenance	0.68	16.01
Consulting fee	-	6.95
Insurance	-	2.24
Interest expenses	85.85	130.13
Bank charges	0.03	3.01
Others	1.54	5.85
	88.10	199.93
	181.69	466.65
Less: Biologics facility capitalized during the year	-	373.06
Balance carried over	<b>181.69</b>	<b>93.59</b>

### 12. Earnings per share

	2007-08	2006-07
a) Profit/(loss) after tax ( Rs. in lakhs)	(1470.26)	362.47
b) Weighted Average number of Equity Shares outstanding during the year	3,07,69,042	2,79,77,131
c) Potential equity shares on Employee Stock option granted	26,778	39,102
d) Weighted Average number of Equity Shares in computing diluted earnings per share	3,07,95,820	2,80,16,233
e) Face value of each Equity Share ( Rs.)	10	10
f) Earnings per share		
- Basic (Rs.)	(4.78)	1.29
- Diluted (Rs.)	(4.78)	1.29

**Schedules forming part of Balance Sheet & Profit and Loss Account**
**13. Product development expenditure incurred comprises of**

	Rs. in lakhs	
	2007-08	2006-07
Salaries	99.24	97.10
Raw and packing material consumed	89.82	43.00
Clinical Trial and Studies	1.39	53.89
Fees for technical services	109.98	95.89
Depreciation	19.23	14.37
Others	22.71	4.73
	<b>342.37</b>	<b>308.98</b>

**Note:**

1. In the current year Product development expenditure have been shown under appropriate expenditure heads.
2. In the previous year a part of the Product development expenditure was carried under Miscellaneous Expenditure to be written off in future years.

**14. Sundry Creditors**

Sundry creditors (Schedule 8 - current liabilities) includes Rs. Nil due to Micro enterprises and small enterprises as defined under Micro, Small and Medium Enterprise Development Act, 2006 (MSMED Act, 2006). The Company has not received any memorandum (as required to be filed by the supplier with the notified authority under the MSMED Act, 2006) claiming their status as Micro or Small or Medium Enterprises.

**15. Segment reporting**

The Company has considered business segment as the primary segment for disclosure. The Company is engaged in the manufacture and trading of Pharmaceuticals, which in the context of Accounting Standard 17, issued by the Institute of Chartered Accountants of India, is considered the only business segment.

**16. Taxation**

- i) There is no tax liability for the current financial year.
- ii) Deferred Tax:

In the previous year the Company, in accordance with Accounting Standard (AS-22) on "Accounting for Taxes on Income", has taken credit of Rs. 290.14 lakhs in the profit and loss account recognising deferred tax asset in respect of carried forward business losses including unabsorbed depreciation after adjusting deferred tax liability on account of timing difference in depreciation.

The Company during the current financial year, has reviewed and reassessed the total deferred tax asset/liability and in view of substantial brought forwarded unabsorbed depreciation and accumulated losses as on March 31, 2007 and no taxable income for the current year, the net deferred tax asset of Rs. 229.06 lakhs as given below has been reversed:

## Schedules forming part of Balance Sheet & Profit and Loss Account

	<b>March 31, 2007</b>
	<b>Rs. in lakhs</b>
a) Deferred tax liability arising on account of timing differences : -	
- Depreciation	503.79
- Product development expenses	162.43
	<b>666.22</b>
b) Deferred tax assets arising on account of timing differences : -	
Unabsorbed business loss / depreciation	895.28
Deferred tax asset - Net	<b>229.06</b>

Further, as a matter of prudence, no deferred tax asset/liability arising on account of timing differences has been created in the books of account in view of substantial brought forwarded unabsorbed depreciation and accumulated losses.

### 17. Related Party Disclosures

Information relating to Related Party transactions as per "Accounting Standard 18" issued by the Institute of Chartered Accountants of India

#### (A) Name of the Related Party

Name of the Related Party	Relationship
Zenotech Farmaceutica Do Brasil Limiteda, Brazil (ZFDBL)	} Subsidiary
Zenotech Laboratories Nigeria Limited, Nigeria (ZLNL)	
Zenotech, Inc., USA	
Credence Organics Private Limited (COPL)	Associate
Ranbaxy Laboratories Limited (RLL)	Major Shareholder
Credence Clinical Research Private Limited (CCRPL)	} Promoter Group companies where common control exists and with whom the company had transactions
Rite Diagnostics Private Limited (RDPL)	
Hemarus Technologies Limited (HTL)	
Credence Power Projects Limited (CPPL)	
Credence Infrastructure Limited (CIL)	
Dr. Jayaram Chigurupati, Managing Director	Promoter and Key Management Personnel
Ms. Padmasree Chigurupati	Promoter and relative of Key Management Personnel

## (B) Details of transactions between the Company and related Parties and the status of outstanding balances at the year end

Rs. in lakhs

Particulars	Subsidiaries		Associate		Promoter Group		Major shareholder		Key Management Personnel and Promoter		Promoter and relative of Key Management Personnel	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Sales to ZLNL	-	29.59	-	-	-	-	-	-	-	-	-	-
Product Development expenses paid												
- Zenotech Inc, USA	109.98	82.33	-	-	-	-	-	-	-	-	-	-
- ZFDBL	-	13.47	-	-	-	-	-	-	-	-	-	-
Clinical Trail Expenses to CCRPL	-	-	-	-	-	16.50	-	-	-	-	-	-
Rent paid to CCRPL	-	-	-	-	2.69	2.69	-	-	-	-	-	-
Rent expenses shared with HTL	-	-	-	-	5.75	2.31	-	-	-	-	-	-
Reimbursement of expenses - RLL	-	-	-	-	-	-	8.06	-	-	-	-	-
Payments for material purchases -RLL	-	-	-	-	-	-	3.27	-	-	-	-	-
Purchase of Services from RDPL	-	-	-	-	0.59	0.43	-	-	-	-	-	-
Purchase of Fixed asset from CPPL	-	-	-	-	3.34	-	-	-	-	-	-	-
Advances to Subsidiaries - ZLNL	3.19	4.95	-	-	-	-	-	-	-	-	-	-
- Zenotech Inc, USA	20.45	-	-	-	-	-	-	-	-	-	-	-
Loans given - COPL	-	-	-	14.71	-	-	-	-	-	-	-	-
- CIL	-	-	-	-	0.28	-	-	-	-	-	-	-
- Zenotech Inc, USA	154.60	-	-	-	-	-	-	-	-	-	-	-
Interest accrued on loan - COPL	-	-	1.84	2.26	-	-	-	-	-	-	-	-
Receipts from ANDA Sales - RLL	-	-	-	-	-	-	687.56	-	-	-	-	-
Receipts from Contract Manufacturing - RLL	-	-	-	-	-	-	99.15	-	-	-	-	-
Unsecured loan taken - RLL	-	-	-	-	-	-	600.00	-	-	-	-	-
Unsecured loan repaid - RLL	-	-	-	-	-	-	600.00	-	-	-	-	-
Interest on loan - RLL	-	-	-	-	-	-	8.88	-	-	-	-	-
Advance for share capital to subsidiaries												
- ZFDBL	46.59	84.25	-	-	-	-	-	-	-	-	-	-
- ZLNL	10.39	3.38	-	-	-	-	-	-	-	-	-	-
- Zenotech Inc, USA	-	20.95	-	-	-	-	-	-	-	-	-	-

Rs. in lakhs

Particulars	Subsidiaries		Associate		Promoter Group		Major shareholder		Key Management Personnel and Promoter		Promoter and relatives Key Management Personnel	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Investment in Associate Loans taken and repaid												
- HTL	-	-	-	-	-	23.00	-	-	-	-	-	-
- CPPL	-	-	-	-	-	30.00	-	-	-	-	-	-
Loans given and received back from HTL	-	-	-	-	-	31.38	-	-	-	-	-	-
Unsecured loans repaid	-	-	-	-	-	-	-	-	-	-	336.10	550.00
Unsecured loans taken	-	-	-	-	-	-	-	-	-	-	230.50	105.60
Directors remuneration	-	-	-	-	-	-	-	-	17.39	15.45	-	-
<b>Outstanding balances at the year end</b>												
(a) Receivable												
- ZLNL	26.54	28.95	-	-	-	-	-	-	-	-	-	-
- CCRPL	-	-	-	-	19.93	19.74	-	-	-	-	-	-
- HTL	-	-	-	-	6.89	2.32	-	-	-	-	-	-
- RLL	-	-	-	-	-	-	8.06	-	-	-	-	-
- CPPL	-	-	-	-	-	0.04	-	-	-	-	-	-
(b) Payable												
RDPL	-	-	-	-	-	0.43	-	-	-	-	-	-
RLL	-	-	-	-	-	-	8.88	-	-	-	-	-
(c) Advances towards share capital in subsidiaries	257.10	210.51	-	-	-	-	-	-	-	-	-	-
- ZLNL	26.14	15.75	-	-	-	-	-	-	-	-	-	-
- Zenotech Inc, USA	110.55	110.55	-	-	-	-	-	-	-	-	-	-
(d) Advances outstanding												
- ZLNL	8.14	4.95	-	-	-	-	-	-	-	-	-	-
- Zenotech Inc, USA	20.45	-	-	-	-	-	-	-	-	-	-	-
- Others	-	-	4.10	2.26	-	-	-	-	-	3.92	-	-
(e) Loan												
- Due to	-	-	-	-	-	-	-	-	-	-	-	105.60
- Due from	154.60	-	14.71	14.71	-	-	-	-	-	-	-	-

**Schedules forming part of Balance Sheet & Profit and Loss Account**

18. Accounting Standard 15 (Revised) - Employee Benefits ('AS-15') has become applicable to the Company from the current year and consequently, it revised the provision for retirement and other benefits as at March 31, 2007. An additional liability of Rs. 4.50 lakhs arising out of such revision has been adjusted to the opening balance in the profit and loss account as at April 1, 2007 in accordance with the transitional provisions of AS-15.

The employee benefits are as under:

- i. **Provident Fund:** Eligible employees of the Company receive benefits under the Provident Fund which are defined contribution plans wherein both the employees and the Company make monthly contributions equal to a specified percentage of the covered employee salary. The contributions are made to the Regional Provident Fund Commissioner and are charged to the Profit and Loss Account in the period they are incurred.
- ii. **Gratuity:** In accordance with the Payment of Gratuity Act, 1972 the Company provides for gratuity, a defined benefit plan (the Gratuity Plan) covering eligible employees. Liabilities with regard to such gratuity plan are determined by actuarial valuation and are charged to Profit and Loss Account in the period determined.
- iii. **Provision for Unutilised Leave:** The accrual for unutilized leave is determined for the entire available leave balance standing to the credit of the employees at period end. The value of such leave balance eligible for carry forward is determined by actuarial valuation and is charged to Profit and Loss Account in the period determined.

The following table sets out the status of the retirement and benefit plans in respect of gratuity as required under the Standard:

	Amount (Rs in Lakhs)
	<b>31-03-2008</b>
<b>Projected benefit obligation at the beginning of the year</b>	<b>7.58</b>
Current Service Cost	4.65
Interest Cost	0.97
Actuarial (Gain)/Loss	2.22
Benefits Paid	-
<i>Projected benefit obligation at the end of the year</i>	<i>15.42</i>
<b>Amounts recognized in the balance sheet</b>	
Projected benefit obligation at the end of the year	15.42
Fair value of the plan assets at the end of the year	-
Liability recognized in the Balance Sheet	15.42
<b>Cost of the Retirement and Other Benefits for the year</b>	
Current Service Cost	4.65
Interest Cost	0.97
Expected return on plan assets	-
<b>Net actuarial (Gain)/Loss recognized in the year</b>	<b>2.22</b>
<b>Net Cost recognized in the Profit and Loss Account</b>	<b>7.84</b>
<b>Assumptions</b>	
Discount Rate	8.65 %
Long term rate of compensation increase	10.00 %

**Schedules forming part of Balance Sheet & Profit and Loss Account**

19. a) There are no outstanding forward exchange contracts as at the year end.  
 b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

	2007-08		2006-07	
	Foreign Currency	Rupees in Lakhs	Foreign Currency	Rupees in Lakhs
(i) Amounts payable in foreign currency at the year end on account of the following:				
Import of goods	15,740 USD	6.29	2,16,659 USD	94.44
Import of capital equipment	321 Euro	0.20	90,000 Euro	52.33
(ii) Amounts receivable in foreign currency at the year end on account of the following:				
Export of finished goods	1,15,415 USD	46.13	1,72,148 USD	75.04

20. During the year the Company entered into an agreement dated March 9, 2007 with Ranbaxy Pharmaceuticals Inc for developing Abbreviated New Drug Application. Income of Rs.687.55 lakhs received in respect of aforesaid activity has been included under sales and other operations.
21. The disclosures in respect of Employees Stock Option Scheme which are outlined in this year's Annexure to the Report of the Directors & Management Discussion and Analysis and Report on Corporate Governance are treated as an annexure to these accounts.
22. End use of money raised by preferential and ESOS issue of equity shares:-

Particulars	Rs. in Lakhs
Proceeds of issue	8,818.11
Utilization:	
Research and development of biogenerics	154.60
Research and development of new biological entities	109.98
Capital expenditure for existing and new manufacturing facilities	146.64
Repayment of secured and unsecured loans	2,615.47
Working capital	37.02
Fixed deposits	5,754.40

23. Figures of the previous year have been regrouped / recast wherever necessary to compare with current year's classification.

For and on behalf of the Board of Directors

Atul Sobti  
Chairman

Dr. Jayaram Chigurupati  
Managing Director

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (As per Part IV of Schedule VI of the Companies Act, 1956)**

<b>i. Registration details</b>		
Registration Number		01-10122
State code		01
Balance sheet date		March 31, 2008
<b>ii Capital raised during the year (Amount in Rs. Thousands)</b>		
Public issue		Nil
Rights issue		Nil
Bonus issue		Nil
Private placement - Preferential basis and issue of ESOPs		55,395.36
<b>iii Position of mobilization and deployment of funds</b>		
(Amount in Rs. Thousands)		
Total liabilities		16,89,144.28
Total assets		16,89,144.28
<b>Sources of funds</b>		
Paid up capital		3,43,500.00
Reserves and surplus		11,59,697.70
Secured loans		1,73,492.68
Unsecured loans		12,453.90
Deferred tax liability		Nil
<b>Application of funds</b>		
Net fixed assets		7,14,751.82
Investments		22,562.00
Net current assets		7,42,632.93
Miscellaneous expenditure		39,113.69
Accumulated losses		1,70,083.84
<b>iv Performance of the company (Amount in Rs. Thousands)</b>		
Turnover		82,354.37
Total income		1,04,044.37
Total expenditure		2,27,566.27
Profit/(Loss) before tax		(1,23,521.90)
Profit/(Loss) after tax		(1,47,026.73)
Earning per share (in Rs.)		(4.78)
<b>v Generic names of three principal products/services of company</b>		
(As per monetary terms) Item code no. (ITC Code)		Product description
30049095		Gemcitabine
30049095		Paclitaxel
30049095		Docetaxel

For and on behalf of the Board of Directors

**Atul Sobti**  
Chairman

**Dr. Jayaram Chigurupati**  
Managing Director



**Auditors' Report**

To the Board of Directors of Zenotech Laboratories Limited

1. We have audited the attached consolidated Balance Sheet of Zenotech Laboratories Limited and its subsidiaries ("the group") as at March 31, 2008 and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the management of Zenotech Laboratories Limited and have been prepared by the management on the basis of separate financial statements and other financial information components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. 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 statements are free of material mis-statement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect Group's share of total assets of Rs. 151.95 lakhs as at March 31, 2008 and Group's share of total revenue of Rs. Nil and net cash flows amounting to Rs. (7.35) lakhs for the year ended on that date and associate whose financial statements reflect Group's share of loss of Rs. 136.95 lakhs for the year ended on that date as considered in the financial statements. We have relied up on the unaudited financial statements as provided by the Managements of the subsidiaries and associate for the purpose of consolidated financial statements.
4. We report that consolidated financial statements have been prepared by the Management of Zenotech Laboratories Limited in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, and Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
5. Subject to our comments in paragraph 3 above, based on our audit and on consideration of individual unaudited financial statements of the subsidiaries and associate and other financial information of the components, and to the best of our knowledge and information and explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2008;
  - (ii) in the case of the consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date; and
  - (iii) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

**For Deloitte Haskins & Sells**  
Chartered Accountants

**A.C. Gupta**  
Partner  
M.No. 8538

Place : Hyderabad  
Date : June 30, 2008

**Consolidated Balance Sheet as at March 31, 2008**

		Rs. in Lakhs	
	Schedules	As at March 31, 2008	As at March 31, 2007
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share capital	1	3,435.00	2,881.05
(b) Reserves and surplus	2	11,621.66	3,342.85
		15,056.66	6,223.90
<b>2. Loan Funds</b>			
(a) Secured Loans	3	1,835.01	3,179.72
(b) Unsecured Loans	4	156.78	370.04
		1,991.79	3,549.76
Total		<b>17,048.45</b>	<b>9,773.66</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
(a) Gross block	5	6,569.10	6,152.63
(b) Less: Depreciation		592.39	271.55
(c) Net Block		5,976.71	5,881.08
(d) Capital work-in-progress (Note 7)		1,205.16	948.46
		7,181.87	6,829.54
<b>2. Investments</b>	6	-	-
<b>3. Deferred Tax Asset (Net)</b>		-	229.06
<b>4. Current Assets, Loans and Advances</b>	7		
(a) Inventories		546.49	523.80
(b) Sundry Debtors		189.72	945.46
(c) Cash and Bank balances		6,039.65	232.81
(d) Loans and advances		780.56	489.03
		7,556.42	2,191.10
<b>Less : Current Liabilities and Provisions</b>			
(a) Current Liabilities	8	644.31	969.50
(b) Provisions	9	42.40	20.97
		686.71	990.47
<b>Net Current Assets</b>		<b>6,869.71</b>	<b>1,200.63</b>
<b>5. Miscellaneous Expenditure</b>	10		
(to the extent not written off or adjusted)			
Product Development Expenditure		372.48	482.56
Other		47.80	66.99
		420.28	549.55
<b>6. Goodwill on Consolidation</b>		157.22	157.22
<b>7. Profit and Loss Account</b>		2,419.37	807.66
<b>Total</b>		<b>17,048.45</b>	<b>9,773.66</b>
Condensed notes to the Accounts	17		

Schedules 1 to 17 annexed hereto form part of these accounts.

For and on behalf of the Board of Directors

 Per our report attached  
**For Deloitte Haskins & Sells**  
 Chartered Accountants

**Atul Sobti**  
 Chairman

**Dr. Jayaram Chigurupati**  
 Managing Director

**A.C.Gupta**  
 Partner

**I. Srinivas**  
 Company Secretary

 Place : Hyderabad  
 Date : June 30, 2008

**Consolidated Profit and Loss Account for the year ended March 31, 2008**

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Rs. in Lakhs

	Schedules	Year ended March 31, 2008	Year ended March 31, 2007
<b>INCOME</b>			
Income from Sales and Operations		857.03	1,345.59
Less : Excise duty		33.48	62.66
Net sales		823.55	1,282.93
License Fee		–	900.00
Other income	11	216.90	30.62
		<b>1,040.45</b>	<b>2,213.55</b>
<b>EXPENDITURE</b>			
Raw materials, Finished goods, etc.,	12	354.53	564.24
Personnel	13	620.80	591.60
Manufacturing expenses	14	367.23	164.16
Administrative, Selling and Distribution and other expenses	15	314.15	478.99
Product development expenses		21.72	18.46
Interest and Bank charges	16	279.98	229.15
Depreciation		303.01	184.54
Amortisation of miscellaneous expenditure			
– Product development expenditure		110.08	67.86
– Other		23.33	23.40
		<b>2,394.83</b>	<b>2,322.40</b>
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>		<b>(1,354.38)</b>	<b>(108.85)</b>
Provision for Taxation			
– Current Tax		–	7.50
– Deferred Tax - (Credit)		229.06	(290.14)
– Fringe benefit Tax		5.85	8.82
– Wealth Tax		0.15	0.17
<b>PROFIT /(LOSS) AFTER TAXATION</b>		<b>(1,589.44)</b>	<b>164.80</b>
Prior period item - Depreciation		17.77	–
<b>PROFIT/(LOSS) BEFORE SHARE OF RESULTS OF ASSOCIATES</b>		<b>(1,607.21)</b>	<b>164.80</b>
Share of Net Profit/(loss) of Associates		–	(0.24)
<b>NET LOSS</b>		<b>(1,607.21)</b>	<b>164.56</b>
Balance brought forward from previous year		(807.66)	(972.22)
Add : Adjustment arising out of initial adoption of AS 15		(4.50)	(812.16)
Balance carried to Balance sheet		<b>(2,419.37)</b>	<b>(807.66)</b>
Earning per share (Note 8)			
- Basic		(5.22)	(0.59)
- Diluted		(5.22)	(0.59)
Condensed notes to the Accounts	17		

Schedules 1 to 17 annexed hereto form part of these accounts.

For and on behalf of the Board of Directors

 Per our report attached  
**For Deloitte Haskins & Sells**  
 Chartered Accountants

**Atul Sobti**  
 Chairman

**Dr. Jayaram Chigurupati**  
 Managing Director

**A.C.Gupta**  
 Partner

**I. Srinivas**  
 Company Secretary

 Place : Hyderabad  
 Date : June 30, 2008

**Consolidated Cash flow Statement for the year ended March 31, 2008**

	Rs. in Lakhs	
	Year ended March 31, 2008	Year ended March 31, 2007
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit / (loss) before tax and extraordinary items	(1,354.38)	(108.85)
<b>Adjustments for:</b>		
Depreciation	303.01	192.08
Amortisation of miscellaneous expenditure	133.41	91.26
Interest income	(200.60)	(19.78)
Interest expense	258.07	215.10
Loss on sale of vehicles	1.12	-
<b>Operating profit before working capital changes</b>	<b>(859.37)</b>	<b>369.81</b>
<b>Adjustments for :</b>		
Inventory	(22.69)	(289.04)
Sundry debtors/receivables	755.74	(453.45)
Loans and advances	(32.07)	(103.33)
Trade/Other payables	(79.61)	(65.16)
<b>Cash generated from operations</b>	<b>(238.00)</b>	<b>(541.17)</b>
Taxes paid (including fringe benefit tax and wealth tax)	(74.86)	(15.08)
Miscellaneous expenditure paid	-	(146.34)
<b>Cash flow from operating activities before extraordinary items</b>	<b>(312.86)</b>	<b>(702.59)</b>
Foreign Currency translation reserve (arising on account of currency translation)	14.65	4.90
<b>Net cash flow from operating activities</b>	<b>(298.21)</b>	<b>(697.69)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(982.63)	(1,531.64)
Sale of fixed assets	6.50	-
Loans given	-	(46.09)
Loans realised	-	31.38
Interest received	76.03	17.08
<b>Net cash used in investing activities</b>	<b>(900.10)</b>	<b>(1,529.27)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of equity share capital	8,818.11	2,000.00
Proceeds from borrowings (including security deposits)	532.55	1,125.58
Repayment of borrowings	(2,087.21)	(731.02)
Loans taken	600.00	53.00
Loans repaid	(600.00)	(53.00)
Interest paid	(258.30)	(174.63)
<b>Net cash inflow from financing activities</b>	<b>7,005.15</b>	<b>2,219.93</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,806.84</b>	<b>(7.03)</b>
<b>CASH AND CASH EQUIVALENTS AT THE COMMENCEMENT OF THE YEAR</b>	<b>232.81</b>	<b>239.84</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>6,039.65</b>	<b>232.81</b>

For and on behalf of the Board of Directors

Per our report attached  
 For Deloitte Haskins & Sells  
 Chartered Accountants

**A.C.Gupta**  
 Partner

**Atul Sobti**  
 Chairman

**Dr. Jayaram Chigurupati**  
 Managing Director

Place : Hyderabad  
 Date : June 30, 2008

**I. Srinivas**  
 Company Secretary

**Schedules forming part of Consolidated Balance Sheet**

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Rs. in Lakhs

	As at March 31, 2008	As at March 31, 2007
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
3,50,00,000 Equity Shares of Rs.10/- each	3,500.00	3,500.00
<b>Issued and Subscribed</b>		
3,43,50,000 (previous year 2,88,10,464) equity shares of Rs.10/- each fully paid	3,435.00	2,881.05
	<b>3,435.00</b>	<b>2,881.05</b>
Of the above		
a) 1,11,27,664 equity shares of Rs. 10/- each issued to erstwhile shareholders of Credence Pharmaceuticals Limited and Hemarus Healthcare Private Limited pursuant to Scheme of Amalgamation		
b) 91,82,500 equity shares of Rs. 10/- each issued to erstwhile Shareholders of Zenotech Laboratories Private Limited, pursuant to Scheme of Amalgamation		
c) Under the Zenotech Stock Option Scheme 2005, the Company has granted (net of options lapsed) 1,25,000 options of which 50,000 vested options have been exercised		
d) Under the Zenotech Employee Stock Option Scheme 2005, the Company has granted 29,000 options (net of options lapsed) unvested as on 31.03.2008		
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
At commencement of the year	3,332.82	1532.82
Add : On issue of equity shares	8,264.16	1800.00
<b>Foreign Currency Translation Reserve</b>		
At commencement of the year	10.03	5.13
Add : For the year	14.65	4.90
	<b>11,621.66</b>	<b>3,342.85</b>
<b>SCHEDULE 3 - SECURED LOANS</b>		
<b>a) Cash Credits / Working Capital loans</b>		
<b>i) Banks</b>		
UTI Bank	-	70.56
Andhra Bank	7.66	344.69
Yes Bank	472.28	-
PNC Bank	3.52	-
<b>b) Term Loans</b>		
<b>i) Financial Institutions</b>		
Andhra Pradesh State Financial Corporation	692.54	1077.74
Technology Development Board	552.47	600.00
<b>ii) Banks</b>		
Andhra Bank	-	491.55
Indian Overseas Bank	-	420.00
PNC Bank, USA	96.57	136.28
Other - Banks	9.97	27.74
c) Interest accrued and due	-	11.16
	<b>1,835.01</b>	<b>3179.72</b>
<b>SCHEDULE 4 - UNSECURED LOANS</b>		
(other than short term)		
From Promoters - interest free *	18.08	227.25
Biotech Consortium India Ltd	5.80	-
Other loans	14.16	-
Security Deposits	114.19	141.50
Interest accrued and due	4.55	1.29
	<b>156.78</b>	<b>370.04</b>

\* Repayable within a year Rs. 18.08 lakhs ( Previous year Rs.192.05 lakhs)

## SCHEDULE - 5 : FIXED ASSETS

Rs. in lakhs

Description	Cost				Depreciation				Net Book Value			
	31.03.07	Additions	Deduct-ions	Foreign exchange adjust-ment	31.03.08	31.03.07	Foreign exchange adjust-ment	For the year	Deduct-ions	31.03.08	31.03.08	31.03.07
Land (freehold)	140.08	-	-	-	140.08	-	-	-	-	-	140.08	140.08
Buildings	1,994.06	3.83	-	-	1,997.89	57.48	-	66.80	-	124.28	1,873.61	1,936.58
Leasehold improvements	35.22	-	-	0.31	35.53	13.61	0.38	14.42	-	28.41	7.12	21.61
Plant and machinery	3,752.80	392.87	-	(5.25)	4,140.42	162.38	0.10	214.23	-	376.71	3,763.71	3,590.42
EDP equipment	32.66	10.38	-	0.32	43.36	12.34	0.16	6.60	-	19.10	24.26	20.32
Office equipment	3.25	1.04	-	-	4.29	0.64	-	0.22	-	0.86	3.43	2.61
Furniture and fixtures	101.23	16.79	-	1.21	119.23	8.46	0.18	10.21	-	18.85	100.38	92.77
Vehicles	93.33	3.34	8.37	-	88.30	16.64	-	8.30	0.76	24.18	64.12	76.69
	<b>6152.63</b>	<b>428.25</b>	<b>8.37</b>	<b>(3.41)</b>	<b>6,569.10</b>	<b>271.55</b>	<b>0.82</b>	<b>320.78</b>	<b>0.76</b>	<b>592.39</b>	<b>5,976.71</b>	<b>5,881.08</b>
31-Mar-07	1,483.14	4,669.49	-	-	6,152.63	79.47	-	192.08	-	271.55		

## Notes :

1. Freehold land includes a sum of Rs.37.16 lakhs in respect of which conveyance is pending

	2007-08	Rs. lakhs 2006-07
2. Depreciation - per above	320.78	192.08
Less : Transferred to Product Development expenditure	-	7.54
Less : Prior period item	17.77	-
	<b>303.01</b>	<b>184.54</b>

**Schedules forming part of Consolidated Balance Sheet**

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	As at March 31, 2008	As at March 31, 2007
Rs. in Lakhs		
<b>SCHEDULE 6 - INVESTMENTS</b>		
At cost		
Unquoted - Long Term		
Trade		
<b>a. Shares in associate company</b>		
Credeence Organics Pvt Ltd : 2400 shares of Rs.10 each	0.24	0.24
Add/Less: Group Share of Profits/(losses) upto 31.03.2008	(0.24)	(0.24)
	-	-
	-	-
<b>SCHEDULE 7 - CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
(as lower of cost and net realisable value)		
Raw and packing material	214.62	187.51
Work in process	35.02	96.64
Finished goods	296.85	239.65
	<b>546.49</b>	<b>523.80</b>
<b>Sundry Debtors</b>		
(Unsecured, considered good unless otherwise specified)		
Debts outstanding for a period exceeding six months	122.51	120.68
Other debts *	67.21	824.78
	<b>189.72</b>	<b>945.46</b>
* includes license fee due Rs. Nil (previous year Rs.450 lakhs)		
<b>Cash And Bank Balances</b>		
Cash on hand	0.71	1.34
With Scheduled Banks		
- Current accounts	21.24	20.71
- Fixed deposits / Margin account	5,865.90	110.55
With Non-Scheduled Bank*		
- Current accounts	1.80	0.21
- Fixed Deposits	150.00	100.00
	<b>6,039.65</b>	<b>232.81</b>
* Balance with Coastal Local Area Bank Limited. Maximum balance during the year is Rs.250 lakhs ( Previous year :Rs.250 lakhs ). Certain Directors of the Parent Company are also Directors/Shareholders of this Bank.		
<b>Loans &amp; Advances</b>		
(Unsecured, Considered good unless otherwise specified)		
Loans to Companies	14.71	14.71
Advances recoverable in cash or in kind or for value to be received *	561.16	461.03
Interest accrued on loans / deposits	127.27	2.70
Balance with Excise Authorities on Current Account	1.81	4.89
Advance Income Tax ( including TDS Receivable)	75.61	5.70
	<b>780.56</b>	<b>489.03</b>

