

**26th ANNUAL REPORT**  
**2010 - 2011**



**GENNEX LABORATORIES LIMITED**

(Formerly Prudential Pharmaceuticals Limited)



**BOARD OF DIRECTORS**

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

**REGISTERED OFFICE & WORKS**

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

**CORPORATE OFFICE**

'Akash Ganga', 3rd Floor  
Plot # 144, Srinagar Colony  
Hyderabad – 500 073.

**BANKERS**

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

**AUDITORS**

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

**BRANCH AUDITORS**

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

**REGISTRAR & SHARE TRANSFER AGENTS**

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



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**NOTICE**

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Company will be held on Friday the 30<sup>th</sup> September 2011 at 11.00 A.M. at the Registered Office of the Company at Survey No. 133, Bollaram, Jinnaram Mandal, Medak District – 502 325 (A.P) to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2011 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri Kishore Jhunjunwala who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. Laxminiwas & Jain, Chartered Accountants, be and are hereby appointed, Auditors of the Company from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting on such remuneration as may be fixed by the Board of Directors of the Company.”

For and on behalf of the Board

**Vinod Baid**  
Chairman

Place:Hyderabad  
Date : 31st August, 2011

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**NOTES**

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself. A Proxy need not be a member of the Company. Proxies, to be effective, should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
2. The Register of Members of the Company will remain closed from 26<sup>th</sup> September, 2011 to 30<sup>th</sup> September, 2011 (both days inclusive).
3. Members are requested to quote their Registered Folio Numbers in all their Correspondence with the Company and notify change in their registered address, if any.
4. Members/proxies should bring the Attendance slips duly signed to the meeting and hand it over at the entrance. Members who hold shares in dematerialized form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting. Xerox copy of attendance slips will not be accepted at the entrance of the Meeting Hall. Members are requested to bring their copy of the Annual Report to the Meeting as copies will not be distributed at the Meeting hall due to prohibitive cost of printing.

For and on behalf of the Board

Place:Hyderabad  
Date : 31st August, 2011

**Vinod Baid**  
Chairman



### ANNEXURE TO THE NOTICE

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

Profile of Directors being Appointed/Re-appointed:

#### Item No. 2

S.No.	Particulars	Kishore Jhunjunwala
1.	Age	57 Years
2.	Date of Appointment	28.05.1999
3.	Qualification	Chartered Accountant, Bachelor of Law
4.	Experience	Worked in Multinational Commodity Company as a Finance Controller in London in 1981. Vastly experienced in Banking, Derivatives trade, Shipping Business, Hotel Industry and Commodity Exports. Presently providing Consultancy Services in Finance, Legal, International trade to the clients in India and outside India.
5.	Other Directorships	Prudential Sugar Corporation Limited Mercury Fund Management Co. Limited Deccan Remedies Limited Discovery e-com Limited Discovery Infoways Limited Discovery Institute of Information and Technology Limited Sindia Steels Limited Priyatama Exports (P) Limited
6.	Chairman/Member of the Committees of the Board of the other Companies on which he is a Director	(A) Audit Committee: Prudential Sugar Corporation Ltd. (B) Share Transfer Committee/ Investors' Grievances' Committee Prudential Sugar Corporation Ltd.



## DIRECTORS' REPORT

Your Directors are pleased to present the Twenty Sixth Annual Report and the Audited Accounts for the year ended 31st March, 2011.

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

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

### 2. Performance & Prospects:

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

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

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

3. **Dividend:** During the financial year 2010-11 your Board of Directors could not recommend any dividend due to absence of distributable profit.
4. **Directors:** Shri Kishore Jhunjunwala, Director, retires by rotation and being eligible, offers himself for re-appointment.
5. **Directors' Responsibility:** Pursuant to Section 217(2AA) of the Companies Act, 2000 the Directors confirm that:
  - i. In the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
  - ii. Appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011 and of the profit of the company for the said period;
  - iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
  - iv. The Annual Accounts have been prepared on a going concern basis.
6. **Auditors:** M/s. Laxminiwas & Jain, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.



