

25th ANNUAL REPORT
2009 - 2010



GENNEX LABORATORIES LIMITED

(Formerly Prudential Pharmaceuticals Limited)



BOARD OF DIRECTORS

Shri Vinod Baid	-	<i>Chairman</i>
Shri U.C. Bhandari	-	<i>Director</i>
Shri Y. Ravinder Reddy	-	<i>Director</i>
Shri Kishore Jhunjunwala	-	<i>Director</i>

REGISTERED OFFICE & WORKS

Sy. No. 133, Bollaram, Jinnaram Mandal
Medak District – 502 325.
Andhra Pradesh

CORPORATE OFFICE

'Akash Ganga', 4th Floor
Plot # 144, Srinagar Colony
Hyderabad – 500 073.

BANKERS

State Bank of Hyderabad
Overseas Branch, Somajiguda
Hyderabad – 500 082.

AUDITORS

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

BRANCH AUDITORS

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

REGISTRAR & SHARE TRANSFER AGENTS

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



NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Company will be held on Thursday, the 30th September, 2010 at 3.30 P.M. at the Registered Office of the Company at Survey No.133, Bollaram, Jinnaram Mandal, Medak District – 502 325 (A.P) to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri Y. Ravinder Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. Laxminiwas & Jain, Chartered Accountants, Firm Regn. No. 001859S, be and are hereby appointed, Auditors of the Company from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company.”

For and on behalf of the Board

Vinod Baid
Chairman

Place:Hyderabad

Date : 1st September, 2010

NOTES

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself. A Proxy need not be a member of the Company. Proxies, to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
2. The Register of Members of the Company will remain closed from 26th September, 2010 to 30th September, 2010 (both days inclusive).
3. Members are requested to quote their Registered folio numbers in all their Correspondence with the Company and notify change in their registered address, if any.
4. Members/proxies should bring the Attendance slips duly signed to the meeting and hand it over at the entrance. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting. Xerox copy of attendance slips will not be accepted at the entrance of the Meeting Hall. Members are requested to bring their copy of the Annual Report to the Meeting as copies will not be distributed at the Meeting hall due to prohibitive cost of printing.

For and on behalf of the Board

Place : Hyderabad

Date : 1st September, 2010

Vinod Baid
Chairman



ANNEXURE TO THE NOTICE

Notes on Directors seeking appointment/re-appointment as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

Profile of Directors being Appointed/Re-appointed:

Item No. 2

S.No.	Particulars	Y. Ravinder Reddy
1.	Age	43 Years
2.	Date of Appointment	22/03/2003
3.	Qualification	B.A.
4.	Experience	He has vast experience in executing Civil Works i.e., Roads, Buildings, Bridges, Canals in Government Sector and Private Sectors. Cultivating Agriculture and Poultry business.
5.	Other Directorships	Prudential Sugar Corporation Ltd.
6.	Chairman/Member of the Committees of the Board of the other Companies on which he is a Director	(A) Audit Committee: Prudential Sugar Corporation Ltd. (B) Share Transfer Committee/ Investors' Grievances' Committee Prudential Sugar Corporation Ltd.



DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Fifth Annual Report and the Audited Accounts for the year ended 31st March, 2010.

1. Financial Results (Rs. in Lakhs)

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

2. Performance & Prospects:

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

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

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

- Share Warrants:** The Company has issued 25 lacs Equity Share Warrants @ Rs.29/- each at a premium of Rs.19/- each on Preferential basis on 2nd February, 2008, with a option of its subsequent conversion into same number of Equity Shares. But, the upfront money received on issuance of Equity Share Warrants has been forfeited due to non-exercise of the said option by the warrant holders.
- Dividend:** During the financial year 2009-10 your Board of Directors could not recommend any dividend due to absence of distributable profit.
- Directors:** Shri Y Ravinder Reddy, Director, retires by rotation and being eligible, offers himself for re-appointment.
- Directors' Responsibility:** Pursuant to Section 217(2AA) of the Companies Act, 2000 the Directors confirm that:
 - In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
 - Appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2010 and of the loss of the company for the said period;
 - Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with



the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. The Annual Accounts have been prepared on a going concern basis.

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

8. **Personnel:** Employee relations at all levels were cordial during the year. Your Directors place on record their appreciation of the dedicated work put-in by the employees.

9. During the year under review there are no employees in the Company whose particulars are required to be given pursuant to Section 217 (2A) of the Companies Act, 1956.

10. **Acknowledgement:** The Board of Directors

are very thankful to the State Bank of Hyderabad and other Government Agencies for their continued help, guidance and assistance in the functioning of the Company.

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

12. Information on Energy Conservation and Technology Absorption required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, forming part of the Directors' Report for the year ended 31st March 2010, is enclosed as Annexure to this Report.

for and on behalf of the Board

Place: Hyderabad

Date : 1st September, 2010

Vinod Baid
Chairman

**ANNEXURE TO THE DIRECTORS' REPORT****Information under Section 217(1)(e) of the Companies Act, 1956 read
with the Companies (Disclosure of Particulars in the report of the
Board of Directors) Rules, 1988****Conservation of Energy:**

Assessment of individual equipment/utilities energy requirement (Electricity/Steam) has been done and standard benchmarks have been established. Awareness among the staff and plant workers has been created to have a constant monitor on usage of energy and to optimize throughout and to avoid wastage and unproductive usage of energy.

