

# **23rd ANNUAL REPORT**

## **2007 - 2008**



**GENNEX LABORATORIES LIMITED**

(Formerly Prudential Pharmaceuticals Limited)

#### **BOARD OF DIRECTORS**

Shri Vinod Baid	–	<i>Chairman</i>
Shri U.C. Bhandari	–	<i>Director</i>
Shri Y. Ravinder Reddy	–	<i>Director</i>
Shri Kishore Jhunjunwala	–	<i>Director</i>

#### **REGISTERED OFFICE & WORKS**

Sy. No. 133, Bollaram, Jinnaram Mandal  
Medak District – 502 325.  
Andhra Pradesh

#### **CORPORATE OFFICE**

‘Akash Ganga’, 4th Floor  
Plot # 144, Srinagar Colony  
Hyderabad – 500 073.

#### **BANKERS**

State Bank of Hyderabad  
Overseas Branch, Somajiguda  
Hyderabad – 500 082.

#### **AUDITORS**

M/s. Lakshminiwas & Jain  
Chartered Accountants  
5-4-726, Nampally Station Road  
Hyderabad – 500 001.

#### **REGISTRAR & SHARE TRANSFER AGENTS**

CIL Securities Ltd  
214, Raghava Ratna Towers  
Chirag Ali Lane  
Hyderabad – 500 001.



## **NOTICE**

Notice is hereby given that the Twenty Third Annual General Meeting of the Company will be held on Saturday the 27<sup>th</sup> September 2008 at 10.00 A.M. at the Registered Office of the Company at Survey No.133, Bollaram, Jinnaram Mandal, Medak District – 502 325 (A.P) to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2008 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri U C Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. Lakshminiwas & Jain, Chartered Accountants, be and are hereby appointed, Auditors of the Company from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company.”

For and on behalf of the Board

**Vinod Baid**  
Chairman

Place:Hyderabad  
Date : 31st August, 2008

## **NOTES**

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself. A Proxy need not be a member of the Company. Proxies, to be effective, 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 of the Company will remain closed from 24<sup>th</sup> September, 2008 to 27<sup>th</sup> September, 2008 (both days inclusive).
3. Members are requested to quote their Registered folio numbers in all their Correspondence with the Company and notify change in their registered address, if any.
4. Members/proxies should bring the Attendance slips duly signed to the meeting and hand it over at the entrance. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting. Xerox copy of attendance slips will not be accepted at the entrance of the Meeting Hall. Members are requested to bring their copy of the Annual Report to the Meeting as copies will not be distributed at the Meeting hall due to prohibitive cost of printing.

For and on behalf of the Board

Place : Hyderabad  
Date : 31st August, 2008

**Vinod Baid**  
Chairman

**ANNEXURE TO THE NOTICE**

Notes on Directors seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

Profile of Directors being Appointed/Re-appointed:

**Item No. 2**

S.No.	Particulars	U C Bhandari
1.	Age	56 Years
2.	Date of Appointment	22/03/2003
3.	Qualification	B.Com., FCA
4.	Experience	Having vast experience of Global Loan Syndication and Mergers & Acquisitions.  Over 25 years experience in Financial Consultancy especially in real estate and financial markets.
5.	Other Directorships	Prudential Sugar Corporation Ltd. Raj Packaging Industries Ltd., B & B Infratech Ltd., Atlantis Stocks Ltd., Prudential Tea Ltd., Enrich Stocks Pvt. Ltd., Ritual Garments Exports Pvt. Ltd., Bonchance Finance Pvt. Ltd., Paresh Exports Pvt. Ltd., Gaurav Securities Pvt. Ltd., Ritual Finance & Investments Pvt. Ltd., Sitar Construction Pvt. Ltd.,
6.	Chairman/Member of the Committees of the Board of the other Companies on which he is a Director	(A) Audit Committee: Prudential Sugar Corporation Ltd. (B) Share Transfer Committee/ Investors' Grievances' Committee Prudential Sugar Corporation Ltd.

**DIRECTORS' REPORT**

Your Directors are pleased to present the Twenty Third Annual Report and the Audited Accounts for the year ended 31st March, 2008.

**1. Financial Results** *(Rs. in Lakhs)*

	<b>Year ended 31.03.2008</b>	<b>Year ended 31.03.2007</b>
Profit before Finance charges and Depreciation	<b>203.56</b>	209.14
Finance Charges	<b>18.05</b>	14.16
Depreciation	<b>78.47</b>	86.43
Prior Period Adjustment	-	2.50
Provision for Tax:		
- Current	<b>42.00</b>	12.00
- Deferred	<b>(3.98)</b>	27.44
- Fringe Benefit Tax	<b>0.96</b>	0.86
Profit after Tax	<b>68.06</b>	70.75
Adjustment for Tax of earlier year	<b>(7.38)</b>	-
Surplus Brought forward	<b>335.07</b>	267.32
Surplus carried forward	<b>410.51</b>	335.07

**2. Performance & Prospects:**

During the year under review, the Company has successfully completed GMP as stipulated under the provisions as per the Schedule M of the Drug and Cosmetics Rules, 1945 and obtained GMP Certification. The Company has ordered HPLC, which is in the process of installing the said machine which will help the Company to analyze the production process stage-wise to ensure quality product.