\* Includes

- Capital advances Rs.296.88 lakhs (previous year : Rs.231.90 lakhs)
- Advance given to Credence Clinical Research Pvt Ltd Rs.19.93 lakhs (previous year Rs.19.74 lakhs) certain Directors of the Parent Company are also director/ shareholders of the above Company. Maximum balance during the year Rs. 22.06 lakhs (previous year Rs.37.41 lakhs)

**Schedules forming part of Consolidated Balance Sheet**

	Rs. in Lakhs	
	As at March 31, 2008	As at March 31, 2007
<b>SCHEDULE 8 - CURRENT LIABILITIES</b>		
Sundry Creditors	399.38	716.36
Interest accrued but not due	74.75	67.08
Other liabilities	170.18	186.06
	<b>644.31</b>	<b>969.50</b>

Note : There are no amounts due and outstanding to be credited to Investors Education and Protection Fund

**SCHEDULE 9 - PROVISIONS**

Provision for Taxation	9.15	9.15
Fringe Benefit Tax	1.04	-
Leave encashment	16.79	4.28
Gratuity	15.42	7.54
	<b>42.40</b>	<b>20.97</b>

**SCHEDULE 10 - MISCELLANEOUS EXPENDITURE**

( to the extent not written off or adjusted)

	Rs. lakhs			
	Balance as on April 1, 2007	Additions during the year	Written off	Balance as on March 31, 2008
Preliminary expenses	29.99	4.13	1.66	32.46
Amalgamation expenses	23.01	-	7.67	15.34
Deferred payment expenditure	14.00	-	14.00	-
Product development expenses	482.56	-	110.08	372.48
	<b>549.56</b>	<b>4.13</b>	<b>133.41</b>	<b>420.28</b>



**Schedules forming part of Consolidated Profit and Loss Account**

63

	Year ended March 31, 2008	Year ended March 31, 2007
		Rs. in Lakhs
<b>SCHEDULE 11 - OTHER INCOME</b>		
Interest on deposits and loans (gross) (tax deducted at source Rs.44.80 lakhs, previous year Rs.3.67 lakhs)	200.60	19.78
Foreign Exchange gain / loss (net)	3.42	9.96
Miscellaneous	12.88	0.88
	<b>216.90</b>	<b>30.62</b>
<b>SCHEDULE 12 - RAW MATERIALS, FINISHED GOODS ETC.,</b>		
<b>a) Raw material and packing material consumed</b>		
Opening stock	187.51	129.61
Add: Purchases	369.52	532.19
	557.03	661.80
Less: Closing stock	214.62	187.51
	342.41	474.29
Less: Transferred to Miscellaneous Expenditure – Product Development Expenses	–	30.63
	<b>342.41</b>	<b>443.66</b>
<b>b) Purchase of Finished goods</b>	–	334.14
<b>c) (Increase) / Decrease in Finished Goods and Work-in-process</b>		
Opening Stock		
– Finished Goods	239.65	97.34
– Work - in - process	96.64	7.81
	336.29	105.15
Less: Closing stock		
– Finished Goods	296.85	239.65
– Work - in - process	35.02	96.64
	331.87	336.29
	4.42	(231.14)
<b>d) Excise duty on increase / ( decrease) of finished goods, stocks</b>	7.70	17.58
	<b>354.53</b>	<b>564.24</b>
<b>SCHEDULE 13 - PERSONNEL</b>		
Salaries, Wages etc.,	557.80	506.08
Contribution to Provident and other funds	39.04	41.46
Staff welfare	23.96	44.06
	<b>620.80</b>	<b>591.60</b>
<b>SCHEDULE 14 - MANUFACTURING EXPENSES</b>		
Conversion charges	0.33	1.10
Power, fuel and water	189.55	92.49
Spare parts consumed	3.59	4.91
Repairs and maintenance		
– Plant and Machinery	60.71	17.91
– Building	10.27	1.91
– Others	47.54	8.00
Contract manpower expenses	49.62	31.37
Other manufacturing expenses	5.62	6.47
	<b>367.23</b>	<b>164.16</b>

**Schedules forming part of Consolidated Profit and Loss Account**

	Rs. in Lakhs	
	Year ended March 31 , 2008	Year ended March 31, 2007
<b>SCHEDULE 15 -</b>		
<b>ADMINISTRATIVE, SELLING AND DISTRIBUTION AND OTHER EXPENSES</b>		
Rent	47.13	41.32
Office and general maintenance	42.94	54.14
Rates and taxes	11.80	26.92
Insurance	21.25	14.60
Printing and stationery	12.99	17.83
Communication expenses	15.57	16.73
Legal and professional charges	58.61	44.51
Travelling and conveyance expenses	46.74	58.59
Commission on sales	1.53	25.07
Selling and distribution expenses	23.78	119.53
Advances written off	-	2.65
Loss / (profit) on sale of fixed assets (net)	1.12	-
Miscellaneous	30.69	57.10
	<b>314.15</b>	<b>478.99</b>
<b>SCHEDULE 16 - INTEREST AND BANK CHARGES</b>		
On fixed term loans	168.63	138.69
Other loans	89.44	76.41
Bank charges	21.91	14.05
	<b>279.98</b>	<b>229.15</b>

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account**
**Schedule 17 - Significant accounting policies and notes on accounts for the year ended March 31, 2008**

1. a) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- b) The subsidiaries (which along with Zenotech Laboratories Limited, the parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

Name	Country of Incorporation	Percentage of voting power as at March 31, 2008
Zenotech Farmaceutica do Brasil Ltda	Brazil	100%
Zenotech Laboratories Nigeria Limited	Nigeria	100%
Zenotech Inc	New Jersey, USA	100%

**2. Significant accounting policies**
**Basis of Accounting**

The financial statements have been prepared under historical cost convention on an accrual basis and are in accordance with the mandatory Accounting Standards and the relevant provisions of the Companies Act, 1956. Financial statements of a foreign subsidiary, prepared in accordance with the Accounting Standards of that Country have been recast for the purpose of consolidation with the Indian Parent. The significant policies followed by the Company are stated below:

**a) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**b) Fixed assets**

Fixed Assets are carried at cost of acquisition or construction less accumulated depreciation. The actual cost capitalized comprises of cost of acquisition of the asset, clearing charges in case of imported assets, duties, taxes and other incidental expenditure incurred for acquiring the assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

**c) Depreciation**

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 on a straight line basis.

**d) Product development expenditure**

Expenses on personnel, consultancy, material, overhead costs and depreciation on assets procured for Product development activities are treated as deferred revenue expenditure and amortized over five years from the date revenue is generated from the respective products. All other revenue expenditure is expensed as incurred and capital expenditure incurred on Product development is capitalized as fixed assets and depreciated in accordance with depreciation policy of the Company.

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account****e) Foreign currency translations**

Foreign currency transactions are accounted at the exchange rates prevailing at the date of the transaction. In respect of monetary items denominated in foreign currencies, exchange differences arising out of settlement or on conversion at the closing rate are recognized in the profit and loss account except that exchange differences related to acquisition of fixed assets are adjusted in the carrying amount of the related fixed assets.

Exchange differences arising on account of assets or liabilities and income or expenditure of non integral foreign operations are recorded foreign currency translation reserves.

**f) Investments**

Long term investments are stated at cost.

To account for investments in associates using the equity method.

**g) Inventories**

Inventories are valued at the lower of cost or net realisable value. Cost of inventories comprises all 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.

**h) Retirement benefits**

Retirement benefits to employees are provided for by means of gratuity and provident fund.

Gratuity and leave encashment liabilities are accrued based on the actuarial valuation as at the balance sheet date.

**i) Revenue recognition**

Sale of goods is recognized at the point of dispatch of finished goods to customers. 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.

Income from interest on deposits is recognised on time proportionate basis.

**j) Taxes on Income**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**k) Leases**

The Company's significant leasing arrangements are in respect of operating leases for office premises. The leasing arrangements which are not cancelable range between 11 months to 5 years are generally and usually renewable by mutual consent on agreed terms. The aggregate lease rents payable are charged as rent in the Profit and Loss account.

**l) Miscellaneous expenditure**

Written off over a period of five year or the period over which the benefit of the expenditure is expected to be derived.

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account**
**3. Managerial remuneration**

	Rs. in lakhs	
	2007-08	2006-07
Salary	10.50	7.87
Perquisites	6.89	7.58
	<b>17.39</b>	<b>15.45</b>

Note: 1. Having regard to the fact that Gratuity is a defined benefit accrued based on actuarial valuation the amount applicable to an individual employee is not ascertainable and accordingly, has not been considered in the above computation.

2. Perquisites include contribution to Provident Fund Rs.1.26 lakhs (previous year Rs.0.90 lakhs)

3. Out of the total remuneration of Rs.17.39 lakhs (Previous year: Rs.15.45 lakhs), Rs. Nil (previous year Rs. 3.48 lakhs) has been paid by the company to the Managing Director in his capacity as the managing director of Credence Pharmaceutical Limited which got amalgamated with the Company with effect from October 1, 2005. The amalgamation was approved by the Hon'ble High Court of Andhra Pradesh, at Hyderabad vide its Orders dated May 2, 2006.

(Amount Rs. in Lakhs)

	As at March 31, 2008	As at March 31, 2007
<b>4. Contingent liabilities</b>		
In respect of matters under dispute:		
– Customs Duty	–	14.99
<b>5. Estimated amount of contracts remaining to be executed on capital account not provided for :</b>	<b>452.11</b>	<b>245.16</b>

**6. Secured loans**

- i. Term loans taken by the Company from Andhra Pradesh State Financial Corporation (APSFC) are secured by way of hypothecation of plant and machinery and mortgage of land related to Biologics facility and R&D facility and personal guarantee of the Director of the Company.
- ii. Term loan taken from the Technology Development Board (TDB) is secured by way of paripassu first charge on the whole of movable properties of the company including movable plant and machinery, machinery spares, tools and accessories and other movables, both present and future and paripassu first charge on land or other immovable property of the company, present and future, and personal guarantee of the Director of the Company.
- iii. Cash Credit/working capital loan from Axis Bank Limited is secured by way of hypothecation on first charge basis of all the current assets of the Company, present and future, and hypothecation on second charge basis of all movable plant and machinery, furniture and fixtures, present and future and personal guarantee of the Director.
- iv. Cash Credit/ working capital taken from Andhra Bank are secured by way of first charge on the current assets ranking paripassu with Axis Bank and second charge on the fixed assets, present and future ranking paripassu with APSFC, TDB and Axis Bank Limited and personal guarantee of the Director of the Company.
- v. Cash Credit/working capital loan from YES Bank is secured by first Pari Passu charge on current assets of the Company.

## Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account

- vi. Zenotech Inc., has obtained two US Small Business Administration guaranteed loans from PNC Bank, N.A for a total of USD 500,000
- vii. Vehicle loans taken by the Company from ICICI Bank Limited and HDFC Bank Limited are secured by way of hypothecation of respective vehicles.
- viii. In respect of loans repaid, the Company is in the process of filing satisfaction of charges.

### 7. Capital work-in-progress includes incidental expenditure incurred during construction as under

	2007 - 08 Rs. in lakhs	2006 - 07 Rs. in lakhs
Opening balance	93.59	266.72
Add : Incurred during the year		
Salaries	-	6.14
Power, water and fuel	-	29.60
Repairs and maintenance	0.68	16.01
Consulting fee	-	6.95
Insurance	-	2.24
Interest expenses	85.85	130.13
Bank charges	0.03	3.01
Others	1.54	5.85
	88.10	199.93
	181.69	466.65
Less: Biologics facility capitalized during the year	-	373.06
Balance carried over	181.69	93.59

### 8. Earnings per share

	2007-08	2006-07
a) Profit/(loss) after tax ( Rs. lakhs)	(1,607.21)	(164.56)
b) Weighted Average number of Equity Shares outstanding during the year	3,07,69,042	2,79,77,131
c) Potential equity shares on Employee Stock option granted	26,778	39,102
d) Weighted Average number of Equity Shares in computing diluted earnings per share	3,07,95,820	2,80,16,233
e) Face value of each Equity Share ( Rs.)	10	10
f) Earnings per share		
- Basic (Rs.)	(5.22)	(0.59)
- Diluted (Rs.)	(5.22)	(0.59)

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account**
**9. Product development expenditure incurred comprises of**

	2007-08	2006-07
		Rs. in lakhs
Salaries	99.24	97.10
Raw and packing material consumed	89.82	43.00
Clinical Trial and Studies	1.39	53.89
Depreciation	19.23	14.37
Others	22.71	4.73
	<b>232.39</b>	<b>213.06</b>

**Note:**

1. In the current year Product development expenditure have been shown under appropriate expenditure heads.
2. In the previous year a part of the Product development expenditure was carried under Miscellaneous Expenditure to be written off in future years.

**10. Segment reporting**

The Company has considered business segment as the primary segment for disclosure. The Company is engaged in the manufacture and trading of Pharmaceuticals, which in the context of Accounting Standard 17, issued by the Institute of Chartered Accountants of India, is considered the only business segment.

**11. Taxation**

- i) There is no tax liability for the current financial year.
- ii) Deferred Tax :

In the previous year the Company, in accordance with Accounting Standard (AS -22) on "Accounting for Taxes on Income", has taken credit of Rs.290.14 lakhs in the profit and loss account recognizing deferred tax asset in respect of carried forward business losses including unabsorbed depreciation after adjusting deferred tax liability on account of timing difference in depreciation.

The Company during the current financial year, has reviewed and reassessed the total deferred tax asset/liability and in view of substantial brought forwarded unabsorbed depreciation and accumulated losses as on March 31, 2007 and no taxable income for the current year, the net deferred tax asset of Rs.229.06 lakhs as given below reversed:

	March 31, 2007
	Rs. in lakhs
<b>a) Deferred tax liability arising on account of timing differences : -</b>	
- Depreciation	503.79
- Product development expenses	162.43
	<b>666.22</b>
<b>b) Deferred tax assets arising on account of timing differences : -</b>	
Unabsorbed business loss / depreciation	895.28
Deferred tax asset - Net	<b>229.06</b>

Further, as a matter of prudence, no deferred tax asset/liability arising on account of timing differences has been created in the books of account in view of substantial brought forwarded unabsorbed depreciation and accumulated losses.

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account**

12. a) There are no outstanding forward exchange contracts as at the year end.  
 b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

	2007-08		2006-07	
	Foreign Currency	Rupees in Lakhs	Foreign Currency	Rupees in Lakhs
(i) Amounts payable in foreign currency at the year end on account of the following:				
Import of goods	15,740 USD	6.29	2,16,659 USD	94.44
Import of capital equipment	321 Euro	0.20	90,000 Euro	52.33
(ii) Amounts receivable in foreign currency at the year end on account of the following:				
Export of finished goods	1,15,415 USD	46.13	1,72,148 USD	75.04

**13. Related Party Disclosures**

Information relating to Related Party transactions as per "Accounting Standard 18" issued by the Institute of Chartered Accountants of India

(A) Name of the Related Party	Relationship	
Credence Organics Private Limited (COPL)	Associate	
Ranbaxy Laboratories Limited (RLL)	Major Shareholder	
Credence Clinical Research Private Limited (CCRPL) Rite Diagnostics Private Limited (RDPL) Hemarus Technologies Limited (HTL) Credence Power Projects Limited (CPPL) Credence Infrastructure Limited (CIL)	} Promoter Group companies where common control exists and with whom the company had transactions	
Dr. Jayaram Chigurupati, Managing Director		Promoter and Key Management Personnel
Ms. Padmasree Chigurupati		Promoter and relative of Key Management Personnel



(B) Details of transactions between the Company and related Parties and the status of outstanding balances at the year end:

Rs. in lakhs

Particulars	Associate		Promoter Group		Major shareholder		Key Management Personnel and Promoter		Promoter and relative of Key Management Personnel	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Clinical Trail Expenses to CCRPL	-	-	-	16.50	-	-	-	-	-	-
Rent paid to CCRPL	-	-	2.69	2.69	-	-	-	-	-	-
Rent expenses shared with HTL	-	-	5.75	2.31	-	-	-	-	-	-
Reimbursement of expenses – RLL	-	-	-	-	8.06	-	-	-	-	-
Payments for material purchases–RLL	-	-	-	-	3.27	-	-	-	-	-
Purchase of Services from RDPL	-	-	0.59	0.43	-	-	-	-	-	-
Purchase of Fixed asset from CPPL	-	-	3.34	-	-	-	-	-	-	-
Loans given – COPL	-	14.71	-	-	-	-	-	-	-	-
Loans given – CIL	-	-	0.28	-	-	-	-	-	-	-
Interest accrued on loan – COPL	1.84	2.26	-	-	-	-	-	-	-	-
Receipts from ANDA Sales– RLL	-	-	-	-	687.56	-	-	-	-	-
Receipts from Contract Manufacturing – RLL	-	-	-	-	99.15	-	-	-	-	-
Unsecured loan taken – RLL	-	-	-	-	600.00	-	-	-	-	-
Unsecured loan repaid – RLL	-	-	-	-	600.00	-	-	-	-	-
Interest on loan – RLL	-	-	-	-	8.88	-	-	-	-	-
Investment in Associate Loans taken and repaid										
– HTL	-	-	-	23.00	-	-	-	-	-	-
– CPPL	-	-	-	30.00	-	-	-	-	-	-

## (B) Details of transactions between the Company and related Parties and the status of outstanding balances at the year end:

Particulars	Rs. in lakhs									
	Associate		Promoter Group		Major shareholder		Key Management Personnel and Promoter		Promoter and relative of Key Management Personnel	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Loans given and received										
back from HTL	-	-	-	31.38	-	-	-	-	-	-
Unsecured loans repaid	-	-	-	-	-	-	-	-	336.10	550.00
Unsecured loans taken	-	-	-	-	-	-	-	-	230.50	105.60
Directors remuneration	-	-	-	-	-	-	17.39	15.45	-	-
<b>Outstanding balances at the year end</b>										
<b>(a) Receivable</b>										
- CCRPL	-	-	19.93	19.74	-	-	-	-	-	-
- HTL	-	-	6.89	2.32	-	-	-	-	-	-
- RLL	-	-	-	-	8.06	-	-	-	-	-
- CPPL	-	-	-	0.04	-	-	-	-	-	-
<b>(b) Payable</b>										
RDPL	-	-	-	0.43	-	-	-	-	-	-
RLL	-	-	-	-	8.88	-	-	-	-	-
<b>(c) Advances outstanding</b>										
- Others	4.10	2.26	-	-	-	-	-	3.92	-	-
<b>(d) Loan</b>										
- Due to	-	-	-	-	-	-	18.08	-	-	227.25
- Due from	14.71	14.71	-	-	-	-	-	-	-	-

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account**

- 14 Accounting Standard 15 (Revised) - Employee Benefits ('AS-15') has become applicable to the parent company from the current year and consequently, it revised the provision for retirement and other benefits as at March 31, 2007. An additional liability of Rs.4.50 lakhs arising out of such revision has been adjusted to the opening balance in the profit and loss account as at April 1, 2007 in accordance with the transitional provisions of AS-15.

The employee benefits are as under:

i. Provident Fund

Eligible employees of the Company receive benefits under the Provident Fund which are defined contribution plans wherein both the employees and the Company make monthly contributions equal to a specified percentage of the covered employee salary. The contributions are made to the Regional Provident Fund Commissioner and are charged to the Profit and Loss Account in the period they are incurred.

ii. Gratuity

In accordance with the Payment of Gratuity Act, 1972 the Company provides for gratuity, a defined benefit plan (the Gratuity Plan) covering eligible employees. Liabilities with regard to such gratuity plan are determined by actuarial valuation and are charged to Profit and Loss Account in the period determined.

iii. Provision for Unutilised Leave

The accrual for unutilized leave is determined for the entire available leave balance standing to the credit of the employees at period end. The value of such leave balance eligible for carry forward is determined by actuarial valuation and is charged to Profit and Loss Account in the period determined.

The following table sets out the status of the retirement and benefit plans in respect of gratuity as required under the Standard:

	Amount (Rs in Lakhs)
	<b>31-03-2008</b>
<b>Projected benefit obligation at the beginning of the year</b>	<b>7.58</b>
Current Service Cost	4.65
Interest Cost	0.97
Actuarial (Gain)/Loss	2.22
Benefits Paid	-
Projected benefit obligation at the end of the year	15.42
<b>Amounts recognized in the balance sheet</b>	
Projected benefit obligation at the end of the year	15.42
Fair value of the plan assets at the end of the year	-
Liability recognized in the Balance Sheet	15.42
<b>Cost of the Retirement and Other Benefits for the year</b>	
Current Service Cost	4.65
Interest Cost	0.97
Expected return on plan assets	-
<b>Net actuarial (Gain)/Loss recognized in the year</b>	<b>2.22</b>
<b>Net Cost recognized in the Profit and Loss Account</b>	<b>7.84</b>
<b>Assumptions</b>	
Discount Rate	8.65 %
Long term rate of compensation increase	10.00 %

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account**

15. During the year the parent company entered into an agreement dated March 9, 2007 with Ranbaxy Pharmaceuticals Inc., for developing Abbreviated New Drug Application. Income of Rs.687.55 lakhs received in respect of aforesaid activity has been included under sales and other operations.
16. The disclosures in respect of Employees Stock Option Scheme which are outlined in this year's Annexure to the Report of the Directors & Management Discussion and Analysis and Report on Corporate Governance are treated as an annexure to these accounts.
17. End use of money raised by preferential and ESOS issue of equity shares:-

Particulars	Rs. in Lakhs
Proceeds of issue	8818.11
<b>Utilization:</b>	
Research and development of biogenerics	154.60
Research and development of new biological entities	109.98
Capital expenditure for existing and new manufacturing facilities	146.64
Repayment of secured and unsecured loans	2615.47
Working capital	37.02
Fixed deposits	5754.40

18. Figures of the previous year have been regrouped / recast wherever necessary to compare with current year's classification.

For and on behalf of the Board of Directors

**Atul Sobti**  
Chairman

**Dr. Jayaram Chigurupati**  
Managing Director

Place : Hyderabad  
Date : June 30, 2008

**I. Srinivas**  
Company Secretary

**Statement pursuant to Section 212 of the Companies Act, 1956  
relating to subsidiary companies**

**Statement pursuant to Section 212 of the Companies Act, 1956**

Sl. No.	Particulars	Zenotech Farmaceutica Do Brasil Limitada, Brasil	Zenotech Laboratories Nigeria Limited, Nigeria	Zenotech Inc. USA
1.	Financial year of the subsidiary company ended on	March 31, 2008	March 31, 2008	March 31, 2008
2.	Holding company's interest	100% in equity	100% in equity	100% in equity
3.	No. of shares held by the holding company in the subsidiary	39,600	9,99,000	10,00,000
4.	The net aggregate of profits or (losses) of the subsidiary for the current period so far as it concerns the members of the holding company			
	a. Dealt with or provided for in the accounts of the holding company	-	-	-
	b. not dealt with or provided for in the accounts of the holding company	(51.47 )	(0.94)	(86.42)
5.	The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company			
	a. Dealt with or provided for in the accounts of the holding company			
	b. not dealt with or provided for in the accounts of the holding company	(291.63)	(0.94)	(270.31)
6.	Changes in the interest of Zenotech Laboratories Limited, between the end of the last financial year and March 31st, 2008	Nil	Nil	Nil
7.	Material changes between the last financial year and March 31st, 2008	Nil	Nil	Nil

For and on behalf of the Board of Directors

Atul Sobti  
Chairman

Dr. Jayaram Chigurupati  
Managing Director

I. Srinivas  
Company Secretary

Place : Hyderabad  
Date : June 30, 2008

## Directors' Report

The directors have pleasure in submitting their report together with the un-audited financial Statements as at March 31, 2008.

### Principal activity

The nature of business of the company is to market pharmaceutical drugs and other associated products.

### Review of Operations

During the period under review, the Company registered a loss of R\$ 2.38 lakhs comprising of cost of personnel, selling, distribution and interest expenses and the cumulative loss up to March 31, 2008 is R\$ 17.95 lakhs

### Directors

The Director at the date of this report is Dr. Jayaram Chigurupati.

### Auditors

The Auditors, procontrol Consultoria Contabil, Chartered Accountants, have expressed their willingness to accept the appointment.

### Statement by Directors

In the opinion of the Directors, the accompanying un-audited financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. In view of serious software problem encountered during the year in the accounting packages used by the company, it was not possible for the management of the company to complete the audit of the financial statements given along with this report. However, the audit will be completed soon after the software problem is rectified.

By order of the Board

Date : June 30, 2008

Director

**Zenotech Farmaceutica Do Brasil Ltda., Brazil**

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**Balance Sheet**

Amount in R\$

	Schedules	As at March 31, 2008	As at March 31, 2007
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share capital	1	1,621,528	1,405,985
(b) Reserves and surplus	2	73,406	73,406
		1,694,934	1,479,391
<b>2. Loan Funds</b>			
(a) Secured Loans		-	-
(b) Unsecured Loans	3	61,500	-
		61,500	-
<b>Total</b>		<b>1,756,434</b>	<b>1,479,391</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets :</b>			
(a) Gross block	4	75,963	75,962
(b) Less: Depreciation		40,535	31,615
(c) Net Block		35,428	44,347
<b>2. Investments</b>			
		-	-
<b>3. Current Assets, Loans and Advances</b>			
(a) Inventories		-	-
(b) Sundry Debtors		-	-
(c) Cash and Bank balances		1,983	2,646
(d) Loans and advances		68,400	25,400
		70,383	28,046
<b>Less : Current Liabilities and Provisions</b>			
(a) Current Liabilities	6	144,119	149,782
(b) Provisions		-	-
		144,119	149,782
<b>Net Current Assets</b>		<b>(73,736)</b>	<b>(121,736)</b>
<b>4. Miscellaneous Expenditure</b>			
(to the extent not written off or adjusted)		-	-
<b>5. Profit and Loss Account</b>			
<b>Total</b>		<b>1,794,742</b>	<b>1,556,779</b>
		<b>1,756,434</b>	<b>1,479,391</b>
Notes to the Accounts	11		

By order of the Board

Date : June 30, 2008

Director

**Profit and Loss Account**

Amount in R\$

	Schedules	For the year ended March 31 , 2008	For the year ended March 31, 2007
<b>INCOME</b>			
Other income	7	–	70,600
		–	70,600
<b>EXPENDITURE</b>			
Personnel	8	103,841	244,092
Administrative, Selling and Distribution and other expenses	9	121,536	259,688
Interest and Bank charges	10	3,666	32,654
Depreciation		8,920	12,017
		<b>237,963</b>	<b>548,451</b>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>(237,963)</b>	<b>(477,851)</b>
Provision for Taxation			
– Current Tax		–	–
– Deferred Tax - (Credit)		–	–
– Fringe benefit Tax		–	–
– Wealth Tax		–	–
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>(237,963)</b>	<b>(477,851)</b>
Balance brought forward from previous year		(1,556,779)	(1,078,928)
Balance carried to Balance sheet		<b>(1,794,742)</b>	<b>(1,556,779)</b>
Notes to the Accounts	11		

By order of the Board

Date : June 30, 2008

Director



**Zenotech Farmaceutica Do Brasil Ltda., Brazil**

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**Schedules forming part of the Balance Sheet**

Amount in R\$

	As at March 31, 2008	As at March 31, 2007
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
40000 Quotas of Reais 10 each	400,000	400,000
<b>Issued and Subscribed</b>		
40000 Quotas of Reais 10 each Equity Shares of Rs. 10/- each fully paid	400,000	400,000
Advance for Capital increase	1,221,528	1,005,985
	<b>1,621,528</b>	<b>1,405,985</b>
<b>SCHEDULE 2 – RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
At commencement of the year	73,406	73,406
Add : On issue of equity shares	—	—
	<b>73,406</b>	<b>73,406</b>
<b>SCHEDULE 3 – UNSECURED LOANS</b>		
	61,500	—
	<b>61,500</b>	—
<b>SCHEDULE 5 - CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Cash and Bank Balances</b>		
Cash on hand	1,983	2,646
	<b>1,983</b>	<b>2,646</b>
<b>Loans &amp; Advances</b> (Unsecured, Considered good unless otherwise specified)		
Advance to others	24,400	24,400
Advances recoverable in cash or in kind or for value to be received	44,000	1,000
	<b>68,400</b>	<b>25,400</b>
<b>SCHEDULE 6 – CURRENT LIABILITIES</b>		
Sundry Creditors	3,501	13,874
Other liabilities*	140,618	135,908
	<b>144,119</b>	<b>149,782</b>

## Schedules forming part of the Balance Sheet

### SCHEDULE : 4

#### Fixed assets

Amount in R\$

Description	Cost				Depreciation				Net Book Value			
	31.03.07	Additions	Deduct- ions	Forex fluctuation	31.03.08	31.03.07	Forex fluctuation	For the year	Deduct- ions	31.03.08	31.03.08	31.03.07
Leasehold improvements	12,698	-	-	-	12,698	11,915	-	783	-	12,698	-	783
Plant and machinery	2,756	-	-	-	2,756	1,772	-	974	-	2,746	10	984
EDP equipment	12,195	-	-	-	12,195	6,317	-	2,326	-	8,643	3,552	5,878
Furniture and fixtures	48,314	-	-	-	48,314	11,611	-	4,837	-	16,448	31,866	36,703
	<b>75,963</b>	-	-	-	<b>75,963</b>	<b>31,615</b>	-	<b>8,920</b>	-	<b>40,535</b>	<b>35,428</b>	<b>44,348</b>

**Schedules forming part of the Profit and Loss Account**

Amount in R\$

	Year ended March 31, 2008	Year ended March 31, 2007
<b>SCHEDULE 7 - OTHER INCOME</b>		
Interest on deposits and loans (gross)	-	5,200
Miscellaneous	-	65,400
	-	<b>70,600</b>
<b>SCHEDULE 8 - PERSONNEL</b>		
Salaries, Wages etc.,	73,654	130,185
Social charges on salaries	30,187	79,522
Fringe benefits	-	34,385
	<b>103,841</b>	<b>244,092</b>
<b>SCHEDULE 9</b>		
<b>ADMINISTRATIVE, SELLING AND DISTRIBUTION AND OTHER EXPENSES</b>		
Rent	38,606	46,660
Office and general maintenance	6,078	11,862
Rates and taxes	-	12,550
Insurance	-	254
Communication expenses	7,612	13,632
Legal and professional charges	32,366	133,911
Travelling and entertainment	88	17,464
Miscellaneous	36,786	23,355
	<b>121,536</b>	<b>259,688</b>
<b>SCHEDULE 10 - INTEREST AND BANK CHARGES</b>		
On fixed term loans	-	26,760
Other loans	2,167	-
Bank charges	1,499	5,894
	<b>3,666</b>	<b>32,654</b>

**Schedule 11 – Notes on financial statements for the year ended March 31, 2008****1. Significant accounting Practices**

- a) The Company adopts the accrual basis of accounting
- b) Assets and Liabilities that are realizable or due more than twelve months after the financial statements date are classified as non-current
- c) Assets and Liabilities in foreign currencies are translated at exchange rates in effect at the financial dates
- d) Fixed assets are recorded at historical cost and depreciated on the straight-line method based on the estimated useful lives of the assets.

