

**27th ANNUAL REPORT**  
**2011 - 2012**



**GENNEX LABORATORIES LIMITED**



**BOARD OF DIRECTORS**

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

<sup>1</sup>*w.e.f. May 18, 2012*

<sup>2</sup>*w.e.f. May 18, 2012*

<sup>3</sup>*Upto May 18, 2012*

<sup>4</sup>*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:**

Tiruvarur 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 Tiruvarur 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 &amp; 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.<br/> B &amp; B Infratech Limited<br/> Ritual Garments Exports Pvt. Ltd.<br/> Atlantis Stocks Ltd.<br/> Ritual Finance and Investments Pvt. Ltd.<br/> Gaurav Securities Pvt. Ltd.<br/> Bhan-wal Housing Ltd.<br/> Prudential Tea Limited<br/> Paresh Exports Pvt. Ltd.<br/> Raj Packaging Industries Ltd.<br/> Sitar Constructions Pvt. Ltd.<br/> Prudential Tirumala Sugars Ltd.<br/> Prudential Sugar Corporation Ltd.<br/> 9 Star Interfrated Township Limited<br/> Aniadha Finance Pvt. Ltd.<br/> 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:<br/> Prudential Sugar Corporation Ltd.</p> <p>(B) Share Transfer Committee/ Investors' Grievances' Committee<br/> Prudential Sugar Corporation Ltd.</p>  |



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**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.



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. 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.
2. **Past Remuneration: Rs. 73,500.**
3. **Recognition or Awards:** NIL
4. **Job Profile:** Mr. Tiruvarur Muralidharan Gopalakrishnan 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. 7 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):**
7. **Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:**



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**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.

For and on behalf of the Board

Place: Hyderabad  
Date: 31st August, 2012

**Arihant Baid**  
Managing Director

**DIRECTORS' REPORT**

Your Directors are pleased to present the Twenty Seventh Annual Report and the Audited Accounts for the year ended 31st March, 2012.

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

|  | Year ended<br>31.03.2012 | Year ended<br>31.03.2011 |
|--|--------------------------|--------------------------|
| Profit before<br>Finance charges<br>and Depreciation | 169.91                   | 147.60                   |
| Finance Charges                                      | 29.95                    | 25.41                    |
| Depreciation   | 74.33                    | 71.86                    |
| Provision for Tax:                                   |                          |                          |
| - Current  | (27.00)                  | (23.00)                  |
| - Deferred   | (1.11)                   | 15.21                    |
| Profit after Tax                                     | 37.52                    | 42.54                    |
| Adjustment for Tax<br>of earlier year                | —                        | 1.79                     |
| Surplus Brought<br>forward                           | 411.18                   | 370.43                   |
| Surplus carried<br>forward                           | 448.71                   | 411.18                   |

**2. Performance & Prospects:**

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 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 gross profit of Rs.169.91 Lacs as against Rs.147.60 Lacs during the previous year 2010-11. In the year 2011-12, the dollar rate has seen an upward trend, due to which the prices of basic Raw Materials have increased, in view of which there is slight increase in the gross profit of the Company as compared to last year. With additional products being manufactured keeping in view the market demands, the Company is expecting that the turnover in the coming years would increase.

3. **Dividend:** During the financial year 2011-12 your Board of Directors could not recommend any dividend due to absence of distributable profit.

**4. Directors:**

Shri Arihant Baid was appointed as an Additional Director effective May 18, 2012. He was also appointed as Managing Director on the same day for three years. In terms of Section 260 of the Companies Act, 1956 he shall hold office only upto the date of the ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for the office of Director liable to retire by rotation.

Shri T M Gopala Krishnan was appointed as an Additional Director effective May 18, 2012. He was also appointed as Whole-time Director on the same day for three years. In terms of Section 260 of the Companies Act, 1956 he shall hold office only upto the date of the ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for the office of Director liable to retire by rotation.

Shri Vinod Baid and Shri Kishore Jhunjunwala, Directors of the Company have resigned with effect from 18.05.2012.



The Board of Directors have accepted their resignations and put on record their sincere thanks for their valuable contribution and guidance during the tenure as Directors.

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, 2012 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 31st March 2012, is enclosed as Annexure to this Report.

for and on behalf of the Board

**Arihant Baid**

Managing Director

**T.M. Gopalakrishnan**

Whole-time Director

Place: Hyderabad

Date: 31st August, 2012



**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)**

|   | 2011-2012 | 2010-2011 |
|---|-----------|-----------|
| <b>A. POWER &amp; FUEL CONSUMPTION</b>        |           |           |
| <b>1. ELECTRICITY</b>                         |           |           |
| a. Purchased Units (KWH in Lacs)              | 6.89      | 9.04      |
| Total amount (Rs. In Lacs)                    | 31.63     | 40.59     |
| Rate/Unit (Rs./KWH)                           | 4.59      | 4.49      |
| b. Owned Generation                           |           |           |
| Through Diesel Generator Unit (KWH in Lacs)   | 1.38      | 0.57      |
| Total Amount (Rs. In Lacs)                    | 20.65     | 7.93      |
| Units per liter of Diesel Oil                 | 3.02      | 2.90      |
| Cost/Unit (Rs./KWH)                           | 15.00     | 13.91     |
| <b>2. COAL</b>                                |           |           |
| Quality 'C' Grade in Steam Boiler             |           |           |
| Quantity (Tonnes)                             | 247       | 579       |
| Total Cost (Rs. in Lacs)                      | 12.09     | 23.28     |
| Average rate/T (Rs.)                          | 4895      | 4020      |
| <b>B. CONSUMPTION PER UNIT OF PRODUCTION:</b> |           |           |
| Electricity & Diesel (KWH)                    | 1.39      | 1.82      |
| Coal (Kgs.)                                   | 0.41      | 1.10      |

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

|  |            |            |
|--|------------|------------|
| 1. Specific areas in which R & D<br>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<br>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<br>(imported during the last 5 years reckoned<br>from the beginning of the financial year),<br>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 –<br>Export of Goods |            | <b>Rs. 110,770,631</b> |
| 2. Value of imports on C.I.F. basis –<br>- Raw materials             |            | <b>Rs. 26,578,100</b>  |
| 3. Expenditure in Foreign Currency                                   |            |                        |
| a. Bank Charges  | <b>Rs.</b> | <b>571,271</b>         |
| b. Sales Commission  | <b>Rs.</b> | <b>1,681,640</b>       |
| c. Travelling Expenses   | <b>Rs.</b> | <b>573,761</b>         |





**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 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 complied with 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 2011-2012 on 14.05.2011, 13.08.2011, 31.08.2011, 26.09.2011, 26.11.2011 and 15.02.2012. The last Annual General Meeting of the Company was held on September 30, 2011.

| Name of Director                      | Nature of Directorships            | No. of Board Meetings held | No. of Board Meetings Present | Attend-ance at last AGM | No. of Directorships |
|---------------------------------------|------------------------------------|----------------------------|-------------------------------|-------------------------|----------------------|
| Shri Vinod Baid <sup>1</sup>          | Director                           | 6                          | 6                             | Present                 | 6                    |
| Shri Kishore Jhunjunwala <sup>2</sup> | Non-Executive Independent Director | 6                          | 4                             | Present                 | 14                   |
| Shri U.C. Bhandari                    | Non-Executive Independent Director | 6                          | 6                             | Present                 | 10                   |
| Shri Y. Ravinder Reddy                | Non-Executive Independent Director | 6                          | 6                             | Present                 | 4                    |

<sup>1</sup>Upto May 18, 2012

<sup>2</sup>Upto May 18, 2012

**3. Audit Committee**

An Audit Committee was constituted in terms of Section 292A of Companies Act, 1956 and as per the provisions of Clause 49 of the Listing Agreement. The Audit Committee 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. Sri Y. Ravinder Reddy — Chairman
- 2. Sri Kishore Jhunjunwala<sup>1</sup> — Member
- 3. Sri U.C. Bhandari — Member

<sup>1</sup>Upto May 18, 2012



### Brief description of terms of reference

The terms of reference of the Audit Committee include the following

- a. Oversee the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- c. Approval of payment to statutory auditors for any other services rendered by them.
- d. Review, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - i. Matters required to be included in the Directors' Responsibility Statement forming part of the Board's report in terms of clause (2AA) section 217 of the Companies Act, 1956.
  - ii. Changes, if any, in accounting policies and practices and reasons for the same.
  - iii. Major accounting entries involving estimates based on the exercise of judgment by management.
  - iv. Significant adjustments made in the financial statement arising out of audit findings
  - v. Compliance with listing and other legal requirements relating to financial statements
  - vi. Disclosure of any related party transactions
  - vii. Qualifications in the draft audit report.

During the Financial Year 2011-2012, four Audit Committee Meetings were held on 13.05.2011, 13.08.2011, 30.08.2011, 15.11.2011 and 14.02.2012.

