

28th ANNUAL REPORT

2012 - 2013



GENNEX LABORATORIES LIMITED
(GENNEX You Can Trust)



BOARD OF DIRECTORS

Shri Arihant Baid	–	<i>Managing Director (w.e.f. May 18, 2012)</i>
Shri T.M. Gopalakrishnan	–	<i>Whole-time Director (w.e.f. May 18, 2012)</i>
Shri Vinod Baid	–	<i>Director (upto May 18, 2012)</i>
Shri Kishore Jhunjhunwala	–	<i>Director (upto May 18, 2012)</i>
Shri U.C. Bhandari	–	<i>Director</i>
Shri Y. Ravinder Reddy	–	<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.
1st Floor, 7A, Beltala Road
Naresh Mitra Sarani
Kolkata – 700 026.



NOTICE

Notice is hereby given that the Twenty Eighth Annual General Meeting of the Company will be held on Monday the 30th September 2013 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 2013 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, 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
Arihant Baid
Managing Director

Place:Hyderabad
Date :30th May, 2013

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, 2013 to 30th September, 2013 (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 :30th May, 2013



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	Y. Ravinder Reddy
1.	Age	46 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	<ol style="list-style-type: none"> 1. Prudential Sugar Corporation Ltd. 2. Rose Garden Developers Ltd. 3. B&B Infratech Ltd. 4. B&B Realty Ltd. 5. Beam Cox Constructions (P) Ltd.
6.	Chairman/Member of the Committees of the Board of the other Companies on which he is a Director	<ol style="list-style-type: none"> (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 Eighth Annual Report and the Audited Accounts for the year ended 31st March, 2013.

1. Financial Results (Rs. in Lakhs)

	Year ended 31.03.2013	Year ended 31.03.2012
Profit before Finance charges and Depreciation	156.77	169.91
Finance Charges	28.15	29.95
Depreciation	79.62	74.33
Exceptional Items	1.69	—
Provision for Tax:		
- Current	(23.00)	(27.00)
- Deferred	15.26	(1.11)
Profit after Tax	39.57	37.52
Surplus Brought forward	448.71	411.18
Surplus carried forward	488.28	448.71

2. Performance & Prospects: During the year under review, the Company has successfully achieved the maximum production capacity. Keeping in view the demand of its products in the overseas and domestic markets, the Company has obtained approval from the State Licencing Authority for production of additional products after market survey. This year the turnover of the company has increased considerably and the company foresees that with the increasing demand for its products in the Overseas and Domestic markets the turnover of the company would be amplified in the coming years.

The Company is in the process of obtaining ISO-14001 & OHSAS-18000 Certification and expects that Gennex would be an ISO 14001 & OHSAS 18000 certified Company by 2013-14.

During the year under review the Company could achieve gross profit of Rs.156.77 Lacs as against Rs.169.91 Lacs during the

previous year 2011-12. The decline in the gross profit is due to the reason that in the year under review industrial areas have been badly hit due to power crisis due to which the production cost have gone up as well the fuel charges. Apart from power crisis there is also increased in the prices of basic Raw Materials. Keeping in view the market demands, the Company is in the process of manufacturing new products, with additional products and enhancing the production capacities the Company is hopeful that the turnover and profits in the coming years would increase.

3. **Dividend:** During the financial year 2012-13 your Board of Directors could not recommend any dividend due to absence of distributable profit.
4. **Directors:** Shri Y.Ravinder Reddy, Director, retires by rotation and being eligible, offers himself for re-appointment.
5. **Corporate Governance:** Your Company has complied with the mandatory provisions relating to Corporate Governance as prescribed under Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report detailing such compliance together with the Certificate obtained from the Statutory Auditors in connection therewith is included as part of the Annual Report.
6. **Directors' Responsibility:** Pursuant to Section 217(2AA) of the Companies Act, 1956 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, 2013 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.
7. **Sub-committees of the Board:** The Board has Audit Committee, Remuneration Committee, Investment Committee and Investors' Grievances Committee, the composition and details of which have been given in the Report on the Corporate Governance forming part of the Annual Report
8. **Auditors:** M/s. Laxminiwas & Jain, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.
9. **Cost Auditor:** Cost Auditors. Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit for the Company. Based on recommendations of the Audit Committee and subject to the approval of the Central Government, M/s N.S.V. KRISHNA RAO & Co., Cost Accountants was appointed as Cost Auditor of the Company for the year 2013-2014. The cost audit report for the financial year 2012-2013 shall be submitted to the Central Government within the stipulated period.
10. **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.
11. **Public Deposits:** Your Company has not accepted any Deposits from the public and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the balance sheet.
12. **Compliance Certificate:** A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this Report along with a report on Corporate Governance.
13. **Management and Discussion Analysis Report:** In accordance with Clause 49 of the Listing Agreement with the Stock Exchanges, the Management Discussion and Analysis Report is given in the Annexure, to form part of the Annual Report.
14. **Internal Control System:** Your Company has adequate internal control systems in all important areas of its operations and effectiveness of these systems is periodically reviewed for possible improvement in them.
15. 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.
16. **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.
17. Your Directors express their gratitude to the shareholders for the confidence reposed in the Company.
18. 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 2013, is enclosed as Annexure to this Report.
- for and on behalf of the Board
- Arihant Baid**
Managing Director
- Y. Ravinder Reddy**
Director
- Place: Hyderabad
Date: 30th May, 2013