**2. Presentation of financial statements**

The financial statements have been prepared in conformity with accounting practices followed in Brazil based on corporate legislation.

**3. Operations:**

Zenotech Farmaceutica do Brasil Ltda. is in pre-operational process yet.

By order of the Board

Date : June 30, 2008

Director

**Zenotech Laboratories Nigeria Limited**

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**Directors' Report**

The directors have pleasure in submitting their report together with the un-audited Statement of Affairs at March 31, 2008.

**Principal activity**

The nature of business of the company is to market pharmaceutical drugs and other associated products.

**Review of Operations**

The Company is, yet to commence its operations.

**Directors**

Director at the date of this report is Mr. Obinna Emeribe

**Auditors**

In accordance with Section 357 (2) of the Companies and Allied Matters Act, 1990, the Auditors Messrs Kunle Akiode & Co. shall continue in office having indicated their willingness to do so.

**Statement by Directors**

In the opinion of the Directors, the accompanying un-audited financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. In view of serious software problem encountered during the year in the accounting packages used by the company, it was not possible for the management of the company to complete the audit of the financial statements given along with this report. However, the audit will be completed soon after the software problem is rectified.

By order of the Board

Date : June 30, 2008

Director

**Balance sheet**

	Schedules	As at March 31 , 2008	Amount in Naira As at March 31, 2007
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share capital	1	9,214,142	6,074,366
(b) Reserves and surplus	2	-	-
		<b>9,214,142</b>	<b>6,074,366</b>
<b>2. Loan Funds</b>			
(a) Secured Loans		-	-
(b) Unsecured Loans		-	-
<b>Total</b>		<b>9,214,142</b>	<b>6,074,366</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
(a) Gross block	3	513,350	513,350
(b) Less: Depreciation		-	-
(c) Net Block		513,350	513,350
<b>2. Investments</b>			
		-	-
<b>3. Current Assets, Loans and Advances</b>			
(a) Inventories		10,911,203	10,911,203
(b) Sundry Debtors		-	-
(c) Cash and Bank balances		6,143	15,468
(d) Loans and advances		270,837	270,837
		11,188,183	11,197,508
<b>Less : Current Liabilities and Provisions</b>			
(a) Current Liabilities	5	10,895,041	13,035,203
(b) Provisions		-	-
		10,895,041	13,035,203
<b>Net Current Assets</b>		293,142	(1,837,695)
<b>4. Miscellaneous Expenditure</b>			
pre - operative expenses		8,407,650	7,398,711
<b>Total</b>		<b>9,214,142</b>	<b>6,074,366</b>
Notes to the Accounts	6		

By order of the Board

**Zenotech Laboratories Nigeria Limited**

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**Schedules forming part of the Balance Sheet**

	As at March 31 , 2008	Amount in Naira As at March 31, 2007
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
10,00,000 Ordinary Shares	1,000,000	1,000,000
<b>Issued and Subscribed</b>		
10,00,000 Ordinary Shares	1,000,000	1,000,000
Advance for Capital increase	8,214,142	5,074,366
	<b>9,214,142</b>	<b>6,074,366</b>
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
At commencement of the year	-	-
Add : On issue of equity shares	-	-
	-	-
<b>SCHEDULE 4 – CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
(as lower of cost and net realisable value)		
Finished goods	10,911,203	10,911,203
	<b>10,911,203</b>	<b>10,911,203</b>
<b>Cash and Bank balances</b>		
Cash on hand	-	9,325
With Scheduled Banks		
- Current accounts	6,143	6,143
	<b>6,143</b>	<b>15,468</b>
<b>Loans &amp; Advances</b>		
(Unsecured, Considered good unless otherwise specified)		
Advances recoverable in cash or in kind or for value to be received	270,837	270,837
	<b>270,837</b>	<b>270,837</b>
<b>SCHEDULE 5 – CURRENT LIABILITIES</b>		
Sundry Creditors	8,477,717	10,911,203
Accrude Expenses	-	705,000
Other liabilities	2,417,324	1,419,000
	<b>10,895,041</b>	<b>13,035,203</b>

## Schedules forming part of the Balance Sheet

### SCHEDULE 3 – FIXED ASSETS

Amount in Naira

Description	Cost				Depreciation				Net Book Value			
	31.03.07	Additions	Deduct-ions	Forex fluctuation	31.03.08	31.03.07	Forex fluctuation	For the year	Deduct-ions	31.03.08	31.03.07	
EDP equipment	181,500	-	-	-	181,500	-	-	-	-	-	181,500	181,500
Furniture and fixtures	331,850	-	-	-	331,850	-	-	-	-	-	331,850	331,850
	<b>513,350</b>	-	-	-	<b>513,350</b>	-	-	-	-	-	<b>513,350</b>	<b>513,350</b>
31-Mar-07												513,350



**Zenotech Laboratories Nigeria Limited**

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**Schedule – 6: Notes to the financial statements for the year ended March 31, 2008****Significant Accounting Policies****1 BASIS OF ACCOUNTING**

This statement of affairs has been prepared under the historical cost convention of accounting

Adjustments have not been made to reflect the impact of price level changes on the accounts.

**2 STOCK**

Stock is valued at the lower of cost and net realizable value with cost determined on first in first basis

**3 FOREIGN CURRENCY ITEMS**

Foreign currency items were translated at the ruling market price for the period ended at the rate of N115.35 to the dollar.

By order of the Board

Date : June 30, 2008

Director

## Directors' Report

The Directors present their report and the un-audited financial statements for the period ended March 31, 2008.

### Principal activity

Zenotech Inc. is a Research and Development Company and has a full fledged laboratory at New Jersey, USA. The Company develops monoclonal antibodies. The Company's drug discovery projects are involved in developing new biological entities for known targets in cancer.

### Review of Operations

During the period under review, the Company registered a loss of USD 2.16 lakhs comprising of cost of raw material, personnel, administrative, selling and interest expenses.

### Auditors

The Auditors, Murphy and Associates, Chartered Accountants, have expressed their willingness to accept the appointment.

### Directors

The Directors at the date of this report are: Dr. Jayaram Chigurupati and Ms. Padmasree Chigurupati.

### Statement by Directors

In the opinion of the Directors, the accompanying un-audited financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. In view of serious software problem encountered during the year in the accounting packages used by the company, it was not possible for the management of the company to complete the audit of the financial statements given along with this report. However, the audit will be completed soon after the software problem is rectified.

By order of the Board

Date : June 30, 2008

Director

**Balance sheet**

Amount in US \$

	Schedules	As at March 31 , 2008	As at March 31, 2007
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share capital	1	255,000	255,000
(b) Reserves and surplus	2	–	–
		255,000	255,000
<b>2. Loan Funds</b>			
(a) Secured Loans	3	250,418	312,645
(b) Unsecured Loans	4	436,225	279,087
		686,643	591,732
<b>Total</b>		<b>941,643</b>	<b>846,732</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
(a) Gross block	5	131,989	115,397
(b) Less: Depreciation		70,838	–
(c) Net Block		61,151	115,397
<b>2. Investments</b>			
		–	–
<b>3. Current Assets, Loans and Advances</b>			
(a) Inventories	6	–	–
(b) Sundry Debtors		–	–
(c) Cash and Bank balances		127,960	133,919
(d) Loans and advances		4,262	4,262
		132,222	138,181
<b>Less : Current Liabilities and Provisions</b>			
(a) Current Liabilities	7	70,902	9,966
(b) Provisions		–	–
		70,902	9,966
<b>Net Current Assets</b>		<b>61,320</b>	<b>128,215</b>
<b>4. Miscellaneous Expenditure</b>			
(to the extent not written off or adjusted)		–	–
<b>5. Profit and Loss Account</b>			
		819,172	603,120
<b>Total</b>		<b>9 41,643</b>	<b>846,732</b>
Notes to the Accounts	12		

By order of the Board

**Profit and Loss Account**

	Schedules	For the year ended March 31 , 2008	For the year ended March 31, 2007
Amount in US \$			
<b>INCOME</b>			
Income from Sales and Operations		275,000	204,825
		<b>275,000</b>	<b>204,825</b>
<b>EXPENDITURE</b>			
Raw Materials, Finished goods, etc.,	8	48,257	44,140
Personnel	9	246,891	222,305
Administrative, Selling and Distribution and other expenses	10	104,387	85,895
Interest and Bank charges	11	20,678	24,591
Depreciation		26,398	-
		<b>446,611</b>	<b>376,931</b>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		(171,611)	(172,106)
Provision for Taxation			
- Current Tax		-	-
- Deferred Tax - (Credit)		-	-
- Fringe benefit Tax		-	-
- Wealth Tax		-	-
<b>PROFIT / (LOSS) FROM ORDINARY ACTIVITIES AFTER TAXATION</b>		(171,611)	(172,106)
Extra Ordinary item - Depreciaion for previous years		44,440	-
<b>PROFIT / (LOSS) AFTER EXTRA ORDINARY ITEMS AND TAXATION</b>		(216,052)	(172,106)
Balance brought forward from previous year		(603,120)	(431,014)
Balance carried to Balance sheet		(819,172)	(603,120)
Notes to the Accounts	12		

By order of the Board

Date : June 30, 2008

Director

**Schedules forming part of the Balance Sheet**

	As at March 31 , 2008	Amount in US \$ As at March 31, 2007
<b>SCHEDULE 1 – SHARE CAPITAL</b>		
<b>Authorised</b>		
Capital Stock 10,00,000 shares authorized, par value \$0.01	10,000	10,000
<b>Issued and Subscribed</b>		
Capital Stock 10,00,000 shares authorized, par value \$0.01	10,000	10,000
Advance for Capital increase	245,000	245,000
	<b>255,000</b>	<b>255,000</b>
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
At commencement of the year	-	-
Add : On issue of equity shares	-	-
	-	-
<b>SCHEDULE 3 – SECURED LOANS</b>		
<b>a) Cash Credits / Working Capital loans</b>		
i) Banks		
Bank Loans	8,800	-
<b>b) Term Loans</b>		
i) Banks		
PNC	241,618	312,645
	<b>250,418</b>	<b>312,645</b>
<b>SCHEDULE 4 – UNSECURED LOANS</b>		
From Promoters - interest free	391,000	-
From others	45,225	279,087
	<b>436,225</b>	<b>279,087</b>
<b>SCHEDULE 6 – CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Cash and Bank balances</b>		
With Scheduled Banks		
– Current accounts	27,960	21,871
– Fixed deposits / Margin account	100,000	112,048
	<b>127,960</b>	<b>133,919</b>
<b>Loans &amp; Advances</b>		
(Unsecured, Considered good unless otherwise specified)		
Advances recoverable in cash or in kind or for value to be received	4,262	4,262
	<b>4,262</b>	<b>4,262</b>
<b>SCHEDULE 7 – CURRENT LIABILITIES</b>		
Sundry Creditors	8,069	9,966
Other liabilities*	62,833	-
	<b>70,902</b>	<b>9,966</b>

## Schedules forming part of the Balance Sheet

### SCHEDULE 5 – FIXED ASSETS

Amount in US \$

Description	Cost				Depreciation				Net Book Value			
	31.03.07	Additions	Deduct- ions	Forex fluctuation	31.03.08	31.03.07	Forex fluctuation	For the year	Deduct- ions	31.03.08	31.03.08	31.03.07
Plant and machinery	115,397	16,592		-	131,989	44,440	-	26,398	-	70,838	61,151	70,957
	115,397	16,592	-		131,989	44,440		26,398	-	70,838	61,151	70,957
31.03.07												115,397

**Schedules forming part of Profit and Loss Account**

	Year ended March 31, 2008	Year ended March 31, 2007
		Amount in US \$
<b>SCHEDULE 8 – RAW MATERIALS, FINISHED GOODS, ETC.,</b>		
R&D Consumables	48,257	44,140
	<b>48,257</b>	<b>44,140</b>
 <b>SCHEDULE 9 – PERSONNEL</b>		
Salaries, Wages etc.,	246,891	222,305
	<b>246,891</b>	<b>222,305</b>
 <b>SCHEDULE 10 – ADMINISTRATIVE, SELLING AND DISTRIBUTION AND OTHER EXPENSES</b>		
Rent	47,077	42,037
Office and general maintenance	25,846	33,068
Rates and taxes	891	684
Insurance	22,724	2,625
Communication expenses	3,279	2,523
Legal and professional charges	350	4,045
Travelling and entertainment	3,579	–
Miscellaneous	642	913
	<b>104,387</b>	<b>85,895</b>
 <b>SCHEDULE 11 – INTEREST AND BANK CHARGES</b>		
Other loans	19,755	24,346
Bank charges	923	245
	<b>20,678</b>	<b>24,591</b>

**Schedule - 12: Notes to Financial Statements for the period ended March 31, 2008****1. Significant Accounting Policies****Basis of accounting**

The Company uses the accrual basis in accordance with generally accounting policies. Particularly significant policies are outlined below.

**Business activity**

Zenotech Inc is as American Research and Development Company which develops second generation generic monoclonal antibodies used as human therapeutics. The Company has developed the clones to produce five generic monoclonal antibodies. The Company also developed techynologies to produce these antibodies in mammalian cell culture up to 10 liters in bioreactors. The Company has also developed technologies to purity the products from culture media and formulate them for human use.

The Company has R&D facilities at 1 Deer Park Drive, Suite H6, Monmouth Junction, NJ. Its scientists are highly qualified with prior research experience in monoclonal antibodies at Case Western University, Stanford University and Princeton University.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounging principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**2. Long Term Debt**

The Company has obtained two US Small Business Administration guaranteed loans from PNC Bank, N.A. for a total of \$500,000. The first loan of \$250,000 was obtained in August, 2003 with a maturity date of August 22, 2010. The loan carries a fixed Interest of 6.5%. The Company pays a total of \$3,682. 17 monthly to be bank.

The second loan of \$250,000 was obtained in October, 2004 with a maturity date of October 15,2011. The second loan carries a fixed interest of 7.25%. The Company pays a total of \$3,803.80 monthly to the bank.

**3. Related Party Transactions**

The Company has a note payable to major stockholder \$436,225 the end of March 31, 2008. The loan is a demand loan with no interest.

**4. Defined Contribution Pension Plan**

The Company sponsors a simple IRA plan whereby the employees contribute to the plan administrators by TD Waterhouse from their pretax earnings. The Company makes a small matching contribution of 2% of employee earnings.

By order of the Board

Date : June 30, 2008

Director



**Notice to the Shareholders**

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**NOTICE**

Notice is hereby given that the Nineteenth Annual General Meeting of the members of the Company will be held on Friday, the February 26, 2010 at 10.00 A.M. at Factory premises of the Company situated at Survey No.250-252, Turkapally Village, Shameerpet Mandal, Ranga Reddy District 500078, to transact the following business.

**ORDINARY BUSINESS**

- 1) To receive, consider and adopt the audited Balance Sheet as at March 31, 2008 and the Profit and Loss account for the year ended on that date together with the reports of the Director's and Auditors thereon.
- 2) To appoint Auditors and fix their remuneration.

M/s Deloitte Haskins & Sells, Chartered Accountants, Hyderabad retire at the conclusion of this Annual General Meeting and are eligible for re-appointment.

**SPECIAL BUSINESS**

- 3) To consider and if thought fit to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:  
"RESOLVED that Mr. M. R. Vikram, who was appointed by the Board as an additional director of the Company on October 1, 2009 and who holds office up to the date of the annual general meeting and in respect of whom a notice in writing pursuant to Section 257 of the Companies Act, 1956 was received proposing his candidature for the office of the director, be and is hereby appointed as a director of the Company, liable for retirement by rotation.
- 4) To consider and if thought fit to pass with or without modification, the following resolution as an ORDINARY RESOLUTION:  
"RESOLVED that Dr. K. Uma Devi who was appointed by the Board as an additional director of the Company on October 1, 2009 and who holds office up to the date of the annual general meeting and in respect of whom a notice in writing pursuant to Section 257 of the Companies Act, 1956 was received proposing her candidature for the office of the director, be and is hereby appointed as a director of the Company.
- 5) To consider and if thought fit to pass with or without modification, the following resolution as a ORDINARY RESOLUTION:  
RESOLVED THAT subject to the provisions of the Companies Act as may be applicable and subject to the approval of the Central Government Dr. K. Uma Devi, be and is hereby appointed as Whole-time Director of the Company for a period of 3 years from 01.10.2009 at a remuneration not exceeding Rs.4,00,000/- per month..

By Order Of The Board  
For **Zenotech Laboratories Limited**

Place : Hyderabad  
Date : November 16, 2009

Dr. Jayaram Chigurupati  
Managing Director

**NOTES**

1. Retirement of Directors: Company has been granted extension up to December 31, 2008 to hold the 19th Annual General Meeting for the financial year ended March 31, 2008. However due the circumstances beyond the control of the Management the said Annual General Meeting could not be held on or before December 31, 2008 being the last date for holding the Annual General Meeting, despite the best of the efforts. In view of the same, Sri. Atul Sobti, Sri. Dipak Chattaraj and Sri. Omesh Sethi, who were appointed as additional Directors of the Company and holding the office till the December 31, 2008 have vacated the office as Directors on that date. Further Sri. M R Vikram and Sri. S Ravi who are liable to retire by rotation at the Annual General Meeting have retired as directors of the Company on that date.
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.
3. The Register of members and transfer Books of the Company will be closed from January 22, 2010 to January 23, 2010 (both days inclusive) for the purpose of Annual General Meeting.
4. The members are requested to -
  - a) Intimate to the Registrars and Transfer Agents of the Company / Depository Participants 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. Shareholders holding shares in physical form are requested to advise any change of address immediately to company's Registrar and Share Transfer Agent, Karvy Computershare Private Limited. Shareholders holding shares in electronic form must send the advice about change in address to their respective Depository participants and not to the Company.
6. Members seeking any information with regard to accounts are requested to write to the Company at least 10 days in advance of the meeting to enable the management to keep the information ready.
7. Under 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 Registrars and Transfer Agents M/s. Karvy Computershare Private Limited.
8. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

**Notice to the Shareholders**
**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**
**Item No. 3. APPOINTMENT OF Mr. M.R. VIKRAM AS DIRECTOR**

Mr. Vikram aged about 52 years is the trustee and treasurer of M.Venkatarangaiya Foundation, a leading voluntary organization doing pioneering work in literacy and in eradicating child labour in India. He was earlier the Treasurer of the Southern India Regional Council, (SIRC) Institute of Chartered Accountants of India (1991-94) and was also the Chairman of Managing Committee, Hyderabad Branch of the Institute of Chartered Accountants of India.

Presently, he is one of the Paper Writer and Speaker in many conferences/seminar conducted by the Institute of Chartered Accountants of India. He is also a regular speaker in conferences held by various management institutes on topics of finance and management.

Mr. Vikram has done his graduation in Science and Law. He is a Fellow member of the Institute of Chartered Accountants of India.

**Name of the Companies in which he is a Director**

Sl. No.	Name of the Company/Firms	Designation
1.	GTN Industries Limited	Director
2.	Glochem Industries Limited	Director
3.	ASM Technologies Limited	Director
4.	Dyka Accessories Private Limited	Director
5.	Wings Infonet Limited	Director
6.	A-Bond Strands Private Limited	Director
7.	Normak Fashions Private Limited	Director
8.	Normak India Private Limited	Director
9.	Institute of Insurance & Risk Management	Director
10	M. Anandam Consultancy Services Private Limited	Director
11.	Associated Business Counseling Services Private Limited	Director

**Name of Companies in which he is a member of Committee**

Name of the Company	Name of the Committee	Designation Chairman/Member
ASM Technologies Limited	Audit Committee	Member
ASM Technologies Limited	Compensation Committee	Member
ASM Technologies Limited	Remuneration Committee	Member
GTN Industries Limited	Audit Committee	Member
GTN Industries Limited	Remuneration Committee	Member
GTN Industries Limited	Transfer Committee	Member

Mr. M.R. Vikram is holding 25,000 shares in the Company as on November 16, 2009.

Except Mr. M.R. Vikram none of the Director is interested or concerned in the above Resolution.

The Board recommends the resolution for the approval of the Members.

**ITEM No. 4 AND 5. APPOINTMENT OF Dr. K. UMA DEVI AS DIRECTOR AND WHOLE TIME DIRECTOR**

Dr. K. Uma Devi , aged about 47 years, had obtained her Master's degree in Biochemistry from University of Hyderabad, India in 1984 and a Ph.D. from Center for Cellular and Molecular Biology/JNU, India in Protein Chemistry in 1994.

Dr. K. Uma Devi did her postdoctoral work at CCMB (1994 to 1998) in purification and characterization of protein kinases that were involved in maturation of sperm. She was also involved in purification and characterization of proteases in extremophilic bacteria from Antarctica.

Between 1998 and 2003, Dr. K. Uma Devi worked in Dr. Reddy's Laboratories, Ltd., Hyderabad, India and was primarily responsible for developing the process for producing filgrastim. Her responsibilities as Senior Manager/Senior Scientist included process development (of several biogenerics), cell culture, bulk manufacturing, quality control and quality assurance. She was a key team member involved in setting up a cGMP biopharmaceutical manufacturing facility.

Dr. K. Uma Devi was also primarily responsible for setting up a proteomics technology platform at Dr. Reddy's and handled projects related to cancer.

Dr. K. Uma Devi is neither a director nor a member of the committee in any other Company.

Dr. K. Uma Devi is holding 32,935 shares in the Company as on November 16, 2009.

Except Dr. K. Uma Devi none of the Director is interested or concerned in the above Resolution.

By Order Of The Board  
For **Zenotech Laboratories Limited**

Place : Hyderabad  
Date : November 16, 2009

Dr. Jayaram Chigurupati  
Managing Director

**ZENOTECH LABORATORIES LIMITED**

Regd. Office: 8-2-120/11/88-89, Park View Estate, 4th Floor  
Road No. 2, Banjara Hills, Hyderabad - 500 034.

**ATTENDANCE SLIP**

I hereby record my presence at the 19th Annual General Meeting of the Company to be held on Friday, the February 26, 2010 at 10.00 A.M. at factory premises of the Company situated at Survey No. 250-252, Turkapally Village, Shameerpet Mandal, R R District 500 078, Andhra Pradesh.

Member's Folio No./Client ID \_\_\_\_\_

Member's / Proxy's full name \_\_\_\_\_

No. of shares held \_\_\_\_\_

Member's/Proxy Signature

Note: Member/Proxy wish to attend the meeting must bring this Attendance Slip to the meeting and handover at the entrance duly signed.

**ZENOTECH LABORATORIES LIMITED**

Regd. Office: 8-2-120/11/88-89, Park View Estate, 4th Floor  
Road No. 2, Banjara Hills, Hyderabad - 500 034.

**PROXY FORM**

I/We \_\_\_\_\_ of \_\_\_\_\_ being a Member (s) of above named Company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ of failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for me/us, on my/our behalf at the 19th Annual General Meeting of the Company to be held on Friday, the February 26, 2010 at 10.00 A.M. at factory premises of the Company situated at Survey No. 250-252, Turkapally Village, Shameerpet Mandal, R R District 500 078, Andhra Pradesh, at an adjourned meeting thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Folio No./ Client ID \_\_\_\_\_

Signature of Member(s) \_\_\_\_\_

Member's/Proxy Signature

Note: The proxy in order to be effective should be duly stamped, completed, signed and must be deposited at the Registered Office of the Company not less than Forty eight hours before the time for holding the aforesaid meeting. The proxy need not be member of the Company.



# Annual Report

## 2008-2009

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## Company Philosophy

The Company believes that good corporate governance practices enable the management to direct and control the affairs of the Company in an efficient manner and to achieve the Company's goal of maximizing value for all its stake holders.

*The board considers itself as a trustee of its shareholders and acknowledges its responsibilities to the Shareholders for creating and safeguarding shareholders wealth, while upholding the core values of transparency, integrity, honesty and accountability.*

The Company's code of conduct serves as a guide to the employees on the values, ethics and business principles expected of them.

## Board of Directors

The Board of Zenotech Laboratories Limited consists of three eminent Directors.

None of the Directors on the Board is a member on more than 10 committees or Chairman of more than 5 committees as specified in clause 49, across all the Companies in which he is a Director. Necessary disclosures regarding Committee positions have been made by the Directors.

4 Board Meetings were held during the year ended March 31, 2009. The dates on which the Board Meetings were held are as follows.

May, 31, 2008; June 30, 2008; July 30, 2008 and October 17, 2008.

None of the Non-Executive Directors have any material pecuniary relationship or transaction with the Company. Mr. Atul Sobti, Mr. Dipak Chattaraj and Mr. Omesh Sethi, being the senior executives of Ranbaxy Laboratories Limited represent it, with which the Company has several agreements in place on exclusive and semi-exclusive basis.

The minimum necessary information as mentioned in Annexure 1A to clause 49 of the listing agreement has been placed before the Board for their consideration.

The names and categories of the Directors on the Board, their attendance at Board meetings held during the year and the number of Directorships and Committee memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited Companies and companies incorporated outside India. Chairmanship/membership of Board committees, include only membership of Audit and Shareholders/Investors Grievance Committee.



**Corporate Governance Report**

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Name	Category	No. of Board Meetings attended during the year 2008-09	Whether Attended AGM held on 08.11.07	No. of Directorships in other public Companies		No. of committee positions held in other public Companies	
				Chairman	Member	Chairman	Member
Mr. Atul Sobti* Chairman	Non-Independent Non-Executive	4	No	-	1	-	-
Dr. Jayaram Chigurupati, Managing Director	Executive (Promoter)	4	Yes	-	6	-	-
Mr. Dipak Chattaraj*	Non-Independent Non-Executive	2	No	-	-	-	-
Mr. Omesh Sethi*	Non-Independent Non-Executive	4	No	-	4	-	-
Mr. S M Bhutani	Independent Non-Executive	-	No	-	-	-	-
Mr. M.R. Vikram	Independent Non-Executive	2	Yes	-	5	-	6
Mr. Sanjeev Puri*	Independent Non-Executive	-	No	-	-	-	-
Lt. Col.(Retd.) Sukhdev Singh Gill	Independent Non-Executive	-	No	-	-	-	-
Mr. Rajiv Sahai Endlaw*	Independent Non-Executive	-	No	-	-	-	-
Mr. Ravi**	Independent Non-Executive	-	No	-	-	-	-

\* Vacated the office of Directorship effective from the close of business hours on December 31, 2008

\*\* Resigned on October 17, 2008.

\*\*\* Resigned on April 08, 2008.

Due to disputes between the Promoters and the largest shareholder of the Company with respect to Management of Affairs, Corporate Governance, compliance of listing agreement, etc., the Company could not report compliance on Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee. Presently the above disputes are now subjudiced before the Hon'ble High Court of Andhra Pradesh and the Hon'ble Company Law Board, Southern Regional Bench, Chennai.

## General Body Meetings

The 20th Annual general Meeting for the financial year 2008- 09 will be held on February 26, 2010 at 12.00 noon at factory premises of the Company situated at Survey No.250-252, Turkapally Village, Shameerpet Mandal, R.R. District 500078.

Details of Last three Annual general Meetings are as follows:

Year	Meeting the Meeting	Day, Date and Time of	Venue
2007-08	19th AGM	<u>Will be held on</u> Friday, February 26, 2010 at 10.00 A.M.	Survey No. 250-252, Turkapally Village, Sameerpet Mandal, R. R. District- 500 078
2006-07	18th AGM	Thursday, November 8, 2007 at 3.00 P. M.	Surana Udyog Auditorium FAPCCI Premises, Federation House, Hyderabad - 500 004
2005-06	17th AGM	Saturday, September, 30, 2006 at 10.30 A. M.	K.L.N. Prasad Auditorium FAPCCI Premises, Federation House, Hyderabad - 500 004
2004-05	16th AGM	Thursday, September 29, 2005 at 4.00 p.m.	Surana Udyog Auditorium FAPCCI Premises Federation House, Hyderabad - 500 004

The details of special resolutions passed by the members during the last three Annual General Meetings of the Company:

No. of AGM	Item on which special resolution passed
18th AGM	1. Create, offer, issue and allot up to 54,89,536 equity shares of the Company to Ranbaxy Laboratories Limited on preferential allotment basis at a price of Rs.160/- per share.
17th AGM	Nil
16th AGM	1. Amendment of Articles of Association of the Company pursuant to increase in Authorised Share Capital. 2. De-listing of equity shares from HSE and CSE. 3. Place of keeping the Register of Members and Index of Members. 4. Create, offer, issue and allot Equity shares / Debentures / Global Depository Receipts (GDRs) / Foreign Currency Convertible Bonds (FCCBs)/warrants and/ or instrument which is fully or partly convertible into Equity shares whether in Indian Rupee or any foreign currency to the extent of Rs.100 crores. 5. Issue of shares under "Zenotech's Employee Stock Option Scheme".

All the above resolutions were passed with requisite majority

For past three years there were no ordinary or special resolutions passed that require a postal ballot. No Special Resolution, which requires approval through postal ballot, is proposed to be conducted at the ensuing Annual General Meeting.

## Disclosures

There are no materially significant related party transactions of the Company with Promoters, directors or the Management or their relatives or the Subsidiary Company which have potential conflict with the interest of Company at large. Transactions with *related parties as per requirements of Accounting Standards - (AS-18) - "Related Party Disclosures"* issued by the Institute of Chartered Accountants of India are disclosed in Note 17 of Schedule 18 to Standalone financials in the annual report.

There were no cases of non-compliance by the Company, penalties, strictures imposed on the Company by stock exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the year March 31, 2009.

The Company is in compliance with all the mandatory requirements and has fulfilled the non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreement with Stock Exchanges to the extent of setting up a remuneration committee, which was renamed as "Compensation Committee". Please see the paragraph on Remuneration Committee for details.