Pollution Control:

The Company is a member of the Common Effluent Plant of M/s. Patancheru Envirotech Limited and M/s. Progressive Effluent Treatment Limited, Bollaram. As per the orders of Supreme Court, implementation of the pre-treatment of effluent as per the directions of Central Pollution Control Board is already under strict implementation.

FORM 'A'**Disclosure of particulars with respect to Conservation of Energy
(to the extent applicable)**

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

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

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

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Effort, in brief, made towards Technology absorption, adaptation and innovation	N.A.	N.A.
2. Benefits derived as a result of the above efforts	N.A.	N.A.
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished	N.A.	N.A.

C. FOREIGN EXCHANGE EARNINGS & OUTGO:

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



CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company supports the broad principles of Corporate Governance. Your company has been practicing the principles of good corporate Governance over the years. Given below is a report on Corporate Governance:

1. Company's Philosophy on code of Governance

The Company's Philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. All employees are guided by a code of conduct, which sets forth Company's policies on important issues, including our relationship with our customers, shareholders and Government. The Company makes disclosures of its operations and performance to the public through Annual Report and quarterly financial results. The company has implemented the mandatory requirements of the 'Code of the Governance' as mentioned in Clause 49 of Listing Agreement. This is the corporate governance report of the company.

2. Composition of Board

The Board of Directors has a mix of Executive and Non-Executive Directors. The Board comprises of four Directors – the Chairman and three Non-Executive Directors. All three Non-Executive Directors are independent Directors. Accordingly, the composition of the Board is in conformity with the Listing Agreement.

Attendance of each Director at Board Meetings and Last Annual General Meeting:

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

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

3. Audit Committee

An Audit Committee was constituted in April, 2002 which consists of three independent Non-Executive Directors. The Members of the Committee are well versed in finance matters, accounts, company law and general business practices.

The Company has complied with the requirements of Clause 49 II A as regards the composition of the Audit Committee.

The composition of the Audit Committee is as under:

1. Shri Kishore Jhunjhunwala - Member
2. Shri U.C. Bhandari - Member
3. Shri Y. Ravinder Reddy - Member

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

Attendance at Audit Committee Meetings

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

The necessary quorum was present at the meetings.



4. Remuneration Committee

The Remuneration Committee is responsible for devising policy for compensation and benefits for Directors and frame policies and systems for Associate Stock Option Plans.

The Composition of the Committee is:

- | | | |
|-----------------------------|---|----------|
| 1. Shri Vinod Baid | - | Chairman |
| 2. Shri Kishore Jhunjunwala | - | Member |
| 3. Shri U.C.Bhandari | - | Member |
| 4. Shri Y.Ravinder Reddy | - | Member |

5. Investors' Grievance Committee

The Board constituted an Investors' Grievance Committee in April, 2002. The Composition of the Committee is:

- | | | |
|-----------------------------|---|----------|
| 1. Shri Vinod Baid | - | Chairman |
| 2. Shri Kishore Jhunjunwala | - | Member |
| 3. Shri U.C.Bhandari | - | Member |
| 4. Shri Y.Ravinder Reddy | - | Member |

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

6. Compliance Officer

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

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

7. General Body Meetings

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

Financial Year	Date/Time	Location of the Meeting
2006-2007	28.09.2007 / 10.00 a.m.	Registered Office
2007-2008	27.09.2008 / 10.00 a.m.	Registered Office
2008-2009	30.09.2009 / 05.00 p.m.	Registered Office

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

8. Disclosures

- a. Disclosures on materially significant related party transactions i.e, transactions of the company of Material nature, with its promoters, the Directors or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interest of the company at large.

The company had related party transactions, which did not have any potential conflict with the interest of the company at large.

- b. Details on non-compliance by the company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years

The company has complied with all requirements of regulatory on capital market and no penalty/ strictures imposed on the company during the last three years.



9. Means of Communication

The quarterly, half-yearly and full year results are published in newspapers.

10. General shareholder information

A. Annual General Meeting

Date and Time	:	30th September, 2010 at 3.30 P.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	:	26th September 2010 to 30th September 2010 (both days inclusive)
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C. Registrar & Share Transfer Agent

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

D. Compliance Officer

Shri K.V.L.N. Bhaswanth
Chief Operating Officer
Gennex Laboratories Limited
'AKASH GANGA' 4th 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). 10,92,88,270 total Equity Shares which consists of 86.39% of total Equity Capital is held in Dematerialized form with NSDL and CDSL as on 31st March, 2010.

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.

