

27th ANNUAL REPORT
2011 - 2012



GENNEX LABORATORIES LIMITED



BOARD OF DIRECTORS

Shri Arihant Baid ¹	–	<i>Managing Director</i>
Shri T.M. Gopalakrishnan ²	–	<i>Director</i>
Shri U.C. Bhandari	–	<i>Director</i>
Shri Y. Ravinder Reddy	–	<i>Director</i>
Shri Vinod Baid ³	–	<i>Director</i>
Shri Kishore Jhunjhunwala ⁴	–	<i>Director</i>

¹*w.e.f. May 18, 2012*

²*w.e.f. May 18, 2012*

³*Upto May 18, 2012*

⁴*Upto May 18, 2012*

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.
1st Floor, 7A, Beltala Road
Naresh Mitra Sarani
Kolkata – 700 026.



NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Company will be held on Saturday the 29th September 2012 at 11:30 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 31st March 2012 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. 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.”

SPECIAL BUSINESS

4. **To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary resolution:**
“RESOLVED that Mr. Arihant Baid, who was appointed as an Additional Director at the Board Meeting held on 18th May, 2012 and who holds office as such up to the date of this Annual General Meeting, pursuant to Section 260 of the Act and Articles of Association and in respect of whom the Company has received a notice in writing from a member, under Section 257 of the Act, signifying the member's intention to propose Mr. Arihant Baid as a candidate for the office of Director, be and is hereby appointed a Director of the Company.”
5. **To consider and if thought fit, to pass with**

or without modification(s), the following resolution as Ordinary resolution:

“RESOLVED that Mr. Tiruvarur Muralidharan Gopalakrishnan, who was appointed as an Additional Director at the Board Meeting held on 18th May, 2012 and who holds office as such up to the date of this Annual General Meeting, pursuant to Section 260 of the Act and Articles of Association and in respect of whom the Company has received a notice in writing from a member, under Section 257 of the Act, signifying the member's intention to propose Mr. Tiruvarur Muralidharan Gopalakrishnan as a candidate for the office of Director, be and is hereby appointed a Director of the Company.”

6. **To consider and if thought fit, to pass with or without modification(s), the following resolution as Special resolution:**

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and 311, Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or reenactment thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded to the appointment of Mr. Arihant Baid, as a Managing Director of the Company for a period of Three years, with effect from 18th May, 2012 on such remuneration comprising a salary performance linked bonus, and perquisites, as may be determined by Board from time to time within the maximum limits specified below.

1. Salary per month – Rs. 1,50,500/- in the scale of Rs.1,50,500-2,50,000
2. Bonus – Arihant Baid shall be entitled to a bonus of up to a maximum of 20% of the salary, payable quarterly or at other intervals, as may be decided by the Board of Directors (Board).
3. Company performance linked incentive - Arihant Baid shall be entitled to the Company performance linked incentive, payable quarterly or at other intervals, as may be decided by the Board.



4. Individual performance linked incentive – Arihant Baid shall be entitled to the individual performance linked incentive, payable quarterly or at other intervals, as may be decided by the Board.
5. Long-term bonus plan – Arihant Baid shall be entitled to a bonus payment, as may be decided by the Board, pursuant to the terms of the long-term bonus plan applicable for the senior officers of the Company.

Perquisites and allowances:

Arihant Baid shall be entitled to the following perquisites and allowances:

- a. Housing – Furnished/unfurnished residential accommodation or house rent allowance up to 10% of the salary in lieu thereof. The expenditure incurred by the Company on gas, electricity, water and furnishings, if any, shall be valued as per Income Tax Rules, 1962.
- b. Medical reimbursement/allowance – Reimbursement of actual expenses for self and family and / or allowance will be paid as decided by the Board from time to time.
- c. Leave travel concession/allowance – for self and family once in a year, as decided by the Board from time to time.
- d. Club fees – Fees payable subject to a maximum of two clubs.
- e. Provision for driver/driver's salary allowance – As per the rules of the Company.
- f. Personal accident insurance – As per the rules of the Company.

Other benefits:

- a. Earned / privilege leave – As per the rules of the Company.
- b. Company's contribution to provident fund and superannuation fund – As per the rules of the Company.
- c. Gratuity – As per the rules of the Company.
- d. Encashment of leave - As per the rules of the Company.
- e. Company car and telephone – Use of the Company's car and telephone at the residence for official purposes, as per the rules of the Company.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to vary, alter or modify the different components of the above-stated remuneration as may be agreed to by the Board of Directors and Mr. Arihant Baid.”

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as Special resolution

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and 311, Schedule XIII, and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or reenactment thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, approval of the Company be and is hereby accorded to the appointment of Mr. Tiruvarur Muralidharan Gopalakrishnan, as a Whole-time Director of the Company for a period of Three years, with effect from 18th May, 2012 on such remuneration comprising a salary performance linked bonus, and perquisites, as may be determined by board from time to time within the maximum limits specified below.