**Code of conduct:** The code of conduct as adopted by the Board of Directors is applicable to all directors, senior management and employees in above officers' level. The prime purpose of the code is to create an environment wherein all the Board Members and Senior Management of the Company maintain ethical standards and to ensure compliance to the laid down ethical standards. The code is available on the Company's website: [www.zenotechlabs.com](http://www.zenotechlabs.com)

### Declaration as required under Clause 49 of the Listing Agreement

All the directors and senior management of the Company have affirmed compliance with the Company's code of conduct for the financial year ended March 31, 2009

Hyderabad  
November 16, 2009

Dr. Jayaram Chigurupati  
Managing Director

**Compliance:** At every Board meeting, a statement of Compliance with all laws and regulations as certified by the Managing Director is placed before the Board for its review. The Board reviews the compliance of all the applicable laws and gives appropriate directions wherever necessary.

**Risk Management:** The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up.

**Preferential Issue Proceeds:** The utilization of preferential issue proceeds are regularly placed before the Audit Committee for review.

**CEO & CFO certificate:** The Managing Director and Senior Manager - Finance have certified to the Board on the matters required to be reported as per Clause 49 of the listing agreement.

**Secretarial Audit:** A practicing Company Secretary carried out a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued / paid-up capital of the Company is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

## Means of Communication

The quarterly, half-yearly and annual results of the Company are published in leading newspapers, which include, the Financial Express, Business standard, Andhrabhoomi and Andhrajyothi. The results are also displayed on the Company's web site [www.zenotechlabs.com](http://www.zenotechlabs.com). Official press releases made by the Company from time to time are also displayed on the website. Presentations made to the institutional investors and analysts after the declaration of quarterly, half-year and annual results are displayed on the Company's website. The Management's Discussion and Analysis is a part of the Company's annual report.

## General Shareholders information

- 1 Annual General Meeting
  - Date : February 26, 2010
  - Time : 12.00 noon
  - Venue : Survey No. 250-252, Turkapally Village, Shameerpet Mandal, R. R. District - 500 078, Andhra Pradesh
- 2 Financial Calendar
  - Year ending : March 31, 2009
  - AGM : February 26, 2010
- 3 Date of Book Closure : February 25, 2010 to February 26, 2010  
(Both days inclusive)
- 4 Listing on Stock Exchange : Bombay Stock Exchange Limited  
(The Company has paid the listing fee for 2009-10 to the Bombay Stock Exchange Limited)
- 5 Stock Code / Symbol on BSE  
(Physical & Demat) : ZENOTECH LAB / 532039
- 6 International Securities Identification  
Number (ISIN) allotted to the  
Company's Shares : INE486F01012
- 7 **Market Price Data:** High, Low (Based on the closing prices) and number of shares traded during each month in the last financial year on the Bombay Stock Exchange Limited, Mumbai.

Month	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
Apr - 08	119.00	88.00	3,71,066
May - 08	119.80	100.00	5,21,034
June - 08	127.40	93.25	26,81,430
July - 08	119.00	95.00	5,63,737
Aug - 08	119.40	106.50	5,92,928
Sep - 08	131.90	111.05	12,86,799
Oct - 08	138.00	87.00	13,96,709
Nov - 08	107.75	87.35	2,34,463
Dec - 08	112.25	84.40	8,30,239
Jan - 09	123.60	92.30	20,74,761
Feb - 09	97.75	85.00	8,08,009
Mar - 09	97.00	83.50	2,92,709

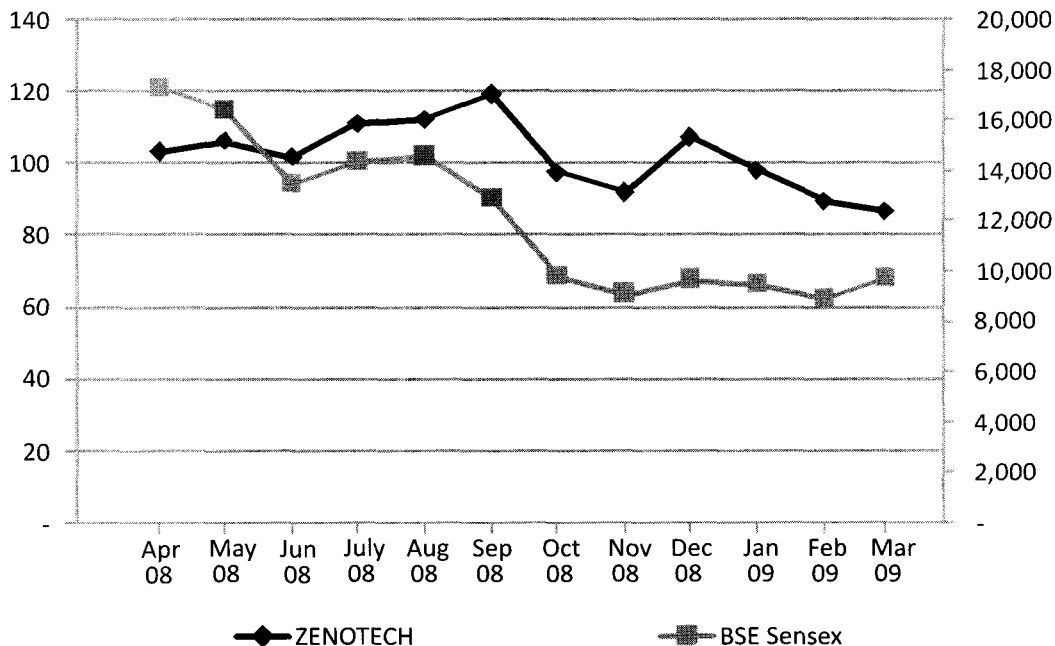
**Corporate Governance Report**

8 Performance of share price of the Company in comparison to BSE Sensex

Month	Zenotech's Closing Price (Rs.)	BSE Sensex Closing
Apr - 08	103.25	17,287.31
May - 08	106.15	16,415.57
June - 08	101.65	13,461.60
July - 08	110.90	14,355.75
Aug - 08	112.05	14,564.53
Sep - 08	119.05	12,860.43
Oct - 08	97.30	9,788.06
Nov - 08	91.85	9,090.72
Dec - 08	107.20	9,647.31
Jan - 09	97.90	9,424.24
Feb - 09	89.55	8,891.61
Mar - 09	86.70	9,708.50

(Source: The information is compiled from the data available from the BSE website)

Chart pertaining to the movement of Company's share price on BSE compared to BSE Sensex during the financial year 2008-09.



9 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 - 23420818 & 23420828, Fax: 91 - 40 - 23420814  
 E-mail: ksreddy@karvy.com Website: www.karvy.com

## 10 Share Transfer System:

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.

## 11 Shareholding (as on March 31, 2009):

## a) Distribution of shareholding as on March 31, 2009

No. of Shares	Holding Capital	% to accounts	No. of Accounts	% to Total
1 - 500	9,23,199	2.68	6,152	83.03
501 - 1000	4,71,036	1.37	562	7.59
1001 - 2000	4,09,151	1.19	265	3.58
2001 - 3000	3,28,775	0.96	125	1.69
3001 - 4000	1,93,664	0.56	53	0.72
4001 - 5000	2,25,521	0.66	47	0.63
5001 - 10000	6,16,572	1.79	82	1.10
10001 & above	3,12,57,082	90.79	123	1.66
<b>GRAND TOTAL</b>	<b>3,44,25,000</b>	<b>100.00</b>	<b>7,409</b>	<b>100.00</b>

## b) Categories of Shareholders as on March 31, 2009

Category	No. of shareholders	No. of shares	Percentage
Indian Promoters <sup>1</sup>	33,96,396	9.87	
Foreign Promoters	1	24,12,500	7.01
Persons acting in Concert - Indian	1	30,60,500	8.89
Banks, Financial Institutions, Insurance Companies (Central / State Gov. Institutions / Non-government Institutions)	3	1,25,150	0.36
Foreign Institutional Investors	3	2,55,165	0.74
Private Corporate Bodies *	304	1,85,03,371	53.75
Indian Public	7,038	64,87,803	18.85
NRIs / OCBs	62	1,63,266	0.47
Any other (Trust)	1	2,000	0.01
Clearing Members	18	18,849	0.05
<b>TOTAL</b>	<b>7,409</b>	<b>3,44,25,000</b>	<b>100.00</b>

\* The Bodies Corporate as mentioned above includes 1,61,27,293 equity shares, constituting 46.85% of the paid-up capital of the company, belongs to Ranbaxy Laboratories Ltd., in respect of which, opinion regarding status of shareholder is awaited.

**Corporate Governance Report**

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## 12 Dematerialization of shares and liquidity:

The company's shares are compulsorily traded in dematerialization form. Equity shares of the Company representing 80.87% of the company's share capital are dematerialized as on March 31, 2009. The Company's shares are regularly traded on Bombay Stock Exchange Limited.

## 13 As on March 31, 2009, the company did not have any outstanding GDRs /ADRs / Warrants or any convertible instruments

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

15 Address of Correspondence : Zenotech Laboratories Limited  
8-2-120/112/88-89, Park View Estate, 4th Floor,  
Road No.2, Banjara Hills, Hyderabad-500 034

**Certificate on Compliance of Corporate Governance****To the members of Zenotech Laboratories Limited**

I have examined the compliance of the conditions of Corporate Governance by Zenotech Laboratories Limited for the year ended March 31, 2009 as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of management. My examination has been limited to a review of the procedures and implementation there of, 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 directors and the management, I certify that the Company has not complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

As per records maintained by the Company, I state that no investor grievances are pending for a period exceeding one month against the Company.

Place : Hyderabad  
Date : November 16, 2009

**K. Ramesh Babu**  
Practicing Company Secretary  
C.P. No. 6115

Dear Members,  
Zenotech Laboratories Limited

Your directors herewith present the Nineteenth Annual Report together with the audited accounts of the company for the year ended March 31, 2009.

### Financial Highlights

	Rs. in lacs	
	<b>2008-09</b>	<b>2007-08</b>
Sales	655.02	857.03
Other Income	515.47	216.90
Profit/(Loss) before interest, depreciation and amortization of Misc. expenditure	(1081.69)	(1930.12)
Interest	201.81	270.91
Depreciation	294.07	290.45
Amortization of Misc. expenditure	119.41	133.41
Profit/(Loss) before tax	(1696.98)	(1235.35)
Provision for tax (including deferred taxes)	4.61	234.91
Profit / (Loss) after tax	(2167.07)	(1474.76)
Loss brought forward from previous year	(1700.85)	(226.09)
Profit/(Loss) carried forward to balance sheet	(3867.92)	(1700.85)
Earnings Per Share (Rs.) - Basic	(6.30)	(4.78)

### Company's business and operating results

Revenues for the year were Rs. 1170.49 lakhs, as against Rs. 1073.93 lakhs during the previous year. The revenues were mainly from the Indian market with about Rs.39.94 lakhs coming from the export markets. Due to losses the company does not propose any dividend.

Your Company has initiated clinical trials for generic rituximab recently for non-hodgkins lymphoma. Your Company also completed toxicity studies for generic etanercept at National Institute of Nutrition, Hyderabad. The Company is filing application with the DCGI, New Delhi for conducting clinical trails in the Rheumatoid arthritis. Two other generic biologicals, interferon beta and generic darbepoetin are entering toxicity studies.

The Company has, so far, launched 15 generic chemical oncology products in India. Your Company has three generic biological products, recombinant human granulocyte macrophage-colony stimulating factor (GM-CSF), recombinant human granulocyte colony stimulating factor (G-CSF) and Interlukin-2 (IL-2). All the three are used in cancer therapy.

Your Company is in the process of developing two more therapeutic synthetic peptides. Besides octreotide, the pipeline has now expanded to include goserelein and leuprolide as well.



## Export market and strategical alliances:

During the year under review, your Company has made exports to Kenya and Vietnam. The Company has launched oncology products in Philippines. Your Company has several distribution agreements in place including distribution agreement with Ranbaxy for CIS and Latin American countries.

## Share capital

Your company has made the following allotment during the year

Allotment of 75,000 equity shares of Rs. 10/- each at a price of Rs.69.70 per share aggregating to Rs.52.28 lakhs under Part B of Zenotech Employee Stock Option Scheme, 2005 on May 31, 2008 and June 30, 2008 to directors of the Company.

In view of above, the issued and paid up equity capital of the Company as on March 31, 2009, stand increased to Rs.3,442.50 lakhs from 3,435.00 lakhs and its securities premium account increased to Rs. 11,641.76 lakhs from Rs.11,596.98 lakhs.

## Preferential allotment

Out of monies collected by way of issue of preferential allotment of Rs.87.83 Crores, the Company has utilized Rs.70.33 Crores as on November 16, 2009 towards, reimbursement of secured and unsecured loans, incurring of R&D expenditure, expansion activities and working capital needs of the Company. The balance amount of Rs.17.50 Crores is kept in fixed deposits with banks.

## Internal audit and payment of Interest on Secured loans:

The Company is in the process of implementing the internal audit system. Further, the Company as on date has paid all amounts of loan and interest except loan availed from Technology Development Board (TDB), as was reported in point no. xi in annexure to the Auditors' Report. In respect of the loan availed from TDB, the Company is pursuing the matter with their head office, for reschedulement of the installments.

## Employee Stock Option Scheme

Disclosures in this regard upto March 31, 2009 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 - A to this report.

## Corporate Governance and Management Discussion and Analysis Report

Separate reports on Corporate Governance along with Certificate of practicing Company Secretary on its compliance and Management Discussion and analysis forming part of this report are given in separate sections in this Annual Report.

### Status of Legal Case filed against the Company

Core Promoters of the company have filed a Petition before Hon'ble Company Law Board Chennai, alleging Oppression and Mis-Management against the largest single shareholder, its past Directors where the company is a party.

The Largest Shareholder also filed before Hon'ble Company Law Board, Chennai alleging Oppression and Mis-Management against the Core Promoters, where company is a party.

The above proceedings are pending adjudication before Hon'ble Company Law Board, Chennai

### Subsidiary Companies

- 1) The Company has a wholly owned subsidiary company, Zenotech Farmaceutica Do Brasil Limitada (ZFDBL), Brazil. The subsidiary company was acquired in January 2005. The subsidiary company has received ANVISA approval for its warehouse facility in Brazil. Further regulatory approvals are to be received before commencement of commercial business. The Company has consolidated the financials in accordance with the IGAAP.
- 2) The Company has a wholly owned subsidiary company, Zenotech Laboratories Nigeria Limited (ZLNL), Nigeria. The subsidiary company was established in August 2005. The Company has obtained regulatory clearances for its product range to commence commercial business and is already supplied with stocks, which are yet to be sold. The Company has consolidated the financials in accordance with the IGAAP.
- 3) The Company has a wholly owned subsidiary company, Zenotech Inc., New Jersey, USA. The subsidiary company has consolidated the financials in accordance with the IGAAP.

However, in view of serious software problem encountered in accounting packages used by the subsidiaries as mentioned at 1 to 3 above, they could submit only un-audited financial statements, as approved by their respective Board of Directors as per Indian GAAP and the directors of your company have relied upon the same. In terms of section 212 of the Companies Act, 1956 the said un-audited financial statements as approved by the respective boards of above subsidiaries as well as a statement prepared pursuant to Section 212 (1) (e) of the said Act are attached herewith.

### Directors' Responsibility Statement

In compliance of Section 217 (2AA) of the Companies Act, 1956, the Board submits as under:

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- the Directors had 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 profit or loss of the Company for that period;

## Directors' Report

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- the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors had prepared the annual accounts on a going concern basis.

## Deposits

The Company has not accepted any deposit under Section 58A of the Companies Act, 1956 during the year under review.

## Directors

The Annual General Meeting could not be held on or before December 31, 2008 being the last date for holding the Annual General Meeting, despite the best of the efforts. In view of the same, Sri. Atul Sobti, Sri. Dipak Chattaraj and Sri. Omesh Sethi, who were appointed as additional Directors of the Company and holding the office till the December 31, 2008 have vacated the office as Directors on that date. Further Sri. M R Vikram and Sri. S Ravi who are liable to retire by rotation at the Annual General Meeting have retired as directors of the Company on that date.

Further, pursuant to the resignations submitted by Mr.S.M.Bhutani and Lt.Col. Sukhdev Singh Gill, in terms of clause No. 97 of Articles of Association of the Company, Mr.M.R. Vikram and Dr.K.Uma Devi have been appointed as the additional directors of the Company with effect from October 1, 2009, who holds the office of the directorships till the date of the 19th AGM to be held on February 26, 2010 at 10.00 A.M.

## Auditors

M/s Deloitte Haskins and Sells, Chartered Accountants, the Statutory Auditors of the company retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. The Company has received confirmation that their appointment, if made, would be within the limits prescribed under Sec. 224(1B) of the Companies Act, 1956.

## Managements Response to Auditors Qualifications/Remarks:

1. In the opinion of the Management Zenotech Inc. in USA, a 100% subsidiary has valuable IPRs' which are not captured in that balance, due to present Accounting norms. However at the consolidate level there is no erosion of monies utilised by the Zenotech Inc., USA for this purpose.
2. In the opinion of the Management the Capital Expenditure, being capital -work-in-progress of Rs. 1041.65 lakhs is represented by assets including buildings, plant & machinery and other assets. The value of these assets is realizable value at the stated value in the Balance Sheet.
3. There are very few operations during the year; however the Company proposes internal audits/control systems during the year.

## Particulars of Employees

During the year under review, none of the employees of the Company have drawn remuneration as specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

## **Energy Conservation, Research and Developments, Technology absorption, Foreign exchange earnings and Outgo**

The particulars relating to energy conservation, research and development, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are provided as Annexure - B to this report.

### **Acknowledgement**

The Board of Directors would like to express their grateful appreciation for the assistance and co-operation received from the Financial Institutions and Banks, like Andhra Pradesh State Financial Corporation (APSFC), Technology Development Board (TDB), Yes Bank, other banks, Government Authorities, Customers, Vendors and Members during the year under review.

Yours Directors also wish to place on record the sincere efforts and committed services put in by the employees at all levels.

For and on behalf of the Board

Place : Hyderabad  
Date : November 16, 2009

**Dr. Jayaram Chigurupati**  
Managing Director

## Annexures to the Directors' Report

### Annexure – A :

Details of Stock Options granted under Zenotech Stock Option Scheme, 2005 (ZESOS, 2005) as on 31.03.2009.

Pursuant to SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

DESCRIPTION	PLAN - 1A	PLAN -1B	PLAN 2
Number of Options available under the Scheme	92,000	1,25,000	42,500
Total Number of Options granted	Nil	1,25,000	Nil
Options granted during the year	Nil	Nil	42,500
Pricing formula	The market price of the Share quoted on the Bombay Stock Exchange as per SEBI (SEOS & ESPS) Guidelines, 1999 in vogue.		
Options vested during FY 2008-09	Nil	Nil	Nil
Options exercised during FY 2008-09	Nil	75,000	Nil
The total number of shares arising as a result of exercise of options	Nil	75,000	Nil
Options lapsed during FY 2008-09 which are subject to reissue	12,000	Nil	Nil
Variation of terms of options	Nil	Nil	Nil
Money realized by exercise of options excluding FBT	Nil	Rs. 52,27,500	Nil
Grant Price (Face value of Rs.10)	Rs. 69.70	Rs. 69.70	Rs. 103.65
Total Number of options in force as on March 31, 2009 (cumulative)	17,000	Nil	42,500
Grant details of members of senior management team during the year 2008-09	Nil	Nil	Dr. B. Siva Kumar Reddy - 10,000  Dr. K. Uma Dev - 10,000  C.V. Ramana Reddy - 7,500  Dr. Hirock Jyoti Datta - 7,500  Ch. Mao Manohar -7,500
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	Nil	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	Nil	Nil

DESCRIPTION	PLAN - 1A	PLAN -1B	PLAN 2
Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20	(Rs.6.30)		
i) Method of calculation of employee compensation cost	The grant price is the market price prevailing on the grant date. Therefore, there will be no compensation cost as per Intrinsic Value basis.		
ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options (in case the company has calculated the compensation cost using the intrinsic value of the Stock Options).	Rs. 2.95 lakhs		
iii) The impact of this difference on losses and earnings per share of the company	The effect on the loss and earnings per share, had the fair value method been adopted, is presented below:		
	Loss after tax	Rs. In lakhs	
	As reported	(2167.07)	
	Add: Intrinsic Value Compensation cost	Nil	
	Less: Fair Value Compensation Cost (Black Scholes model)	2.95	
	Adjusted Loss	(2170.02)	
	Earnings Per Share	Basic and diluted (Rs.)	
	As reported	(6.30)	
	As adjusted	(6.31)	
iv) Weighted average exercise price fair value of stock options granted			
Stock Options granted on	17.07.2006	17.07.2006	30.07.2008
Weighted Average Exercise Price	NA	Rs. 69.70	NA
Weighted Average Net Fair Value (Fair Value-Grant Price)	Rs. 38.43	Rs. 19.20	Rs. 25.19
Market price at BSE on the date of Grant (Rs.)	Rs. 69.70	Rs. 69.70	Rs.103.65
v) Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	The Black-Scholes options-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since, options-pricing models require use of substantive assumptions; changes therein can materially affect the fair value of options. The options-pricing models do not necessarily provide a reliable measure of the fair value of options.		
vi) the main assumptions used in the Black- Scholes option-pricing model during the year were as follows:			
Risk -free interest rate (%)	7%	7%	7%
Expected Life of options from the date(s) of grant (Years)	3	1	3
Expected volatility (%)	63.62%		
Dividend yield	0		

## Annexures to the Directors' Report

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### Annexure – B :

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

#### 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	As on March 31, 2009
<b>1. Electricity</b>	
<b>i) Purchased</b>	
Units	25,63,906
Total amount (Rs.)	102,17,798
Rate/unit (Rs.)	3.99
<b>ii) Own generation through diesel generation set</b>	
Units	2,12,400
Total amount (Rs.)	28,26,429
Units per liter of diesel oil	3.60
Rate/unit (Rs.)	13.31
<b>2. Diesel (used in boiler)</b>	
Quantity (tonnes)	3,703
Total cost (Rs.)	76,31,152
Average rate (Rs.)	2,061

#### 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 financial year, the Company has not undertaken any technology transfer.

## FORM B : Research and Development

### 1. Specific areas in which R&D was carried out by the Company

In the year 2008-09, the areas of focus for R & D have remained broadly the same.

- Biosimilar therapeutic proteins
- Biosimilar monoclonal antibodies
- Technology transfer of processes for the production of Rituximab, Etanercept and Pegfilgrastim
- Development of an improved version of humanized EGFr monoclonal antibody - evaluating different molecules in functional assays.
- Improved characterization of glycosylation of mammalian cell expressed proteins

From the R&D product pipeline, we have so far been successful in developing and commercializing three recombinant therapeutic proteins from microbial host systems, G-CSF (filgrastim, brand name Nugraf), GM-CSF (molgramostim, brand name Macrogen) and IL-2 (aldesleukin, brand name Recil). All the three products are for use by oncologists, the former two products for treating neutropenia and the third product for the treatment of renal cell carcinoma. More biosimilar recombinant products expressed in microbial cells have moved up the development pipeline. Two products, pegylated filgrastim and interferon beta are now being positioned for animal toxicity studies. Pegylated filgrastim is a modified version of filgrastim with greater circulating half-life for treating neutropenia and recombinant interferon beta will be used in the treatment of multiple sclerosis, a neuronal disorder. The animal toxicology studies will be initiated for the pegylated filgrastim product as soon as the awaited approval from RCGM is received.

For mammalian cell derived monoclonal antibodies, two of the products developed in-house have moved on from the stables of R&D and animal toxicology studies to human clinical trials. The clinical trial for biosimilar Rituximab molecule is almost nearing completion and in the case of biosimilar Etanercept, the clinical trial is likely to commence as soon as the regulatory approval is received from the DCGI. Two more monoclonal antibody products are at the product development stage in R&D.

A new development in R&D has been the focus on the improved characterization of monoclonal antibodies with respect to their glycans. Matching glycan profiles with the innovator product has become mandatory for proving the biosimilarity of the molecule and hence a whole new team is in place to develop methods and characterize the glycans of mammalian cell expressed proteins and monoclonal antibodies.

With respect to the humanized anti-EGFr monoclonal antibody, which is a new biological entity and not a biosimilar, different molecules are being evaluated for expression levels and their biological potencies.

### 2. Benefits derived as a result of the R&D

The development of technology platforms for gene cloning, transfection, cell culture, protein purification and product characterization by the Company's Biotech R & D teams, has helped it to achieve all the necessary expertise for making biosimilar products, under a single roof.

The team has the capability to develop products and processes for production and for coordinating with the production team for technology transfer and scale-up for manufacture. With the installation of bioreactors to enhance the cell culture capacity to 3000L, the team's focus has been on developing processes that are robust, scalable and efficient at this scale.

So far, a requirement has not been felt for outsourcing development or scale-up of technologies for production. This benefit is credited to the skill sets honed by the team during the development of a wide variety of products from recombinant therapeutic proteins to monoclonal antibodies, in different expression systems, at different scales and for different regulatory markets.



**Annexures to the Directors' Report**
**3. Future plan of action**

The future plan envisages culmination of clinical trials and initiation of regulatory processes for the commercialization of at least two monoclonal antibody products, Rituximab and Etanercept. Two more biosimilar products expressed in microbial hosts, pegfilgrastim and interferon beta should also move up the development pipeline and enter the stage for human clinical trials. The other products that are at the initial stages will continue on the development pathway and enter the phase of animal toxicity studies after process development and product characterizations are completed.

The focus will remain on developing biosimilar products that are comparable to the innovator and compliant with the pharmacopoeial provisions required for registering the products in the respective international markets.

**4. Expenditure on R & D**

	Rs. in Lakhs
a. Capital	119.08
b. Recurring	548.03
c. Total	667.11
d. Total as percentage of turnover	110.76 %

**5. 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 out source technology from outside agencies.

**6. Foreign Exchange Earnings and Outgo**

Total foreign exchange used and earned:

	Rs. in lakhs
i) Foreign Exchange earnings	39.19
ii) Foreign Exchange outgo (including raw materials, components and spare parts of capital goods, investments and other expenditures in foreign currency including dividends)	355.64

For and on behalf of the Board

Place : Hyderabad  
Date : November 16, 2009

**Dr. Jayaram Chigurupati**  
Managing Director

## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

*(This review contains Management's discussion of the Company's operational results and financial condition, and should be read in conjunction with the accompanying audited financial statements and associated notes).*

### Industry Structure, Development and Outlook

Biotechnological products continue to exhibit substantial revenues, with the top 15 biologicals accounting for \$54 billion in sales in 2007. Out of these, the global market for monoclonal antibody therapeutics alone was worth \$ 26 billion. By 2013, antibody sales are forecast to exceed \$ 49 billion. However, the biotechnology sector is on the verge of change. The impending patent expiry of many leading products worth more than \$13 billion has created a number of attractive market opportunities for the introduction of biosimilar drugs. The need for cheaper generic biologicals is also being fueled by the rising healthcare costs and the increasing sales of biological drugs. These are unfortunately not regulated as regular generic drugs. Due to the complex nature of biotech drugs, a simple study showing bioequivalence will not suffice for obtaining marketing authorization. In addition to all the complex biochemical and functional characterizations, the molecule will also require clinical trials to prove bioequivalence, raising the estimated cost for launching a biosimilar to as high as \$40 million.

The route to market for a biosimilar must be negotiated through numerous barriers including regulatory hurdles. Besides legislative restraints, prominent obstacles include sizeable investments in time and expertise associated with biosimilars development and the fundamentally higher levels of cost and risk incurred by the manufacturers. But, for those companies that persevere, biosimilars are set to offer lucrative returns as regulatory obstacles to biosimilars development are bound to get increasingly resolved and opportunities will continue to grow. This is apparent even now, with biosimilars becoming a reality in emerging markets and in the European Union where the foundations for a biosimilars market have been laid. In Europe, some legal and regulatory structures are in place, supported by general and product-specific guidelines. The first biosimilars - Omnitrope and Valtropin (somatropin) - were approved in 2006. The following year saw marketing authorizations for five EPO products and in February 2008, the EMEA cleared four biosimilar filgrastims.

With EU looking favourably at the biosimilars market and the likelihood of US and Japan following suit, several large pharmaceutical companies like Merck & Co., Glaxo Smithkline, Sanofi Aventis have been attracted to explore potential business opportunities in this area. While the first generation biosimilars will provide the necessary profits to sustain the biosimilars business and induce various pharmaceutical and generic companies to enter this area, it is the generic monoclonal antibody therapeutics that will ultimately provide the real upside and potential for bigger profits.

### Opportunities, Threats, Risks and Concerns

It is now obvious that biosimilars presents a huge potential market. It is estimated that by 2013 about half of all products coming off-patent will be biologicals. Exploiting the full potential however is dependent on several issues which were hitherto unknown for small molecule generic drugs. The first and foremost of these is the ability to completely characterize the biological macromolecule with respect to the innovator drug. For the first wave of biosimilar products, it was relatively easy with the comparability exercise being fairly straightforward. But now, looming on the horizon are more complex biosimilar candidates such as EPO, heparins and monoclonal antibodies. The size, complexity and glycosylation patterns of these biologicals will pose real challenges for the biosimilar comparability exercise, with the generic monoclonal antibodies topping the list in terms of complexity. Monoclonal antibodies are not just big in size (150 KD versus 19 KD for GCSF), they are also increasingly complex in function with the same molecule exhibiting several immune effector functions like complement dependent cytotoxicity (CDC) and antibody-dependent cellular cytotoxicity (ADCC). To add to this, the complex glycosylation pattern of the antibody can affect function and immunogenicity, impacting the overall potency and safety of generic monoclonal antibodies.

## **Management's Discussion and Analysis Report**

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Nonetheless, generic monoclonal antibodies represent a very significant business opportunity with several monoclonal antibody therapeutics (rituximab, infliximab, etanercept, trantuzumab, adalimumab) losing patent protection in the next five years.

Even though, biosimilar monoclonal antibodies have just begun to show up in emerging countries, the regulatory pathway for approving generic monoclonal antibodies does not exist in the EU or elsewhere in the regulated markets. It is anticipated that EU will again take the lead in approving biosimilar monoclonal antibodies. The regulatory pathway would evolve further to include more in-vitro and in-vivo functional assays as well as larger clinical trials to facilitate approval of biosimilar monoclonal antibodies. The capability to identify and respond to the challenges posed by the emergence of new and complex regulations in biosimilars, will be the key to success in this market.