### Attendance at Audit Committee Meetings

| Name of the Director                 | No. of Meetings attended |
|--------------------------------------|--------------------------|
| Sri U.C. Bhandari                    | 4                        |
| Sri Kishore Jhunjunwala <sup>1</sup> | 4                        |
| Sri Y Ravinder Reddy                 | 4                        |

<sup>1</sup>Upto May 18, 2012

The necessary quorum was present at the meetings.

### 4. Remuneration Committee

**Composition :** The Remuneration Committee of the Board comprises four Directors. Composition of the Committee is:

1. Sri Vinod Baid<sup>1</sup> — Chairman
2. Sri Kishore Jhunjunwala<sup>2</sup> — Member
3. Sri U.C. Bhandari — Member
4. Sri Y. Ravinder Reddy — Member

<sup>1</sup>Upto May 18, 2012

<sup>2</sup>Upto May 18, 2012

**Terms of Reference:** The Remuneration Committee has been constituted to recommend / review remuneration of the Managing Director and Whole-time Directors, based on their performance and defined assessment criteria.

**Meetings:** Four meetings of the Remuneration committee were held during the year in which all the members were present.

**Remuneration policy, details of remuneration and other terms of appointment of Directors:**

The remuneration policy of the Company is directed towards rewarding performance, based on review of achievements on a periodic basis. The remuneration policy is in consonance



with the existing industry practice. The Company has not granted any stock option to any of its directors and employees of the Company.

**5. Investors' Grievance Committee**

Brief description of terms of reference:

To supervise and ensure:

- i. Efficient transfer of shares; including review of cases for refusal of transfer / transmission of shares and debentures;
- ii. Redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc;
- iii. Issue of duplicate / split / consolidated share certificates;
- iv. Allotment and listing of shares;
- v. Review of cases for refusal of transfer / transmission of shares and debentures;
- vi. Reference to statutory and regulatory authorities regarding investor grievances;
- vii. And to otherwise ensure proper and timely attendance and redressal of investor queries and grievances.

**Composition**

The Committee comprises of the following members:

- 1. Sri Vinod Baid<sup>1</sup> — Chairman
- 2. Sri Kishore Jhunjunwala<sup>2</sup> — Member
- 3. Sri U.C. Bhandari — Member
- 4. Sri Y. Ravinder Reddy — Member

<sup>1</sup>Upto May 18, 2012

<sup>2</sup>Upto May 18, 2012

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

**6. Compliance Officer**

Sri K.V.L.N. Bhaswanth, Chief Operating Officer has been designated as Compliance Officer. During the year 2011-2012 there are no complaints from the Investors.

All valid share transfers received during the year 2011-2012 have been acted upon by the company and there were no pending share transfers as on March 31, 2012.

**7. General Body Meetings**

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

| <b>Financial Year</b> | <b>Date/ Time</b>       | <b>Location of the Meeting</b> |
|-----------------------|-------------------------|--------------------------------|
| 2008-2009             | 30.09.2009 / 05.00 p.m. | Registered Office              |
| 2009-2010             | 30.09.2010 / 03.30 p.m. | Registered Office              |
| 2010-2011             | 30.09.2011 / 11.00 a.m. | Registered Office              |

No Special Resolution was passed in the Previous three Annual General Meeting.

**8. Disclosures**

- a. Disclosures on materially significant related-party transactions i.e, transaction 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.

#### **9. Means of Communication**

The Quarterly results are usually published in the Business Standard (in English) and Andhra Bhoomi (in regional language) dailies.

#### **10. General shareholder information**

##### **A. Annual General Meeting**

Date and Time : 29th September, 2012 at 11.30 a.m.  
Venue : Registered Office of the Company at  
Survey No.133, Bollaram Jinnaram Mandal,  
Medak District – 502 325 (A.P)

Demat ISIN No. for NSDL and CDSL for Equity Shares : INE509C01018

**B. Date of Book Closure** : 27th September 2012 to 29th September 2012  
(both days inclusive)

**C. Registrar & Share transfer Agent** : R&D Infotech Pvt. Ltd.,  
1st Floor, 7A, Beltala Road  
Naresh Mitra Sarani  
Kolkata – 700 026

**D. Compliance Officer** : Sri KVLN Bhaswanth  
Chief Operating Officer  
Gennex Laboratories Limited  
'AKASH GANGA' 3rd Floor,  
Plot No.144, Srinagar Colony,  
Hyderabad – 500 073

##### **E. Transfer system**

Share transfers in physical form are registered and a letter is sent giving the option to hold the securities in dematerialized form or physical form within a period of 30 days from the date of receipt by the Registrars of the Company in case the documents are complete in all respects.

##### **F. Dematerialization of shares and liquidity**

The shares of the company are compulsorily traded in Dematerialized form and are available for trading under both the depositories in India, NSDL (National Securities Depository Services Limited) and CDSL (Central Depository Services (India) Limited). 124438820 total Equity Shares which consists of 98.37% of total Equity Capital is held in Dematerialized form with NSDL and CDSL as on 31st March, 2012.

##### **G. Financial Calendar**

The company follows April-March as its financial year. The results for every quarter beginning from April are declared in the month following the quarter.

##### **H. Payment of Listing Fees**

Annual listing fee for the year 2011-12 (as applicable) has been paid by the Company to BSE.

**I. Distribution of Shareholding as on 31st March, 2012**

| Shareholding of Nominal value of |           | Shareholders |            | Share Amount |            |
|----------------------------------|-----------|--------------|------------|--------------|------------|
| Rs.                              | Rs.       | Number       | % to Total | (in Rs.)     | % to Total |
| Upto                             | 5000      | 836          | 14.59      | 217,942      | 0.17       |
| 5001                             | - 10000   | 2,948        | 51.44      | 2,956,487    | 2.34       |
| 10001                            | - 20000   | 530          | 9.25       | 1,029,828    | 0.81       |
| 20001                            | - 30000   | 233          | 4.07       | 725,278      | 0.57       |
| 30001                            | - 40000   | 127          | 2.22       | 483,638      | 0.38       |
| 40001                            | - 50000   | 316          | 5.50       | 1,647,886    | 1.31       |
| 50001                            | - 100000  | 359          | 6.26       | 3,146,041    | 2.49       |
| 100001                           | and above | 382          | 6.67       | 116,295,900  | 91.93      |
| Total                            |           | 5,731        | 100.00     | 126,503,000  | 100.00     |

**J. Shareholding Pattern as on 31st March, 2012**

| Category   | No. of shares held | Percentage of shareholding |
|--|--------------------|----------------------------|
| <b>1 Promoters' Holding</b>  |                    |                            |
| 1. Indian Promoters  |                    |                            |
| - Individual   | 48,180             | 0.04                       |
| - Bodies Corporate   | 3,54,88,500        | 28.05                      |
| 2. Persons acting in concert   | —                  | —                          |
| Sub-Total  | 3,55,36,680        | 28.09                      |
| <b>2. Non-Promoters' Holding</b>   |                    |                            |
| Institutional Investors: Mutual Funds and UTI, Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions, FIIs) | —                  | —                          |
| Sub-Total  | —                  | —                          |
| <b>3 Others</b>  |                    |                            |
| a. Private Corporate Bodies  | 5,08,29,193        | 40.18                      |
| b. Indian Public   | 4,01,37,127        | 31.73                      |
| c. NRIs/OCBs   | —                  | —                          |
| d. Any other   | —                  | —                          |
| Sub-Total  | 9,09,66,320        | 71.91                      |
| Grand Total  | 12,65,03,000       | 100.00                     |


**K. Listing on Stock Exchanges with Stock Code**

| S.No. | Name of the Stock Exchange                   | Stock Code | Address  |
|-------|--|------------|--|
| 1.    | The Hyderabad Stock Exchange Ltd.            | PRUDPH#    | 6-3-654, Adj. to Erramanjil Bus Stop, Somajiguda, Hyderabad – 500 082. |
| 2.    | The Bombay Stock Exchange Ltd.               | 531739     | Phiroze Jeejeebhoy Towers, Dalal Street<br>Mumbai – 400 001.           |
| 3.    | The Calcutta Stock Exchange Association Ltd. | 26178      | 7, Lyons Range<br>Kolkata – 700 001.                                   |
| 4.    | The Ahmedabad Stock Exchange Ltd.            |            | Kamadhenu Complex<br>Opp. Sahajanand College<br>Ahmedabad – 380 015.   |

Note: 1. The Listing fee for the year has been paid to The Stock Exchange, Mumbai.

**L. Market Price Data on Bombay Stock Exchange Ltd.: High/Low during each month of the Financial Year April 2011 to March 2012.**

| Period         | Amount in Rs.                          |      |
|----------------|--|------|
|                | The Bombay Stock Exchange Ltd.<br>High | Low  |
| April 2011     | 1.54                                   | 1.29 |
| May 2011       | 1.46                                   | 1.00 |
| June 2011      | 1.32                                   | 1.02 |
| July 2011      | 1.25                                   | 1.00 |
| August 2011    | 1.17                                   | 0.91 |
| September 2011 | 1.29                                   | 1.00 |
| October 2011   | 1.45                                   | 1.05 |
| November 2011  | 1.33                                   | 0.89 |
| December 2011  | 1.12                                   | 0.98 |
| January 2012   | 1.11                                   | 0.91 |
| February 2012  | 1.17                                   | 0.95 |
| March 2012     | 1.22                                   | 0.98 |

The Company has not issued any GDRs/ADRs/Warrants or any other Convertible Instruments.



