

# **26th ANNUAL REPORT**

## **2010 - 2011**



**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’, 3rd 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**

Sibsankar & Associates  
AK-177, Sector - II, Salt Lake City  
Kolkata - 700 091.

**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 Sixth Annual General Meeting of the Company will be held on Friday the 30<sup>th</sup> September 2011 at 11.00 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 2011 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 Kishore Jhunjhunwala 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, 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, 2011

---

## **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 26<sup>th</sup> September, 2011 to 30<sup>th</sup> September, 2011 (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, 2011

**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	Kishore Jhunjhunwala
1.	Age	57 Years
2.	Date of Appointment	28.05.1999
3.	Qualification	Chartered Accountant, Bachelor of Law
4.	Experience	Worked in Multinational Commodity Company as a Finance Controller in London in 1981. Vastly experienced in Banking, Derivatives trade, Shipping Business, Hotel Industry and Commodity Exports. Presently providing Consultancy Services in Finance, Legal, International trade to the clients in India and outside India.
5.	Other Directorships	Prudential Sugar Corporation Limited Mercury Fund Management Co. Limited Deccan Remedies Limited Discovery e-com Limited Discovery Infoways Limited Discovery Institute of Information and Technology Limited Sindia Steels Limited Priyatama Exports (P) Limited
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 Sixth Annual Report and the Audited Accounts for the year ended 31st March, 2011.

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

	<b>Year ended 31.03.2011</b>	<b>Year ended 31.03.2010</b>
Profit before Finance charges and Depreciation	<b>147.60</b>	138.78
Finance Charges	<b>25.41</b>	23.11
Depreciation	<b>71.86</b>	69.01
Prior Period Adjustment	—	(106.46)
Provision for Tax:		
- Current	<b>(23.00)</b>	(21.00)
- Deferred	<b>15.21</b>	10.79
Profit after Tax	<b>42.54</b>	(70.01)
Adjustment for Tax of earlier year	<b>1.79</b>	—
Surplus Brought forward	<b>370.43</b>	440.44
Surplus carried forward	<b>411.18</b>	370.43

**2. Performance & Prospects:**

During the year under review, the Company has successfully achieved the maximum production capacity. The Company products are at great demand in overseas and domestic markets. Efforts are being made to capture overseas market to the maximum as the demand is increasing every year. This year, the turnover of the Company has comparatively increased with the demand of its products in overseas and domestic markets. The Company foresees better turnover in the coming years.

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. 147.60 Lacs as against Rs.138.78 Lacs during the previous year 2009-10. Due to fluctuation in the prices of basic Raw Materials, there is slim increase in the net profit of the Company in the current year.

3. **Dividend:** During the financial year 2010-11 your Board of Directors could not recommend any dividend due to absence of distributable profit.
4. **Directors:** Shri Kishore Jhunjunwala, 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:
  - 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, 2011 and of the profit 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.
6. **Auditors:** M/s. Laxminiwas & 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.
8. During the year under review there are no employees in the Company whose particulars are required to be given pursuant to Section 217(2AA) 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 2011, is enclosed as Annexure to this Report.

for and on behalf of the Board

**Vinod Baid**  
Chairman

Place:Hyderabad  
Date : 31st August, 2011

**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. Pattancheru 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)**

	2010-2011	2009-2010
<b>A. POWER &amp; FUEL CONSUMPTION</b>		
<b>1. ELECTRICITY</b>		
a. Purchased Units (KWH in Lacs)	9.04	6.59
Total amount (Rs. In Lacs)	40.59	27.11
Rate/Unit (Rs./KWH)	4.49	4.11
b. Owned Generation		
Through Diesel Generator Unit (KWH in Lacs)	0.57	0.76
Total Amount (Rs. In Lacs)	7.93	6.21
Units per liter of Diesel Oil	2.90	4.45
Cost/Unit (Rs./KWH)	13.91	8.17
<b>2. COAL</b>		
Quality 'C' Grade in Steam Boiler		
Quantity (Tonnes)	579	708
Total Cost (Rs. In Lacs)	23.28	30.72
Average rate/T (Rs.)	4020	4339
<b>B. CONSUMPTION PER UNIT OF PRODUCTION:</b>		
Electricity & Diesel (KWH)	1.82	1.89
Coal (Kgs.)	1.10	1.82

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

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

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

1. Effort, in brief, made towards Technology absorption, adaptation and innovation	<b>N.A.</b>	<b>N.A.</b>
2. Benefits derived as a result of the above efforts	<b>N.A.</b>	<b>N.A.</b>
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	<b>N.A.</b>	<b>N.A.</b>

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

1. Earnings in Foreign Currency on F.O.B. basis – Export of Goods	Rs.	9,46,07,474
2. Value of imports on C.I.F. basis – - Raw materials	Rs.	3,46,63,249
3. Expenditure in Foreign Currency a. Bank Charges	Rs.	2,10,256
b. Sales Commission	Rs.	21,30,711
c. Travelling Expenses	Rs.	4,96,752

**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 2010-2011 on 30.04.2010, 31.07.2010, 27.08.2010, 01.09.2010, 15.11.2010 and 12.02.2011. The last Annual General Meeting of the Company was held on September 30, 2010.

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

During the Financial Year 2010-2011, four Audit Committee Meetings were held on 28.04.2010, 31.07.2010, 12.11.2010 and 10.02.2011.

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 2010-2011, there are no complaints from the Investors.

All valid share transfers received during the year 2010-2011 have been acted upon by the company and there were no pending share transfers as on March 31, 2011.

#### 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
2007-2008	27.09.2008 / 10.00 a.m.	Registered Office
2008-2009	30.09.2009 / 05.00 p.m.	Registered Office
2009-2010	30.09.2010 / 03.30 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.