### **Analysis of financial performance of the Company**

Revenues for the year were Rs. 1170.41 lakhs as against the previous year revenues of 1073.93 lakhs. The Company had an operating loss of Rs. 1,081.69 lakhs for the year as against operating loss of Rs.1930.12 lakhs of previous year and the net loss after tax is Rs.2167.07 lakhs as against a net loss of Rs. 1474.76 lakhs of previous year.

#### **Liquidity and capital resources:**

Shareholders funds increased by Rs. 52.28 lakhs during the financial year 2008-09. Presently, the Company avails the working capital facilities from Yes Bank Limited.

The Company has invested over Rs.424.17 lakhs in acquiring long term assets and made an advance of Rs. 62.45 lakhs towards share Capital and Rs.105.19 lakhs as loans and advances to its wholly owned subsidiaries in Brazil, USA and Nigeria.

Net working capital stood at Rs.4065.37 lakhs against Rs.7034.07 lakhs of previous year

The Company's ability to generate funds from operating activities, including product sales, equity funds and debt financing from its financial institutions and others are expected to provide sufficient liquidity to meet its expansion/modernization and Research and Development programs and working capital needs of the Company.

### **Material developments in HR/Industrial Relations front including number of people employed**

Your Company believes that the quality of its employees is the key to its success. It is committed to providing necessary human resource development and training opportunities to equip them with necessary skills, which enables them to adapt to contemporary technological advancements.

Employee relations during the year continued to be cordial and your Company is committed to maintaining good relations.

### **Internal control systems and their adequacy**

The Company has an extensive system of internal controls to ensure that all of its assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly.

The Company is aimed at implementing an internal control system that is geared towards achieving efficiency in operations, optimum utilization of resources, effective monitoring and compliance with all applicable laws and regulations.

## Future outlook

Your Company envisions developing G-CSF for EU market in Collaboration with Ranbaxy Laboratories Limited. Several generic monoclonal antibodies are in clinical development and are likely to be launched in India.

## Cautionary statement

*Statements in the Management's Discussion & Analysis Report, which seek to describe the Company's objectives, projections, estimates, expectations or predictions may be considered to be "forward looking statements" and are stated as required by applicable laws and regulations. Actual results could differ from those expressed or implied. Many factors including global and domestic demand-supply conditions, prices, raw-materials availability, technological changes, changes in Government Regulations and policies, tax laws and other statutes may effect the actual results, which can be different from what the Directors envisages in terms of future performance and outlook*

**To the members of Zenotech Laboratories Limited,**

1. We have audited the attached Balance Sheet of Zenotech Laboratories Limited ("the Company") as at 31st March, 2009, the Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [CARO], issued by the Central Government of India in terms of sub-section 4A of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Attention is invited to Note 2(a) of Schedule 18 form part of the financial statements, regarding the accounts for the year ended 31st March, 2008 not having been adopted by the members.
5. We invite attention to:
  - a) Note 23 of Schedule 18 of the financial statements regarding investment of Rs.105.60 lakhs in and advances of Rs.398.93 lakhs made to the wholly owned subsidiary and in respect of which no provision has been made for reasons stated therein. We are unable to comment on the carrying cost of the investment and the recoverability of amounts advanced.
  - b) Note 24 of Schedule 18 of the financial statements regarding carrying cost of Rs.1,041.65 lakhs relating to an export oriented unit which is yet to be commissioned. We are unable to comment on the appropriateness of the stated value in the financial statements.
6. Further to our comments in the annexure referred to in paragraph 3 above and subject to para 5 above, we report that:
  - a) we have obtained all the information and explanation, which to the best of our knowledge and belief, were necessary for the purposes of our audit;
  - 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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

- e) in our opinion and to the best of our information and explanations given to us, the said accounts, give the information required by the Companies Act, 1956, in the manner so required and subject to adjustments which may be required in respect of matters dealt with in para 5 above, the effect of which we are unable to determine, give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
  - (ii) in the case of Profit and Loss Account, of the loss for the year ended on that date, and
  - (iii) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
7. On the basis of the written representations received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

**For Deloitte Haskins & Sells**  
Chartered Accountants

Place : Secunderabad  
Date : 16.11.2009

**K.Rajasekhar**  
Partner  
M.No. 23341

## Annexure to the Auditors' Report

Annexure referred to in paragraph 3 of our report of even date to the members of Zenotech Laboratories Limited on the accounts for the year ended 31st March, 2009

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) Some of the fixed assets were physically verified during the year by the management in accordance with a programme of verification which, in our opinion, provides for physical verification of all fixed assets at reasonable intervals having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the company.
- (ii) (a) Inventory has been physically verified by the management at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory 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 is maintaining proper records of inventory and discrepancies noticed on physical verification were not material.
- (iii) According to the information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured to/ from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly paragraph (iii)(b),(c),(d), (f) and (g) of the Order are not applicable.
- (iv) *In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items of the expenditure are of a special nature and their prices cannot be compared with alternative quotations, there are adequate internal control systems commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.*
- (v) (a) As explained to us and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered in the register in pursuance of section 301 of the Companies Act, 1956 in respect of each party during the year have been entered in the register.
- (b) *In our opinion and according to the information and explanations given to us, having regard to our comments in para (iv) above, the transactions made in pursuance of such contracts or arrangements and exceeding the value of five lakhs rupees in respect of any party during the year have been made at prices which were reasonable having regard to the prevailing market prices at the relevant time.*
- (vi) The Company has not accepted deposits from the public to which the provisions of Section 58(A) and 58 (AA) of the Companies Act, 1956 and the rules made there under apply.
- (vii) The Company does not have an internal audit system.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, in respect of manufacture of Pharmaceutical Products and are of the opinion that prima facie the prescribed accounts and records have been substantially made and maintained. We have not, however, made a detailed examination of the said records.

- (ix) (a) According to the information and explanations given to us and according to the books and records as produced and examined by us in accordance with the generally accepted auditing practices in India, the Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, wealth tax, sales tax, excise duty, customs duty, cess and other material statutory dues as applicable with the appropriate authorities during the year.
- (b) As at 31st March, 2009, according to the records of the Company and the information and explanations given to us there were no dues on account of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess matters that have not been deposited on account of any dispute.
- (x) The accumulated losses of the Company as at 31st March, 2009, are less than fifty percent of its net worth as on that date. Further the Company has incurred cash loss during the financial year, and in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the Company has defaulted in repayment of dues to financial institutions and banks as stated below:

Amount of default (loan and interest) (Rs. Lakhs)	Period of delay (in days)
106.50	1-10
21.91	11-20
18.64	31-40
66.67	121
152.48	More than 180 days

- (xii) The Company during the year has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a nidhi / mutual benefit fund/ society to which the provisions of special statute relating to chit fund are applicable.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
- (xv) As explained to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) As explained to us, the term loans taken by the Company have been applied for the purpose for which they were obtained.
- (xvii) Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, funds raised on short term basis have not been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956 during the year.
- (xix) As there are no debentures outstanding as at the year end, paragraph (xix) of the order is not applicable.
- (xx) The Company has not raised any money by way of public issue during the year.
- (xxi) According to the information and explanations given to us, during the year, no fraud on or by the Company has been noticed or reported.

**For Deloitte Haskins & Sells**  
Chartered Accountants

**K.Rajasekhar**  
Partner  
M.No. 23341

Place : Secunderabad  
Date : 16.11.2009



**Balance sheet as at March 31, 2009**

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Rs. in Lakhs

	Schedules	As at March 31, 2009	As at March 31, 2008
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share capital	1	3,442.50	3,435.00
(b) Reserves and surplus	2	11,641.76	11,596.98
		15,084.26	15,031.98
<b>2. Loan Funds</b>			
(a) Secured Loans (Note 13)	3	1,637.22	1,746.66
(b) Unsecured Loans	4	23.06	17.40
		1,660.28	1,764.06
<b>Total</b>		<b>16,744.54</b>	<b>16,796.04</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
(a) Gross block	5	6,908.33	6,497.09
(b) Less: Depreciation		843.87	554.77
(c) Net Block		6,064.46	5,942.32
(d) Capital work-in-progress (Note 14)		2,369.21	1,502.02
		8,433.67	7,444.34
<b>2. Investments</b>			
	6	105.84	225.62
<b>3. Current Assets, Loans and Advances</b>			
(a) Inventories	7	289.50	528.08
(b) Sundry Debtors		59.41	216.26
(c) Cash and Bank balances		3,257.92	5,988.02
(d) Loans and advances		981.12	1,033.13
		4,587.95	7,765.49
<b>Less : Current Liabilities and Provisions</b>			
(a) Current Liabilities	8	482.37	698.16
(b) Provisions	9	40.21	33.25
		522.58	731.41
<b>Net Current Assets</b>		<b>4,065.37</b>	<b>7,034.08</b>
<b>4. Miscellaneous Expenditure</b>			
(to the extent not written off or adjusted)	10		
Product development expenditure		262.40	372.48
Other		9.34	18.67
		271.74	391.15
<b>5. Profit and Loss Account</b>			
<b>Total</b>		<b>3,867.92</b>	<b>1,700.85</b>
<b>Total</b>		<b>16,744.54</b>	<b>16,796.04</b>
Significant accounting policies and notes	18		

Schedules 1 to 18 annexed hereto form part of these financial statements.

For and on behalf of the Board of Directors

 Per our report attached  
**For Deloitte Haskins & Sells**  
 Chartered Accountants

**M.R. Vikram**  
 Director

**Dr. K. Uma Devi**  
 Director

**Dr. Jayaram Chigurupati**  
 Managing Director

**K. Rajasekhar**  
 Partner

 Place : Secunderabad  
 Date : 16.11.2009

**Profit and Loss Account for the year ended March 31, 2009**

	Schedules	Year ended March 31, 2009	Year ended March 31, 2008
Rs. in Lakhs			
<b>INCOME</b>			
Income from Sales and Operations		655.02	857.03
Less : Excise duty		52.70	33.48
Net sales		602.32	823.55
Other income	11	515.47	216.90
		<b>1,117.79</b>	<b>1,040.45</b>
<b>EXPENDITURE</b>			
Raw Materials consumed	12	470.92	266.58
Payments and benefits to employees	13	622.25	499.69
Manufacturing expenses	14	411.55	367.23
Administrative and other expenses	15	384.29	246.25
Product development expenses		310.47	201.28
Interest and Bank charges	16	201.81	270.91
Depreciation		294.07	290.45
Amortisation of miscellaneous expenditure			
- Product development expenditure		110.08	110.08
- Other		9.33	23.33
		2,814.77	2,275.80
<b>Loss for the year before exceptional items</b>		<b>(1,696.98)</b>	<b>(1,235.35)</b>
<b>Less: Exceptional items</b>			
Provision for diminution in the value of investments		119.78	-
Provision for doubtful advance towards share applications moneys		345.70	-
<b>Loss for the year after exceptional items</b>			
<b>AFTER EXCEPTIONAL ITEMS</b>		<b>(2,162.46)</b>	<b>(1,235.35)</b>
Deferred Tax		-	229.06
Fringe benefit Tax		4.61	5.85
<b>Loss for the year after taxation</b>		<b>(2,167.07)</b>	<b>(1,470.26)</b>
Loss brought forward from previous year		(1,700.85)	(226.09)
Add: Adjustment arising out of initial adoption of AS 15		-	(4.50)
Loss carried to Balance sheet		(3,867.92)	(1,700.85)
Earning per Share (Face value Rs.10 each)			
- Basic and Diluted (Rs.)		(6.30)	(4.78)
Significant accounting policies and notes	18		

Schedules 1 to 18 annexed hereto form part of these financial statements.

For and on behalf of the Board of Directors

 Per our report attached  
**For Deloitte Haskins & Sells**  
 Chartered Accountants

**M.R. Vikram**  
 Director

**Dr. K. Uma Devi**  
 Director

**Dr. Jayaram Chigurupati**  
 Managing Director

**K. Rajasekhar**  
 Partner

 Place : Secunderabad  
 Date : 16.11.2009

**Cash Flow Statement for the year ended March 31, 2009**

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Rs. in Lakhs

	Year ended March 31, 2009	Year ended March 31, 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net loss before tax and extraordinary items	(1,696.98)	(1,235.35)
<b>Adjustments for:</b>		
Depreciation	294.07	290.45
Amortisation of miscellaneous expenditure	119.41	133.41
Provision for doubtful advance	8.14	-
Interest income	(442.99)	(200.60)
Foreign exchange gain	(59.12)	(3.42)
Interest expense	193.49	249.70
Loss on sale of fixed assets	2.96	1.12
<b>Operating loss before working capital changes</b>	<b>(1,581.02)</b>	<b>(764.69)</b>
<b>Adjustments for :</b>		
Inventory	238.58	(21.75)
Sundry debtors	157.39	761.57
Loans and advances	29.89	(21.90)
Trade/Other payables	(182.91)	(102.12)
<b>Cash used in operations</b>	<b>(1,338.07)</b>	<b>(148.89)</b>
Taxes paid (including fringe benefit tax)	(108.75)	(74.71)
<b>Net cash used in operating activities</b>	<b>(1,446.82)</b>	<b>(223.60)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(1,290.21)	(976.02)
Sale of fixed assets	5.00	6.50
Advance towards share capital of subsidiaries	(62.45)	(56.98)
Advance to subsidiaries	-	(23.64)
Loans to subsidiary	(108.30)	(154.60)
Interest received	445.89	76.02
Proceeds from/(investment in) Bank fixed deposits	2,817.76	(5,838.45)
<b>Net cash from/(used) in investing activities</b>	<b>1,807.69</b>	<b>(6,967.17)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of equity share capital	7.50	553.95
Share premium received	44.78	8,264.16
Proceeds from borrowings	48.81	514.87
Repayment of borrowings	(189.00)	(1,916.54)
Loans taken	-	600.00
Loans repaid	-	(600.00)
Interest paid	(185.31)	(249.93)
<b>Net cash (used)/from in financing activities</b>	<b>(273.22)</b>	<b>7,166.51</b>
Net increase/(decrease) in cash and cash equivalents	<b>87.65</b>	<b>(24.27)</b>
<b>CASH AND CASH EQUIVALENTS AT THE COMMENCEMENT OF THE YEAR</b>	<b>48.70</b>	<b>72.97</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>136.35</b>	<b>48.70</b>

(Cntd..)

**Cash Flow Statement for the year ended March 31, 2009**
**Notes:**

1. Cash and cash equivalents include cash and bank balances in current and deposit accounts. Reconciliation of cash and bank balances (Refer Schedule 7) with cash and cash equivalents is as follows:

	Year ended March 31, 2009	Year ended March 31, 2008
		Rs. in Lakhs
Cash on hand	0.07	0.25
Bank balances	8.12	11.84
Margin money	128.16	36.61
Cash and cash equivalents	136.35	48.70
Fixed deposits (original maturing more than 3 months)	3,121.57	5,939.32
Cash and bank balances	3,257.92	5,988.03

2. Loans and advances given to subsidiary companies are considered as part of investing activities
3. Fixed deposits with banks with maturity period of more than three months are classified and grouped in investing activities and not included in cash and cash equivalents.
4. Cash flow statement has been prepared under the 'Indirect Method' as set out in Accounting standard (AS 3) 'Cash Flow Statement'
5. Previous years figures have been regrouped / rearranged wherever necessary to correspond with the figures of the current year

For and on behalf of the Board of Directors

Per our report attached  
**For Deloitte Haskins & Sells**  
 Chartered Accountants

**M.R. Vikram**  
 Director

**Dr. K. Uma Devi**  
 Director

**Dr. Jayaram Chigurupati**  
 Managing Director

**K. Rajasekhar**  
 Partner

Place : Secunderabad  
 Date : 16.11.2009

**Schedules forming part of Balance Sheet**

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	As at March 31, 2009	Rs. in Lakhs As at March 31, 2008
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
3,50,00,000 Equity Shares of Rs.10/- each	3,500.00	3,500.00
<b>Issued and Subscribed</b>		
3,44,25,000 (previous year 3,43,50,000) Equity Shares of Rs. 10/- each fully paid	3,442.50	3,435.00
	<b>3,442.50</b>	<b>3,435.00</b>
Of the above		
a) 1,11,27,664 equity shares of Rs.10/- each issued to erstwhile shareholders of <i>Credence Pharmaceuticals Limited</i> and <i>Hemarus Healthcare Private Limited</i> pursuant to Scheme of Amalgamation		
b) 91,82,500 equity shares of Rs.10/- each issued to Shareholders of <i>Zenotech Laboratories Private Limited</i> , pursuant to Scheme of Amalgamation		
c) Under the <i>Zenotech Stock Option Scheme 2005</i> , the Company has granted (net of options lapsed) 1,25,000 options of which 125,000 vested options have been exercised		
d) Under the <i>Zenotech Employee Stock Option Scheme 2005</i> , the Company granted 17,000 options (net of options lapsed) as on 31.03.2009		
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
At the commencement of the year	11,596.98	3,332.82
Add : Received during the year	44.78	8,264.16
	<b>11,641.76</b>	<b>11,596.98</b>
<b>SCHEDULE 3 - SECURED LOANS</b>		
a) <b>Cash Credits / Working Capital loans</b>		
Andhra Bank Limited	-	7.66
YES Bank Limited	484.92	472.28
b) <b>Term Loans from Financial Institutions and banks</b>		
Andhra Pradesh State Financial Corporation*	564.14	692.54
Technology Development Board**	512.81	552.47
HDFC Bank Limited & Vijaya Bank Limited (Vehicle Loans)***	25.85	9.97
c) <b>Interest accrued and due</b>	49.50	11.74
	<b>1,637.22</b>	<b>1,746.66</b>
* Repayable within one year Rs.243.44 lakhs (31.03.2008 Rs.192.60 lakhs)		
** Repayable within one year Rs. 266.68 (31.03.2008 Rs.133.34 lakhs)		
*** Repayable within one year Rs. 8.55 lakhs (31.03.2008 Rs.7.91 lakhs)		
<b>SCHEDULE 4 - UNSECURED LOANS</b>		
Biotech Consortium India Limited	12.80	5.80
Interest accrued and due	10.26	11.60
	<b>23.06</b>	<b>17.40</b>

## SCHEDULE - 5 FIXED ASSETS

Rs. in Lakhs

Description	Gross Book			Depreciation			Net Book Value			
	31-Mar-08	Additions	Deductions	31-Mar-09	31-Mar-08	For the year	Deductions	31-Mar-09	31-Mar-09	31-Mar-08
Land (freehold)	140.08	-	-	140.08	-	-	-	-	140.08	140.08
Buildings	1,997.89	48.77	-	2,046.66	124.28	67.11	-	191.39	1,855.27	1,873.61
Leasehold improvements	32.61	-	-	32.61	25.49	2.02	-	27.51	5.10	7.12
Plant and machinery	4,087.04	317.86	-	4,404.90	347.75	198.57	-	546.32	3,858.58	3,739.29
EDP equipment	39.92	5.30	-	45.22	17.12	7.14	-	24.26	20.96	22.80
Office equipment	4.29	0.67	-	4.96	0.86	0.31	-	1.17	3.79	3.43
Furniture and fixtures	106.96	14.33	-	121.29	15.09	9.10	-	24.19	97.10	91.87
Vehicles	88.30	37.24	12.93	112.61	24.18	9.82	4.97	29.03	83.58	64.12
	<b>6,497.09</b>	<b>424.17</b>	<b>12.93</b>	<b>6,908.33</b>	<b>554.77</b>	<b>294.07</b>	<b>4.97</b>	<b>843.87</b>	<b>6,064.46</b>	
31-Mar-08	6,083.84	421.63	8.37	6,497.09	265.08	290.47	0.76	554.77		5,942.32

Notes : 1. Freehold land includes Rs.31.76 lakhs as on 31st March, 2008 in respect of which conveyance is yet to be executed.

2. Plant and Machinery includes Machinery costing Rs.132.24 lakhs which were retired from active use with effect from July 31, 2008. Net book value of these assets as at the date of retirement is Rs.112.84 lakhs.

**Schedules forming part of Balance Sheet**

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Rs. in Lakhs

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 6 - INVESTMENTS</b>		
At cost		
Unquoted - Long Term		
Trade		
<b>a. Shares in wholly owned subsidiaries</b>		
Zenotech Farmaceutica Do Brasil Ltda 39,600 quotas of Reais 10 each	116.61	116.61
Less: Provision for diminution in value	(116.61)	-
Zenotech Laboratories Limited, Nigeria 9,99,000 Ordinary shares of Naira 1 each	3.17	3.17
Less: Provision for diminution in value	(3.17)	-
Zenotech Inc., USA 10,00,000 shares of USD 0.10 each	105.60	105.60
<b>b. Shares in associate company</b>		
Credence Organics Pvt. Ltd 2400 shares of Rs.10 each	0.24	0.24
	<b>105.84</b>	<b>225.62</b>
 <b>SCHEDULE 7 - CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
(as lower of cost and net realisable value)		
Raw and packing material	163.90	214.62
Work in process	112.71	35.02
Finished goods	12.89	278.44
	<b>289.50</b>	<b>528.08</b>
<b>Sundry Debtors</b>		
(Unsecured, considered good unless otherwise specified)		
Debts outstanding for a period exceeding six months *	2.36	149.05
Other debts	57.05	67.21
	<b>59.41</b>	<b>216.26</b>
* includes due from subsidiary Nil (31.03.2008 Rs.26.54 lakhs)		
<b>Cash and Bank balances</b>		
Cash on hand	0.07	0.25
With Scheduled Banks		
- Current accounts	7.83	10.04
- Fixed deposits	3,121.57	5,789.32
- Margin account	128.16	36.61
With Non-Scheduled Bank *		
- Current accounts	0.29	1.80
- Fixed Deposits	-	150.00
	<b>3,257.92</b>	<b>5,988.02</b>

\* Balance with Coastal Local Area bank Limited. Maximum balance during the Year is Rs150 lakhs (31.03.2008: Rs. 250 lakhs).

**Schedules forming part of Balance Sheet**

	Rs. in Lakhs	
	As at March 31, 2009	As at March 31, 2008
<b>Loans &amp; Advances</b>		
(Unsecured)		
Loan to Associate	14.71	14.71
Loan to subsidiary (interest free loan)		
Zenotech Inc, USA (Maximum amount outstanding during the period Rs.262.90 lakhs; 31.03.2008: Rs.154.60 lakhs)	262.90	154.60
Advance to subsidiary (interest free advance)		
Zenotech Laboratories Limited, Nigeria (Maximum and outstanding during the year Rs.8.14 lakhs)	8.14	8.14
Zenotech Inc, USA (Maximum and outstanding during the year Rs.25.48 lakhs)	25.48	20.45
Advances recoverable in cash or in kind or for value to be received*	269.62	245.90
Interest accrued on loans / deposits	124.38	127.27
Application money for investment in:		
Zenotech Farmaceutica Do Brasil Ltda	319.56	257.10
Zenotech Laboratories Limited, Nigeria	26.14	26.14
Zenotech Inc., USA	110.55	110.55
Balance with Excise Authorities on Current Account	3.38	1.81
Advance Income Tax ( including TDS Receivable)	170.10	66.46
	1,334.96	1,033.13
Less: Provision for doubtful advances	353.84	-
	981.12	1,033.13
Of the above: Considered good	981.12	1,033.13
Considered doubtful	353.84	-
	<b>1,334.96</b>	<b>1,033.13</b>
* Includes		
1. Due from Managing Director Rs.9.99 lakhs (31.03.2008 Rs.2.55 lakhs) Maximum balance during the year Rs.17.71 lakhs (previous year Rs.2.57 lakhs)		
2. Interest free advance given to Credence Clinical Research Pvt Ltd Rs.20.89 lakhs (31.03.2008 Rs.19.93 lakhs) certain Directors of the Company are also director / shareholders of the above Company. Maximum balance during the period Rs.20.89 lakhs (31.03.2008 Rs. 22.06 lakhs)		
3. There has been no investments in the Company's shares by the Loanee		
<b>SCHEDULE 8 - CURRENT LIABILITIES</b>		
Sundry Creditors ( Note 15)		
i) Due to Micro, Small and Medium Enterprises	-	-
ii) Due other than to Micro, Small and Medium Enterprises	363.86	395.34
Interest accrued but not due on loans	27.72	55.96
Other liabilities	90.79	246.86
	<b>482.37</b>	<b>698.16</b>
Note: There are no amount due and outstanding to be credited to Investors Education and Protection Fund.		
<b>SCHEDULE 9 - PROVISIONS</b>		
Fringe Benefit Tax - net	0.57	1.04
Compensated absences	19.11	16.79
Gratuity	20.53	15.42
	<b>40.21</b>	<b>33.25</b>



**Schedules forming part of Balance Sheet**

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Rs. in Lakhs

**SCHEDULE 10 - MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)**

	Balance as at April 1, 2008	Additions during the year	Written off during the year	Balance as at March 31, 2009
Preliminary expenses	3.33	-	1.66	1.67
Amalgamation expenses	15.34	-	7.67	7.67
Product development expenses	372.48	-	110.08	262.40
	<b>391.15</b>	<b>-</b>	<b>119.41</b>	<b>271.74</b>

**Schedules forming part of Profit & Loss Account**

	Rs. in Lakhs	
	Year ended March 31, 2009	Year ended March 31, 2008
<b>SCHEDULE 11 - OTHER INCOME</b>		
Interest on deposits and loans (gross) (tax deducted at source Rs.100.94 lakhs; 31.03.2008 Rs.44.80 lakhs)	442.99	200.60
Foreign Exchange gain	58.33	3.42
Miscellaneous	14.15	12.88
	<b>515.47</b>	<b>216.90</b>
<b>SCHEDULE 12 - RAW MATERIALS CONSUMED</b>		
<b>a) Raw material and packing material consumed</b>		
Opening stock	214.62	187.51
Purchases	354.68	350.22
	569.30	537.73
Less: Closing stock	163.90	214.62
	405.40	323.11
Less: Transferred to product development expenses	106.36	69.59
	<b>299.04</b>	<b>253.52</b>
<b>b) (Increase) / Decrease in Finished Goods and Work-in-process</b>		
Opening Stock :		
- Finished Goods	278.44	222.18
- Work - in - process	35.02	96.64
	313.46	318.82
Less: Closing stock :		
- Finished Goods	12.89	278.44
- Work - in - process	112.71	35.02
	125.60	313.46
	187.86	5.36
<b>c) Excise duty on increase / ( decrease) of finished goods, stocks</b>	(15.98)	7.70
	<b>470.92</b>	<b>266.58</b>
<b>SCHEDULE 13 - PAYMENTS AND BENEFITS TO EMPLOYEES</b>		
Salaries, Wages etc.,	567.88	443.21
Contribution to Provident and other funds	30.51	32.52
Staff welfare	23.86	23.96
	<b>622.25</b>	<b>499.69</b>

**Schedules forming part of Profit & Loss Account**

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	Year ended March 31, 2009	Year ended March 31, 2008
		Rs. in Lakhs
<b>SCHEDULE 14 - MANUFACTURING EXPENSES</b>		
Conversion charges	-	0.33
Power, fuel and water	210.85	189.55
Spare parts consumed	-	3.59
Repairs and maintenance		
- Plant and Machinery	54.74	60.71
- Building	15.15	10.27
- Others	82.31	47.54
Contract manpower expenses	45.74	49.62
Other manufacturing expenses	2.76	5.62
	<b>411.55</b>	<b>367.23</b>
<b>SCHEDULE 15 - ADMINISTRATIVE, SELLING AND DISTRIBUTION AND OTHER EXPENSES</b>		
Rent	19.05	20.03
Office and general maintenance	30.78	31.32
Rates and taxes	29.09	11.59
Insurance	8.78	12.16
Printing and stationery	12.93	12.99
Communication expenses	8.66	12.62
Legal and professional charges	55.53	51.58
Travelling and conveyance expenses	35.01	45.29
Commission on sales	4.14	1.53
Selling and distribution expenses	18.33	23.78
Loss on sale of fixed assets (net)	2.96	1.12
Miscellaneous	20.07	22.24
Debts written off	130.82	-
Provision for advance given to subsidiary	8.14	-
	<b>384.29</b>	<b>246.25</b>
<b>SCHEDULE 16 - Interest and bank charges</b>		
On fixed term loans	134.59	168.63
Other loans	58.90	81.07
Bank charges	8.32	21.21
	<b>201.81</b>	<b>270.91</b>

**Schedules forming part of Balance Sheet & Profit and Loss Account**
**Schedule 17 - Capacity, Production, Sales, consumptions and stocks:**
**a) Quantitative information in respect of goods manufactured**

	Unit	2008-09	2007-08
<b>Licensed Capacity per annum *</b>			
i) Pharmaceutical formulations, Lyophilized & liquid injections, Tablets and capsules*	Injectable Numbers	800,000	800,000
	Capsule Numbers	400,000	400,000
	Tablet Numbers	1,000,000	1,000,000
ii) Granulocyte Colony Stimulating Factor (G-CSF)	Grams	200	200
iii) Granulocyte Macrophage Colony Stimulating Factor (G-MCSF)	Grams	100	100
iv) Interleukin - II	Grams	100	100

\* Department of Industrial Policy and Promotion, Ministry of Commerce and Industry vide its Notification S.O.1386 (E) dated 23rd September, 2005 has omitted Drugs and Pharmaceuticals from the Scheduled List. Licensed capacity as given above is based on Licenses/Letter of Intent obtained earlier.