**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)**

	2012-2013	2011-2012
A. POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased Units (KWH in Lacs)	5.59	6.89
Total amount (Rs. In Lacs)	42.00	31.63
Rate/Unit (Rs./KWH)	7.51	4.49
b. Owned Generation		
Through Diesel Generator Unit (KWH in Lacs)	2.76	1.38
Total Amount (Rs. In Lacs)	44.00	20.65
Units per liter of Diesel Oil	3.09	3.02
Cost/Unit (Rs./KWH)	15.94	15.00
2. COAL		
Quality 'C' Grade in Steam Boiler		
Quantity (Tonnes)	137	247
Total Cost (Rs. in Lacs)	6.64	12.09
Average rate/T (Rs.)	4847	4895
B. CONSUMPTION PER UNIT OF PRODUCTION:		
Electricity & Diesel (KWH)	1.72	1.39
Coal (Kgs.)	0.28	0.41



FORM 'B'

2012-2013

2011-2012

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:

Activities relating to exports, initiative taken to increase exports, developments of new export markets for products and services and export plans.

- i. The export turnover consists of *35% of total turnover for the year 2012-2013 as against *48% for the previous year.
* *Direct Exports*
- ii. Total exports on FOB was Rs.10.15 crores for the year 2012-2013 as against Rs.11.07 crores for the year 2011-2012.
- iii. Your Company expects considerable export revenue for the forthcoming years

1. Earnings in Foreign Currency on F.O.B. basis – Export of Goods	Rs. 101,589,842
2. Value of imports on C.I.F. basis – - Raw materials	Rs. 9,948,564
3. Expenditure in Foreign Currency a. Bank Charges	Rs. 135,468
b. Sales Commission	Rs. 2,600,423
c. Travelling Expenses	Rs. 301,332

**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. 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 Nine times during the Financial Year 2012-2013 on 15.05.2012, 18.05.2012, 31.05.2012, 03.06.2012, 15.08.2012, 31.08.2012, 15.11.2012, 31.01.2013 and 15.02.2013. The last Annual General Meeting of the Company was held on September 29, 2012.

Name of Director	No. of Board Meetings held	No. of Board Meetings Present	Attendance at last AGM
Shri Arihant Baid (w.e.f. May 18, 2012)	9	8	Y
Shri T.M. Gopala Krishnan (w.e.f. May 18, 2012)	9	8	Y
Shri Vinod Baid (Upto May 18, 2012)	9	2	N
Shri Kishore Jhunjhunwala (Upto May 18, 2012)	9	2	N
Shri U.C. Bhandari	9	9	N
Shri Y. Ravinder Reddy	9	9	Y

3. Audit Committee

During the financial year 2012-2013, four Audit Committee Meetings were held on the following dates: 15.05.2012, 15.08.2012, 15.11.2012 and 15.02.2013

The constitution of the Committee and the attendance of each member of the Committee are given below:

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.



Name of Director	Designation	Category	No. of Meetings Attended
Shri U.C. Bhandari	Member	Independent Director	4
Shri T.M. Gopala Krishnan (w.e.f. May 18, 2012)	Member	Whole-Time Director	3
Shri Y. Ravinder Reddy	Member	Independent Director	4
Shri Kishore Jhunjhunwala (Upto May 18, 2012)	Member	Independent Director	1

The necessary quorum was present at the meetings.

The terms of reference of the Audit Committee include those specified under Clause 49 of the Listing Agreement as well as under Section 292 A of the Companies Act, 1956, such as:

- To hold periodic discussions with the Statutory Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Auditors/Internal Auditors.
- To review compliance with internal control systems;
- To review the quarterly, half-yearly and annual financial results of the Company before submission to the Board;
- To investigate into any matter in relation to items specified in Section 292 A of the Companies Act, 1956 or as may be referred to it by the Board and for this purpose, to seek any relevant information contained in the records of the Company and also seek external professional advice, if necessary;
- To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit Report.

4. Remuneration Committee

Remuneration Committee reviews and makes recommendations on annual salaries, performance linked bonus, perquisites and other employment conditions for executive Directors. The Committee takes into consideration remuneration practices followed by leading companies as well as information provided by reputed consultants while determining the overall remuneration package. The annual variable commission in the form of "Performance Linked Bonus" to executive Directors, non-promoter executive Directors, are linked to the performance of the Company in general and the individual performance of the executive Directors for the relevant year measured against specific Key Results Areas, which are aligned to the Company's objectives. Non-executive Directors are paid remuneration by way of Sitting Fees. The Remuneration Committee met one time during the year.