**I. Distribution of Shareholding as on 31st March, 2010**

Shareholding of Nominal value of		Shareholders		Share Amount	
Rs.	Rs.	Number	% to Total	(in Rs.)	% to Total
Upto	5000	752	12.94	2,05,723	0.16
5001	- 10000	2,962	50.97	29,34,855	2.32
10001	- 20000	574	9.88	10,69,129	0.85
20001	- 30000	264	4.54	7,33,879	0.58
30001	- 40000	126	2.17	4,80,378	0.38
40001	- 50000	337	5.80	16,71,690	1.32
50001	- 100000	361	6.21	31,77,617	2.51
100001	and above	435	7.49	11,62,29,729	91.88
Total		5,811	100.00	12,65,03,000	100.00

J. Shareholding Pattern as on 31st March, 2010

Category	No. of shares held	Percentage of shareholding
1 Promoters' Holding		
1. Indian Promoters		
- Individual	48,180	0.04
- Bodies Corporate	4,09,34,020	32.36
2. Persons acting in concert	—	—
Sub-Total	4,09,82,200	32.40
2. Non-Promoters' Holding		
Institutional Investors: Mutual Funds and UTI, Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/Non-Government Institutions, FIIs	—	—
Sub-Total	—	—
3 Others		
a. Private Corporate Bodies	4,50,09,853	35.58
b. Indian Public	4,05,10,947	32.02
c. NRIs/OCBs	—	—
d. Any other	—	—
Sub-Total	8,55,20,800	67.60
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 Mumbai – 400 001.
3.	The Calcutta Stock Exchange Association Ltd.	26178	7, Lyons Range Kolkata – 700 001.
4.	The Ahmedabad Stock Exchange Ltd.		Kamadhenu Complex Opp. Sahajanand College 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 2009 to March 2010.

Period	The Bombay Stock Exchange Ltd.	
	High	Low
April 2009	20.75	13.85
May 2009	25.65	15.50
June 2009	25.45	18.25
July 2009	22.90	14.50
August 2009	18.15	14.75
September 2009	22.95	14.80
October 2009	21.75	17.25
November 2009	24.60	18.00
December 2009	22.95	1.80
January 2010	2.75	1.95
February 2010	2.30	1.70
March 2010	1.99	1.60

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

Address for Correspondence:

Gennex Laboratories Limited (Formerly Prudential Pharmaceuticals Limited) “AKASH GANGA” 4th Floor, Plot No.144, Hyderabad – 500 073.

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant.



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

I, Laxmipat Baid, Asst. Vice-President (Accts.& Admn.) of Gennex Laboratories (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: 1st September, 2010



**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 31st March, 2010 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 31st March, 2010 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 of 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 31st March 2010, 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 31st March, 2010 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
M.No. 015332

Place : Hyderabad
Date : 1st September, 2010



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 (Formerly Prudential Pharmaceuticals 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 9001:2000 and TUV Certificate 44 100 030862-E3.

- 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 31.03.2010 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. Jaladhar Swain & Co., Chartered Accountants, Membership No. 64718. 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.

1. 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.
2. 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.
3. 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 referred to in this Report are in agreement with books of account.

- d. In our opinion, the Profit & Loss Account and Balance Sheet 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, 2010, 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.11 in Schedule 14 which deals with confirmation of balances in Advances, Deposits, Unsecured Loans, Other Liabilities, Sundry Debtor and, Sundry Creditors respectively, Note No.12 in Schedule 14 regarding pending Registration formalities for land acquired and Note No.16 in Schedule 14 for non-disclosure of information, relation MSMED Act 2006**, 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 31.03.2010 and
 - 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.
 - 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
M.No. 015332

Place : Hyderabad
Date: 1st September, 2010



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 had granted loan (advances) to one party covered in the register maintained under Section 301 of the Companies Act, 1956. The year end balance of loans/(advances) granted to such party was Rs.127.95 Lacs.
 - 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. According to the information and explanation given to us, during the year the company has not taken loan from the parties covered in the register maintained under Sec. 301 of the Companies Act, 1956. .
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 31.03.2010 for a period of more than six months from the date they became payable except for Income Tax for Rs.62.60 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.35.25 Lacs (under the Income Tax Act, 1961) for which appeal is pending before Appellate Authorities.
 10. In our opinion, the company has no accumulated losses as at 31.03.2010 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 31.03.2010.
 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 other from Banks or Financial Institutions.
 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
M.No. 015332

Place : Hyderabad
Date : 1st September, 2010

**BALANCE SHEET AS AT 31ST MARCH, 2010**

	Schedule		As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
I. SOURCES OF FUNDS				
a. Shareholders' Funds:				
i. Share Capital	1	126,503,000	126,503,000	
ii. Share Warrants	1	—	126,503,000	133,753,000
ii. Reserve & Surplus	2		113,516,407	113,267,018
b. Loan Funds:				
i. Secured Loans	3	14,928,100	10,990,097	
ii. Unsecured Loans	4	3,833,472	4,633,472	
			18,761,572	15,623,569
			<u>258,780,979</u>	<u>262,643,587</u>
II. APPLICATION OF FUNDS				
a. Fixed Assets:	5			
Gross Block		232,088,241	151,248,164	
Less: Depreciation		69,407,023	62,505,995	
Net Block			162,681,218	88,742,169
b. Investments	6		70,100,000	70,100,000
c. Current Assets, Loans & Advances:	7			
i. Inventories		15,934,264	8,100,764	
ii. Sundry Debtors		22,431,461	105,536,315	
iii. Cash and Bank Balances		2,659,984	4,315,842	
iv. Loans and Advances		27,594,215	80,460,297	
		68,619,924	198,413,218	
Less: Current Liabilities and Provisions	8	27,822,953	78,734,934	
Net Current Assets			40,796,971	119,678,284
d. Deferred Tax (net)			(14,797,210)	(15,876,866)
e. Miscellaneous Expenditure (to the extent not written off or adjusted)			-	-
			<u>258,780,979</u>	<u>262,643,587</u>