**Installed capacity**

(as certified by the management and relied upon by auditors,  
being a technical matter)

i) Pharmaceutical formulations, Lyophilized & liquid injections, - Oncology	Injectable Numbers	800,000	800,000
ii) Granulocyte Colony Stimulating Factor (G-CSF)	Grams or equivalent Injectable Numbers	200 666,667	200 666,667
iii) Granulocyte Macrophage Colony Stimulating Factor (G-MCSF)	Grams or equivalent Injectable Numbers	100 250,000	100 250,000
iv) Interleukin - II ( IL 2)	Grams or equivalent Injectable Numbers	100 90,909	100 90,909
iv) Anesthesiology and others	Injectable Numbers	2,400,000	2,400,000

**Actual Production**

i) Pharmaceutical formulations, Oncology	Injectable Numbers	50,756	61,616
ii) GCSF	Injectable Numbers	-	-
iii) GMCSF	Injectable Numbers	956	4,250
iv) IL 2	Injectable Numbers	1,320	650
v) Anesthesiology and others	Injectable Numbers	-	99,237

**Schedules forming part of Balance Sheet & Profit and Loss Account**

	Unit	2008-09		2007-08	
		Quantity	Rs. in lakhs	Quantity	Rs. in lakhs
<b>b) Sales *</b>					
Pharmaceutical formulations,					
- Oncology	Injectable Numbers	56,123	496.76	50,907	151.05
G-CSF	Injectable Numbers	2,083	9.98	4,515	27.90
G-MCSF	Injectable Numbers	3,922	46.93	(1,790)	(29.84)
IL 2	Injectable Numbers	1,320	47.62	650	25.74
Anesthesiology and others	Injectable Numbers	47,933	27.85	(7,307)	(14.59)
			629.14		160.26
Less: Discounts			1.12		5.19
			628.02		155.07
Abbreviated New Drug Application (ANDA) /Contract manufacturing income			27.00		701.96
			<b>655.02</b>		<b>857.03</b>
* Net of sales returns					
<b>c) Opening Stock of finished goods</b>					
Pharmaceutical formulations,					
- Oncology	Injectable Numbers	20,915	135.82	14,514	119.87
G-CSF	Injectable Numbers	3,997	54.61	9,214	40.17
G-MCSF	Injectable Numbers	6,014	16.47	560	5.46
IL 2	Injectable Numbers	-	-	-	-
Anesthesiology and others	Injectable Numbers	147,899	71.54	62,450	56.68
			<b>278.44</b>		<b>222.18</b>
<b>d) Closing Stock of finished goods</b>					
Pharmaceutical formulations,					
- Oncology	Injectable Numbers	1,036	12.89	20,915	135.82
G-CSF	Injectable Numbers	-	-	3,997	54.61
G-MCSF	Injectable Numbers	-	-	6,014	16.47
IL 2	Injectable Numbers	-	-	-	-
Anesthesiology and others	Injectable Numbers	-	-	1,47,899	71.54
			<b>12.89</b>		<b>278.44</b>
<b>e) Raw and packing materials consumed*</b>					
Docetaxel	grams	499.96	20.06	5	0.29
Epirubicin	grams	230.16	23.77	-	-
Gemcetabine	grams	2933.50	18.41	5,794	67.28
Paclitaxel	grams	1822.78	42.47	1,047	26.10
L-Asparagenase	grams	404.90	18.84	-	-
Bleomycin Sulphate	grams	-	-	60	9.97
Others			281.85		219.47
			<b>405.40</b>		<b>323.11</b>

\* includes raw materials consumed for product development.

**Schedules forming part of Balance Sheet & Profit and Loss Account****Schedule 18: Significant accounting policies and notes on accounts for the year ended 31st March, 2009****1. Significant accounting policies****a) Basis of Accounting:**

The financial statements have been prepared under historical cost convention, in accordance with the generally accepted accounting principles in India and in accordance with Accounting Standards as notified by Companies (Accounting Standards) Rules 2006.

**b) Use of Accounting Estimates:**

The preparation of Financial Statements in conformity with Accounting Standards requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of Financial Statement and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognized in the period in which the results are known and materialized.

**c) Fixed assets:**

Fixed Assets are carried at cost of acquisition or construction less accumulated depreciation. The actual cost capitalized comprises of cost of acquisition of the asset, clearing charges in case of imported assets, duties, taxes and other incidental expenditure incurred for acquiring the assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

**d) Depreciation:**

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.

**e) Product development expenditure:**

Expenses on personnel, consultancy, material, overhead costs and depreciation on assets procured for product development activities are treated as deferred revenue expenditure and amortized over five years from the date revenue is generated from the respective products. All other revenue expenditure is expensed as incurred and capital expenditure incurred on product development is capitalized as fixed assets and depreciated in accordance with depreciation policy of the Company.

**f) Foreign currency translations:**

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities and realized gains and losses to foreign exchange transactions are recognized in Profit and Loss account.

**g) Investments:**

Long term investments are stated at cost of acquisition. Provision for diminution in value of long term investments other than temporary is made in the accounts.

**h) 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.

**i) 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.

## Schedules forming part of Balance Sheet & Profit and Loss Account

i) **Gratuity**

In accordance with the Payment of Gratuity Act, 1972 the Company provides for Gratuity covering its eligible employees. The liability is unfunded.

Liability on account of Gratuity is -

- determined and charged to Profit and Loss account on the basis of valuation by an independent Actuary.

ii) **Provident Fund**

Contribution to Provident Fund (a defined contribution plan) is recognized and expensed on accrual basis.

iii) **Compensated Absences**

Leave liability is determined and charged to Profit and Loss account on the basis of valuation by an independent Actuary.

j) **Revenue recognition:**

Sale of goods is recognized at the point of dispatch of finished goods to customers. 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.

Income from interest on deposits is recognised on time proportionate basis.

k) **Taxes on Income :**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

l) **Leases :**

The Company's significant leasing arrangements are in respect of operating leases for office premises. The leasing arrangements which are not cancelable range between 11 months to 5 years are generally and usually renewable by mutual consent on agreed terms. The aggregate lease rents payable are charged as rent in the Profit and Loss account.

m) **Miscellaneous expenditure:**

Written off over a period of five years or the period over which the benefit of the expenditure is expected to be derived.

- 2(a) The Company had applied vide its letter dated 4.09.2008 to the Registrar of Companies requested for an extension of time upto 31.12.2008 for the purpose of holding Annual General Meeting (AGM), on the ground that the accounts of one of the subsidiaries could not be completed as there was a major software problem, which was duly granted by Registrar of Companies Andhra Pradesh vide its order dated 9.09.2008. On lapse of the extension, the Company vide its letter dated 26.11.2008 to the Honorable Secretary, The Ministry of Corporate Affairs, New Delhi requested for extension of the financial year 2007-08 up to 31.12.2008, i.e. (for a period of 21 months) and also to pass such consequential orders for postponing the submission of accounts to Annual General Meeting or submission of accounts, annual returns etc.,. As on date no approval has been received by the Company. Consequent to the AGM not being held by the Company the accounts for the year ended 31st March, 2008 has not been adopted by the members.
- (b) Subsequent to Daiichi Sankyo Company Limited (Daiichi) acquiring 63.92% stake in Ranbaxy Laboratories Limited (Ranbaxy) in October 2008, Daiichi announced an open offer to acquire 20% shares of Zenotech Laboratories Limited (the Company) at Rs. 113.62 per share. Aggrieved by the pricing of the share, one of the shareholders filed a petition in the Hon'ble High Court of Madras. The Company has been named as Respondent in the said case. An interim injunction in connection with the offer was given by the Hon'ble High Court of Madras and subsequently it was quashed by the Hon'ble Supreme Court based on a petition filed by Daiichi against the said injunction. Meanwhile some the shareholders (excluding Ranbaxy) including Promoter and Managing Director of the Company filed a petition with Securities Appellate Tribunal (SAT) with respect to the pricing of the share of the Company. SAT directed Daiichi to price the open offer at Rs. 160 per share. Daiichi has filed an appeal against the SAT order in the Supreme Court.

**Schedules forming part of Balance Sheet & Profit and Loss Account**
**3. Value of imported and indigenous consumption**

	2008-09		2007-08	
	Value Rs. in lakhs	%	Value Rs. in lakhs	%
i) Raw and packing materials				
Imported	116.52	29	110.69	34
Indigenous	288.88	71	212.42	66
	<b>405.40</b>		<b>323.11</b>	
ii) Components and spare parts	–		–	
	<b>405.40</b>		<b>323.11</b>	

Note: Components and spare parts referred to in para 4D(c) of Part II of Schedule VI to Companies Act, 1956 are assumed to be those incorporated in the goods produced and not those for maintenance of Plant and Machinery.

	2008-09	2007-08
<b>4. Value of Imports (on CIF Basis):</b>		
Capital goods	58.64	312.35
Raw materials and others	105.67	93.79
Spares	7.85	7.35
	<b>172.16</b>	<b>413.49</b>
<b>5. Earnings in Foreign Exchange:</b>		
Exports of finished goods on FOB basis	39.19	16.85
<b>6. Expenditure in foreign currency</b>		
Product development expenses	172.38	109.98
Product registration charges	–	1.02
Others	11.10	26.06
	<b>183.48</b>	<b>137.06</b>
<b>7. Managerial remuneration:</b>		
Salary	15.00	10.50
Perquisites	7.80	6.89
	<b>22.80</b>	<b>17.39</b>

**Note:**

- Having regard to the fact that Gratuity is a defined benefit accrued based on actuarial valuation the amount applicable to an individual employee is not ascertainable and accordingly, has not been considered in the above computation.
- Perquisites include contribution to Provident Fund Rs.1.80 lakhs (previous year Rs.1.26 lakhs)

**8. Auditor's remuneration**

Audit fees	5.00	5.00
Tax Audit fees	2.00	2.00
Other Services	3.58	9.40
Out of pocket expenses	0.11	0.74
	<b>10.69</b>	<b>17.14</b>



**Schedules forming part of Balance Sheet & Profit and Loss Account**
**9. Product development expenditure incurred comprises of:**

	2008-09	2007-08
		Rs. in lakhs
Salaries	223.05	99.24
Raw and packing material consumed	106.36	69.59
Clinical Trial and Studies	19.11	1.39
Fees for technical services	172.38	109.98
Depreciation	27.37	19.23
Others	17.30	22.71
	<b>565.57</b>	<b>322.14</b>

**Note:**

- Product development expenditure has been shown under appropriate expenditure heads.

**10. Earnings per share**

	2008-09	2007-08
a) Profit/(loss) after tax (Rs. in lakhs)	(2,167.07)	(1,470.26)
b) Weighted Average number of Equity Shares outstanding during the year	3,44,10,616	3,07,69,042
c) Potential equity shares on Employee Stock option granted	(22,585)	26,778
d) Weighted Average number of Equity Shares in computing diluted earnings per share	3,43,88,031	3,07,95,820
e) Face value of each Equity Share ( Rs.)	10	10
f) Earnings per share		
- Basic (Rs.)	(6.30)	(4.78)
- Diluted (Rs.)	(6.30)	(4.78)

**11. Contingent liabilities**

(Amount in Rs. Lakhs)

	As at March 31, 2009	As at March 31,2008
Liability in respect of Bank guarantees	116.96	90.63
Liability in respect of Letter of credits	48.33	257.20

**Schedules forming part of Balance Sheet & Profit and Loss Account**

12. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for, as at March 31st, 2009 is Rs. 20.56 lakhs (31.03.2008: Rs. 155.23 lakhs).

**13. Secured loans:**

- i. Term loans taken by the Company from Andhra Pradesh State Financial Corporation (APSFC) are secured by way of hypothecation of plant and machinery and mortgage of land related to Biologics facility and R&D facility and personal guarantee of the Director of the Company.
- ii. Term loan taken from the Technology Development Board (TDB) is secured by way of paripassu first charge on the whole of movable properties of the company including movable plant and machinery, machinery spares, tools and accessories and other movables, both present and future and paripassu first charge on land or other immovable property of the company, present and future, and personal guarantee of the Director of the Company.
- iii. Cash Credit/working capital loan from YES Bank is secured by first Pari Passu charge on current assets of the Company.
- iv. Vehicle loans taken by the Company from Vijaya Bank and HDFC Bank Limited are secured by way of hypothecation of respective vehicles.
- v. In respect of loans repaid to Axis Bank, the Company is in the process of filing satisfaction of charges.

14. Capital work-in-progress includes capital advances of Rs.24.44 lakhs (31.03.2008: Rs.296.88 lakhs)

**15. Sundry Creditors:**

The Company has not received any intimation from "suppliers" regarding their status under the Micro, Small and Medium Enterprises Development Act 2006 and hence disclosures, if any, relating to amount unpaid as at the year end together with interest paid/payable as required under the said Act have not been given.

**16. Segment reporting:**

The Company has considered business segment as the primary segment for disclosure. The Company is engaged in the manufacture and trading of Pharmaceuticals in India, which in the context of Accounting Standard (AS) 17 - "Segment Reporting" notified by the Companies (Accounting Standards) Rules, 2006 is considered the only business segment.

**17. Taxation:**

Deferred Tax is accounted for by computing the tax effect of timing difference which arises during the year and reverse in subsequent periods. Deferred tax assets are recognized and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**18. Related Party Disclosures:**

Information relating to Related Party transactions as per "Accounting Standard (AS) 18" notified by the Companies (Accounting Standards) Rules, 2006.

**Schedules forming part of Balance Sheet & Profit and Loss Account**

(A) Name of the Related Party	Relationship
Zenotech Farmaceutica Do Brasil Limiteda, Brazil (ZFDBL)	} Subsidiary
Zenotech Laboratories Nigeria Limited, Nigeria (ZLNL)	
Zenotech, Inc., USA	
Credence Organics Private Limited (COPL)	Associate
Ranbaxy Laboratories Limited (RLL)	Major Shareholder
Credence Clinical Research Private Limited (CCRPL)	} Promoter Group companies where common control exists and with whom the company had transactions
Rite Diagnostics Private Limited (RDPL)	
Hemarus Technologies Limited (HTL)	
Credence Power Projects Limited (CPPL)	
Credence Infrastructure Limited (CIL)	
Hemarus Biologicals Limited (HBL)	
Dr. Jayaram Chigurupati, Managing Director	Promoter and Key Management Personnel

## (B) Details of transactions between the Company and related Parties and the status of outstanding balances at the year end

Rs. in lakhs

Particulars	Subsidiaries		Associate		Promoter Group		Major shareholder		Key Management Personnel and Promoter	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Sales to RLL	-	-	-	-	-	-	473.86	-	-	-
Product Development expenses paid										
- Zenotech Inc, USA	172.38	109.98	-	-	-	-	-	-	-	-
Rent paid to CCRPL	-	-	-	-	1.79	2.69	-	-	-	-
Rent expenses shared with HTL	-	-	-	-	6.50	5.75	-	-	-	-
Reimbursement of expenses	-	-	-	-	-	-	8.36	8.06	-	-
Payments for material purchases/services	-	-	-	-	-	-	10.79	3.27	-	-
Purchase of Services from RDPL	-	-	-	-	-	0.59	-	-	-	-
Purchase of Fixed asset from CPPL	-	-	-	-	-	3.34	-	-	-	-
Advances to Subsidiaries										
- ZLNL	-	3.19	-	-	-	-	-	-	-	-
- Zenotech Inc, USA	-	20.45	-	-	-	-	-	-	-	-
Advances to HBL	-	-	-	-	0.03	-	-	-	-	-
Loans given - CIL	-	-	-	-	-	0.28	-	-	-	-
Loans given - Zenotech Inc, USA	53.11	154.60	-	-	-	-	-	-	-	-
Interest accrued on loan - COPL	-	-	1.83	1.84	-	-	-	-	-	-
Receipts from ANDA Sales- RLL	-	-	-	-	-	-	-	687.56	-	-
Receipts from Contract Manufacturing - RLL	-	-	-	-	-	-	-	99.15	-	-
Unsecured loan taken - RLL	-	-	-	-	-	-	-	600.00	-	-
Unsecured loan repaid - RLL	-	-	-	-	-	-	-	600.00	-	-
Interest on loan - RLL	-	-	-	-	-	-	-	8.88	-	-
Advance for share capital to subsidiaries										
ZFDBL	62.46	46.59	-	-	-	-	-	-	-	-
ZLNL	-	10.39	-	-	-	-	-	-	-	-
Zenotech Inc, USA	-	-	-	-	-	-	-	-	-	-
Loans given and received back from HTL	-	-	-	-	-	-	-	-	-	-
Unsecured loans repaid	-	-	-	-	-	-	-	-	-	336.10
Unsecured loans taken	-	-	-	-	-	-	-	-	-	230.50
Directors remuneration	-	-	-	-	-	-	-	-	22.80	17.39

Schedules forming part of Balance Sheet &amp; Profit and Loss Account

## (B) Details of transactions between the Company and related Parties and the status of outstanding balances at the year end

Rs. in lakhs

Particulars	Subsidiaries		Associate		Promoter Group		Major shareholder		Key Management Personnel and Promoter	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Outstanding balances at the year end										
(a) Receivable										
– ZLNL	-	26.54	-	-	-	-	-	-	-	-
– CCRPL	-	-	-	-	20.89	19.93	-	-	-	-
– HTL	-	-	-	-	-	6.89	-	-	-	-
– RLL	-	-	-	-	-	-	41.07	8.06	-	-
– HBL	-	-	-	-	0.03	-	-	-	-	-
(b) Payable										
RLL	-	-	-	-	-	-	17.84	8.88	-	-
(c) Advances towards share capital in subsidiaries										
– ZFDBL	319.57	257.10	-	-	-	-	-	-	-	-
– ZLNL	26.14	26.14	-	-	-	-	-	-	-	-
– Zenotech Inc, USA	110.55	110.55	-	-	-	-	-	-	-	-
(d) Advances outstanding										
– ZLNL	8.14	8.14	-	-	-	-	-	-	-	-
– Zenotech Inc, USA	25.48	20.45	-	-	-	-	-	-	-	-
– Others	-	-	5.93	4.10	-	-	-	-	9.99	-
(e) Loan										
– Due to	-	-	-	-	-	-	-	-	-	-
– Due from	262.90	154.60	14.71	14.71	-	-	-	-	-	-

**Schedules forming part of Balance Sheet & Profit and Loss Account**

## 19. Disclosure as required under Accounting Standard (AS) 15

	Amount (Rs in Lakhs)	
	31-03-2009	31-03-2008
<b>Projected benefit obligation at the beginning of the year</b>	15.42	7.58
Current Service Cost	6.68	4.65
Interest Cost	1.89	0.97
Actuarial (Gain)/Loss	(3.46)	2.22
Benefits Paid	-	-
Projected benefit obligation at the end of the year	<b>20.53</b>	<b>15.42</b>
<b>Amounts recognized in the balance sheet</b>		
Projected benefit obligation at the end of the year	20.53	15.42
Fair value of the plan assets at the end of the year	-	-
Liability recognized in the Balance Sheet	<b>20.53</b>	<b>15.42</b>
<b>Cost of the Retirement and Other Benefits for the year</b>		
Current Service Cost	6.68	4.65
Interest Cost	1.89	0.97
Expected return on plan assets	-	-
Net actuarial (Gain)/Loss recognized in the year	(3.46)	2.22
Net Cost recognized in the Profit and Loss Account	<b>5.11</b>	<b>7.84</b>
<b>Assumptions</b>		
Discount Rate	7.55%	8.65 %
Long term rate of compensation increase	10.00%	10.00 %

20. a) There are no outstanding forward exchange contracts as at the year end.  
 b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

	2008-09		2007-08	
	Foreign Currency	Rupees in Lakhs	Foreign Currency	Rupees in Lakhs
(i) Amounts payable in foreign currency at the year end on account of the following:				
Import of goods	67,880 USD	34.59	15,740 USD	6.29
Import of capital equipment	-	-	321 Euro	0.20
(ii) Amounts receivable in foreign currency at the year end on account of the following:				
Export of finished goods	1,31,591 USD	54.55	1,15,415 USD	46.13

**Schedules forming part of Balance Sheet & Profit and Loss Account**

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21. The disclosures in respect of Employees Stock Option Scheme which are outlined in this year's Annexure to the Report of the Directors & Management Discussion and Analysis and Report on Corporate Governance are treated as an annexure to these financial statements.

22. End use of money raised by preferential issue and ESOS of equity shares:-

Particulars	Rs. in Lakhs
Proceeds of issue	8,870.38
Utilization:	
Research and development of biogenerics	207.71
Research and development of new biological entities	282.35
Capital expenditure for existing and new manufacturing facilities	1,201.40
Repayment of secured and unsecured loans	2,812.06
Working capital	1,245.29
Fixed deposits	3,121.57

23. The Company has investments of Rs.105.60 lakhs in Zenotech Inc., USA (Subsidiary) and has advance (including towards share capital Rs.110.55) aggregating to Rs.398.93 lakhs to Zenotech Inc., USA. The networth of the subsidiary has completely eroded. However having regard to the long term involvement of the Company, management is of the view that no provision is required on this account at this stage.

24. Capital work in progress shown under fixed assets includes Rs1041.65 lakhs in respect of export oriented unit. The said unit has not yet been commissioned.

25. Figures of the previous year have been regrouped / recast wherever necessary to compare with current year's classification.

For and on behalf of the Board of Directors

**M.R. Vikram**  
Director

**Dr. K. Uma Devi**  
Director

**Dr. Jayaram Chigurupati**  
Managing Director

Place : Secunderabad

Date : 16.11.2009

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE (As per Part IV of Schedule VI of the Companies Act, 1956)**

<b>i. Registration details</b>		
Registration Number		01-10122
State code		01
Balance sheet date		March 31, 2009
<b>ii Capital raised during the year (Amount in Rs. Thousands)</b>		
Public issue		Nil
Rights issue		Nil
Bonus issue		Nil
Private placement - issue of ESOPs		750.00
<b>iii Position of mobilization and deployment of funds</b>		
(Amount in Rs. Thousands)		
Total liabilities		167,445.48
Total assets		167,445.48
Sources of funds		
Paid up capital		34,425.00
Reserves and surplus		116,417.52
Secured loans		16,372.32
Unsecured loans		230.64
Deferred tax liability		Nil
Application of funds		
Net fixed assets		84,336.93
Investments		1,058.40
Net current assets		40,653.60
Miscellaneous expenditure		2,717.22
Accumulated losses		38,679.33
<b>iv Performance of the company (Amount in Rs. Thousands)</b>		
Turnover		6,023.22
Total income		11,177.94
Total expenditure		28,147.88
Profit/(Loss) before tax		(16,969.94)
Profit/(Loss) after tax		(21,670.95)
Earning per share (in Rs.)		(6.30)
<b>v Generic names of three principal products/services of company</b>		
(As per monetary terms) Item code no. (ITC Code)		Product description
30049095		Gemcitabine
30049095		Paclitaxel
30049095		Docetaxel

For and on behalf of the Board of Directors

**M.R. Vikram**  
 Director

**Dr. K. Uma Devi**  
 Director

**Dr. Jayaram Chigurupati**  
 Managing Director

Place : Hyderabad

Date : 16.11.2009



**Auditors' Report**

To the Board of Directors of Zenotech Laboratories Limited

1. We have audited the attached consolidated Balance Sheet of Zenotech Laboratories Limited ("the Company") and its subsidiaries ("the Group") as at 31st March, 2009 and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the management of Zenotech Laboratories Limited and have been prepared by the management on the basis of separate financial statements and other financial information components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. 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 statements are free of material mis-statement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. Attention is invited to Note 2 of Schedule 17 to the Consolidated Financial Statements, regarding the accounts for the year ended 31st March, 2008 of the parent not having been adopted by the members.
4. As stated in Note 1(b) and 1( c) of Schedule 17 to the Consolidated Financial Statements, subsidiaries whose financial statements reflect Group's share of total assets of Rs.747.74 lakhs as at 31st March, 2009, Group's share of total revenue of Rs. 5.44 lakhs and net cash flows amounting to Rs. 5.62 lakhs for the year ended on that date and an associate having a carrying value of Rs.Nil as at 31st March,2009, the figures used for the consolidation are based on management's estimates and have not been audited by their auditors.
5. We invite attention to.
  - a) Note 18 of Schedule 17 of the Consolidated Financial Statements regarding carrying cost of Rs.1,041.65 lakhs relating to an export oriented unit of Parent Company which is yet to be commissioned.We are unable to comment on the appropriateness of the stated value in the consolidated financial statements
  - b) Note 19 of Schedule 17 of the Consolidated Financial Statements regarding goodwill on consolidation of Rs.101.21 lakhs.We are unable to comment on the appropriateness of its carrying cost.
6. We report that consolidated financial statements have been prepared by the Management of Zenotech Laboratories Limited in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, and Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements notified by the Companies (Accounting Standards) Rules, 2006.
7. Subject to our comments in paragraph 4 above and further subject to adjustments which may be required in respect of matters dealt with in paragraph 5 above, the effect of which we are unable to determine, based on our audit and on consideration of individual unaudited financial statements of the subsidiaries and associate and other financial information of the components, and to the best of our knowledge and information and explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2009;
  - (ii) in the case of the consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date; and
  - (iii) in the case of the consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Deloitte Haskins & Sells  
Chartered Accountants

K. Rajasekhar  
Partner  
M.No. 23341

Place : Secunderabad  
Date : 16.11.2009

**Consolidated Balance Sheet as at March 31, 2009**

	Schedules	As at March 31, 2009	As at March 31, 2008
Rs. in Lakhs			
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share capital	1	3,442.50	3,435.00
(b) Reserves and surplus	2	11,594.70	11,621.66
		15,037.20	15,056.66
<b>2. Loan Funds</b>			
(a) Secured Loans (Note 9)	3	1,664.76	1,846.75
(b) Unsecured Loans	4	23.06	49.64
		1,687.82	1,896.39
<b>TOTAL</b>		<b>16,725.02</b>	<b>16,953.05</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets :</b>			
(a) Gross block	5	6,994.56	6,569.10
(b) Less: Depreciation		902.26	592.39
(c) Net Block		6,092.30	5,976.71
(d) Capital work-in-progress (Note 10)		2,369.21	1,502.03
		8,461.51	7,478.74
<b>2. Investments</b>	6	-	-
<b>3. Current Assets, Loans and Advances</b>	7		
(a) Inventories		289.50	546.49
(b) Sundry Debtors		59.41	189.72
(c) Cash and Bank balances		3,263.96	6,039.65
(d) Loans and advances		605.64	474.54
		4,218.51	7,250.40
<b>Less : Current Liabilities and Provisions</b>			
(a) Current Liabilities	8	492.33	739.71
(b) Provisions	9	40.21	33.25
		532.54	772.96
<b>Net Current Assets</b>		<b>3,685.97</b>	<b>6,477.44</b>
<b>4. Miscellaneous Expenditure</b>	10		
(to the extent not written off or adjusted)			
Product Development Expenditure		262.40	372.48
Other		38.14	47.80
		300.54	420.28
<b>5. Goodwill on Consolidation</b>		101.21	157.22
<b>6. Profit and Loss Account</b>		4,175.79	2,419.37
<b>TOTAL</b>		<b>16,725.02</b>	<b>16,953.05</b>
Significant accounting policies and notes	17		

Schedules 1 to 17 annexed hereto form part of these financial statements.

For and on behalf of the Board of Directors

Per our report attached

**For Deloitte Haskins & Sells**

Chartered Accountants

**M.R. Vikram**  
 Director

**Dr. K. Uma Devi**  
 Director

**Dr. Jayaram Chigurupati**  
 Managing Director

**K. Rajasekhar**  
 Partner

Place : Secunderabad

Date : 16.11.2009

**Consolidated Profit and Loss Account for the year ended March 31, 2009**

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Rs. in Lakhs

	Schedules	Year ended March 31, 2009	Year ended March 31, 2008
<b>INCOME</b>			
Income from Sales and Operations		655.02	857.03
Less : Excise duty		52.70	33.48
Net sales		602.32	823.55
Other income	11	520.91	216.90
		<b>1,123.23</b>	<b>1,040.45</b>
<b>EXPENDITURE</b>			
Raw materials, Finished goods, etc.,	12	510.15	284.94
Personnel	13	720.35	620.80
Manufacturing expenses	14	411.55	367.23
Administrative, Selling and Distribution and other expenses	15	406.22	314.30
Product development expenses		138.10	91.31
Interest and Bank charges	16	205.48	279.98
Depreciation		307.44	303.01
Amortisation of miscellaneous expenditure			
- Product development expenditure		110.08	110.08
- Other		9.66	23.33
Impairment of goodwill		56.01	-
		<b>2,875.04</b>	<b>2,394.98</b>
<b>LOSS BEFORE TAXATION</b>		<b>(1,751.81)</b>	<b>(1,354.53)</b>
Deferred Tax		-	229.06
Fringe benefit Tax		4.61	5.85
<b>LOSS FOR THE YEAR AFTER TAXATION</b>		<b>(1,756.42)</b>	<b>(1,589.44)</b>
Prior period item - Depreciation		-	17.77
<b>LOSS FOR THE YEAR BEFORE SHARE OF RESULTS OF ASSOCIATES</b>		<b>(1,756.42)</b>	<b>(1,607.21)</b>
Share of Net Profit/(loss) of Associates		-	-
<b>NET LOSS</b>		<b>(1,756.42)</b>	<b>(1,607.21)</b>
Balance brought forward loss from previous year		(2,419.37)	807.66
Add : Adjustment arising out of initial adoption of AS	15	- (2,419.37)	4.50 (812.16)
Balance carried to Balance sheet		<b>(4,175.79)</b>	<b>(2,419.37)</b>
Earning per share (Note 6)			
- Basic and Diluted		(5.10)	(5.22)
Significant accounting policies and notes	17		

Schedules 1 to 17 annexed hereto form part of these financial statements.

For and on behalf of the Board of Directors

 Per our report attached  
**For Deloitte Haskins & Sells**  
 Chartered Accountants

**M.R. Vikram**  
 Director

**Dr. K. Uma Devi**  
 Director

**Dr. Jayaram Chigurupati**  
 Managing Director

**K. Rajasekhar**  
 Partner

 Place : Secunderabad  
 Date : 16.11.2009

**Consolidated Cash flow Statement for the year ended March 31, 2009**

	Rs. in Lakhs	
	Year ended March 31, 2009	Year ended March 31, 2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net profit / (loss) before tax and extraordinary items	(1,751.81)	(1,354.53)
<b>Adjustments for:</b>		
Depreciation	307.44	303.01
Amortisation of miscellaneous expenditure	119.74	133.41
Impairment of goodwill	56.01	-
Interest income	(442.99)	(200.60)
Foreign exchange loss/(gain)	(5.21)	(3.42)
Interest expense	196.78	258.07
Loss on sale of fixed assets	2.96	1.12
<b>Operating profit before working capital changes</b>	<b>(1,517.08)</b>	<b>(862.94)</b>
<b>Adjustments for :</b>		
Inventory	256.99	(22.69)
Sundry debtors	130.85	759.16
Loans and advances	(30.35)	(32.07)
Trade/Other payables	(214.49)	(79.61)
<b>Cash generated from operations</b>	<b>(1,374.08)</b>	<b>(238.15)</b>
Taxes paid (including fringe benefit tax)	(108.72)	(74.71)
<b>Cash flow from operating activities before extraordinary items</b>	<b>(1,482.80)</b>	<b>(312.86)</b>
Foreign Currency translation reserve (arising on account of currency translation)	(71.74)	14.65
<b>Net cash flow from operating activities</b>	<b>(1,554.54)</b>	<b>(298.21)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(1,290.73)	(982.63)
Sale of fixed assets	5.00	6.50
Interest received	445.88	76.03
Proceeds from/(investment in) Bank fixed deposits	2,857.72	(5,829.58)
<b>Net cash inflow from investing activities</b>	<b>2,017.87</b>	<b>(6,729.68)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of equity share capital	7.50	553.95
Receipts from share premium	44.78	8,264.16
Proceeds from borrowings	48.81	532.55
Repayment of borrowings	(293.79)	(2,087.21)
Loans taken	-	600.00
Loans repaid	-	(600.00)
Interest paid	(188.60)	(258.30)
<b>Net cash (used)/from financing activities</b>	<b>(381.30)</b>	<b>7,005.15</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>82.03</b>	<b>(22.74)</b>
<b>CASH AND CASH EQUIVALENTS AT THE COMMENCEMENT OF THE YEAR</b>	<b>60.36</b>	<b>83.10</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>142.39</b>	<b>60.36</b>

(Contd..)