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**Certificate by Asst.Vice-President (Accts. & Admn.)**

I, Laxmipat Baid, Asst. Vice-President (Accts.& Admn.) of Gennex Laboratories Limited (Formerly Prudential Pharmaceuticals Limited) certify that:

- a. I have reviewed the financial statements and the cash flow statements for the year and that to the best of our knowledge and belief:
  - i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
  - ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of company's code of conduct.
- c. I accept responsibility for establishing and maintaining internal controls and I have evaluated the effectiveness of the internal control systems of the Company and I have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which I am aware and the steps I have taken or propose to take to rectify these deficiencies.
- d. I have indicated to the auditors and the Audit Committee
  - i. Significant changes in internal controls during the year, if any.
  - ii. That there are no significant changes in accounting policies during the year.
  - iii. That there have been no instances of significant fraud of which I have become aware, involving the management or an employee having a significant role in the Company's internal control system.

**Laxmipat Baid**  
Asst. Vice President (A&A)

Place: Hyderabad  
Date: 31st August, 2012



**Auditors' Certificate to the members of Gennex Laboratories Limited  
(Formerly Prudential Pharmaceuticals Limited) on Compliance of the  
conditions of corporate governance for the year ended 31<sup>st</sup> March, 2012 under  
clause 49 of the Listing Agreement with the Stock Exchanges**

We have examined the compliance of the conditions of Corporate Governance by Gennex Laboratories Limited (Formerly Prudential Pharmaceuticals Limited) for the year ended 31<sup>st</sup> March, 2012 as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges (hereinafter referred to as Clause 49).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the company for ensuring compliance of the conditions of Corporate Governance. It is neither an audit nor an expression on opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the directors and the management, we certify that the Company has by 31<sup>st</sup> March 2012, complied in all material respects with the conditions of Corporate Governance as stipulated in clause 49 except appointment of Company Secretary.

As required by the Guidance note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India, we state that, the Company have certified that as on 31<sup>st</sup> March, 2012 there were no investor grievances remaining pending for a period exceeding one month, and as explained to us by the management, the Company have reported to the Shareholders/Investors' Grievances Committee regularly on the status of such grievances.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which management has conducted the affairs of the Company.

**For Laxminiwas & Jain**  
Chartered Accountants  
Firm Regn. No. 001859S

**Sharada G Patil**  
Partner  
Membership No. 015332

Place : Hyderabad  
Date : 31<sup>st</sup> August, 2012





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## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report on the Business of the Company as applicable and to the extent relevant is given below:

### Overview & Operations of the Company

Gennex Laboratories Limited is in the business of Manufacturing of Bulk Drugs, Intermediates and Biotech Products. The Company is having a professionally managed team at every stage of its operations.

### Strengths

Multipurpose and Multi product production facilities having ISO 9001:2008 and TUV Certificate 44 100 124194-E3. The Company is in the process of obtaining ISO 14001 and OSHAS 18000 Certification by end 2012.

- The Management depth and ability to manage client relationships.
- Enhanced presence in the international market.

### Opportunities & Threats

Large number of Pharmaceutical companies losing their drug patents, thereby increasing the scope of outsourcing to countries that offer a low cost manufacturing base.

The Pharma sector is expected to witness further consolidation by way of mergers and acquisitions this augurs for growth of the Industry. This would result in better price realization and growth.

The Indian Pharma Industry will have to meet the following challenges:

- i. Multinational Companies are setting up large plants in India.

- ii. Competition in the global market that offer low manufacturing base.

- iii. Uncertainties on account of global socio economic environment.

### Outlook for the Company

Your Company is on the verge of completion of the expansion plans undertaken. Your Company has planned its business strategy taking the ground realities into account. The Company has introduced new products which are very competitive and beneficial to the Company.

### Risks and concerns

Any Government policy intervention or any change in the Pharma sector benefits and unforeseen adverse market conditions are issues of concern and may put pressure on the performance of the Company.

### Internal control system and their adequacy

The Company has Internal Control System which is adequate and commensurate with the size of the Company.

### Cautionary Statement

Statement in this "Management Analysis Report" be considered to be forward looking statements with in the meaning of applicable securities laws or regulations. Actual result could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, increased installed capacity, price bulk drugs and its availability, cyclical demands and pricing in the Company's market, changes in Government regulations, tax regimes, besides other factors such as litigations and labour negotiations.



## AUDITORS' REPORT

To

The Members of  
Gennex Laboratories Limited

We have audited the attached Balance Sheet of Gennex Laboratories Limited as at 31.03.2012 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto in which are incorporated the returns of Kolkata Branch Audited by Branch Auditor, M/s. Sibsankar & Associates, Chartered Accountants, Membership No.052745. These financial statements are the responsibility of Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our Audit in accordance with the Auditing Standards generally accepted in India. Those standards require that we plan and perform the Audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An Audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our Audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in Paragraphs 4 and 5 of the said order.

4. Further to our comments in the Annexure referred to in Paragraph 1 above, we state that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
- c. The Balance Sheet and Profit and Loss Account and cash flow statement referred to in this Report are in agreement with books of account.
- d. In our opinion, the Balance Sheet, Profit & Loss Account and cash flow statement comply with the Accountant Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
- e. On the basis of representations made by the Directors of the Company and the information and explanation given to us, none of the Directors of the Company are prima-facie as at 31st March, 2012, disqualified from being appointed as Directors of the Company in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the notes thereon **subject to Note No. 32.3 which deals with confirmation of balances in Advances, Deposits, Unsecured Loans, Other Liabilities, Sundry Debtors and, Sundry Creditors**



**respectively, Note No.32.4 regarding pending registration formalities for land acquired, Note No. 32.6 regarding Investments, Note No. 32.8 regarding pending of approval from Member/Central Government and** the impact of which is unascertained gives the information required by the Companies Act, 1956, in the manner so required and gives a true and fair view.

- i. In so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31.03.2012;
- ii. In so far as it relates to the Profit and Loss Account of the Profit of the

Company for the year ended on that date; and

- iii. In so far as it relates to the Cash Flow Statement, of the Cash Flow for the year ended on that date.

**For Laxminiwas & Jain**  
Chartered Accountants  
Firm Regn. No. 001859S

**Sharada G Patil**  
Partner  
Membership No. 015332

Place : Hyderabad

Date: 31st August, 2012



**ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in Paragraph of our report of even date)

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, which needs to be updated.
- b. All the assets have not been physically verified by the Management during the year but there is a regular programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on verification.
- c. The Company has not disposed off substantial part of fixed assets during the year which could affect the going concern status of the concern.
2. a. The Inventory of the Company been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b. In our opinion and according to information and explanations given to us, the procedures of physical verification of stocks followed by the management area reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material.
3. a. The Company has granted loan (advances) to parties covered in the register maintained under Section 301 of the Companies Act, 1956. The year end balance of loans/ (advances) granted to such parties was Rs.198.61 Lakhs.
- b. The terms and conditions on which the company has granted loans (advances) to the parties listed under Sec. 301 of the Companies Act, 1956 are yet to be stipulated. Hence we are unable to comment whether the same is prejudicial to the interest of the company or otherwise.
- c. In the absence of terms and conditions, we are unable to comment whether the parties are regular in payment of principal and interest.
- d. In the absence of terms and conditions, we are unable to comment whether there are any overdues.
- e. During the year the Company has taken loan from the party covered in the register maintained under sec. 301 of the Companies Act, 1956. The year end balance of loans / (advances) taken from such party was Rs.40 Lakhs.
- f. The terms and conditions on which the company has granted loans (advances) to the parties listed under Sec. 301 of the Companies Act, 1956 are yet to be stipulated. Hence we are unable to comment whether the same is prejudicial to the interest of the company or otherwise.
- g. In the absence of terms and conditions, we are unable to comment whether the parties are regular in payment of principal and interest.
4. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. The same needs to be further strengthened.
5. a. In our opinion and according to the information and explanation given to us, the particulars of contracts or arrangements referred to in Sec. 301 of the Companies Act, 1956, have been entered in the registered required to be maintained under that section.
- b. In our opinion and according to the information and explanation given to us, there are no transaction made in pursuance of contracts or agreements entered in the register maintained under Sec. 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lakhs in respect of each party.
6. In our opinion and according to the information and explanation given to us the company has not accepted any deposits from the public within the meaning of Section 58A and 58AA or any other relevant provision of the Companies Act, 1956.
7. The Company has Internal Audit System commensurate with the nature and size of its business. In our opinion the same needs to be further strengthened.
8. We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for maintenance of Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of