Notes on the Accounts 14

Schedules 1 to 14 annexed hereto form part of these accounts

Per our report attached

For **Laxminiwas & Jain**

Chartered Accountants

Firm Regn. No. 001859S

Sharada G Patil (M. No. 015332)

Partner

Place: Hyderabad

Date : 1st September, 2010

For and on behalf of the Board

Vinod Baid

Chairman

U C Bhandari

Director


PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	Year Ended 31st March, 2010 Rs.	Year Ended 31st March, 2009 Rs.
INCOME			
Income from Operations		154,451,659	153,034,013
Other Income	9	200,196	2,645,956
Increase/(Decrease) in Stocks	10	708,548	2,403,248
		<u>155,360,403</u>	<u>158,083,217</u>
EXPENDITURE			
Cost of materials pur/consumed	11	92,788,405	103,437,664
Purchase		—	—
Excise Duty		3,954,750	3,456,104
Manufacturing, Selling & Administrative Expenses	12	44,739,334	36,946,244
Finance Charges	13	2,310,955	2,882,640
Depreciation	5	6,901,028	6,738,410
		<u>150,694,472</u>	<u>153,461,062</u>
Profit Before Tax		4,665,931	4,622,155
PRIOR PERIOD ADJUSTMENTS			
Provision for Tax			
a. Current Tax		(2,100,000)	(2,060,000)
b. Deffered Tax		1,079,656	534,845
c. Fringe Benefit Tax		—	(100,000)
Profit after Tax		(7,000,611)	2,997,000
Adjustment for Tax of earlier year		—	4,351
Balance as per last year Balance Sheet		44,044,126	41,051,477
Balance available for appropriation		<u>37,043,515</u>	<u>44,044,126</u>
Appropriations:			
Balance carried forward		37,043,515	44,044,126
Balance available for appropriation		<u>37,043,515</u>	<u>44,044,126</u>
Basic Earning Per Share		(0.06)	0.02
Diluted Earning Per Share		(0.06)	0.02
Notes on the Accounts	14		
Schedules 1 to 14 annexed hereto form part of these accounts			

Per our report attached
For **Laxminiwas & Jain**
Chartered Accountants
Firm Regn. No. 001859S

Sharada G Patil (M. No. 015332)
Partner

Place: Hyderabad
Date : 1st September, 2010

For and on behalf of the Board
Vinod Baid
Chairman

U C Bhandari
Director

**Gennex Laboratories Limited**

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED CAPITAL		
16,00,00,000 Equity Shares of Re.1/- each	160,000,000	160,000,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
12,65,03,000 Equity Shares of Re.1/- each	126,503,000	126,503,000
Share Warrants		
25,00,000 share Warrants of Rs. 29/- per warrant including premium of Rs.19/- per warrant Called up and paid up Rs. 2.90 per Warrant (Forfeited during the year)	—	7,250,000
	126,503,000	133,753,000
SCHEDULE - 2		
RESERVES AND SURPLUS		
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	—
Profit & Loss Account	37,043,515	44,044,126
	113,516,407	113,267,018
SCHEDULE - 3		
SECURED LOANS		
Working Capital Borrowings from State Bank of Hyderabad (Secured by means of Hypothecation of Stocks of Raw Material, Semi Finished & Finished Goods, Stores & Spare parts, Bills sent for collection and other Book-debts and First Charge on the fixed Assets of the Company and personal guarantee of One Director)	9,839,629	10,809,594
SBH Buyer's Credit (LC)	4,363,560	—
Car Loans (Secured by means of Hypothecation of respective Car)	724,911	180,503
	14,928,100	10,990,097
SCHEDULE - 4		
UNSECURED LOANS		
Loan from a Director (Interest Free)	—	800,000
Sales Tax Deferrment	3,833,472	3,833,472
	3,833,472	4,633,472