**Consolidated Cash flow Statement for the year ended March 31, 2009**

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**Notes:**

1. Cash and cash equivalents include cash and bank balances in current and deposit accounts. Reconciliation of cash and bank balances (Refer Schedule 7) with cash and cash equivalents is as follows:

Rs. in Lakhs

	Year ended March 31, 2009	Year ended March 31, 2008
Cash on hand	0.51	0.71
Bank balances	13.72	23.04
Margin money	128.16	36.61
Cash and cash equivalents	142.39	60.36
Fixed deposits (original maturing more than 3 months)	3,121.57	5,979.29
Cash and bank balances	<b>3,263.96</b>	<b>6,039.65</b>

2. Fixed deposits with banks with maturity period of more than three months are classified and grouped in investing activities and not included in cash and cash equivalents.
3. Cash flow statement has been prepared under the 'Indirect Method' as set out in Accounting standard (AS 3) 'Cash Flow Statement'
4. Previous years figures have been regrouped / rearranged wherever necessary to correspond with the figures of the current year

For and on behalf of the Board of Directors

Per our report attached  
**For Deloitte Haskins & Sells**  
 Chartered Accountants

**M.R. Vikram**  
 Director

**Dr. K. Uma Devi**  
 Director

**Dr. Jayaram Chigurupati**  
 Managing Director

**K. Rajasekhar**  
 Partner

Place : Secunderabad  
 Date : 16.11.2009

**Schedules forming part of Consolidated Balance Sheet**

	As at March 31, 2009	Rs. in Lakhs As at March 31, 2008
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
3,50,00,000 Equity Shares of Rs.10/- each	3,500.00	3,500.00
<b>Issued and Subscribed</b>		
3,44,25,000 (previous year 3,43,50,000) equity shares of Rs.10/- each fully paid	3,442.50	3,435.00
	<b>3,442.50</b>	<b>3,435.00</b>
Of the above		
a) 1,11,27,664 equity shares of Rs.10/- each issued to erstwhile shareholders of Credence Pharmaceuticals Limited and Hemarus Healthcare Private Limited pursuant to Scheme of Amalgamation		
b) 91,82,500 equity shares of Rs.10/- each issued to Shareholders of Zenotech Laboratories Private Limited, pursuant to Scheme of Amalgamation		
c) Under Zenotech Stock Option Scheme 2005, the Company has granted (net of options lapsed) 125,000 options of which 50,000 vested options have been exercised		
d) Under Zenotech Employee Stock Option Scheme 2005, the Company granted 17,000 options (net of options lapsed) as on 31st March, 2009		
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
At the commencement of the year	11,596.98	3,332.82
Add : Received during the year	44.78	8,264.16
	11,641.76	11,596.98
<b>Foreign Currency Translation Reserve</b>		
At the commencement of the year	24.68	10.03
Add : For the year	(71.74)	14.65
	(47.06)	24.68
	<b>11,594.70</b>	<b>11,621.66</b>
<b>SCHEDULE 3 - SECURED LOANS</b>		
<b>a) Cash Credits / Working Capital loans</b>		
Andhra Bank Limited	-	7.66
Yes Bank Limited	484.92	472.28
PNC Bank	2.61	3.52
<b>b) Term Loans from Financial Institutions and banks</b>		
<b>i) Financial Institutions</b>		
Andhra Pradesh State Financial Corporation *	564.14	692.54
Technology Development Board **	512.81	552.47
PNC Bank, USA	24.93	96.57
HDFC Bank Limited & Vijaya Bank Limited (Vehicle Loans)***	25.85	9.97
<b>c) Interest accrued and due</b>		
	49.50	11.74
	<b>1,664.76</b>	<b>1846.75</b>
* Repayable within one year Rs.243.44 lakhs (31.03.2008 Rs.192.60 lakhs)		
** Repayable within one year Rs. 266.68 (31.03.2008 Rs.133.34 lakhs)		
*** Repayable within one year Rs. 8.55 lakhs (31.03.2008 Rs.7.91 lakhs)		
<b>SCHEDULE 4 - UNSECURED LOANS</b>		
From Promoters - interest free *	-	18.08
Biotech Consortium India Ltd	12.80	5.80
Other loans	-	14.16
Interest accrued and due	10.26	11.60
	<b>23.06</b>	<b>49.64</b>

\* Repayable within a year Rs. Nil (31.03.2008 Rs.18.08 lakhs)

SCHEDULE - 5 : FIXED ASSETS

Rs. in lakhs

Description	Gross Block				Depreciation					Net Book Value		
	31.03.08	Additions	Deduct-ions	Foreign exchange adjust-ment	31.03.09	31.03.08	Foreign exchange adjust-ment	For the year	Deduct-ions	31.03.09	31.03.09	31.03.08
Land (freehold)	140.08	-	-	-	140.08	-	-	-	-	-	140.08	140.08
Buildings	1,997.89	48.77	-	-	2,046.66	124.28	-	67.11	-	191.39	1,855.27	1,873.61
Leasehold improvements	35.53	-	-	(0.13)	35.40	28.41	(0.13)	2.02	-	30.30	5.10	7.12
Plant and machinery	4,140.42	318.38	-	14.48	4,473.28	376.71	7.74	210.64	-	595.09	3,878.19	3,763.71
EDP equipment	43.36	5.30	-	(0.14)	48.52	19.10	(0.08)	7.57	-	26.59	21.93	24.26
Office equipment	4.29	0.67	-	-	4.96	0.86	-	0.31	-	1.17	3.79	3.43
Furniture and fixtures	119.23	14.33	-	(0.51)	133.05	18.85	(0.13)	9.97	-	28.69	104.36	100.38
Vehicles	88.30	37.24	12.93	-	112.61	24.18	-	9.82	4.97	29.03	83.58	64.12
	<b>6,569.10</b>	<b>424.69</b>	<b>12.93</b>	<b>13.70</b>	<b>6,994.56</b>	<b>592.39</b>	<b>7.40</b>	<b>307.44</b>	<b>4.97</b>	<b>902.26</b>	<b>6,092.30</b>	
31- Mar-08	6,152.63	428.25	8.37	(3.41)	6,569.10	271.55	0.82	320.78	0.76	592.39		5,976.71

Notes :

- Freehold land includes Rs.31.76 lakhs as on 31st March, 2008 in respect of which conveyance is yet to be executed.
- Plant and Machinery includes Machinery costing Rs.132.24 lakhs which were retired from active use with effect from July 31, 2008. Net book value of these assets as at the date of retirement is Rs.112.84 lakhs.

	Rs. lakhs	
	2008-09	2007-08
3. Depreciation - per above	307.44	320.78
Less: Prior period item	-	17.77
	<u>307.44</u>	<u>303.01</u>

**Schedules forming part of Consolidated Balance Sheet**

	As at March 31, 2009	As at March 31, 2008
		Rs. in Lakhs
<b>SCHEDULE 6 - INVESTMENTS</b>		
At cost		
Unquoted - Long Term		
Trade		
<b>a. Shares in associate company</b>		
Credeence Organics Pvt Ltd : 2400 shares of Rs.10 each	0.24	0.24
Add/Less: Group Share of Profits/(losses) upto 31.03.2009	(0.24)	(0.24)
	-	-
<b>SCHEDULE 7 - CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
(as lower of cost and net realisable value)		
Raw and packing material	163.90	214.62
Work in process	112.71	35.02
Finished goods	12.89	296.85
	<b>289.50</b>	<b>546.49</b>
<b>SUNDRY DEBTORS</b>		
(Unsecured, considered good unless otherwise specified)		
Debts outstanding for a period exceeding six months	2.36	122.51
Other debts	57.05	67.21
	<b>59.41</b>	<b>189.72</b>
<b>CASH AND BANK BALANCES</b>		
Cash on hand	0.51	0.71
With Scheduled Banks		
- Current accounts	13.43	21.24
- Fixed deposits	3,121.57	5829.29
- Margin account	128.16	36.61
With Non-Scheduled Bank*		
- Current accounts	0.29	1.80
- Fixed Deposits	-	150.00
	<b>3,263.96</b>	<b>6039.65</b>
* Balance with Coastal Local Area Bank Limited. Maximum balance during the year is Rs.150 lakhs (31.03.2008 : Rs.250 lakhs).		
<b>LOANS &amp; ADVANCES (Unsecured)</b>		
Loans to Associates	14.71	14.71
Advances recoverable in cash or in kind or for value to be received *	293.07	264.29
Interest accrued on loans / deposits	124.38	127.27
Balance with Excise Authorities on Current Account	3.38	1.81
Advance Income Tax (Net of provision for tax)	170.10	66.46
	605.64	474.54
Less: Provision for doubtful advances	-	-
	<b>605.64</b>	<b>474.54</b>

\* Includes

1. Due from Managing Director Rs.9.99 lakhs (31.03.2008: Rs.2.55 lakhs) Maximum balance during the year Rs.17.71 lakhs (31.03.2008: Rs.2.57 lakhs)
2. Advance given to Credence Clinical Research Pvt Ltd Rs.20.89 lakhs (31.03.2008: Rs.19.93 lakhs) certain Directors of the Company are also director / shareholders of the above Company. Maximum balance during the year Rs.20.89 lakhs (31.03.2008: Rs. 22.06 lakhs)
3. There have been no investment in the Company's shares by the loanee.



**Schedules forming part of Consolidated Balance Sheet**

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Rs. in Lakhs

	As at March 31 , 2009	As at March 31, 2008
<b>SCHEDULE 8 - CURRENT LIABILITIES</b>		
Sundry Creditors		
i) Due to Micro, Small and Medium Enterprises	-	-
ii) Due other than to Micro, Small and Medium Enterprises	370.34	399.38
Interest accrued but not due	27.72	55.96
Other liabilities	94.27	284.37
	<b>492.33</b>	<b>739.71</b>

Note: There are no amounts due and outstanding to be credited to  
Investors Education and Protection Fund

**SCHEDULE 9 - PROVISIONS**

Fringe Benefit Tax - Net	0.57	1.04
Compensated absences	19.11	16.79
Gratuity	20.53	15.42
	<b>40.21</b>	<b>33.25</b>

**SCHEDULE 10 - MISCELLANEOUS EXPENDITURE**

( to the extent not written off or adjusted)

Rs. lakhs

	Balance as on April 1, 2008	Additions during the year	Written off	Balance as on March 31, 2009
Preliminary expenses	32.46	-	1.99	30.47
Amalgamation expenses	15.34	-	7.67	7.67
Product development expenses	372.48	-	110.08	262.40
	<b>420.28</b>	<b>-</b>	<b>119.74</b>	<b>300.54</b>

**Schedules forming part of Consolidated Profit and Loss Account**

	Rs. in Lakhs	
	Year ended March 31, 2009	Year ended March 31, 2008
<b>SCHEDULE 11 - OTHER INCOME</b>		
Interest on deposits and loans (gross) (tax deducted at source Rs.100.94 lakhs, 31.03.2008 Rs.44.80 lakhs)	442.99	200.60
Foreign Exchange gain / loss (net)	58.33	3.42
Miscellaneous	19.59	12.88
	<b>520.91</b>	<b>216.90</b>
<b>SCHEDULE 12 - RAW MATERIALS CONSUMED</b>		
<b>a) Raw material and packing material consumed</b>		
Opening stock	214.62	187.51
Add: Purchases	375.50	369.52
	590.12	557.03
Less: Closing stock	163.90	214.62
	426.22	342.41
Less: Transferred to product development expenses	106.36	69.59
	<b>319.86</b>	<b>272.82</b>
<b>b) (Increase) / Decrease in Finished Goods and Work-in-process</b>		
Opening Stock :		
- Finished Goods	296.85	239.65
- Work - in - process	35.02	96.64
	331.87	336.29
Less: Closing stock :		
- Finished Goods	12.89	296.85
- Work - in - process	112.71	35.02
	125.60	331.87
	206.27	4.42
<b>c) Excise duty on increase / (decrease) of finished goods, stocks</b>	(15.98)	7.70
	<b>510.15</b>	<b>284.94</b>
<b>SCHEDULE 13 - PAYMENTS AND BENEFITS TO EMPLOYEES</b>		
Salaries, Wages etc.,	665.19	557.80
Contribution to Provident and other funds	31.30	39.04
Staff welfare	23.86	23.96
	<b>720.35</b>	<b>620.80</b>
<b>SCHEDULE 14 - MANUFACTURING EXPENSES</b>		
Conversion charges	-	0.33
Power, fuel and water	210.85	189.55
Spare parts consumed	-	3.59
Repairs and maintenance		
- Plant and Machinery	54.74	60.71
- Building	15.15	10.27
- Others	82.31	47.54
Contract manpower expenses	45.74	49.62
Other manufacturing expenses	2.76	5.62
	<b>411.55</b>	<b>367.23</b>

**Schedules forming part of Consolidated Profit and Loss Account**

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Rs. in Lakhs

	Year ended March 31, 2009	Year ended March 31, 2008
<b>SCHEDULE 15 -</b>		
<b>ADMINISTRATIVE, SELLING AND DISTRIBUTION AND OTHER EXPENSES</b>		
Rent	37.14	47.13
Office and general maintenance	40.23	42.94
Rates and taxes	29.67	11.95
Insurance	27.06	21.25
Printing and stationery	13.08	12.99
Communication expenses	10.21	15.57
Legal and professional charges	57.96	58.61
Travelling and conveyance expenses	37.39	46.74
Commission on sales	4.14	1.53
Selling and distribution expenses	18.33	23.78
Loss / (profit) on sale of fixed assets (net)	2.96	1.12
Miscellaneous	23.77	30.69
Debts written off	104.28	-
	<b>406.22</b>	<b>314.30</b>
<b>SCHEDULE 16 - INTEREST AND BANK CHARGES</b>		
On fixed term loans	134.59	168.63
Other loans	62.19	89.44
Bank charges	8.70	21.91
	<b>205.48</b>	<b>279.98</b>

## Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account

### Schedule 17: Significant accounting policies and notes on accounts for the year ended 31st March, 2009

1. a) The Consolidated Financial Statements have been prepared in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006.
- b) The subsidiaries (which along with Zenotech Laboratories Limited, the parent, constitute the Group) considered in the preparation of these consolidated financial statements are:

Name	Country of Incorporation	Percentage of voting power as at March 31, 2009
Zenotech Farmaceutica do Brasil Ltda	Brazil	100%
Zenotech Laboratories Nigeria Limited	Nigeria	100%
Zenotech Inc	New Jersey, USA	100%

The unaudited financial statements of the aforesaid companies have been considered for consolidation.

- c) The group associate is :

Name	Country of Incorporation	Percentage of voting power as at March 31, 2009
Credence Organics Private Limited	India	24%

The unaudited financial statements of the aforesaid company has been considered for consolidation.

2. (a) The Parent Company had applied vide its letter dated 4.09.2008 to the Registrar of Companies requested for an extension of time upto 31.12.2008 for the purpose of holding Annual General Meeting (AGM), on the ground that the accounts of one of the subsidiaries could not be completed as there was a major software problem, which was duly granted by Registrar of Companies Andhra Pradesh vide its order dated 9.09.2008. On lapse of the extension, the parent Company vide its letter dated 26.11.2008 to the Honorable Secretary, The Ministry of Corporate Affairs, New Delhi requested for extension of the financial year 2007-08 up to 31.12.2008, i.e. (for a period of 21 months) and also to pass such consequential orders for postponing the submission of accounts to Annual General Meeting or submission of accounts, annual returns etc.,. As on date no approval has been received by the parent Company. Consequent to the AGM not being held by the Parent Company the accounts for the year ended 31st March, 2008 has not been adopted by the members.
- (b) Subsequent to Daiichy Sankyo Company Limited (Daiichi) acquiring 63.92% stake in Ranbaxy Laboratories Limited (Ranbaxy) in October 2008, Daiichi announced an open offer to acquire 20% shares of Zenotech Laboratories Limited (the Parent Company) at Rs. 113.62 per share. Aggrieved by the pricing of the share, one of the shareholders filed a petition in the Hon'ble High Court of Madras. The Parent Company has been named as Respondent in the said case. An interim injunction in connection with the offer was given by the Hon'ble High Court of Madras and subsequently it was quashed by the Hon'ble Supreme Court based on a petition filed by Daiichi against the said injunction. Meanwhile some the shareholders (excluding Ranbaxy) including Promoter and Managing Director of the Parent Company filed a petition with Securities Appellate Tribunal (SAT) with respect to the pricing of the share of the Company. SAT directed Daiichi to price the open offer at Rs. 160 per share. Daiichi has filed an appeal against the SAT order in the Supreme Court

### 3. Significant accounting policies:

#### a) Basis of Accounting:

The financial statements have been prepared under historical cost convention, in accordance with the generally accepted accounting principles in India and in accordance with Accounting Standards as notified by Companies (Accounting Standards) Rules, 2006. The significant accounting policies followed by the Group are stated below.

#### b) Use of Accounting Estimates

The preparation of Financial Statements in conformity with Accounting Standards requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities on the date of Financial Statement and the reported amount of revenues and expenses during the reporting

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account**

period. Differences between the actual results and estimates are recognized in the period in which the results are known and materialized.

**c) Fixed assets:**

Fixed Assets are carried at cost of acquisition or construction less accumulated depreciation. The actual cost capitalized comprises of cost of acquisition of the asset, clearing charges in case of imported assets, duties, taxes and other incidental expenditure incurred for acquiring the assets. Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

**d) Depreciation:**

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.

**e) Product development expenditure:**

Expenses on personnel, consultancy, material, overhead costs and depreciation on assets procured for product development activities are treated as deferred revenue expenditure and amortized over five years from the date revenue is generated from the respective products. All other revenue expenditure is expensed as incurred and capital expenditure incurred on product development is capitalized as fixed assets and depreciated in accordance with depreciation policy of the Company.

**f) Foreign currency translations:**

Transactions denominated in foreign currencies are recorded at the exchange rate prevailing at the time of transaction. Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at year end rates. The difference in translation of monetary assets and liabilities and realized gains and losses to foreign exchange transactions are recognized in Profit and Loss account.

**g) Investments:**

Long term investments are stated at cost of acquisition. Provision for diminution in value of long term investments, other than temporary, is made in the accounts.

**h) 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.

**i) 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**

In accordance with the Payment of Gratuity Act, 1972 the Company provides for Gratuity covering its eligible employees.

Liability on account of Gratuity is -

- determined and charged to Profit and Loss account on the basis of valuation by an independent Actuary.

**ii) Provident Fund**

Contribution to Provident Fund (a defined contribution plan) is recognized and expensed on accrual basis.

**iii) Compensated Absences**

Leave liability is determined and charged to Profit and Loss account on the basis of valuation by an independent Actuary.

## Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account

**j) Revenue recognition:**

Sale of goods is recognized at the point of dispatch of finished goods to customers. 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.

Income from interest on deposits is recognised on time proportionate basis.

**k) Taxes on Income :**

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**l) Leases :**

The Company's significant leasing arrangements are in respect of operating leases for office premises. The leasing arrangements which are not cancelable range between 11 months to 5 years are generally and usually renewable by mutual consent on agreed terms. The aggregate lease rents payable are charged as rent in the Profit and Loss account.

**m) Miscellaneous expenditure:**

Written off over a period of five years or the period over which the benefit of the expenditure is expected to be derived.

**4. Managerial remuneration**

	Rs. in lakhs	
	2008-09	2007-08
Salary	15.00	10.50
Perquisites	7.80	6.89
	<b>22.80</b>	<b>17.39</b>

Note: 1. Having regard to the fact that Gratuity is a defined benefit accrued based on actuarial valuation the amount applicable to an individual employee is not ascertainable and accordingly, has not been considered in the above computation.

2. Perquisites include contribution to Provident Fund Rs.1.80 lakhs (previous year Rs.1.26 lakhs)

**5. Product development expenditure incurred comprises of:**

	Rs. in lakhs	
	2008-09	2007-08
Salaries	223.05	99.24
Raw and packing material consumed	106.36	69.59
Clinical Trial and Studies	19.11	1.39
Depreciation	27.37	19.23
Others	17.30	22.71
	<b>393.19</b>	<b>212.16</b>

Note:

1. Product development expenditure has been shown under appropriate expenditure heads.

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account**

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6. Earnings per share	Rs. in lakhs	
	2008-09	2007-08
a) Profit/(loss) after tax (Rs. in lakhs)	(1700.41)	(1607.21)
b) Weighted Average number of Equity Shares outstanding during the year	3,44,10,616	3,07,69,042
c) Potential equity shares on Employee Stock option granted	(22,585)	26,778
d) Weighted Average number of Equity Shares in computing diluted earnings per share	3,43,88,031	3,07,95,820
e) Face value of each Equity Share ( Rs.)	10	10
f) Earnings per share		
- Basic (Rs.)	(5.10)	(5.22)
- Diluted (Rs.)	(5.10)	(5.22)

(Amount Rs. in Lakhs)

	As at March 31, 2009	As at March 31, 2008
<b>7. Contingent liabilities</b>		
Liability in respect of Bank guarantees	116.96	90.63
Liability in respect of Letter of credits	48.33	257.20

8. Estimated amount of contracts remaining to be executed on capital account (net of advances) not provided for, as at March 31st, 2009 is Rs. 20.56 lakhs (Previous year: Rs. 155.23 lakhs).

**9. Secured loans:**

- i. Term loans taken by the Company from Andhra Pradesh State Financial Corporation (APSFC) are secured by way of hypothecation of plant and machinery and mortgage of land related to Biologics facility and R&D facility and personal guarantee of the Director of the Company.
- ii. Term loan taken from the Technology Development Board (TDB) is secured by way of paripassu first charge on the whole of movable properties of the company including movable plant and machinery, machinery spares, tools and accessories and other movables, both present and future and paripassu first charge on land or other immovable property of the company, present and future, and personal guarantee of the Director of the Company.
- iii. Cash Credit/working capital loan from YES Bank is secured by first Pari Passu charge on current assets of the Company.
- iv. Vehicle loans taken by the Company from Vijaya Bank and HDFC Bank Limited are secured by way of hypothecation of respective vehicles.
- v. In respect of loans repaid to Axis Bank, the Company is in the process of filing satisfaction of charges.

10. Capital work-in-progress includes capital advances of Rs. 24.44 lakhs (31.03.2008: Rs. 296.88 lakhs)

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account**

**11. Segment reporting:**

The Company has considered business segment as the primary segment for disclosure. The Company is engaged in the manufacture and trading of Pharmaceuticals in India, which in the context of Accounting Standard (AS) 17 - "Segment Reporting" notified by the Companies (Accounting Standards) Rules, 2006 is considered the only business segment.

**12. Taxation:**

Deferred Tax is accounted for by computing the tax effect of timing difference which arises during the year and reverse in subsequent periods. Deferred tax assets are recognized and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**13. Related Party Disclosures:**

Information relating to Related Party transactions as per "Accounting Standard (AS) 18" notified by the Companies (Accounting Standards) Rules, 2006.

<b>(A) Name of the Related Party</b>	<b>Relationship</b>
Credence Organics Private Limited (COPL)	Associate
Ranbaxy Laboratories Limited (RLL)	Major Shareholder
Credence Clinical Research Private Limited (CCRPL)	} Promoter Group companies where common control exists and with whom the company had transactions
Rite Diagnostics Private Limited (RDPL)	
Hemarus Technologies Limited (HTL)	
Credence Power Projects Limited (CPPL)	
Credence Infrastructure Limited (CIL)	
Hemarus Biologicals Limited (HBL)	
Dr. Jayaram Chigurupati, Managing Director	Promoter and Key Management Personnel



(B) Details of transactions between the Company and related Parties and the status of outstanding balances at the year end:

Particulars	Rs. in lakhs									
	Associate		Promoter Group		Major shareholder		Key Management Personnel and Promoter		Promoter and relative of Key Management Personnel	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Rent paid to CCRPL	-	-	1.79	2.69	-	-	-	-	-	-
Rent expenses shared with HTL	-	-	6.50	5.75	-	-	-	-	-	-
Reimbursement of expenses	-	-	-	-	8.36	8.06	-	-	-	-
Payments for material purchases/services	-	-	-	-	10.79	3.27	-	-	-	-
Purchase of Services from RDPL	-	-	-	0.59	-	-	-	-	-	-
Purchase of Fixed asset from CPPL	-	-	-	3.34	-	-	-	-	-	-
Advances to HBL	-	-	0.03	-	-	-	-	-	-	-
Loans given – COPL	-	-	-	-	-	-	-	-	-	-
Loans given – CIL	-	-	-	0.28	-	-	-	-	-	-
Interest accrued on loan – COPL	1.83	1.84	-	-	-	-	-	-	-	-
Receipts from ANDA Sales– RLL	-	-	-	-	-	687.56	-	-	-	-
Receipts from Contract Manufacturing – RLL	-	-	-	-	-	99.15	-	-	-	-
Unsecured loan taken – RLL	-	-	-	-	-	600.00	-	-	-	-
Unsecured loan repaid – RLL	-	-	-	-	-	600.00	-	-	-	-
Interest on loan – RLL	-	-	-	-	-	8.88	-	-	-	-
Investment in Associate Loans taken and repaid										
– HTL	-	-	-	-	-	-	-	-	-	-
– CPPL	-	-	-	-	-	-	-	-	-	-

## (B) Details of transactions between the Company and related Parties and the status of outstanding balances at the year end:

Rs. in lakhs

Particulars	Associate		Promoter Group		Major shareholder		Key Management Personnel and Promoter		Promoter and relative of Key Management Personnel	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Loans given and received back . from HTL	-	-	-	-	-	-	-	-	-	-
Unsecured loans repaid	-	-	-	-	-	-	-	-	-	336.10
Unsecured loans taken	-	-	-	-	-	-	-	-	-	230.50
Directors remuneration	-	-	-	-	-	-	22.80	17.39	-	-
Outstanding balances at the year end										
(a) Receivable										
- CCRPL	-	-	20.89	19.93	-	-	-	-	-	-
- HTL	-	-	-	6.89	-	-	-	-	-	-
- RLL	-	-	-	-	41.07	8.06	-	-	-	-
- CPPL	-	-	-	-	-	-	-	-	-	-
- HBL	-	-	0.03	-	-	-	-	-	-	-
(b) Payable										
RDPL	-	-	-	-	-	-	-	-	-	-
RLL	-	-	-	-	17.84	8.88	-	-	-	-
(d) Advances outstanding										
- Others	-	4.10	-	-	-	-	-	-	-	-
(e) Loan										
- Due to	-	-	-	-	-	-	-	-	-	-
- Due from	14.71	14.71	-	-	-	-	-	-	-	-

**Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account**

## 14. Disclosure as required under Accounting Standard (AS) 15

Amount (Rs in Lakhs)

	31-03-2009	31-03-2008
<b>Projected benefit obligation at the beginning of the year</b>	<b>15.42</b>	<b>7.58</b>
Current Service Cost	6.68	4.65
Interest Cost	1.89	0.97
Actuarial (Gain)/Loss	(3.46)	2.22
Benefits Paid	—	—
Projected benefit obligation at the end of the year	<b>20.53</b>	<b>15.42</b>
<b>Amounts recognized in the balance sheet</b>		
Projected benefit obligation at the end of the year	20.53	15.42
Fair value of the plan assets at the end of the year	—	—
Liability recognized in the Balance Sheet	<b>20.53</b>	<b>15.42</b>
<b>Cost of the Retirement and Other Benefits for the year</b>		
Current Service Cost	6.68	4.65
Interest Cost	1.89	0.97
Expected return on plan assets	—	—
Net actuarial (Gain)/Loss recognized in the year	(3.46)	2.22
Net Cost recognized in the Profit and Loss Account	<b>5.11</b>	<b>7.84</b>
<b>Assumptions</b>		
Discount Rate	7.55%	8.65 %
Long term rate of compensation increase	10.00%	10.00 %

15. a) There are no outstanding forward exchange contracts as at the year end.  
 b) The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

	2008-09		2007-08	
	Foreign Currency	Rupees in Lakhs	Foreign Currency	Rupees in Lakhs
(i) Amounts payable in foreign currency at the year end on account of the following:				
Import of goods	67,880 USD	34.59	15,740 USD	6.29
Import of capital equipment	—	—	321 Euro	0.20
(ii) Amounts receivable in foreign currency at the year end on account of the following:				
Export of finished goods	1,31,591 USD	54.55	1,15,415 USD	46.13

## Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account

16. The disclosures in respect of Employees Stock Option Scheme which are outlined in this year's Annexure to the Report of the Directors & Management Discussion and Analysis and Report on Corporate Governance are treated as an annexure to these accounts.

17. End use of money raised by preferential issue and ESOS of equity shares:-

Particulars	Rs. in Lakhs
Proceeds of issue	8,870.38
Utilization:	
Research and development of biogenerics	207.71
Research and development of new biological entities	282.35
Capital expenditure for existing and new manufacturing facilities	1,201.40
Repayment of secured and unsecured loans	2,812.06
Working capital	1,245.29
Fixed deposits	3,121.57

18. Capital work in progress shown under fixed assets includes Rs1041.65 lakhs in respect of export oriented unit of the parent company. The said unit has not yet been commissioned.

19. The goodwill on consolidation of Rs. 101.21 lakhs represents goodwill in Zenotech Inc., USA, a wholly owned subsidiary. The networth of the Company has completely eroded. Management is of the view that the diminution in value of investment is temporary and hence no impairment loss in this regard needs to be recorded at this stage.

20. Figures of the previous year have been regrouped/ recast wherever necessary to compare with current year's classification.