The Company has diversified into Biotech product and is expecting a great demand

for the Biotech products which will increase the profitability of the company in the coming years.

During the year under review the Company could achieve net profit of Rs.75.44 lacs as against Rs.70.75 Lacs during the previous year 2006-07. Due to the increase in the basic Raw Materials prices there is slender increase in the net profit of the Company in the current year. The demand for company's product has been growing steadily and see major demand in coming years.

**3. Dividend:** During the financial year 2007-08 your Board of Directors could not recommend any dividend due to absence of distributable profit.

**4. Directors:** Shri U C Bhandari, Director, retires by rotation and being eligible, offers himself for re-appointment.

**5. Directors' Responsibility:** Pursuant to Section 217(2AA) of the Companies Act, 2000 the Directors confirm that:

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- Appropriate accounting policies have been selected and applied consistently, and have 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 as at March 31, 2008 and of the loss of the company for the said period;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv. The Annual Accounts have been prepared on a going concern basis.
6. **Auditors:** M/s. Lakshminiwas & Jain, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.
7. **Personnel:** Employee relations at all levels were cordial during the year. Your Directors place on record their appreciation of the dedicated work put-in by the employees for accomplishment of organizational objectives.
8. During the year under review there are no employees in the Company whose particulars are required to be given pursuant to Section 217(2A) of the Companies Act, 1956.
9. **Acknowledgement:** The Board of Directors are very thankful to the State Bank of Hyderabad and other Government Agencies for their continued help, guidance and assistance in the functioning of the Company.
10. Your Directors express their gratitude to the shareholders for the confidence reposed in the Company.
11. Information on Energy Conservation and Technology Absorption required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2008, is enclosed as Annexure to this Report.
- for and on behalf of the Board
- Place: Hyderabad  
Date : 31st August, 2008
- Vinod Baid**  
Chairman

**ANNEXURE TO THE DIRECTORS' REPORT**

**Information under Section 217(1)(e) of the Companies Act, 1956 read  
with the Companies (Disclosure of Particulars in the report of the  
Board of Directors) Rules, 1988**

**Conservation of Energy:**

Assessment of individual equipment/utilities energy requirement (Electricity/Steam) has been done and standard benchmarks have been established. Awareness among the staff and plant workers has been created to have a constant monitor on usage of energy and to optimize throughout and to avoid wastage and unproductive usage of energy.

**Pollution Control:**

The Company is a member of the Common Effluent Plant of M/s. Patancheru Envirotech Limited and M/s. Progressive Effluent Treatment Limited, Bollaram. As per the orders of Supreme Court, implementation of the pre-treatment of effluent as per the directions of Central Pollution Control Board is already under strict implementation.

**FORM 'A'**

**Disclosure of particulars with respect to Conservation of Energy  
(to the extent applicable)**

**2007-2008****2006-2007****A. POWER & FUEL CONSUMPTION****1. ELECTRICITY**

a. Purchased Units (KWH in Lacs)	3.21	4.65
Total amount (Rs. In Lacs)	15.23	19.73
Rate/Unit (Rs./KWH)	4.75	4.24
b. Owned Generation		
Through Diesel Generator Unit (KWH in Lacs)	0.31	0.52
Total Amount (Rs. In Lacs)	1.73	2.60
Units per liter of Diesel Oil	5.98	7.11
Cost/Unit (Rs./KWH)	5.67	4.96

**2. COAL**

Quality 'C' Grade in Steam Boiler		
Quantity (Tonnes)	196	239
Total Cost (Rs. In Lacs)	7.66	7.97
Average rate/T (Rs.)	3912	3335

**B. CONSUMPTION PER UNIT OF PRODUCTION:**

Electricity & Diesel (KWH)	2.14	2.26
Coal (M.T.)	1.19	1.04

**FORM 'B'****RESEARCH & DEVELOPMENT:**

1. Specific areas in which R & D Carried out by the Company	NIL	NIL
2. Benefits derived as a result of the above	NIL	NIL
3. Future Plan of Action	NIL	NIL
4. Expenditure on R & D	NIL	NIL

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

1. Effort, in brief, made towards Technology absorption, adaptation and innovation	N.A.	N.A.
2. Benefits derived as a result of the above efforts	N.A.	N.A.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished	N.A.	N.A.