SCHEDULE - 5
FIXED ASSETS

Particulars	GROSS BLOCK		DEPRECIATION		NET BLOCK				
	Cost as on 01-04-2009 Rs.	Additions during the year Rs.	Sale or adjust- ment Rs.	Total as on 31-03-2010 Rs.	As on 01-04-2009 Rs.	For the year 2009-10 Rs.	Total Upto 31-03-2010 Rs.	As on 31-03-2009 Rs.	As on 31-03-2010 Rs.
Land	6306540	77875000	-	84181540	-	-	-	84181540	6306540
Building	16177494	800784	-	16978278	3440468	491787	3932255	13046023	12737026
Plant & Machinery	108926527	711750	-	109638277	42561500	5762629	48324129	61314148	663665027
Furniture & Fixtures	16502752	283032	-	16785784	14445107	284911	14730018	2055766	2057645
Motor Vehicles	3334851	1169511	-	4504362	2058920	361701	2420621	2083741	1275931
Capital Work in Progress	-	-	-	-	-	-	-	-	-
Total	151248164	80840077	-	232088241	62505995	6901028	69407023	162681218	88742169
Previous Year	149474990	3565968	1792794	151248164	56378100	610515	62505995	88742169	



Gennex Laboratories Limited

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
SCHEDULE - 6		
INVESTMENTS		
UNQUOTED		
1000 Equity Shares of Rs.100/- each fully paid up in Progressive Effluent Treatment Limited	100,000	100,000
5500000 Equity Shares of fully paid up in Deccan Remedies Limited	70,000,000	70,000,000
	<u>70,100,000</u>	<u>70,100,000</u>
SCHEDULE - 7		
CURRENT ASSETS, LOANS & ADVANCES		
a. Inventories (As taken, valued and certified by the Management)		
i. Stores & Spares	1,276,983	814,432
ii. Coal & Diesel	64,076	22,339
iii. Raw Materials	8,792,919	2,172,255
iv. Raw Materials in Transit	-	-
v. Finished Goods	2,157,043	3,377,383
vi. Work-in-process	<u>3,643,243</u>	<u>1,714,355</u>
	<u>15,934,264</u>	<u>8,100,764</u>
b. Sundry Debtors (Unsecured and considered good)		
i. Debts outstanding for a period exceeding six months	527,354	97,452,404
ii. Others	<u>21,904,107</u>	<u>8,083,911</u>
	<u>22,431,461</u>	<u>105,536,315</u>
c. Cash and Bank Balances		
i. Cash on Hand	31,378	1,866,356
ii. Balance with Scheduled banks in current accounts	92,380	67,543
iii. In deposit accounts (Under lien with Bank towards margin-money & Sales tax Dept.)	<u>2,536,226</u>	<u>2,381,943</u>
	<u>2,659,984</u>	<u>4,315,842</u>
d. Loans & Advances (Unsecured and considered good)		
i. Advances recoverable in cash or in kind or for value to be received which includes Rs.Nil (Previous Year - Rs.Nil) maximum amount Rs.Nil (Previous year - Rs.Nil) from a Company in which Directors are interested and due from Directors Rs.Nil (Previous year Rs.Nil), which is maximum outstanding during the year.	26,036,472	79,066,652
ii. Sundry Deposits	1,320,833	1,207,833
iii. Prepaid Expenses	<u>236,910</u>	<u>185,812</u>
	<u>27,594,215</u>	<u>80,460,297</u>
Total (a+b+c+d)	<u>68,619,924</u>	<u>198,413,218</u>



	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
SCHEDULE - 8		
CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities:		
i. Sundry Creditors	15,024,416	66,096,116
ii. Other Liabilities	8,952,461	8,932,317
iii. Advance received against Supplies	408,275	160,018
Total (A)	<u>24,385,152</u>	<u>75,188,451</u>
B. Provisions:		
i. Provision for Tax (Net of TDS & MAT)	2,100,000	2,060,000
ii. Provision for Fringe Benefit Tax	—	100,000
iii. Provision for Bonus	136,801	122,610
Provision for Gratuity	806,000	800,975
Provision for Leave Encashment	395,000	462,898
Total (B)	<u>3,437,801</u>	<u>3,546,483</u>
Total (A+B)	<u>27,822,953</u>	<u>78,734,934</u>

SCHEDULE - 9**OTHER INCOME**

Interest Received (Income Tax Deducted thereon Rs.22778 Previous Year Rs.100152)	188,321	487,703
Miscellaneous Receipt	11,875	1,900
Exchange Rate Fluctuation	—	2,147,538
Sundry Balances w/off	—	8,815
	<u>200,196</u>	<u>2,645,956</u>

SCHEDULE - 10**INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS****AND WORK-IN-PROCESS****OPENING STOCK:**

Finished Goods	3,377,383	884,658
Work-in-Process	<u>1,714,355</u>	<u>1,803,832</u>
	<u>5,091,738</u>	<u>2,688,490</u>

CLOSING STOCK:

Finished Goods	2,157,043	3,377,383
Work-in-Process	<u>3,643,243</u>	<u>1,714,355</u>
	<u>5,800,286</u>	<u>5,091,738</u>
Increase/(Decrease) in Stock	708,548	2,403,248