- the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. a. According to the information and explanations given to us and the records of the Company examined by us, the company is generally regular in depositing with appropriate authorities undisputed Statutory dues including Provident Fund, Investors Educations and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material Statutory dues applicable to it except as stated otherwise in the report.
  - b. According to information and explanations given to us, there are no un-disputed amount payable in respect of Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess were in arrears as at 31.03.2012 for a period of more than six months from the date they became payable except for Income Tax for Rs.2.40 lakhs.
  - c. According to the information and explanations given to us, there are no dues of Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess which are not deposited on account of dispute except Income Tax of Rs.65.48 Lacs, (under the Income Tax Act, 1961) and Sales Tax of Rs.14.57 Lacs for which appeal is pending before Appellate Authorities.
  10. In our opinion, the company has no accumulated losses as at 31.03.2012 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
  11. According to the records of the Company examined by us and the information and explanation given to us, the company has not overdrawn the working capital limit of Rs.100.00 Lakhs from State Bank of Hyderabad as on 31.03.2012.
  12. In our opinion and according to the information and explanation given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
  13. In our opinion, the company is not a Chit Fund or Nidhi / Mutual Benefit Fund / Society. Therefore, the provisions of Clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
  14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
  15. According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from Banks or Financial Institutions during the year.
  16. According to the information and explanations given to us, the company has applied the Term Loan for the purpose for which Loan was obtained.
  17. According to the information and explanations given to us, and on the overall examination of the Balance Sheet of the Company, we report that no funds raised on a Short-term basis have been used for Long Term Investments.
  18. According to the information and explanations given to us, during the year the Company has not made preferential allotment of Shares to parties and Companies, covered in the Register maintained under Section 301 of the Companies Act, 1956, hence Para 4(xviii) of the Order not applicable.
  19. According to the information and explanation given to us, the company has not issued any debentures.
  20. According to the information and explanation given to us, the Company has not raised any money by way of Public Issue during the year, hence hence Para 4(xx) of the Order not applicable
  21. According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our Audit.

**For Laxminiwas & Jain**  
Chartered Accountants  
Firm Regn. No. 001859S

**Sharada G Patil**  
Partner  
Membership No. 015332

Hyderabad  
31st August, 2012

**BALANCE SHEET AS AT 31ST MARCH, 2012**

|                                   | Note<br>No. | As at 31st<br>March, 2012<br>Rs. | As at 31st<br>March, 2011<br>Rs. |
|-----------------------------------|-------------|----------------------------------|----------------------------------|
| <b>A EQUITY AND LIABILITIES</b>   |             |                                  |                                  |
| <b>1 Shareholders' funds</b>      |             |                                  |                                  |
| a. Share Capital                  | 2           | 126,503,000                      | 126,503,000                      |
| b. Reserves and Surplus           | 3           | 121,343,967                      | 117,591,592                      |
|                                   |             | <u>247,846,967</u>               | <u>244,094,592</u>               |
| <b>2 Non-Current Liabilities</b>  |             |                                  |                                  |
| a. Long-term borrowings           | 4           |                                  |                                  |
| - Secured                         |             | 2,144,387                        | 881,460                          |
| - Unsecured                       |             | 2,990,115                        | 3,316,253                        |
| b. Deferred Tax liabilities (net) | 5           | 13,386,366                       | 13,275,831                       |
| c. Long-term provisions           | 6           | 501,000                          | 350,000                          |
|                                   |             | <u>19,021,868</u>                | <u>17,823,544</u>                |
| <b>3 Current Liabilities</b>      |             |                                  |                                  |
| a. Short-term borrowings          | 7           |                                  |                                  |
| - Secured                         |             | 13,546,604                       | 10,861,563                       |
| - Unsecured                       |             | 326,138                          | 468,479                          |
| b. Trade payables                 | 8           | 43,774,480                       | 8,698,256                        |
| c. Other current liabilities      | 9           | 16,544,579                       | 11,620,095                       |
| d. Short-term provisions          | 10          | 2,700,000                        | 2,300,000                        |
|                                   |             | <u>76,891,801</u>                | <u>33,948,393</u>                |
| <b>TOTAL</b>                      |             | <u>343,760,636</u>               | <u>295,866,529</u>               |
| <b>B ASSETS</b>                   |             |                                  |                                  |
| <b>1 Non-Current Assets</b>       |             |                                  |                                  |
| a. Fixed Assets                   | 11          |                                  |                                  |
| i. Tangible Assets                |             | 161,904,295                      | 160,069,289                      |
| ii. Intangible Assets             |             | —                                | —                                |
|                                   |             | <u>161,904,295</u>               | <u>160,069,289</u>               |
| b. Non-Current investments        | 12          | 70,100,000                       | 70,100,000                       |
| c. Other non-current assets       | 13          | 8,153,587                        | 3,944,282                        |
|                                   |             | <u>78,253,587</u>                | <u>74,044,282</u>                |
| <b>2 Current Assets</b>           |             |                                  |                                  |
| a. Inventories                    | 14          | 21,819,316                       | 19,307,943                       |
| b. Trade receivables              | 15          | 30,429,110                       | 21,314,711                       |
| c. Cash and Cash equivalents      | 16          | 23,989,362                       | 10,792,233                       |
| d. Short-term loans and advances  | 17          | 26,360,927                       | 9,429,596                        |
| e. Other current assets           | 18          | 1,004,039                        | 908,474                          |
|                                   |             | <u>103,602,754</u>               | <u>61,752,957</u>                |
| <b>TOTAL (1+2)</b>                |             | <u>343,760,636</u>               | <u>295,866,528</u>               |

Significant Accounting Policies and Notes on Financial Statement 1 to 32

Per our report attached  
For **Laxminiwas & Jain**  
Chartered Accountants  
Firm Regn. No. 001859S  
**Sharada G Patil**  
Partner  
Membership No. 015332  
Place: Hyderabad  
Date : 31st August, 2012

For and on behalf of the Board  
**Arihant Baid**  
Managing Director

**T M Gopalakrishnan**  
Whole Time Director



**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012**

|   | Note<br>No. | Year Ended<br>31st March,<br>2012<br>Rs. | Year Ended<br>31st March,<br>2011<br>Rs. |
|---|-------------|--|--|
| <b>INCOME</b>   |             |  |  |
| I Revenue from Operations                             | 19          | 245,648,998                              | 192,595,680                              |
| II Other Income                                       | 20          | 782,171                                  | 226,382                                  |
| III Total Revenue (I + II)                            |             | <u>246,431,169</u>                       | <u>192,822,062</u>                       |
| <b>IV Expenses:</b>                                   |             |  |  |
| Raw Material Consumed                                 | 21          | 160,644,112                              | 128,209,926                              |
| Purchase of Stock-in-trade                            |             | 175,990                                  | 41,765                                   |
| Change in Inventories                                 | 22          | (211,179)                                | (8,233,035)                              |
| Manufacturing Expenses                                | 23          | 25,188,602                               | 22,274,289                               |
| Employee Benefits Expenses                            | 24          | 21,014,426                               | 15,709,553                               |
| Other Expenses  | 25          | 22,627,999                               | 20,060,429                               |
| Total Expenses  |             | <u>229,439,950</u>                       | <u>178,062,927</u>                       |
| <b>Profit before Interest, Depreciation &amp; Tax</b> |             | <u>16,991,219</u>                        | <u>14,759,135</u>                        |
| Finance Cost  | 26          | 2,994,510                                | 2,540,965                                |
| Depreciation Expense                                  | 11          | 7,433,799                                | 7,185,746                                |
| <b>Profit before Tax</b>                              |             | <u>6,562,910</u>                         | <u>5,032,424</u>                         |
| <b>V Tax Expense</b>                                  |             |  |  |
| Current Tax   |             | (2,700,000)                              | (2,478,618)                              |
| Deferred Tax  |             | (110,535)                                | 1,521,379                                |
| <b>Net Profit after Tax</b>                           |             | <u>3,752,375</u>                         | <u>4,075,185</u>                         |
| Earning Per Share (having a face value of Rs. 1 each) |             |  |  |
| - Basic and Diluted                                   |             | 0.03                                     | 0.03                                     |

Significant Accounting Policies and Notes on Financial Statement 1 to 32

Per our report attached  
For **Laxminiwas & Jain**  
Chartered Accountants  
Firm Regn. No. 001859S  
**Sharada G Patil**  
Partner  
Membership No. 015332

For and on behalf of the Board  
**Arihant Baid**  
Managing Director  
**T M Gopalakrishnan**  
Whole Time Director