1. Salary per month – Rs.73,500/- in the scale of Rs.73,500/- to Rs.1,50,000/-.
2. Bonus – Tiruvarur Muralidharan Gopalakrishnan shall be entitled to a bonus of up to a maximum of 20% of the salary, payable quarterly or at other intervals, as may be decided by the Board of Directors (Board).
3. Company performance linked incentive – Tiruvarur Muralidharan Gopalakrishnan shall be entitled to the Company performance linked incentive, payable quarterly or at other intervals, as may be decided by the Board.
4. Individual performance linked incentive – Tiruvarur Muralidharan Gopalakrishnan shall be entitled to the individual performance linked incentive, payable quarterly or at other intervals, as may be decided by the Board.
5. Long-term bonus plan – Tiruvarur Muralidharan Gopalakrishnan shall be



entitled to a bonus payment, as may be decided by the Board, pursuant to the terms of the long-term bonus plan applicable for the senior officers of the Company.

Perquisites and allowances:

Tiruvavur Muralidharan Gopalakrishnan shall be entitled to the following perquisites and allowances:

- a. Housing – Furnished/unfurnished residential accommodation or house rent allowance up to 10% of the salary in lieu thereof. The expenditure incurred by the Company on gas, electricity, water and furnishings, if any, shall be valued as per Income Tax Rules, 1962.
- b. Medical reimbursement/allowance – Reimbursement of actual expenses for self and family and / or allowance will be paid as decided by the Board from time to time.
- c. Leave travel concession/allowance – for self and family once in a year, as decided by the Board from time to time.
- d. Club fees – Fees payable subject to a maximum of two clubs.
- e. Provision for driver/driver's salary allowance – As per the rules of the Company.
- f. Personal accident insurance – As per the rules of the Company.

Other benefits:

- a. Earned / privilege leave – As per the rules of the Company.
- b. Company's contribution to provident fund and superannuation fund – As per the rules of the Company.
- c. Gratuity – As per the rules of the Company.
- d. Encashment of leave - As per the rules of the Company.
- e. Company car and telephone – Use of the Company's car and telephone at the residence for official purposes, as per the rules of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to vary, alter or modify

the different components of the above-stated remuneration as may be agreed to by the Board of Directors and Tiruvavur Muralidharan Gopalakrishnan.

For and on behalf of the Board

Arihant Baid
Managing Director

Place:Hyderabad

Date :31st August, 2012

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 27th September, 2012 to 29th September, 2012 (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

Arihant Baid
Managing Director

Place:Hyderabad

Date :31st August, 2012

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.

Item No. 2

S.No.	Particulars	U.C. Bhandari
1.	Age	57 Years
2.	Date of Appointment	22.03.2003
3.	Qualification	B.Com., FCA
4.	Experience	<p>Having vast experience of Global Loan Syndication and Mergers & Acquisitions.</p> <p>Over 25 years experience in Financial Consultancy especially in real estate and financial markets.</p>
5.	Other Directorships	<p>Bon Chance Finance Pvt. Ltd. B & B Infratech Limited Ritual Garments Exports Pvt. Ltd. Atlantis Stocks Ltd. Ritual Finance and Investments Pvt. Ltd. Gaurav Securities Pvt. Ltd. Bhan-wal Housing Ltd. Prudential Tea Limited Paresh Exports Pvt. Ltd. Raj Packaging Industries Ltd. Sitar Constructions Pvt. Ltd. Prudential Tirumala Sugars Ltd. Prudential Sugar Corporation Ltd. 9 Star Interfrated Township Limited Aniadha Finance Pvt. Ltd. Enrich Stocks Pvt. Ltd.</p>
6.	Chairman/Member of the Committees of the Board of the other Companies on which he is a Director	<p>(A) Audit Committee: Prudential Sugar Corporation Ltd.</p> <p>(B) Share Transfer Committee/ Investors' Grievances' Committee Prudential Sugar Corporation Ltd.</p>



Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item 4

At the Board meeting held on 18th May 2012, Mr. Arihant Baid was appointed as an Additional Director of the Company. In terms of Section 260 of the Act, read with Articles of Association, Mr. Arihant Baid holds office as such Director until the date of this Annual General Meeting of the Company. The Company has received a notice in writing along with the requisite deposit from a Member, under Section 257 of the Act, signifying his intention to propose Mr. Arihant Baid for appointment as a Director of the Company.

Brief particulars of Mr. Arihant Baid are given hereunder:

Mr. Arihant Baid has rich experience in managing business relating to Pharmaceutical, Bio-technology and Education Sector and he holds bachelor's degree in BBA (MIB) from Melbourne, Australia.