**Gennex Laboratories Limited**

	Year ended 31st March, 2010 Rs.	Year ended 31st March, 2009 Rs.
SCHEDULE - 11		
COST OF MATERIALS CONSUMED:		
Opening Stock		
At Factory	2,172,255	8,879,773
In Transit	—	—
	<u>2,172,255</u>	<u>8,879,773</u>
ADD: Purchases	<u>99,409,069</u>	<u>96,730,146</u>
	101,581,324	105,609,919
LESS: Closing Stock		
At Factory	<u>8,792,919</u>	<u>2,172,255</u>
	92,788,405	103,437,664
SCHEDULE - 12		
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Stores, Spares and Others	4,479,418	4,187,690
Power & Fuel	8,063,349	6,949,125
Job Work Charges	—	468,180
Pollution Expenses	1,026,497	577,496
Salaries & Wages	10,647,795	9,269,058
Contribution to Provident Fund & ESI	533,797	491,996
Bonus	136,801	122,610
Staff Welfare	596,981	364,102
Consultancy & Legal Expenses	1,315,325	482,763
Rent & Facilities	1,875,128	2,366,635
Electricity Charges	221,553	304,432
Security Charges	245,188	245,005
Printing & Stationery	299,887	263,550
Communication Expenses	682,715	611,278
Insurance	277,309	313,341
Travelling & Conveyance Exp.	1,830,647	1,100,491
Selling Expenses	1,015,375	2,092,477
Exchange Rate Fluctuation	684,341	—
Carriage Outwards	3,161,324	2,961,923
Repairs & Maintenance:		
Building	423,891	403,391
Machinery	950,992	958,569
Other Assets	101,562	150,428
Auditors' Remuneration:		
Audit Fees	64,590	64,590
Tax Audit Fees	16,530	16,530
Certification Fees	20,000	—
Vehicle Maintenance	135,354	414,837
Sales Tax	128,309	—



Miscellaneous Expenses	1,916,441	1,560,968
Sundry Balances Written Off (Net)	3,888,235	—
Loss on Fixed Assets	—	204,779
	44,739,334	36,946,244

SCHEDULE - 13**FINANCE CHARGES**

- Working Capital Loans	1,299,145	1,422,416
- Others	330,901	557,552
- Bank Charges	680,909	902,672
	2,310,955	2,882,640

SCHEDULE - 14**NOTES ON THE ACCOUNTS****1 ACCOUNTING POLICIES:****a. GENERAL:**

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

b. 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.

c. DEPRECIATION:

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

d. 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.

e. REVENUE RECOGNITION:

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

f. 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.

g. 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.

h. 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.

i. RETIREMENT BENEFITS:

Gratuity/Leave encashment is accounted for on Accrual basis. Contribution to Provident Fund & E S I is charged to Revenue Account.



j. 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”.

k. 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.

2. Contingent Liabilities:	2009-2010 (Rs. In Lacs)	2008-2009 (Rs. In Lacs)
i. Counter Guarantee against Bank Guarantees and Letters of Credit	40.39	41.50
ii. Income-Tax where appeals are pending	*35.26	*61.53
<i>*Company is hopeful of complete relief, hence no provision is made.</i>		
iii. Advance License for Import/Export Obligation	91.00	137.43
iv. Claim against the Company not acknowledged as debts	3.23	2.81

3 Excise Duty estimated at Rs.2.22 Lacs (Previous year Rs. 2.78 Lacs) payable on Finished Goods lying at the factory has not been provided for and hence, not included in inventory valuation. However, there is no effect on the profit for the year on account of the above treatment of excise duty.

4. Primary Segment Information

Details	Pharmaceuticals		Other Business		Total	
	March-10	March-09	March-10	March-09	March-10	March-09
Revenue						
Export Sales	1025.52	956.06	0	0	1025.52	956.06
Domestic Sales	519.00	291.78	0	282.50	519.00	574.28
Total Revenue	1544.52	1247.84	0	282.50	1544.52	1530.34
Segment Result	67.89	-13.54	0	83.71	67.89	70.17
Unallocated Expenses	0	0	0	0	0	0
Less: Interest Expense	23.11	28.82	0	0	23.11	28.83
Add: Interest Income	1.88	1.48	0	3.40	1.88	4.88
Profit Before Tax	46.66	-40.89	0	87.11	46.66	46.22
Prior Period Adjustments	106.46	0	0	0	106.46	0
Less: Provision for Tax	10.21	0	0	0	10.21	25.82
Net Profit	-70.01	0	0	0	-70.01	20.40
Other Information						
Segment Assets	3014.01	2495.11	0	1077.44	3014.01	3572.55
Segment Liabilities	465.85	367.55	0	585.57	465.85	953.12
Capital Expenditure	808.40	35.66	0	0	808.40	35.66
Depreciation	69.01	67.38	0	0	69.01	67.38
Non Cash Expenses Other than Depreciation	0	0	0	0	0	0



Secondary Segment Details	Within India		Outside India		Total	
	March-10	March-09	March-10	March-09	March-10	March-09
Revenues	519.00	574.28	1025.52	956.06	1544.52	1530.34
Segment Assets	2937.66	3538.62	76.35	33.93	3014.01	3572.55
Capital Expenditure	808.40	25.33	0	10.33	808.40	35.66