Place: Hyderabad  
Date : 31st August, 2012



|   | 31.03.2012<br>(Rs. in Lacs) | 31.03.2011<br>(Rs. in Lacs) |
|---|-----------------------------|-----------------------------|
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>                     |                             |                             |
| Net Profit before tax and extraordinary items:                    | 65.63                       | 50.32                       |
| Adjustment for:   |                             |                             |
| Depreciation  | 74.34                       | 71.86                       |
| Finance Charges   | 29.95                       | 25.41                       |
| Loss on Fixed Assets  | 0.00                        | 2.46                        |
| Interest Received   | -7.74                       | -2.26                       |
| Taxation  | 0.00                        | 0.00                        |
| <b>Operating Profit before Working Capital Changes</b>            | <b>162.17</b>               | <b>147.79</b>               |
| Adjustment for:   |                             |                             |
| Trade and Other Receivables                                       | -303.51                     | 144.29                      |
| Inventories   | -25.11                      | -33.74                      |
| Trade Payables  | 378.53                      | -71.98                      |
| <b>Cash generated from operations</b>                             | <b>212.08</b>               | <b>186.36</b>               |
| Adjustments for:  |                             |                             |
| Interest/Other Income Received                                    | 0.00                        | 0.00                        |
| Prior Period Adjustments  | 0.00                        | 0.00                        |
| Income-tax  | 0.00                        | 0.00                        |
| <b>Net Cash from Operating Activities</b>                         | <b>212.08</b>               | <b>186.36</b>               |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                     |                             |                             |
| Purchase of Fixed Assets  | -92.69                      | -49.55                      |
| Purchase of Investments   | 0.00                        | 0.00                        |
| Sale of Assets  | 0.00                        | 0.00                        |
| Interest/Other Income received                                    | 7.74                        | 2.26                        |
| <b>Net Cash used in Investing Activities</b>                      | <b>-84.95</b>               | <b>-47.29</b>               |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                     |                             |                             |
| Bank borrowings   | 39.48                       | -31.85                      |
| Finance Charges   | -29.95                      | -25.41                      |
| Issue of Equity Shares/Warrants                                   | 0.00                        | 0.00                        |
| Increase/(Decrease) in Unsecured Loans                            | -4.68                       | -0.49                       |
| <b>Net Cash from Financing Activities</b>                         | <b>4.84</b>                 | <b>-57.75</b>               |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT(A+B+C)</b> | <b>131.97</b>               | <b>81.32</b>                |
| <b>Cash and Cash Equivalents as on 01.04.2011</b>                 | <b>107.92</b>               | <b>26.60</b>                |
| <b>Cash and Cash Equivalents as on 31.03.2012</b>                 | <b>239.89</b>               | <b>107.92</b>               |

As per our report of even date

For **Laxminiwas & Jain**

Chartered Accountants

Firm Regn. No.001859S

**Sharada G Patil**

Partner

Membership No. 015332

Place: Hyderabad

Date : 31st August, 2012

For and on behalf of the Board

**Arihant Baid**

Managing Director

**T M Gopalakrishnan**

While-time Director





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**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES:**

**1 ACCOUNTING POLICIES:**

**a. BASIS OF ACCOUNTING:**

Financial Statement are prepared under historical cost convention and in accordance with the normally accepted accounting standards.

**b. PRESENTATION AND DISCLOSURE OF FINANCIAL STATEMENTS:**

During the year ended 31st March, 2012, the revised Schedule VI, notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable for the current year.

**c. FIXED ASSETS:**

Fixed Assets are valued at the original cost of acquisition net of Modvat including taxes, freight and other incidental expenses relating to acquisition and installation.

**d. DEPRECIATION:**

Depreciation provided at the rate prescribed under Schedule XIV of the Companies Act, 1956 on Straight line method on pro-rata basis.

**e. INVESTMENTS:**

Investments are valued at Cost. Provision for diminution in the value of Long Term Investments is made only if, such a decline is other than temporary in the opinion of the Management.

**f. REVENUE RECOGNITION:**

All the Items of Income and expenditure are accounted on accrual basis except as stated otherwise.

**g. FOREIGN EXCHANGE TRANSACTIONS**

Foreign Currency Transactions are recorded at the exchange rates prevailing on the date of transaction.

Monetary items ( Assets & Liabilities) denominated in foreign currency are translated into rupees at the Exchange rates prevailing on the Balance Sheet date. Exchange Differences in translation of foreign currency assets and liabilities and realised gains and losses on foreign exchange translations are recognised in the Profit and Loss A/c.

**h. VALUATION OF INVENTORIES:**

i. Stores & Spares are valued at cost or at net realisable value, whichever is lower. Cost is arrived at Weighted Average basis.



ii. Raw Material, Semi finished goods, finished goods are valued at cost or market value whichever is lower. Cost is arrived at FIFO method.

iii. Obsolescence and Damaged materials are valued at realisable value.

**i. CENTRAL EXCISE**

Central Excise account is treated as current account by making adjustment of the debit & credit given to/taken from the department including relief.

**j. EMPLOYEE BENEFITS:**

a. Provident Fund is administered through Regional Provident Fund Commissioner. The contribution to the Provident Fund is charged against revenue.

b. Gratuity Liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on Projected unit credit method. The company has created an approved gratuity fund, which has taken a group gratuity cum insurance policy with Life Insurance Corporation of India (LIC) for future payment of gratuity to the employees. The company accounts for gratuity liability of its employees on the basis of Actuarial valuation carried out at the year end by LIC.

c. Leave Encashment is accounts for on Cash basis.

**k. SEGMENT REPORTING:**

Segments are identified having regard to the dominant source and nature of risks and returns and the internal organisation and management structure. Revenues, Expenses and assets which relates to the enterprise as a whole and are not attributable to segments are included under "Unallocable Corporate Expenses/Revenues".

**l. TAXES ON INCOME:**

Deferred Tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**m. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent Liabilities are not recognized but are disclosed, while Contingent Assets are neither recognized nor disclosed, in the financial statements.



|   | As at<br>31st March, 2012<br>Rs. | As at<br>31st March, 2011<br>Rs. |
|---|----------------------------------|----------------------------------|
| <b>2 SHARE CAPITAL</b>                                    |                                  |                                  |
| <b>AUTHORISED CAPITAL</b>                                 |                                  |                                  |
| <b>Equity Shares</b>                                      |                                  |                                  |
| 160,000,000 Equity Shares of Rs.1/- each                  |                                  |                                  |
| ( Previous Year 160,000,000 Equity Shares of Rs.1/- each) | 160,000,000                      | 160,000,000                      |

**2.1 ISSUED, SUBSCRIBED & PAID-UP**

**Equity Shares**

126,503,000 Equity Shares of Rs.1/- each

(Previous Year 126,503,000 Equity Shares of Rs.1/- each)      126,503,000      126,503,000

Total      126,503,000      126,503,000

2.2.1 All Equity Shares issued by the company carry equal voting and participatory rights.

2.2.2 The details of share holders holding more that 5% shares:

|  | As at<br>31st March, 2012 |       | As at<br>31st March, 2011 |       |
|--|---------------------------|-------|---------------------------|-------|
|  | No. of<br>Shares          | %     | No. of<br>Shares          | %     |
| Premier Fiscal Services (P) Ltd<br>(Pledge with Bank of India) | 25,000,000                | 19.76 | 25,000,000                | 19.76 |
| VAB Ventures Ltd.  | 9,787,560                 | 7.74  | 0                         | 0     |
| Silver Golden Property Develop<br>Fin. Investment Ltd.         | 0                         | 0     | 9,787,560                 | 7.74  |

**2.2.3 The reconciliation of the no of shares outstanding is set out below:**

|  |             |             |
|--|-------------|-------------|
| Equity Shares at the beginning of the year | 126,503,000 | 126,503,000 |
| Equity Shares at the end of the year       | 126,503,000 | 126,503,000 |

|                                      | As at<br>31st March, 2012<br>Rs. | As at<br>31st March, 2011<br>Rs. |
|--------------------------------------|----------------------------------|----------------------------------|
| <b>3 RESERVES AND SURPLUS</b>        |                                  |                                  |
| Share Premium                        | 60,000,000                       | 60,000,000                       |
| Investment Subsidy                   | 2,000,000                        | 2,000,000                        |
| General Reserve                      | 7,222,892                        | 7,222,892                        |
| Capital Reserve (Forfeit of warrant) | 7,250,000                        | 7,250,000                        |
| Balance in Profit & Loss             |                                  |                                  |
| Balance at the beginning of the year | 41,118,700                       | 37,043,515                       |
| Add: Profit for the year             | 3,752,375                        | 4,075,185                        |
| Balance at the Closing of the year   | 44,8871,075                      | 41,118,700                       |
| Total                                | 121,343,967                      | 117,591,592                      |