**C. FOREIGN EXCHANGE EARNINGS & OUTGO:**

1. Earnings in Foreign Currency on F.O.B. basis – Export of Goods	Rs.	4,47,23,902
2. Value of imports on C.I.F. basis – Raw materials	Rs.	3,80,98,890
3. Expenditure in Foreign Currency	—	



**CORPORATE GOVERNANCE REPORT**

The Board of Directors of the Company supports the broad principles of Corporate Governance. Your company has been practicing the principles of good corporate Governance over the years. Given below is a report on Corporate Governance:

**1. Company's Philosophy on code of Governance**

The Company's Philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. All employees are guided by a code of conduct, which sets forth Company's policies on important issues, including our relationship with our customers, shareholders and Government. The Company makes disclosures of its operations and performance to the public through Annual Report and quarterly financial results. The company has implemented the mandatory requirements of the 'Code of the Governance' as mentioned in Clause 49 of Listing Agreement. This is the corporate governance report of the company.

**2. Composition of Board**

The Board of Directors has a mix of Executive and Non-Executive Directors. The Board comprises of four Directors – the Chairman and three Non-Executive Directors. All three Non-Executive Directors are independent Directors. Accordingly, the composition of the Board is in conformity with the Listing Agreement.

**Attendance of each Director at Board Meetings and Last Annual General Meeting:**

The Board met Six times during the financial year 2007-2008 on 29.05.2007, 16.07.2007, 04.09.2007, 13.10.2007, 30.10.2007 and 31.01.2008. The last Annual General Meeting of the Company was held on September 28, 2007.

Name of Director	No. of Meetings held	No. of Meetings attended	Attendance at last AGM
Shri Vinod Baid	6	6	Y
Shri Kishore Jhunjunwala	6	4	N
Shri U.C. Bhandari	6	5	Y
Shri Y. Ravinder Reddy	6	6	Y

**3. Audit Committee**

An Audit Committee was constituted in April, 2002 which consists of three independent Non-Executive Directors. The Members of the Committee are well versed in finance matters, accounts, company law and general business practices.

The Company has complied with the requirements of Clause 49 II A as regards the composition of the Audit Committee.

The composition of the Audit Committee is as under:

1. Shri Kishore Jhunjunwala - Member
2. Shri U.C. Bhandari - Member
3. Shri Y.Ravinder Reddy - Member

During the Financial Year 2007-2008, Five Audit Committee Meetings were held on 25.05.2007, 29.06.2007, 30.08.2007, 27.10.2007 and 31.01.2008.

Attendance at Audit Committee Meetings

Name of the Director	No. of Meetings attended
Shri U.C. Bhandari	5
Shri Kishore Jhunjunwala	3
Shri Y Ravinder Reddy	5

The necessary quorum was present at the meetings.



#### 4. Remuneration Committee

The Remuneration Committee is responsible for devising policy for compensation and benefits for Directors and frame policies and systems for Associate Stock Option Plans.

The Composition of the Committee is:

- |                             |   |          |
|-----------------------------|---|----------|
| 1. Shri Vinod Baid          | - | Chairman |
| 2. Shri Kishore Jhunhunwala | - | Member   |
| 3. Shri U.C.Bhandari        | - | Member   |
| 4. Shri Y.Ravinder Reddy    | - | Member   |

#### 5. Investors' Grievance Committee

The Board constituted an Investors' Grievance Committee in April, 2002. The Composition of the Committee is:

- |                             |   |          |
|-----------------------------|---|----------|
| 1. Shri Vinod Baid          | - | Chairman |
| 2. Shri Kishore Jhunhunwala | - | Member   |
| 3. Shri U.C.Bhandari        | - | Member   |
| 4. Shri Y.Ravinder Reddy    | - | Member   |

The committee meets at frequent intervals to consider, inter alia, share transfers, shareholders' complaints, etc.

#### 6. Compliance Officer

Shri L.P. Baid, Asst. Vice President (Accounts & Administration) has been designated as Compliance Officer. During the year 2007-2008, 4 (four) complaints were received from Investors, All complaints have generally been resolved to the satisfaction of the complainants.

All valid share transfers received during the year 2007-2008 have been acted upon by the company and there were no pending share transfers as on March 31, 2008.

#### 7. General Body Meetings

Location and time where last three Annual General Meetings were held are given below:

Financial Year	Date/Time	Location of the Meeting
2004-2005	30.09.2005 / 10.00 a.m.	Registered Office
2005-2006	29.09.2006 / 10.00 a.m.	Registered Office
2006-2007	28.09.2007 / 10.00 a.m.	Registered Office

During the year the company has passed special resolutions for preferential issue of Equity/ Shares/Warrants for the company's expansion plans, acquisitions and capital expenditure.

#### 8. Disclosures

- a. Disclosures on materially significant related party transactions i.e, transactions of the company of Material nature, with its promoters, the Directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the company at large.

The company had related party transactions, which did not have any potential conflict with the interest of the company at large.

- b. Details on non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years

The company has complied with all requirements of regulatory on capital market and no penalty/ strictures imposed on the company during the last three years.