Mr. Arihant Baid is on the Board of Directors of certain Companies in financial sector viz, Gennex Laboratories Limited, India Equity Finance Corp. Pvt. Ltd., Regent Forex Private Limited, Regent Capital Private Limited, India Securities Broking Pvt. Ltd., Regent Finance Corp. Pvt. Ltd., Regent Commodities Broking Pvt. Ltd., RDB Insurance Broking Pvt. Ltd., Regent Saimira Entertainment Ltd., Pincha Estate Development Pvt. Ltd., Falma Laboratories Private Limited, VAB Reality Private Limited, Premier Industrial & Commercial Credit (P) Ltd., Prudential Holdings Pvt. Ltd., Premier Fiscal Services Pvt. Ltd., Discovery Online Tuition Pvt. Ltd., Discovery Knowledge Systems Limited, Discovery Skill Development Pvt. Ltd., VAB Natural Resources Pvt. Ltd.

The Directors recommend passing of the resolution set out in Item 4 of the Notice.

Excepting Mr. Arihant Baid, no other director is concerned or interested in this resolution.

Item 5

At the Board meeting held on 18th May 2012,

Mr. Tiruvarur Muralidharan Gopalakrishnan was appointed as an Additional Director of the Company. In terms of Section 260 of the Act, read with Articles of Association, Mr. Tiruvarur Muralidharan Gopalakrishnan holds office as such Director until the date of this Annual General Meeting of the Company. The Company has received a notice in writing along with the requisite deposit from a Member, under Section 257 of the Act, signifying his intention to propose Mr. Tiruvarur Muralidharan Gopalakrishnan for appointment as a Director of the Company.

Brief particulars of Mr. Tiruvarur Muralidharan Gopalakrishnan are given hereunder:

Mr. Tiruvarur Muralidharan Gopalakrishnan has has 30 years of wide experience in Pharmaceutical Industry and has vast chemical knowledge. He has the educational qualification of M.Tech. in Chemical Engineering.

The Directors recommend passing of the resolution set out in Item 5 of the Notice.

Excepting Mr. Tiruvarur Muralidharan Gopalakrishnan, no other director is concerned or interested in this resolution.

Item 6

At the Board meeting held on 18th May, 2012, Mr. Arihant Baid was appointed as Additional Director of the Company. In terms of Section 260 of the Act and Articles of Association, Mr. Arihant Baid will hold office as such Director until the date of this Annual General Meeting. The Company has received a notice in writing along with the requisite deposit from a Member, under Section 257 of the Act, signifying his intention to propose Mr. Arihant Baid for appointment as a Director of the Company.

Further, in the same meeting held on 18th May, 2012, the Board appointed Mr. Arihant Baid as Managing Director of the Company, with immediate effect, for a period of Three years, subject to the approval of the shareholders. In

terms of Articles of the Company, Mr. Arihant Baid shall not be liable to retirement by rotation till he continues to hold such office. The terms and conditions of the appointment are set out in a separate Agreement to be entered into between Mr. Arihant Baid and the Company, the relevant provisions of which are briefly discussed below:

1. Period of appointment : Three years beginning May 18, 2012 and ending on May 17, 2015, subject to the retirement policy applicable to the Board of Directors of the Company.
2. Details of remuneration : As provided in the resolution.
3. The agreement, executed between the Company and Mr. Arihant Baid, may be terminated by either party by giving notice as specified in the agreement in writing of such termination.
4. Mr. Arihant Baid shall perform such duties as shall from time to time be entrusted to him, subject to the superintendence,

guidance and control of the Board of Directors and he shall perform such other duties as shall from time to time be entrusted to him by the Board of Directors.

The resolution seeks the approval of the members in terms of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 for the appointment of Mr. Arihant Baid as the Managing Director of the Company for a period of Three years commencing from May 18, 2012.

The terms of appointment of Mr. Arihant Baid, as stated in this notice, may be treated as the abstract under Section 302 of the Companies Act, 1956. The copies of relevant resolutions of the Board with respect to the appointment is available for inspection by members at the registered office of the Company during working hours on any working day till the date of the Annual General Meeting.

The Board accordingly recommends the resolution as set out in Item no. 6 for approval of the members.