|  | As at<br>31st March, 2012<br>Rs. | As at<br>31st March, 2011<br>Rs. |
|--|----------------------------------|----------------------------------|
| <b>4 LONG TERM BORROWINGS</b>  |                                  |                                  |
| <b>4.1 Car Loan - Secured</b>  |                                  |                                  |
| Tata Capital Ltd.  | 1,298,508                        | 616,495                          |
| Magma Fincorp Ltd.   | 827,191                          | —                                |
| State Bank of Hyderabad  | 18,688                           | 264,965                          |
| Total  | <u>2,144,387</u>                 | <u>881,460</u>                   |
| <b>4.2 Unsecured</b>   |                                  |                                  |
| Sales Tax Deferrment   | 2,990,115                        | 3,316,253                        |
| Total  | <u>2,990,115</u>                 | <u>3,316,253</u>                 |
| <b>4.3 Sales Tax deferment availed till the current account period is due for repayment after 12 months from Balance sheet as under:</b> |                                  |                                  |
| Year of Repayment  |                                  |                                  |
| 2013-14  | 322,090                          |                                  |
| 2014-15  | 380,966                          |                                  |
| 2015-16  | 689,517                          |                                  |
| 2016-17  | 425,358                          |                                  |
| 2017-18  | 171,099                          |                                  |
| 2018-19  | 174,207                          |                                  |
| 2019-20  | 277,545                          |                                  |
| 2020-21  | 394,431                          |                                  |
| 2021-22  | 154,902                          |                                  |
| Total  | <u>2,990,115</u>                 |                                  |
| <b>5 DEFERRED TAX (LIABILITY)/ASSETS</b>   |                                  |                                  |
| a. Diff. between Book & Tax Depreciation (Liability)   | 14,118,244                       | 13,927,076                       |
| b. Provisions  | (731,878)                        | (651,245)                        |
| Total  | <u>13,386,366</u>                | <u>13,275,831</u>                |
| Net Deferred Tax Liability/(Assets)  | <u>13,386,366</u>                | <u>13,275,831</u>                |
| <b>6 LONG TERM PROVISIONS</b>  |                                  |                                  |
| Provision for leave encashment   | 501,000                          | 350,000                          |
| Total  | <u>501,000</u>                   | <u>350,000</u>                   |

**Gennex Laboratories Limited**

|  | As at<br>31st March, 2012<br>Rs. | As at<br>31st March, 2011<br>Rs. |
|--|----------------------------------|----------------------------------|
| <b>7 SHORT TERM BORROWINGS</b>   |                                  |                                  |
| <b>a. Secured</b>  |                                  |                                  |
| From Banks - Secured   |                                  |                                  |
| State Bank of Hyderabad  | 11,814,037                       | 10,149,698                       |
| Car Loan - Secured   |                                  |                                  |
| Tata Capital Ltd.  | 1,114,727                        | 503,535                          |
| Magma Fincorp Ltd.   | 371,563                          | —                                |
| State Bank of Hyderabad  | 246,277                          | 208,330                          |
| Total  | <u>13,546,604</u>                | <u>10,861,563</u>                |
| <b>b. Unsecured</b>  |                                  |                                  |
| Sales Tax Deferment  | 326,138                          | 468,479                          |
| Total  | <u>326,138</u>                   | <u>468,479</u>                   |
| <b>8 TRADE PAYABLES</b>  |                                  |                                  |
| Trade Payable  | 43,774,480                       | 8,698,256                        |
| Total  | <u>43,774,480</u>                | <u>8,698,256</u>                 |
| 8.1 Dues to Micro, Small and Medium enterprises has been determined to be Rs.Nil to the extent such parties have been identified on the basis of information available with the company. |                                  |                                  |
| <b>9 OTHER CURRENT LIABILITIES</b>   |                                  |                                  |
| Creditors for Capital Goods  | 397,175                          | 281,047                          |
| Advances from Customers  | 88,064                           | 279,430                          |
| Other Liabilities  | 16,059,340                       | 11,059,618                       |
| Total  | <u>16,544,579</u>                | <u>11,620,095</u>                |
| 9.1 Other liabilities consist of PF, ESI, TDS and TCS payable etc.   |                                  |                                  |
| <b>10 SHORT-TERM PROVISIONS</b>  |                                  |                                  |
| Provision for Current Tax (Net of Advance Tax)   | 2,700,000                        | 2,300,000                        |
| Total  | <u>2,700,000</u>                 | <u>2,300,000</u>                 |



**NOTE II**  
**FIXED ASSETS**

| Particulars                 | GROSS BLOCK                     |  |                                   | DEPRECIATION                     |                            |                         | NETBLOCK                          |                                     |                            |                            |
|-----------------------------|---------------------------------|--|-----------------------------------|----------------------------------|----------------------------|-------------------------|-----------------------------------|-------------------------------------|----------------------------|----------------------------|
|                             | Cost as on<br>01-04-2011<br>Rs. | Additions<br>during<br>the year<br>Rs. | Sale or<br>adjust-<br>ment<br>Rs. | Total as on<br>31-03-2012<br>Rs. | As on<br>01-04-2011<br>Rs. | Adjust-<br>ments<br>Rs. | For the<br>year<br>2011-12<br>Rs. | Total<br>Up to<br>31-03-2012<br>Rs. | As on<br>31-03-2012<br>Rs. | As on<br>31-03-2011<br>Rs. |
| Land                        | 84,181,540                      | —                                      | —                                 | 84,181,540                       | —                          | —                       | —                                 | —                                   | 84,181,540                 | 84,181,540                 |
| Building                    | 16,978,278                      | —                                      | —                                 | 16,978,278                       | 4,471,814                  | 539,559                 | 539,559                           | 5,011,373                           | 11,966,905                 | 12,506,464                 |
| Plant &<br>Machinery        | 111,540,461                     | 3,697,619                              | —                                 | 115,238,080                      | 54,152,219                 | —                       | 5,943,603                         | 60,095,822                          | 55,142,258                 | 57,388,242                 |
| Furniture &<br>Fixtures     | 17,131,870                      | 3,798,916                              | —                                 | 20,930,786                       | 15,050,651                 | —                       | 471,725                           | 15,522,376                          | 5,408,400                  | 2,081,219                  |
| Motor Vehicles              | 5,947,628                       | 2,180,926                              | 599,526                           | 7,528,028                        | 2,444,450                  | 599,526                 | 478,912                           | 2,923,868                           | 5,205,192                  | 3,503,178                  |
| Capital Work<br>in progress | 408,657                         | —                                      | 408,657                           | —                                | —                          | —                       | —                                 | —                                   | —                          | 408,657                    |
| <b>Total</b>                | <b>236,188,494</b>              | <b>9,677,461</b>                       | <b>1,008,183</b>                  | <b>244,857,712</b>               | <b>76,119,144</b>          | <b>599,526</b>          | <b>7,433,799</b>                  | <b>82,953,417</b>                   | <b>161,904,256</b>         | <b>160,089,290</b>         |
| Previous Year               | 232,088,241                     | 4,954,857                              | 854,664                           | 236,188,494                      | 69,407,023                 | 473,625                 | 7,185,746                         | 76,119,144                          | 160,089,290                |                            |

**Gennex Laboratories Limited**

|  | As at<br>31st March, 2012<br><u>Rs.</u> | As at<br>31st March, 2011<br><u>Rs.</u> |
|--|---|---|
| <b>12 NON CURRENT INVESTMENTS</b>  |   |   |
| <b>Unquoted</b>  |   |   |
| 1000 Equity Shares of Rs.100/- each fully paid up<br>in Progressive Effluent Treatment Limited | 100,000                                 | 100,000                                 |
| 5500000 Equity Shares of Rs.10/- each fully paid up<br>in Deccan Remedies Limited              | 70,000,000                              | 70,000,000                              |
| Total  | <u>70,100,000</u>                       | <u>70,100,000</u>                       |
| <b>13 OTHER NON CURRENT ASSETS</b>   |   |   |
| Loans,Advances to Related Parties  | 6,604,045                               | 2,487,022                               |
| Security Deposit   | 1,489,147                               | 1,341,147                               |
| Prepaid Expenses   | 60,395                                  | 116,113                                 |
| Total  | <u>8,153,587</u>                        | <u>3,944,282</u>                        |
| <b>14 INVENTORIES (As valued and certified by Management)</b>                                  |   |   |
| Stores & Spares  | 571,875                                 | 522,394                                 |
| Packing Material   | 378,731                                 | 190,731                                 |
| Coal & Diesel  | 140,589                                 | 87,998                                  |
| Raw Materials  | 6,483,621                               | 4,473,499                               |
| Finished Goods   | 13,510,629                              | 12,530,780                              |
| Work-in-process  | 733,871                                 | 1,502,541                               |
| Total  | <u>21,819,316</u>                       | <u>19,307,943</u>                       |
| <b>15 TRADE RECEIVABLES</b>  |   |   |
| Unsecured and Considered Good  |   |   |
| Outstanding for more than 6 months   | 1,360,472                               | 695,010                                 |
| Outstanding for less than 6 months   | 29,068,638                              | 20,619,701                              |
| Total  | <u>30,429,110</u>                       | <u>21,314,711</u>                       |
| <b>16 CASH AND CASH EQUIVALENTS</b>  |   |   |
| a. Cash on hand  | 13,240                                  | 52,495                                  |
| b. Cheques on hand   | 21,473,757                              | 9,242,254                               |
| c. Balances with Banks   |   |   |
| i. In Current Accounts   | 448,686                                 | 119,375                                 |
| ii. In Deposit Accounts  | 2,053,679                               | 1,378,109                               |
| Total  | <u>23,989,362</u>                       | <u>10,792,233</u>                       |



