

25th ANNUAL REPORT

2009 - 2010



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. Laxminiwas & Jain
Chartered Accountants
5-4-726, Nampally Station Road
Hyderabad – 500 001.

BRANCH AUDITORS

Jaladhar Swain & Co.
181/1A, Raja R M Roy Road
Kolkata - 700 041.

REGISTRAR & SHARE TRANSFER AGENTS

R&D Infotech Pvt. Ltd.
22/4, Nakuleshwar Bhattacharjee Lane
Kolkata – 700 026.



NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Company will be held on Thursday, the 30th September, 2010 at 3.30 P.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 31st March, 2010 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 Y. Ravinder Reddy, 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. Laxminiwas & Jain, Chartered Accountants, Firm Regn. No. 001859S, 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 : 1st September, 2010

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 26th September, 2010 to 30th September, 2010 (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 : 1st September, 2010

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	Y. Ravinder Reddy
1.	Age	43 Years
2.	Date of Appointment	22/03/2003
3.	Qualification	B.A.
4.	Experience	He has vast experience in executing Civil Works i.e., Roads, Buildings, Bridges, Canals in Government Sector and Private Sectors. Cultivating Agriculture and Poultry business.
5.	Other Directorships	Prudential Sugar Corporation 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 Fifth Annual Report and the Audited Accounts for the year ended 31st March, 2010.

1. Financial Results (Rs. in Lakhs)

	Year ended 31.03.2010	Year ended 31.03.2009
Profit before Finance charges and Depreciation	138.78	142.43
Finance Charges	23.11	28.83
Depreciation	69.01	67.38
Prior Period Adjustment (106.46)		-
Provision for Tax:		
- Current	(21.00)	(20.60)
- Deferred	10.79	5.35
- Fringe Benefit Tax	—	1.00
Profit after Tax	(70.01)	29.97
Adjustment for Tax of earlier year	—	0.04
Surplus Brought forward	440.44	410.51
Surplus carried forward	370.43	440.44

2. Performance & Prospects:

During the year under review, the Company has successfully achieved the maximum production capacity. Due to effect of swing-flu the demand of our products in the market has increased and the company is making all its efforts to take advantage of the market situation by achieving the maximum production and sales turnover. The Company foresees that the demand of its products would further increase in the domestic and international market in the coming year.

The Company is in the process for obtaining Certificate of ISO-14001 and OSHAS-18000 ISO OHAS.

During the year under review the Company could achieve net profit of Rs.138.78 Lacs as against Rs.142.43 Lacs during the previous year 2008-09. Due to the increase in the basic Raw Materials prices there is slender decrease in the net profit of the Company in the current year.

3. **Share Warrants:** The Company has issued 25 lacs Equity Share Warrants @ Rs.29/- each at a premium of Rs.19/- each on Preferential basis on 2nd February, 2008, with a option of its subsequent conversion into same number of Equity Shares. But, the upfront money received on issuance of Equity Share Warrants has been forfeited due to non-exercise of the said option by the warrant holders.
4. **Dividend:** During the financial year 2009-10 your Board of Directors could not recommend any dividend due to absence of distributable profit.
5. **Directors:** Shri Y Ravinder Reddy, Director, retires by rotation and being eligible, offers himself for re-appointment.
6. **Directors' Responsibility:** Pursuant to Section 217(2AA) of the Companies Act, 2000 the Directors confirm that:
 - i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
 - ii. 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, 2010 and of the loss of the company for the said period;
 - iii. 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.

7. **Auditors:** M/s. Laxminiwas & Jain, Auditors, Firm Regn. No. 001859S, of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

8. **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.

9. 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.

10. **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.

11. Your Directors express their gratitude to the shareholders for the confidence reposed in the Company.

12. 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 31st March 2010, is enclosed as Annexure to this Report.

for and on behalf of the Board

Place: Hyderabad

Date : 1st September, 2010

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)**

	2009-2010	2008-2009
A. POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased Units (KWH in Lacs)	6.59	5.97
Total amount (Rs. In Lacs)	27.11	24.76
Rate/Unit (Rs./KWH)	4.11	4.15
b. Owned Generation		
Through Diesel Generator Unit (KWH in Lacs)	0.76	0.89
Total Amount (Rs. In Lacs)	6.21	6.10
Units per liter of Diesel Oil	4.45	5.37
Cost/Unit (Rs./KWH)	8.17	6.85
2. COAL		
Quality 'C' Grade in Steam Boiler		
Quantity (Tonnes)	708	544
Total Cost (Rs. In Lacs)	30.72	21.31
Average rate/T (Rs.)	4339	3917
B. CONSUMPTION PER UNIT OF PRODUCTION:		
Electricity & Diesel (KWH)	1.89	2.47
Coal (M.T.)	1.82	1.96

**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.	4,91,22,043
2. Value of imports on C.I.F. basis – - Raw materials	Rs.	3,79,08,280
3. Expenditure in Foreign Currency a. Bank Charges	Rs.	1,27,818
b. Sales Commission	Rs.	8,10,144
c. Travelling Expenses	Rs.	80,973

**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 Seven times during the financial year 2009-2010 on 30.05.2009, 31.07.2009, 04.09.2009, 22.09.2009, 01.10.2009, 31.10.2009 and 30.01.2010. The last Annual General Meeting of the Company was held on September 30, 2009.

Name of Director	No. of Meetings held	No. of Meetings attended	Attendance at last AGM
Shri Vinod Baid	7	7	Y
Shri Kishore Jhunhunwala	7	5	N
Shri U.C. Bhandari	7	6	Y
Shri Y. Ravinder Reddy	7	7	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 Jhunhunwala - Member
2. Shri U.C. Bhandari - Member
3. Shri Y. Ravinder Reddy - Member

During the Financial Year 2009-2010, four Audit Committee Meetings were held on 30.05.2009, 31.07.2009, 31.10.2009 and 30.01.2010.

Attendance at Audit Committee Meetings

Name of the Director	No. of Meetings attended
Shri U.C. Bhandari	4
Shri Kishore Jhunhunwala	3
Shri Y Ravinder Reddy	4

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 K.V.L.N. Bhaswanth, Chief Operating Officer has been designated as Compliance Officer. During the year 2009-2010, there are no complaints from the Investors.

All valid share transfers received during the year 2009-2010 have been acted upon by the company and there were no pending share transfers as on March 31, 2010.

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
2006-2007	28.09.2007 / 10.00 a.m.	Registered Office
2007-2008	27.09.2008 / 10.00 a.m.	Registered Office
2008-2009	30.09.2009 / 05.00 p.m.	Registered Office

No special resolution was put through postal ballot at the last Annual General Meeting, nor any proposed for this year.

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.