5. RELATED PARTY TRANSACTIONS (Accounting standard - 18)

a. Key Management Personnel	Nature of Transactions	Amount in Rs.
Vinod Baid	Chairman	- Nil
U.C. Bhandari	Director	- Nil
Y. Ravinder Reddy	Director	- Nil
Kishore Jhunjhunwala	Director	- Nil

b. Enterprises where Control Exists

Prudential Sugar Corporation Ltd	Nil
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c. Other related parties

S. No.	Name & Relationship	Nature of Transaction	Maximum Outstanding	Amount Rs.
1.	Deccan Remedies Limited	Loan/Advances	12,795,050	12,795,050

6. EARNINGS PER SHARE (Accounting Standard-20)

Earnings per share has been computed as under	2009-2010	2008-2009
a. Profit after Taxation	(7,000,611)	2,992,649
b. Number of ordinary shares outstanding	126,503,000	12,650,300
c. Earnings Per Share (Face value Re.1/-) (Basic)	-0.06	0.24
No. of Shares	126,503,000	12,650,300
Add: Convertible Share Warrants	-	250,000
Total	126,503,000	12,900,300
(Diluted EPS)	-0.06	0.23

7. The break up of the net Deferred Tax Liability as on 31st March, 2010 is as under:

Sl.No	Particulars	Deferred Tax
a)	Difference between Book & Tax Depreciation (Liability)	15,253,187
b)	Provisions	(455,977)
	Total	14,797,210
	Net Deferred Tax Liability/(Assets)	14,797,210

8. Details of Managerial remuneration:	2009-2010 (Rupees)	2008-2009 (Rupees)
	Nil	Nil



9. Information pursuant to the provision of paragraphs 3, 4C and 4D of the Part II of Schedule VI of the Companies Act, 1956.

	Year ended 31st March, 2010		Year ended 31st March, 2009	
	Qty in MTs	Rs.	Qty. in MTs	Rs.
i. Installed Capacity				
- Bulk Drugs/Intermediates	900.000		900.000	
ii. Actual Production				
- Bulk Drugs/Intermediates	388.653		277.506	
iii. Turnover				
- Bulk Drugs/Intermediates	299.058	154,451,659	218.113	124,752,275
- Captive Consumption	92.200		52.625	
- Job-work Receipts	0	0		-
- Raw Materials		—		-
iv. Opening Stock of Finished Goods				
- Bulk Drugs/Intermediates	8.406	3,377,383	1.638	884,658
v. Closing Stock of Finished Goods				
- Bulk Drugs/Intermediates	5.801	2,157,043	8.406	3,377,383
vii. Information in regard to raw materials consumed	Qty.in Kgs		Qty.in Kgs	
a. Guaicol	210.717	57,015,410	159.400	45,165,006
b. Ephichlorhydrine	191.676	15,627,303	163.464	14,296,675
c. O.C.B.	-	-	-	-
d. Caustic Soda Flakes	97.743	2,182,524	82.156	2,543,832
e. Solvents	156.010	6,935,072	199.490	8,972,602
f. Others	264.637	11,028,096	247.979	12,771,949
	920.783	92,788,405	852.489	83,750,064
viii. Value of imported and indigeneous raw materials purchase/consumed:				
a. Imported	37%	34,562,007	58%	48,200,659
b. Indigeneous	63%	58,226,398	42%	35,549,405
c. Purchases at Kolkata		-		19,687,600
		92,788,405		103,437,664
ix. Stores, Spare Parts & Components (Indigeneous)		4,479,418		4,187,690
x. Earnings in Foreign Currency on F.O.B. basis				
- Export of Goods		49,122,043		62,887,951
xi. Value of imports on C.I.F. basis				
- Raw materials		37,908,280		42,978,251
- Machinery		-		1,033,296
xii. Expenditure in Foreign Currency		Rs.		Rs.
a. Bank Charges		127,818		211,443
b. Sales Commission		810,144		2,005,373
c. Travelling Expenses		80,973		47,950



10. Employees Benefits:

As per the valuation made by the independent Agency the present value of accrued gratuity comes to Rs. 8,06,000 on estimates of discounts @ 8% and escalation on salaries @ 5% which has taken in accounts.

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. 3,73,839.

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

11. Balance in Advances, Deposits, Unsecured loans, other Liabilities, Sundry Debtors, Sundry Creditors and advance against supplies are subject to confirmation by respective parties.
12. During the year the Company acquired land for which Registration formalities are yet to be completed.
13. The Company has issued 25 lacs Equity Share warrants @ Rs.29/- each at a Premium of Rs.19/- each on Preferential basis on 2nd February, 2008, with an option of its subsequent conversion into same number of Equity Shares. But upfront money received on issuance of Equity Share Warrants has been forfeited due to non-exercise of the said option by the warrant holders.
14. Investment includes Rs.70,000,000 in shares of Deccan Remedies Ltd. for the Company's expansion plans.
15. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.
16. Prior period adjustment represents amount of Rs.106.46 lakhs as bad debts which relates to earlier years, now accounted for.
17. As per the requirement of MSMED Act, 2006, certain disclosures are required to be made. As the Company is in the process of compiling the information, such disclosure is not made in the accounts.
18. Investment Subsidy received from Andhra Pradesh Govt., is shown under Reserves and Surplus.
19. Previous year figures have been regrouped/rearranged wherever considered necessary.