|   | As at<br>31st March, 2012<br>Rs. | As at<br>31st March, 2011<br>Rs. |
|---|----------------------------------|----------------------------------|
| <b>17 SHORT TERM LOANS &amp; ADVANCES</b>   |                                  |                                  |
| (Unsecured, Considered good, recoverable in cash or in kind for value to be received_ |                                  |                                  |
| a. Loans and advances to related parties<br>Unsecured, considered good                | 13,257,230                       | 32,340                           |
| b. Loans and advances to employees<br>Unsecured, considered good                      | 3,332,670                        | 3104938                          |
| c. Prepaid Expenses<br>Unsecured, considered good                                     | 210,377                          | 168,304                          |
| d. Balances with Government Authorities<br>Unsecured, considered good                 |                                  |                                  |
| i. CENVAT credit receivable   | 1,332,776                        | 2,438,360                        |
| ii. Balances with Central Excise Deptt  | 4,309                            | 914                              |
| iii. VAT credit receivable  | 1,318,067                        | 348,108                          |
| iv. Advance Licence Fee receivable  | 32,000                           | 32,000                           |
| v. Service Tax  | —                                | 141,607                          |
| e. Advances to Contractors, Suppliers<br>Unsecured, considered good                   | 738,295                          | 1,274,684                        |
| f. Advances recoverable cash or in kind   | 6,135,203                        | 1,888,341                        |
| Total   | <u>26,360,927</u>                | <u>9,429,596</u>                 |
| <b>18 OTHER CURRENT ASSETS</b>  |                                  |                                  |
| Prepaid Taxes   | 925,611                          | 849,106                          |
| Accrued Interest  | 78,428                           | 59,368                           |
| Total   | <u>1,004,039</u>                 | <u>908,474</u>                   |



**Gennex Laboratories Limited**

|  | Year ended<br>31st March, 2012<br><u>Rs.</u> | Year ended<br>31st March, 2011<br><u>Rs.</u> |
|--|--|--|
| <b>19 Revenue from Operation</b>                         |  |  |
| Sale of Products   | 251,752,741                                  | 197,774,782                                  |
| Other Operating Revenues                                 | 273,174                                      | —  |
|  | <u>252,025,915</u>                           | <u>197,774,782</u>                           |
| Less: Excise Duty  | 6,376,917                                    | 5,179,102                                    |
| Net Revenue from Operation                               | <u>245,648,998</u>                           | <u>192,595,680</u>                           |
| <b>20 Other Income</b>                                   |  |  |
| Interest Income (TDS Rs.76,505; Previous Year Rs.20,655) | 774,171                                      | 226,382                                      |
| Profit on Fixed Assets Sold                              | 8,000  | —  |
| Total  | <u>782,171</u>                               | <u>226,382</u>                               |
| <b>21 Raw Material Consumed</b>                          |  |  |
| Opening Stocks   | 4,473,499                                    | 8,792,919                                    |
| Add: Purchases   | 162,654,234                                  | 123,890,506                                  |
| Total  | <u>167,127,733</u>                           | <u>132,683,425</u>                           |
| Less: Closing Stocks                                     | 6,483,621                                    | 4,473,499                                    |
| Consumption  | <u>160,644,112</u>                           | <u>128,209,926</u>                           |
| <b>22 Changes in Inventories (other than RM)</b>         |  |  |
| Opening Stocks   |  |  |
| Work in Progress   | 1,502,541                                    | 3,643,243                                    |
| Finished Goods   | 12,530,780                                   | 2,157,043                                    |
| Total  | <u>14,033,321</u>                            | <u>5,800,286</u>                             |
| Closing Stocks   |  |  |
| Work in Progress   | 733,871                                      | 1,502,541                                    |
| Finished Goods   | 13,510,629                                   | 12,530,780                                   |
| Total  | <u>14,244,500</u>                            | <u>14,033,321</u>                            |
| Changes in Stock   | <u>(211,179)</u>                             | <u>(8,233,035)</u>                           |
| <b>23 Manufacturing Expenses</b>                         |  |  |
| Stores, Spares & Others                                  | 5,781,533                                    | 6,048,327                                    |
| Packing Material   | 4,217,933                                    | 2,945,690                                    |
| Power & Fuels  | 12,378,791                                   | 10,363,085                                   |
| Repairs & Maintenance - Buildings                        | 990,061                                      | 894,901                                      |
| Repairs & Maintenance - Plant & Machinery                | 1,292,549                                    | 1,608,979                                    |
| Repairs & Maintenance - Others                           | 527,735                                      | 287,817                                      |
| Job Work Charges   | —  | 125,490                                      |
| Total  | <u>25,188,602</u>                            | <u>22,274,289</u>                            |



|  | Year ended<br>31st March, 2012<br>Rs. | Year ended<br>31st March, 2011<br>Rs. |
|--|---------------------------------------|---------------------------------------|
| <b>23.1 Stores and Spares Consumption</b>  |                                       |                                       |
| Opening Stocks                             | 522,394                               | 1,021,907                             |
| Add: Purchases                             | 5,831,014                             | 5,548,814                             |
| Less: Closing Stocks                       | 571,875                               | 522,394                               |
| Total                                      | 5,781,533                             | 6,048,327                             |
| <b>23.2 Packing Material Consumption</b>   |                                       |                                       |
| Opening Stocks                             | 190,731                               | 255,076                               |
| Add: Purchases                             | 4,405,933                             | 2,881,345                             |
| Less: Closing Stocks                       | 378,731                               | 190,731                               |
| Total                                      | 4,217,933                             | 2,945,690                             |
| <b>24 EMPLOYEE BENEFITS EXPENSE</b>        |                                       |                                       |
| Salaries and Wages                         | 18,482,714                            | 13,686,451                            |
| Contributions to Provident and other funds | 1,081,756                             | 786,401                               |
| Gratuity                                   | 648,827                               | 577,562                               |
| Staff Welfare expenses                     | 801,129                               | 659,139                               |
| Total                                      | 21,014,426                            | 15,709,553                            |
| <b>25 OTHER EXPENSES</b>                   |                                       |                                       |
| Excise Duty on Stock                       | 316,072                               | 1,170,145                             |
| Pollution Expenses                         | 1,045,892                             | 1,118,012                             |
| Consultancy & Legal Expenses               | 2,450,446                             | 1,384,230                             |
| Rent & Facilities                          | 1,860,924                             | 1,866,962                             |
| Electricity Charges                        | 419,153                               | 305,561                               |
| Security Charges                           | 323,937                               | 293,688                               |
| Printing & Stationery                      | 437,941                               | 503,125                               |
| Communication Expenses                     | 690,475                               | 646,489                               |
| Insurance                                  | 809,002                               | 338,311                               |
| Travelling & Conveyance Exp.               | 2,822,422                             | 2,489,823                             |
| Selling Expenses                           | 2,963,945                             | 2,966,146                             |
| Exchange Rate Fluctuation                  | 1,868,995                             | 470,135                               |
| Carriage Outwards                          | 3,750,803                             | 4,505,044                             |
| Auditors' Remuneration                     | 76,493                                | 82,220                                |
| Vehicle Maintenance                        | 205,822                               | 254,353                               |
| Sales Tax                                  | 6,748                                 | —                                     |
| Miscellaneous Expenses                     | 2,560,873                             | 976,198                               |
| Sundry Balances Written Off (Net)          | 18,055                                | 443,949                               |
| Loss on Fixed Assets                       | —                                     | 246,038                               |
| Total                                      | 22,627,999                            | 20,060,429                            |



## Gennex Laboratories Limited

|   | Year ended<br>31st March, 2012<br>Rs. | Year ended<br>31st March, 2011<br>Rs. |
|---|---------------------------------------|---------------------------------------|
| <b>26 FINANCE COST</b>                                  |                                       |                                       |
| Interest on Working Capital                             | 1,400,881                             | 1,364,389                             |
| Interest on Term Loan                                   | 181,563                               | 178,804                               |
| Bank Charges  | 1,412,066                             | 997,772                               |
| Total   | <u>2,994,510</u>                      | <u>2,540,965</u>                      |
| <b>27 EARNING PER SHARE</b>                             |                                       |                                       |
| Net Profit the basic EPS                                | 3,752,375                             | 4,075,185                             |
| Weighted Average No.of Shares                           | 126,503,000                           | 126,503,000                           |
| Annualized Basic Earning per share                      | 0.03                                  | 0.03                                  |
| <b>28 AUDITORS REMUNERATION</b>                         |                                       |                                       |
| i. Audit Fees   | 49,590                                | 49,590                                |
| ii. Tax Audit Fees                                      | 16,530                                | 16,530                                |
| iii Certification & Other                               | 8,273                                 | 15,000                                |
| iv. Audit Fees - Branch                                 | 2,100                                 | 1,100                                 |
| Total   | <u>76,493</u>                         | <u>82,220</u>                         |
| <b>29 CONTINGENT LIABILITY</b>                          |                                       |                                       |
| i. Income-tax where appeals are pending                 | *65.48                                | *65.48                                |
| ii. Sales Tax where Appeal is pending                   | *14.57                                | *14.57                                |
| iii. Advance License for Import/Export Obligation       | 61.51                                 | 45.31                                 |
| iv. Claim against the Company not acknowledged as debts | *3.23                                 | *3.23                                 |

\*Company is hopeful of complete relief,hence no provision is made.