**Statement of Information Pursuant to Schedule XIII of the Companies Act, 1956:****I. General Information:**

1. Nature of Industry : a. Bulk Drugs/Intermediaries
2. Date of commencement of commercial production : i. 01st November, 1995
3. In case of new Companies, expected date of commencement of activities as per project approved by Financial Institutions appearing in the prospectus : Not Applicable
4. Financial Performance based on given indicators:

Financial parameters	2007-08	2008-09	2009-2010	2010-11	2011-12
Turnover (Rs. in lakhs)	222,783,548	153,034,013	154,451,659	192,595,680	245,648,998
Net Profit as per Profit and Loss Account (Rs. in lakhs)	6,806,926	2,997,000	(7,000,611)	4,075,185	3,752,375
Amount of Dividend Paid (excluding dividend tax) (Rs. in lakhs)	NIL	NIL	NIL	NIL	NIL
Rate of Dividend declared	NIL	NIL	NIL	NIL	NIL

5. Export performance and net foreign exchange collaborations : Earnings in Foreign Currency on FOB basis – Export of Goods **Rs. 110,770,631**
6. Foreign investments or collaborators, if any : NIL

II. Information about the Appointee:

1. **Background:** Mr. Arihant Baid has rich experience in managing business relating to Pharmaceutical, Bio-technology and Education Sector and he holds bachelor's degree in BBA (MIB) from Melbourne, Australia.
2. **Past Remuneration:** Rs.1,50,500
3. **Recognition or Awards:** NIL
4. **Job Profile:** Mr. Arihant Baid is responsible to discharge the duties entrusted by the Board of Directors from time to time, which may include initiating speedy and stable growth strategies for the organization in line with the vision and mission of the Company, diversification to various other potential business, day-to-day management and administration of the Company.
5. **Remuneration proposed:** As set out in the resolution for the Item No. 6 of the Notice, the remuneration was recommended by the Remuneration Committee and approved by the Board of Directors.
6. **Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be with respect to the country of his origin):** Taking into consideration the size of the Company, the Profile of Mr. Arihant Baid, the responsibilities shouldered by him, the aforesaid remuneration package is commensurate with the remuneration package to managerial persons in other Companies.
7. **Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any :** NIL



III. Other information:

1. **Reasons of loss or inadequate profits:** The Margin on Domestic and Export Products are coming due to Multinational Companies are setting up large plants in India and uncertainties on account of global socio economic environment.
2. **Steps taken or proposed to be taken for improvement:** During the year under review, the Company has successfully achieved the maximum production capacity. After market study and keeping in view the demand of its products in the overseas and domestic markets, the Company planned production of additional products with the approval of the State Drug Control Authority. The Company foresees that the demand for these products would increase further in the coming years. This year the turnover of the company has comparatively increased with the demand of its products in the overseas and domestic.

IV. Disclosures: All the elements of remuneration package of the Directors have been given in the Report on Corporate Governance.

Item 7

At the Board meeting held on 18th May, 2012, Mr. Tiruvarur Muralidharan Gopalakrishnan was appointed as Additional Director of the Company. In terms of Section 260 of the Act and Article of Association, Mr. Tiruvarur Muralidharan Gopalakrishnan will hold office as such Director until the date of this Annual General Meeting. The Company has received a notice in writing along with the requisite deposit from a Member, under Section 257 of the Act, signifying his intention to propose Mr. Tiruvarur Muralidharan Gopalakrishnan for appointment as a Director of the Company.

Further, in the same meeting held on 18th May, 2012, the Board appointed Mr. Tiruvarur Muralidharan Gopalakrishnan as Whole-time Director of the Company, with immediate effect, for a period of Three years, subject to the approval of the shareholders. In terms of Articles of the Company, Mr. Tiruvarur Muralidharan Gopalakrishnan shall not be liable to retirement by rotation till he continues to hold such office. The terms and conditions of the appointment are set out in a separate Agreement to be entered into between Mr. Tiruvarur Muralidharan Gopalakrishnan and the Company, the relevant provisions of which are briefly discussed below:

1. Period of appointment: Three years beginning May 18, 2012 and ending on May 17, 2015, subject to the retirement policy applicable to the Board of Directors of the Company.
2. Details of remuneration : As provided in the resolution.
3. The agreement, executed between the Company and Mr. Tiruvarur Muralidharan Gopalakrishnan, may be terminated by either party by giving notice as specified in the agreement in writing of such termination.
4. Mr. Tiruvarur Muralidharan Gopalakrishnan shall perform such duties as shall from time to time be entrusted to him, subject to the superintendence, guidance and control of the Board of Directors and he shall perform such other duties as shall from time to time be entrusted to him by the Board of Directors.

The resolution seeks the approval of the members in terms of Section 269 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 for the appointment of Mr. Tiruvarur Muralidharan Gopalakrishnan as the Whole-time Director of the Company for a period of Three years commencing from May 18, 2012.

The terms of appointment of Mr. Tiruvarur Muralidharan Gopalakrishnan, as stated in this notice, may be treated as the abstract under Section 302 of the Companies Act, 1956. The copies of relevant resolutions of the Board with respect to the appointment is available for inspection by members at the registered office of the Company during working hours on any working day till the date of the Annual General Meeting.

The Board accordingly recommends the resolution as set out in Item no. 7 for approval of the members.