For and on behalf of the Board of Directors

**M.R. Vikram**  
Director

**Dr. K. Uma Devi**  
Director

**Dr. Jayaram Chigurupati**  
Managing Director

Place : Hyderabad  
Date : 16.11.2009

**Statement pursuant to Section 212 of the Companies Act, 1956  
relating to subsidiary companies**

Sl. No.	Particulars	Zenotech Farmaceutica Do Brasil Limitada, Brasil	Zenotech Laboratories Nigeria Limited, Nigeria	Zenotech Inc. USA
1.	Financial year of the subsidiary company ended on	March 31, 2009	March 31, 2009	March 31, 2009
2.	Holding company's interest	100% in equity	100% in equity	100% in equity
3.	No. of shares held by the holding company in the subsidiary	39,600	9,99,000	10,00,000
4.	The net aggregate of profits or (losses) of the subsidiary for the current period so far as it concerns the members of the holding company			
	a. Dealt with or provided for in the accounts of the holding company	-	-	-
	b. not dealt with or provided for in the accounts of the holding company	(8.71)	(3.46)	(6.05)
5.	The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company			
	a. Dealt with or provided for in the accounts of the holding company			
	b. not dealt with or provided for in the accounts of the holding company	(343.10)	0.94	(356.73)
6.	Changes in the interest of Zenotech Laboratories Limited, between the end of the last financial year and March 31st, 2009	Nil	Nil	Nil
7.	Material changes between the last financial year and March 31st, 2009	Nil	Nil	Nil

For and on behalf of the Board of Directors

M.R. Vikram  
Director

Dr. Jayaram Chigurupati  
Managing Director

Place : Hyderabad  
Date : November 16, 2009

**Statement pursuant to Section 212 of the Companies Act, 1956**

ANNUAL REPORT 2008-2009

zenotech  
LABORATORIES LTD

## Directors' Report

The directors have pleasure in submitting their report together with the un-audited financial Statements as at March 31, 2009.

### Principal Activity

The nature of business of the company is to market pharmaceutical drugs and other associated products.

### Review of Operations

During the period under review, the Company registered a loss of R\$0.41 lakhs comprising of cost of personnel, administration and interest expenses and the cumulative loss up to March 31, 2009 R\$ 18.36 lakhs

### Directors

The Director at the date of this report is Dr. Jayaram Chigurupati.

### Auditors

The Auditors, procontrol Consultoria Contabil, Chartered Accountants, have expressed their willingness to accept the appointment.

### Statement by Directors

In the opinion of the Directors, the accompanying un-audited financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. In view of serious software problem encountered during the year in the accounting packages used by the company, it was not possible for the management of the company to complete the audit of the financial statements given along with this report. However, the audit will be completed soon after the software problem is rectified.

By order of the Board

Date : June 30, 2009

Director

**Balance Sheet**

Amount in R\$

	Schedules	As at March 31, 2009	As at March 31, 2008
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share capital	1	1,858,542	1,621,528
(b) Reserves and surplus	2	73,406	73,406
(c) Exchange fluctuation on A/c of consolidation		1,931,948	1,694,934
<b>2. Loan Funds</b>			
(a) Secured Loans		-	-
(b) Unsecured Loans	3	-	61,500
		-	61,500
<b>TOTAL</b>		<b>1,931,948</b>	<b>1,756,434</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets :</b>			
(a) Gross block	4	75,963	75,963
(b) Less: Depreciation		47,708	40,535
(c) Net Block		28,255	35,428
<b>2. Investments</b>			
		-	-
<b>3. Current Assets, Loans and Advances</b>			
(a) Inventories		-	-
(b) Sundry Debtors		-	-
(c) Cash and Bank balances		1,983	1,983
(d) Loans and advances		68,400	68,400
		70,383	70,383
<b>Less: Current Liabilities and Provisions</b>			
(a) Current Liabilities	6	2,205	144,119
(b) Provisions		-	-
		2,205	144,119
<b>Net Current Assets</b>		<b>68,178</b>	<b>(73,736)</b>
<b>4. Miscellaneous Expenditure</b>			
(to the extent not written off or adjusted)			
Goodwill on Consolidation		-	-
<b>5. Profit and Loss Account</b>			
		1,835,515	1,794,742
<b>TOTAL</b>		<b>1,931,948</b>	<b>1,756,434</b>
Notes to the Accounts	11		

By order of the Board

Date : June 30, 2009

Director

**Profit and Loss Account**

	Schedules	Year ended March 31, 2009	Year ended March 31, 2008
Amount in R\$			
<b>INCOME</b>			
Other income	7	-	-
<b>EXPENDITURE</b>			
Personnel	8	21,600	103,841
Administrative, Selling and Distribution and other expenses	9	12,000	121,536
Interest and Bank charges	10	-	3,666
Depreciation		7,173	8,920
		<b>40,773</b>	<b>237,963</b>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>(40,773)</b>	<b>(237,963)</b>
Provision for Taxation			
- Current Tax		-	-
- Deferred Tax - (Credit)		-	-
- Fringe benefit Tax		-	-
- Wealth Tax		-	-
<b>PROFIT / (LOSS) AFTER TAXATION</b>		<b>(40,773)</b>	<b>(237,963)</b>
Balance brought forward from previous year		(1,794,742)	(1,556,779)
Balance carried to Balance sheet		<b>(1,835,515)</b>	<b>(1,794,742)</b>
Notes to the Accounts	11		

By order of the Board

Date : June 30, 2009

Director



**Schedules forming part of the Balance Sheet**

	As at March 31, 2009	Amount in R\$ As at March 31, 2008
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
40000 Quotas of Reais 10 each	400,000	400,000
<b>ISSUED AND SUBSCRIBED</b>		
40000 Quotas of Reais 10 each Equity Shares of Rs. 10/- each fully paid	400,000	400,000
Advance for Capital increase	1,458,542	1,221,528
	<b>1,858,542</b>	<b>1,621,528</b>
<b>SCHEDULE 2 – RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
At commencement of the year	73,406	73,406
	<b>73,406</b>	<b>73,406</b>
<b>SCHEDULE 3 – UNSECURED LOANS</b>		
	–	61,500
	–	<b>61,500</b>
<b>SCHEDULE 5 - CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Cash and Bank Balances</b>		
Cash on hand	1983	1,983
With Scheduled Banks		
- Current accounts	–	–
- Fixed deposits / Margin account	–	–
	<b>1,983</b>	<b>1,983</b>
<b>LOANS &amp; ADVANCES</b>		
(Unsecured, Considered good unless otherwise specified)		
Loans to Companies		–
Advance to others	24400	24,400
Advances recoverable in cash or in kind or for value to be received	44000	44,000
Interest accrued on loans / deposits	–	–
Prepaid expenses	–	–
Advance Income Tax ( including TDS recievable)	–	–
	<b>68,400</b>	<b>68,400</b>
<b>SCHEDULE 6 – CURRENT LIABILITIES</b>		
Sundry Creditors	–	3,501
Interest accrued but not due	–	–
Other liabilities*	2,205	140,618
	<b>2,205</b>	<b>144,119</b>

## Schedules forming part of the Balance Sheet

### SCHEDULE : 4 Fixed assets

Amount in R\$

Description	Cost				Depreciation				Net Book Value			
	31.03.08	31-03-09 with Clo- sing rate	Additions	Deduct- ions	31.03.09	31.03.08	31-03-09 with Clo- sing rate	For the year	Deduct- ions	31.03.09	31.03.09	31.03.08
Land	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold improvements	12,698	-	-	-	12,698	12,698	-	-	-	12,698	-	-
Plant and machinery	2,756	-	-	-	2,756	2,746	10	-	-	2,756	-	10
EDP equipment	12,195	-	-	-	12,195	8,643	2,326	-	-	10,969	1,226	3,552
Office equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and fixtures	48,314	-	-	-	48,314	16,448	4,837	-	-	21,285	27,029	31,866
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
	75,963	-	-	-	75,963	40,535	7,173	-	-	47,708	28,255	35,428
31-Mar-08												35,428

**Schedules forming part of the Profit and Loss Account**

	Year ended March 31 , 2009	Year ended March 31, 2008
		Amount in R\$
<b>SCHEDULE 7 - OTHER INCOME</b>		
Interest on deposits and loans (gross) (Previous year: )	-	-
Foreign Exchange gain / loss (net)	-	-
Miscellaneous	-	-
	-	-
<b>SCHEDULE 8 - PERSONNEL</b>		
Salaries, Wages etc.,	18,000	73,654
Social charges on salaries	3,600	30,187
	<b>21,600</b>	<b>103,841</b>
<b>SCHEDULE 9</b>		
<b>ADMINISTRATIVE, SELLING AND DISTRIBUTION AND OTHER EXPENSES</b>		
Rent	-	38,606
Office and general maintenance*	-	6,078
Communication expenses	-	7,612
Legal and professional charges	-	32,366
Travelling and entertainment	-	88
Miscellaneous	12,000	36,786
	<b>12,000</b>	<b>121,536</b>
<b>SCHEDULE 10 - INTEREST AND BANK CHARGES</b>		
On fixed term loans	-	-
Other loans	-	2,167
Bank charges	-	1,499
	-	<b>3,666</b>

**Schedule 11 - Notes on financial statements for the year ended March 31, 2009****1. Significant accounting Practices**

- a) The Company adopts the accrual basis of accounting
- b) Assets and Liabilities that are realizable or due more than twelve months after the financial statements date are classified as non-current
- c) Assets and Liabilities in foreign currencies are translated at exchange rates in effect at the financial dates
- d) Fixed assets are recorded at historical cost and depreciated on the straight-line method based on the estimated useful lives of the assets.

**2. Presentation of financial statements**

The financial statements have been prepared in conformity with accounting practices followed in Brazil based on corporate legislation.

**3. Operations:**

Zenotech Farmaceutica do Brasil Ltda. is in pre-operational process yet.

By order of the Board

Date : June 30, 2009

Director

**Zenotech Laboratories Nigeria Limited**

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**Directors' Report**

The directors have pleasure in submitting their report together with the un-audited Statement of Affairs at March 31, 2009.

**Principal activity**

The nature of business of the company is to market pharmaceutical drugs and other associated products.

**Review of Operations**

The Company is, yet to commence its operations.

**Directors**

Director at the date of this report is Mr. Obinna Emeribe

**Auditors**

In accordance with Section 357 (2) of the Companies and Allied Matters Act, 1990, the Auditors Messrs Kunle Akiode & Co. shall continue in office having indicated their willingness to do so.

**Statement by Directors**

In the opinion of the Directors, the accompanying un-audited financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. In view of serious software problem encountered during the year in the accounting packages used by the company, it was not possible for the management of the company to complete that audit of the financial statements given along with this report. However, the audit will be completed soon after the software problem is rectified.

By order of the Board

Date : June 30, 2009

Director

**Balance sheet**

	Schedules	As at March 31 , 2009	Amount in Naira As at March 31, 2008
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share capital	1	9,214,142	9,214,142
(b) Reserves and surplus	2	-	-
(c) Exchange fluctuation on a/c of consolidation		9,214,142	9,214,142
<b>2. Loan Funds</b>			
(a) Secured Loans		-	-
(b) Unsecured Loans		-	-
		-	-
<b>TOTAL</b>		<b>9,214,142</b>	<b>9,214,142</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets :</b>			
(a) Gross block	3	513,350	513,350
(b) Less: Depreciation		-	-
(c) Net Block		513,350	513,350
<b>2. Investments</b>			
		-	-
<b>3. Current Assets, Loans and Advances</b>			
(a) Inventories		-	10,911,203
(b) Sundry Debtors		-	-
(c) Cash and Bank balances		6,143	6,143
(d) Loans and advances		270,837	270,837
		276,980	11,188,183
<b>Less: Current Liabilities and Provisions</b>			
(a) Current Liabilities	5	-	10,895,041
(b) Provisions		-	-
		-	10,895,041
<b>Net Current Assets</b>		<b>276,980</b>	<b>293,142</b>
<b>4. Miscellaneous Expenditure</b>		<b>8,423,812</b>	<b>8,407,650</b>
pre - operative expenses			
<b>5. Profit and Loss Account</b>			
<b>TOTAL</b>		<b>9,214,142</b>	<b>9,214,142</b>
Notes to the Accounts	6		

By order of the Board

**Schedules forming part of the Balance Sheet**

	As at March 31 , 2009	Amount in Naira As at March 31, 2008
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>Authorised</b>		
10,00,000 Ordinary Shares	1,000,000	1,000,000
<b>Issued and Subscribed</b>		
10,00,000 Ordinary Shares	1,000,000	1,000,000
Advance for Capital increase	8,214,142	8,214,142
	<b>9,214,142</b>	<b>9,214,142</b>
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
At commencement of the year	-	-
Add : On issue of equity shares	-	-
	-	-
<b>SCHEDULE 4 – CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>Inventories</b>		
(as lower of cost and net realisable value)		
Work in process	-	-
Finished goods	-	10,911,203
	-	<b>10,911,203</b>
<b>CASH AND BANK BALANCES</b>		
<i>Cash on hand</i>		
With Scheduled Banks	-	-
- Current accounts	6,143	6,143
	<b>6,143</b>	<b>6,143</b>
<b>LOANS &amp; ADVANCES</b>		
(Unsecured, Considered good unless otherwise specified)		
Advances recoverable in cash or in kind or for value to be received	270,837	270,837
	<b>270,837</b>	<b>270,837</b>
<b>SCHEDULE 5 – CURRENT LIABILITIES</b>		
Sundry Creditors	-	8,477,717
Other liabilities	-	2,417,324
	-	<b>10,895,041</b>

## Schedules forming part of the Balance Sheet

### SCHEDULE 3 – FIXED ASSETS

Amount in Naira

Description	Cost			Depreciation			Net Book Value					
	31.03.08	Forex fluctuation	Additions	Deduct-ions	31.03.09	31.03.08	Forex fluctuation	For the period	Deduct-ions	31.03.09	31.03.09	31.03.08
Land	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-	-	-	-	-
Plant and machinery	-	-	-	-	-	-	-	-	-	-	-	-
EDP equipment	181,500	-	-	-	181,500	-	-	-	-	-	181,500	181,500
Office equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and fixtures	331,850	-	-	-	331,850	-	-	-	-	-	331,850	331,850
Vehicles	-	-	-	-	-	-	-	-	-	-	-	-
	<b>513,350</b>	-	-	-	<b>513,350</b>	-	-	-	-	-	<b>513,350</b>	<b>513,350</b>
31-Mar-08												513,350



**Zenotech Laboratories Nigeria Limited**

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**Schedule - 6: Notes to the financial statements for the year ended March 31, 2009****Significant Accounting Policies****1 BASIS OF ACCOUNTING**

This statement of affairs has been prepared under the historical cost convention of accounting

Adjustments have not been made to reflect the impact of price level changes on the accounts.

**2 STOCK**

Stock is valued at the lower of cost and net realizable value with cost determined on first in first basis

**3 FOREIGN CURRENCY ITEMS**

Foreign currency items were translated at the ruling market price for the period ended at the rate of N 149.03 to the dollar.

By order of the Board

Date : June 30, 2009

Director

## Directors' Report

The Directors present their report and the un-audited financial statements for the period ended March 31, 2009.

### Principal activity

Zenotech Inc. is a Research and Development Company and has a full fledged laboratory at New Jersey, USA. The Company develops monoclonal antibodies. The Company's drug discovery projects are involved in developing new biological entities for known targets in cancer.

### Review of Operations

During the period under review, the Company registered a loss of USD 0.13 lakhs comprising of cost of raw material, personnel, administrative, selling and interest expenses.

### Auditors

The Auditors, Murphy and Associates, Chartered Accountants, have expressed their willingness to accept the appointment.

### Directors

The Directors at the date of this report are: Dr. Jayaram Chigurupati and Ms. Padmasree Chigurupati.

### Statement by Directors

In the opinion of the Directors, the accompanying un-audited financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. In view of serious software problem encountered during the year in the accounting packages used by the company, it was not possible for the management of the company to complete the audit of the financial statements given along with this report. However, the audit will be completed soon after the software problem is rectified.

By order of the Board

Date : June 30, 2009

Director

**Balance sheet**

	Schedules	As at March 31 , 2009	Amount in US \$ As at March 31, 2008
<b>I. SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
(a) Share capital	1	255,000	255,000
(b) Reserves and surplus	2	-	-
(c) Exchange fluctuation on a/c of consolidation		<b>255,000</b>	<b>255,000</b>
<b>2. Loan Funds</b>			
(a) Secured Loans	3	54,066	250,418
(b) Unsecured Loans	4	516,000	436,225
		570,066	686,643
<b>TOTAL</b>		<b>825,066</b>	<b>941,643</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets :</b>			
(a) Gross block	5	133,016	131,989
(b) Less: Depreciation		97,441	70,838
(c) Net Block		<b>35,575</b>	<b>61,151</b>
<b>2. Investments</b>			
		-	-
<b>3. Current Assets, Loans and Advances</b>			
(a) Inventories		-	-
(b) Sundry Debtors		-	-
(c) Cash and Bank balances		10,947	127,960
(d) Loans and advances		14,662	4,262
		25,609	132,222
<b>Less : Current Liabilities and Provisions</b>			
(a) Current Liabilities	7	68,595	70,902
(b) Provisions		-	-
		<b>68,595</b>	<b>70,902</b>
<b>Net Current Assets</b>		(42,986)	61,320
<b>4. Miscellaneous Expenditure</b>			
(to the extent not written off or adjusted)			
Research and Development Expenditure			
Other			
Goodwill on Consolidation			
<b>5. Profit and Loss Account</b>			
		832,477	819,170
<b>TOTAL</b>		<b>825,066</b>	<b>941,643</b>
Notes to the Accounts			

By order of the Board

**Profit and Loss Account**

	Schedules	Year ended March 31 , 2009	Year ended March 31, 2008
Amount in US \$			
<b>INCOME</b>			
Income from Sales and Operations		380,000	275,000
Less : Excise duty			
Net sales			
License Fee			
Other income		12,003	-
		<b>392,003</b>	<b>275,000</b>
<b>EXPENDITURE</b>			
Raw Materials, Finished goods, etc.,	8	45,890	48,257
Personnel	9	205,774	246,891
Manufacturing Expenses			
Administrative, Selling and Distribution and other expenses	10	118,955	104,387
Research and development expenses			
Interest and Bank charges	11	8,088	20,678
Depreciation		26,603	26,398
		<b>405,310</b>	<b>446,611</b>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>		<b>(13,307)</b>	<b>(171,611)</b>
Provision for Taxation			
Current Tax		-	-
Deferred Tax - (Credit)		-	-
Fringe benefit Tax			
Wealth Tax			
<b>PROFIT / (LOSS) FROM ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>(13,307)</b>	<b>(171,611)</b>
Extra Ordinary item - Depreciaion for previous years		-	44,440
<b>Profit / (Loss) for the period</b>		<b>(13,307)</b>	<b>(216,051)</b>
Balance brought forward from previous year		(819,170)	(603,119)
Balance carried to Balance sheet		<b>(832,477)</b>	<b>(819,170)</b>
Notes to the Accounts	18		

By order of the Board

Date : June 30, 2009

Director

**Schedules forming part of the Balance Sheet**

	As at March 31 , 2009	Amount in US \$ As at March 31, 2008
<b>SCHEDULE 1 – SHARE CAPITAL</b>		
<b>Authorised</b>		
Capital Stock 10,00,000 shares authorized, par value \$0.01	10,000	10,000
<b>Issued and Subscribed</b>		
Capital Stock 10,00,000 shares authorized, par value \$0.01	10,000	10,000
Advance for Capital increase	245,000	245,000
	<b>255,000</b>	<b>255,000</b>
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
At commencement of the year	-	-
Add : On issue of equity shares	-	-
	-	-
<b>SCHEDULE 3 – SECURED LOANS</b>		
<b>a) Cash Credits / Working Capital loans</b>		
i) Banks		
Bank Loans	5,130	8,800
<b>b) Term Loans</b>		
i) Banks		
PNC Bank	48,936	241,618
	<b>54,066</b>	<b>250,418</b>
<b>SCHEDULE 4 – UNSECURED LOANS</b>		
From Promoters - interest free	516,000	391,000
From others	-	45,225
Security Deposits	-	-
Interest accrued and due	-	-
	516,000	436,225
<b>SCHEDULE 6 – CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
<b>CASH AND BANK BALANCES</b>		
With Scheduled Banks		
- Current accounts	10,947	27,960
- Fixed deposits / Margin account	-	100,000
	<b>10,947</b>	<b>127,960</b>
<b>LOANS &amp; ADVANCES</b>		
(Unsecured, Considered good unless otherwise specified)		
Loans to Companies	-	-
Advance to others	10,400	-
Advances recoverable in cash or in kind or for value to be received	4,262	4,262
	<b>14,662</b>	<b>4,262</b>
<b>SCHEDULE 7 – CURRENT LIABILITIES</b>		
Sundry Creditors	12,721	8,069
Other liabilities*	55,874	62,833
	<b>68,595</b>	<b>70,902</b>

**Schedules forming part of the Balance Sheet**
**SCHEDULE 5 – FIXED ASSETS**

Amount in US \$

Description	31.03.08	Cost		31.03.09	31.03.08	Depreciation		31.03.09	Net Book Value	
		Additions	Deduct-ions			For the	Deduct-ions		31.03.09	31.03.08
Land				-				-		
Buildings				-				-		
Leasehold improvements				-				-		
Plant and machinery	131,989	1,027		133,016	70,838	26,603		97,441	35,575	61,151
EDP equipment								-		
Office equipment								-		
Furniture and fixtures								-		
Vehicles								-		
	131,989	1,027	-	133,016	70,838	26,603	-	97,441	35,575	61,151

**Schedules forming part of Profit and Loss Account**

	Year ended March 31, 2008	Year ended March 31, 2007
		Amount in US \$
<b>SCHEDULE 8 – RAW MATERIALS, FINISHED GOODS, ETC.,</b>		
R&D Consumables	45,890	48,257
	<b>45,890</b>	<b>48,257</b>
 <b>SCHEDULE 9 – PERSONNEL</b>		
Salaries, Wages etc.,	205,774	246,891
	<b>205,774</b>	<b>246,891</b>
 <b>SCHEDULE 10 – ADMINISTRATIVE, SELLING AND DISTRIBUTION AND OTHER EXPENSES</b>		
Rent	39,874	47,077
Office and general maintenance	20,834	25,846
Rates and taxes	1,286	891
Insurance	40,307	22,724
Printing and stationery	335	–
Communication expenses	3,411	3,279
Legal and professional charges	5,348	350
Travelling and entertainment	5,244	3,579
Miscellaneous	2,316	642
	<b>118,955</b>	<b>104,387</b>
 <b>SCHEDULE 11 – INTEREST AND BANK CHARGES</b>		
Other loans	7,258	19,755
Bank charges	830	923
	<b>8,088</b>	<b>20,678</b>

**Schedule - 12 Notes to Financial Statements for the period ended March 31, 2009****1. Significant Accounting Policies****Basis of accounting**

The Company uses the accrual basis in accordance with generally accounting policies. Particularly significant policies are outlined below.

**Business activity**

Zenotech Inc is a American Research and Development Company which develops second generation generic monoclonal antibodies used as human therapeutics. The Company has developed the clones to produce five generic monoclonal antibodies. The Company also developed technologies to produce these antibodies in mammalian cell culture upto 10 liters in bioreactors. The Company has also developed technologies to purify the products from culture media and formulate them for human use.

The Company has R&D facilities at 1 Deer Park Drive, Suite H6, Monmouth Junction, N.J. Its scientists are highly qualified with prior research experience in monoclonal antibodies at Case Western University, Stanford University and Princeton University.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimate and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**2. Long Term Debt**

The Company has obtained two US Small Business Administration guaranteed loans from PNC Bank, N.A. for a total of \$500,000. The first loan of \$250,000 was obtained in August, 2003 with a maturity date of August 22, 2010. The loan carries a fixed Interest of 6.5%. The Company pays a total of \$3,682.17 monthly to the bank.

The Second loan of \$250,000 was obtained in October, 2004 with a maturity date of October 15, 2011. The second loan carries a fixed interest of 7.25%. The Company pays a total of \$3803.80 monthly to the bank.

**3. Related Party Transactions**

The Company has a note payable to major stockholder \$516,000 the end of March31, 2009. The loan is a demand loan with no interest.

**4. Defined Contribution Pension Plan**

The Company sponsors a simple IRA Plan whereby the employees contribute to the plan administers by TD Waterhouse from their pretax earnings. The Company makes a small matching Contribution of 2% of employee earnings.

By order of the Board

Date : June 30, 2009

Director



**Notice to the Shareholders**

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**NOTICE**

Notice is hereby given that the Twentieth Annual General Meeting of the members of the Company will be held on Friday, the February 26, 2010 at 12.00 noon at Factory premises of the Company situated at Survey No. 250-252, Turkapally Village, Shameerpet, Mandal, Ranga Reddy District 500078, to transact the following business.

**ORDINARY BUSINESS**

1) To receive, Consider and adopt the audited Balance Sheet as at March 31, 2009 and the Profit and Loss account for the year ended on that date together with the reports of the Director's and Auditors thereon.

2) To appoint Auditors and fix their remuneration.

M/s Deloitte Haskins & Sells, Chartered Accountants, Hyderabad retire at the Conclusion of this Annual General Meeting and are eligible for re-appointment.

3) Retirement and re-appointment of Director(s).

By Order Of The Board  
For **Zenotech Laboratories Limited**

Place : Hyderabad  
Date : November 16, 2009

Dr. Jayaram Chigurupati  
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. The Register of members and transfer Books of the Company will be closed from February 25, 2010 to February 26, 2010 (both days inclusive) for the purpose of Annual General Meeting.
3. The members are requested to -
  - a) Intimate to the Registrars and Transfer Agents of the Company / Depository Participants 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.
4. Shareholders holding shares in physical form are requested to advise any change of address immediately to company's Registrar and Share Transfer Agent, Karvy Computershare Private Limited. Shareholders holding shares in electronic form must send the advice about change in address to their respective Depository participants and not to the Company.
5. Members seeking any information with regard to accounts are requested to write to the Company at least 10 days in advance of the meeting to enable the management to keep the information ready.
6. Under 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 available on request) to the Registrars and Transfer Agents M/s. Karvy Computershare Private Limited.
7. Corporate Members intending to send their authorized representative are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.

**Glossary**
**GLOSSARY**

AS	Accounting Stands as issued by the Institute of Chartered Accountant of India
ANDA	Abbreviated New Drug Application
ANVISA	An agency of Ministry of Health, Brazil
API	Active Pharmaceutical Ingredient
APPCB	Andhra Pradesh Pollution Control Board
APSFC	Andhra Pradesh State Finance Corporation
BSE	Bombay Stock Exchange Limited, Mumbai
CDSL	Central Depository Services Limited
Companies Act	The Companies Act, 1956, as amended from time to time
CSE	The Calcutta Stock Exchange Association Limited, Kolkata
cGMP	Current Good Manufacturing Practices
cGLP	Current Good Laboratory Practices
DP	Depository Participant
DCG(I)	Drug Controller General of India
DSIR	Department of Scientific and Industrial Research
EMD	Earnest Money Deposit
EMEA	European Medicines Evaluation Agency
EOU	Economic Oriented Undertaking
EPS	Earnings per equity share
Equity Shares	Equity shares of the Company of Rs. 10/- each unless otherwise specified in the context thereof
EU	European Union
ESOP	Employees Stock Option Plan
ESOS	Employees Stock Option Scheme
Financial year/fiscal/FY	The twelve months ended March 31 of a particular year
G-CSF	Granulocyte Colony Stimulating Factor
GM-CSF	Granulocyte Macrophage-colony Stimulating Factor
HSE	The Hyderabad Stock Exchange Limited
IGAAP	Indian Generally Accepted Accounting Principles
IL-2	Interlukin-2
NSDL	National Securities Depository Limited
RBI	Reserve Bank of India
R&D	Research and Development
ROC	Registrar of Companies, Hyderabad, Andhra Pradesh
RTA	Registrars and Transfer Agents
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act
SEBI Guidelines	SEBI (Guidelines for Disclosure and Investor Protection) 2000 issued by SEBI effective from January 27, 2000, as amended, including instructions and clarifications issued by SEBI from time to time
Stock Exchanges	BSE and CSE
US FDA	US Food and Drug Administration

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**ZENOTECH LABORATORIES LIMITED**

Regd. Office: 8-2-120/11/88-89, Park View Estate, 4th Floor  
Road No. 2, Banjara Hills, Hyderabad - 500 034.

**ATTENDANCE SLIP**

I hereby record my presence at the 20th Annual General Meeting of the Company to be held on Friday, the February 26, 2010 at 12.00 noon at factory premises of the Company situated at Survey No. 250-252, Turkapally Village, Shameerpet Mandal, R R District 500 078, Andhra Pradesh.

Member's Folio No./Client ID \_\_\_\_\_

Member's / Proxy's full name \_\_\_\_\_

No. of shares held \_\_\_\_\_

**Member's/Proxy Signature**

Note: Member/Proxy wish to attend the meeting must bring this Attendance Slip to the meeting and handover at the entrance duly signed.

**ZENOTECH LABORATORIES LIMITED**

Regd. Office: 8-2-120/11/88-89, Park View Estate, 4th Floor  
Road No. 2, Banjara Hills, Hyderabad - 500 034.

**PROXY FORM**

I/We \_\_\_\_\_ of \_\_\_\_\_ being a Member (s) of above named Company, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ of failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for me/us, on my/our behalf at the 20th Annual General Meeting of the Company to be held on Friday, the February 26, 2010 at 12.00 noon at factory premises of the Company situated at Survey No. 250-252, Turkapally Village, Shameerpet Mandal, R R District 500 078, Andhra Pradesh, at an adjourned meeting thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2010

Folio No./ Client ID \_\_\_\_\_

Signature of Member(s) \_\_\_\_\_

**Member's/Proxy Signature**

Note: The proxy in order to be effective should be duly stamped, completed, signed and must be deposited at the Registered Office of the Company not less than Forty eight hours before the time for holding the aforesaid meeting. The proxy need not be member of the Company.

Zenotech provides a range of quality Oncologicals

**ZAR**  
 Gemcitabine 200 mg & 1000 mg  
 Quality Matters...

**ZENO TERE**  
 Docetaxel 20/80/120 mg  
 Harbinger of promise

**TAX**  
 Paclitaxel 30 mg / 100 mg / 250 mg  
 HOPE BLOOMS

**IRNO ZEN**  
 Irinotecan 40 mg / 100 mg

**DACH**  
 Oxaliplatin 50 mg / 100 mg  
 The matchless platinum

**ZEN**  
 Epirubicin Hydrochloride 10 mg, 50 mg

*Blastozen*  
 Zoledronic Acid 4mg Injection  
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 L-Asparaginase 5000 & 10000 IU

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- Issued in public interest by:



**zenotech**

ZENOTECH LABORATORIES LTD.

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