30 Additional information pursuant to paragraphs 5 (viii) of part II of Schedule VI to the Companies Act, 1956 are as follows:

|   | <b>Year ended<br/>31st March, 2012<br/>Rs.</b> | <b>Year ended<br/>31st March, 2011<br/>Rs.</b> |
|---|--|--|
| <b>A. C.I.F. value of imports by the Company (Excluding imported items purchased locally)</b> |  |  |
| Raw Materials   | 26,578,100                                     | 34,663,249                                     |
| <b>B. Expenditure in foreign currency during the year:</b>                                    |  |  |
| a. Foreign Travel Expenses  | 573,761  | 496,752  |
| b. Sales Commission   | 1,681,640                                      | 2,130,711                                      |
| c. Bank Charges   | 571,271  | 210,256  |
| <b>C. Details of consumption of imported and indigenous items</b>                             |  |  |
| Particulars   | <b>Year ended<br/>31st March, 2012<br/>Rs.</b> | <b>Year ended<br/>31st March, 2012<br/>%</b>   |
| <b>Imported</b>   |  |  |
| Raw Material  | 27,360,275                                     | 17%  |
|   | (33,753,674)                                   | 26%  |
| <b>Indigenous</b>   |  |  |
| Raw material  | 133,183,437                                    | 83%  |
|   | (94,456,252)                                   | 74%  |
| Stores, Spares Parts & Components   | 5,781,533                                      | 100%   |
|   | (6,048,327)                                    | 100%   |
| <b>Total</b>  | (134,258,253)                                  |  |

Note: Figures/percentages in brackets relates to the previous year.

**D. Segment Details**

The Company is engaged in manufacture of Bulk Drugs & Intermediates which in the context of Accounting Standard- 17 issued by the Institute of Chartered Accountants of India is considered as a single segment.

The geographic segments individually contributing 10 percent or more of the Company's revenues and segment assets are shown separately:

| Geographic Segment | <b>Revenues for the<br/>Year ended<br/>31st March, 2012</b> | <b>Rs. in Lacs<br/>Segment Assets<br/>As at<br/>31st March, 2012</b> |
|--------------------|---|--|
| Dubai              | 289.82  | 3.53   |
|                    | (26.39)   |  |
| Germany            | 24.03   | —  |
|                    | (201.16)  |  |
| Netherland         | 247.65  | —  |
|                    | (123.44)  |  |
| Export Others      | 615.26  | 144.82   |
|                    | (644.75)  | (96.56)  |
| India              | 1279.73   | 185.94   |
|                    | (930.22)  | (116.59)   |

Note: Figures in brackets relates to the previous year.



| Particulars                                    | Year ended       | Year ended       |
|--|------------------|------------------|
|  | 31st March, 2012 | 31st March, 2011 |
|  | Rs.              | Rs.              |
| E. Earning in Foreign Currency on F.O.B. basis |                  |                  |
| Export of Goods                                | 110,770,631      | 94,607,474       |

**31 RELATED PARTY TRANSACTIONS (Accounting Standard-18)**

| Name & Relationship                                    | Nature of Transaction   | Amount (Rs.)           |
|--|---|------------------------|
| 1 Mr. Arihant Baid<br>(Son of Director Mr. Vinod Baid) | Remuneration<br>Business advances given to<br>Falma Laboratories Pvt. Ltd.,   | 2,400,000<br>6,604,045 |
| 2 Mr. Kishore Jhunjunwala<br>Director                  | Business advances given to<br>Deccan Remedies Limited<br><br>Business advances given to<br>Mercury Fund Management Co Ltd.<br>(Maximum Balance during the<br>year Rs. 13,152,254) | 13,257,230<br><br>NIL  |
| 3 Mr. Vinod Baid<br>Director                           | Business advance taken from<br>Prudential Stock & Securities Ltd., (PSSL)   | 4,000,000              |

**32 EMPLOYEES BENEFITS:**

32.1 During the year the Company has obtain Group Gratuity Scheme with LIC and contributing the same. The assumption taken are discount rate @ 8% and salary escalation @ 4% etc.

**32.2 Defined Contribution Plan:**

Contribution to defined contribution plan, recognized as expenses for the year are as under:

Employer's Contribution to Provident/Pension Fund - Rs. 521388/-

The Company contributes applicable rates of salary of all eligible employees towards provident fund managed by the Central Government.

Leave encashment:

The Company has provided a sum of Rs. 501000/- towards Leave encashment based on actuarial valuation.

32.3 Balance in Advances, Deposits, Unsecured loans, other Liabilities, Sundry Debtors, Sundry Creditors and advances against suppliers are subject to confirmation by respective parties.

32.4 The Company acquired land for which Registration formalities are yet to completed, for Land purchased by the Company in earlier years.



32.3 The Company's Lease Agreement in respect of Building at Srinagar Colony. The Lease Rentals payable are charged as "Lease Rental Charges" under "Other Expenses" in Note No - 24. This leasing arrangement are for longer period and renewable by mutual consent on mutually agreeable terms. Future lease rental payable are as under:

| Particulars                                    | (Rupees in Lakhs)<br>as at March 31, 2012* |
|--|--|
| Payables:                                      |  |
| Not later than one year                        | 10.73                                      |
| Later than one year but not later than 3 years | 13.79                                      |
| Later than 3 years                             | 0  |

\* The above figures are given without discounting at present value

- 32.6 Investment includes Rs.70,000,000 in Shares of Deccan Remedies Limited for the Company's expansion plans.
- 32.7 There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.
- 32.8 Remuneration paid to Mr. Arihant Baid, S/o. Mr. Vinod Baid, subject to approval of members and Central Government.
- 32.9 In accordance with the Accounting Standards (AS-28) on "Impairment of Assets" the management during the year carried out exercise of indentifying the assets that may have been impaired in respect of each cash generating unit. On the basis of this review carred out by the management there was no impairment loss on the fixed assets during the year ended 31st March, 2012.
- 32.10 Investment Subsidy received from Andhra Pradesh Government is shown under Reserve and Surplus.
- 32.11 The financial statement for the year ended 31st March,2011 had been prepared as per then applicable,pre-revised Schedule VI to the Companies Act,1956. Consequent to the notification of Revised Schedule VI under the Companies Act,1956,the Financial Statement for the year ended 31st March, 2012 are prepared as per Revised Schedule VI.Previous year figures have been reclassified/regrouped to conform to this year classification.

Per our report attached

For and on behalf of the Board

**For Laxminiwas & Jain**  
Chartered Accountants  
Firm Regn. No. 001859S

**Arihant Baid**  
Managing Director

**Sharada G Patil**  
Partner  
Membership No. 015332

**T M Gopalakrishnan**  
Whole Time Director

Place: Hyderabad  
Date : 31st August, 2012



**GENNEX LABORATORIES LIMITED**

Regd. Office: Sy. No. 133, Jinnaram Mandal, Medak Dist., A.P 502 325

Corporate Office: "AKASH GANGA", 3rd Floor, Plot No. 144, Srinagar Colony, Hyderabad - 500 073.

**PROXY FORM**

I/We ..... of  
.....

being a member/members of GENNEX LABORATORIES LTD. hereby appoint  
..... of .....  
failing him ..... of ..... as my/our Proxy  
to attend and vote for me/us on my/our behalf at the 27th Annual General Meeting of the company  
to be held on Saturday, the 29th September, 2012 at 11.30 A.M. at the Registered Office of the  
Company at Sy.No.133., Bollaram, Jinnaram Mandal, Medak Dist - 502 325 (A.P.).

Signed this ..... day of ..... 2012.

Signature(s) of the Shareholder(s) .....

Folio No. ....

No. of Shares .....

Distinctive Nos.....

Affix Re.1  
Revenue  
Stamp

- Note: 1. This form must be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.  
2. A PROXY NEED NOT BE A MEMBER.

**GENNEX LABORATORIES LIMITED**

Regd. Office: Sy. No. 133, Jinnaram Mandal, Medak Dist., A.P 502 325

Corporate Office: "AKASH GANGA", 3rd Floor, Plot No. 144, Srinagar Colony, Hyderabad - 500 073.

**ADMISSION SLIP**

Regd. Folio No. .... No. of Shares .....

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.  
I hereby record my presence at the 27th Annual General Meeting of the Company to be held on  
Saturday, the 29th September, 2012 at 11.30 A.M. at the Registered Office of the Company at  
Sy.No.133., Bollaram, Jinnaram Mandal, Medak District - 502 325 (A.P.).

Name of the Proxy (if any) in block letters .....

Signature of the Member/Proxy .....

Note: Please fill this Admission Slip and hand it over at the entrance. Shareholders who come to attend the meeting are requested to bring the copies of the Annual Report also with them.

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