Schedules 1 to 14 form integral part of Balance Sheet and Profit & Loss Account.

Per our report attached

For and on behalf of the Board

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

Vinod Baid
Chairman

Sharada G Patil
Partner
M.No. 015332

U C Bhandari
Director

Place: Hyderabad

Date : 1st September, 2010



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration Number	:	11168
State Code	:	01
Balance Sheet Date	:	31.03.2010

II. Capital Raised during the year:
(Rs.in lacs)

Public issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement (preferential Allotment)
NIL	NIL

III. Position of mobilisation and deployment of funds (Rs. in Lacs):

Total Liabilities	:	2587.81	Total Assets	:	2587.81
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Sources of Funds:

Paid up Capital	:	1265.03	Share Warrants Money	:	0.00
			Reserve & Surplus	:	1135.16
Secured Loans	:	149.28	Unsecured Loans	:	38.33

Application of Funds:

Net Fixed Assets	:	1626.81	Investments	:	701.00
Net Current Assets	:	407.97	Deferred Tax - Net	:	-147.97

IV. Performance of Company (Rs. in Lacs):

Total Income	:	1553.60	Total Expenditure	:	1506.94
Profit before Tax	:	46.66	Prior period adjustments	:	-106.46
Profit/(Loss) after Tax	:	-70.01	Earning per share	:	-0.06
Dividend Rate	:	NIL			

V. Generic Names of Principal Products:

a. Item Code	:	2942
(ITC Code)		
Product Description	:	Guaifenesin
b. Item Code	:	2942
(ITC Code)		
Product Description	:	Methocarbamol
c. Item Code	:	2942
(ITC Code)		
Product Description	:	CMIC Chloride

For and on behalf of the Board

Place : Hyderabad
Date : 1st September, 2010

Vinod Baid
Chairman

U C Bhandari
Director



	31.03.2010 (Rs. in Lacs)	31.03.2009 (Rs. in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items:	46.66	46.22
Adjustment for:		
Depreciation	69.01	67.38
Finance Charges	23.11	28.83
Loss on Fixed Assets	0.00	2.05
Interest Received	-1.88	-4.88
Taxation	0.00	1.79
Operating Profit before Working Capital Changes	136.90	141.39
Adjustment for:		
Trade and Other Receivables	1359.72	-399.72
Inventories	-78.34	43.41
Trade Payables	-530.12	212.10
Cash generated from operations	888.16	-2.81
Adjustments for:		
Interest/Other Income Received	0.00	0.00
Prior Period Adjustments	-106.46	0.00
Income-tax	0.00	0.00
Net Cash from Operating Activities	781.70	-2.81
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	-808.40	-22.69
Purchase of Investments	0.00	0.00
Sale of Assets	0.00	5.08
Interest/Other Income received	1.88	4.88
Net Cash used in Investing Activities	-806.52	-12.73
C. CASH FLOW FROM FINANCING ACTIVITIES		
Bank borrowings	41.18	40.20
Finance Charges	-23.11	-28.83
Issue of Equity Shares/Warrants	0.00	0.00
Increase/(Decrease) in Unsecured Loans	-9.81	6.54
Net Cash from Financing Activities	8.26	17.91
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT(A+B+C)	-16.56	2.37
Cash and Cash Equivalents as on 01.04.2009	43.16	40.79
Cash and Cash Equivalents as on 31.03.2010	26.60	43.16

As per our report of even date

For **Laxminiwas & Jain**

Chartered Accountants

Firm Regn. No. 01859S

Sharada G Patil (M.No. 015332)

Partner

Place: Hyderabad

Date : 1st September, 2010

For and on behalf of the Board

Vinod Baid

Chairman

U C Bhandari

Director



GENNEX LABORATORIES LIMITED

(Formerly Prudential Pharmaceuticals Limited)

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

Corporate Office: "AKASH GANGA", 4th Floor, Plot No. 144, Srinagar Colony, Hyderabad - 500 073.

PROXY FORM

I/We of

being a member/members of GENNEX LABORATORIES LTD (Formerly Prudential Pharmaceuticals Limited), hereby appoint of failing him of as my/our Proxy to attend and vote for me/us on my/our behalf at the 25th Annual General Meeting of the company to be held on Thursday, the 30th September, 2010 at 3.30 P.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 2010.

Signature(s) of the Shareholder(s)

Folio No.

No. of Shares

Distinctive Nos.....



- 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

(Formerly Prudential Pharmaceuticals Limited)

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

Corporate Office: "AKASH GANGA", 4th 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 25th Annual General Meeting of the Company to be held on Thursday, the 30th September, 2010 at 3.30 P.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.

BOOK POST

If undelivered, please return to:
GENNEX LABORATORIES LIMITED
"AKASH GANGA", 4th Floor, Plot No. 144,
Srinagar Colony, Hyderabad - 500 073.