7. **Personnel:** Employee relations at all levels were cordial during the year. Your Directors place on record their appreciation of the dedicated work put-in by the employees.
8. During the year under review there are no employees in the Company whose particulars are required to be given pursuant to Section 217(2AA) of the Companies Act, 1956.
9. **Acknowledgement:** The Board of Directors are very thankful to the State Bank of Hyderabad and other Government Agencies for their continued help, guidance and assistance in the functioning of the Company.
10. Your Directors express their gratitude to the shareholders for the confidence reposed in the Company.
11. Information on Energy Conservation and Technology Absorption required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, forming part of the Directors' Report for the year ended 31<sup>st</sup> March 2011, is enclosed as Annexure to this Report.

for and on behalf of the Board

**Vinod Baid**  
Chairman

Place:Hyderabad  
Date :31st August, 2011



**ANNEXURE TO THE DIRECTORS' REPORT**

**Information under Section 217(1)(e) of the Companies Act, 1956 read  
with the Companies (Disclosure of Particulars in the report of the  
Board of Directors) Rules, 1988**

**Conservation of Energy:**

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

**Pollution Control:**

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

**FORM 'A'**

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

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

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

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

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

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

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

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





## CORPORATE GOVERNANCE REPORT

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

### 1. Company's Philosophy on code of Governance

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

### 2. Composition of Board

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

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

The Board met six times during the financial year 2010-2011 on 30.04.2010, 31.07.2010, 27.08.2010, 01.09.2010, 15.11.2010 and 12.02.2011. The last Annual General Meeting of the Company was held on September 30, 2010.

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

### 3. Audit Committee

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

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

The composition of the Audit Committee is as under:

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

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

Attendance at Audit Committee Meetings

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

The necessary quorum was present at the meetings.



#### 4. Remuneration Committee

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

The Composition of the Committee is:

- |                             |   |          |
|-----------------------------|---|----------|
| 1. Shri Vinod Baid          | - | Chairman |
| 2. Shri Kishore 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 2010-2011, there are no complaints from the Investors.

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

#### 7. General Body Meetings

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

Financial Year	Date/Time	Location of the Meeting
2007-2008	27.09.2008 / 10.00 a.m.	Registered Office
2008-2009	30.09.2009 / 05.00 p.m.	Registered Office
2009-2010	30.09.2010 / 03.30 p.m.	Registered Office

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

#### 8. Disclosures

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

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

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

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



**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, 2011 at 11.00 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>B. Date of Book Closure</b>	:	26th September 2011 to 30th September 2011 (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', 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). 12,44,38,570 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, 2011.

**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. Distribution of Shareholding as on 31st March, 2011**

Shareholding of Nominal value of		Shareholders		Share Amount	
Rs.	Rs.	Number	% to Total	(in Rs.)	% to Total
Upto	5000	819	13.98	2,17,942	0.17
5001	- 10000	2,985	50.96	29,56,487	2.34
10001	- 20000	561	9.58	10,29,828	0.81
20001	- 30000	261	4.46	7,25,278	0.58
30001	- 40000	127	2.16	4,83,638	0.38
40001	- 50000	333	5.69	16,47,886	1.30
50001	- 100000	360	6.15	31,46,041	2.49
100001	and above	411	7.02	11,62,95,900	91.93
Total		5,857	100.00	12,65,03,000	100.00

**I. Shareholding Pattern as on 31st March, 2011**

Category	No. of shares held	Percentage of shareholding
<b>1 Promoters' Holding</b>		
1. Indian Promoters		
- Individual	48,180	0.04
- Bodies Corporate	3,54,87,500	28.05
2. Persons acting in concert	—	—
Sub-Total	3,55,35,680	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	4,93,54,617	32.89
b. Indian Public	4,16,12,703	39.02
c. NRIs/OCBs	—	—
d. Any other	—	—
Sub-Total	9,09,67,320	71.91
Grand Total	12,65,03,000	100.00



**J. 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.

**K. Market Price Data on Bombay Stock Exchange Ltd.: High/Low during each month of the Financial Year April 2010 to March 2011.**

Period	The Bombay Stock Exchange Ltd.	
	High	Low
April 2010	2.05	1.66
May 2010	1.82	1.41
June 2010	2.00	1.41
July 2010	1.85	1.50
August 2010	1.70	1.45
September 2010	1.75	1.40
October 2010	1.90	1.35
November 2010	1.61	1.25
December 2010	1.99	1.19
January 2011	1.37	1.15
February 2011	1.23	1.05
March 2011	1.58	1.16

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” 3<sup>rd</sup> Floor, Plot No.144, Hyderabad – 500 073.

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



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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, 2011



**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, 2011 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, 2011 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 31<sup>st</sup> March 2011, 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, 2011 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 : 31st August, 2011



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## MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

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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.





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**AUDITORS' REPORT**

To

The Members of  
Gennex Laboratories Limited

We have audited the attached Balance Sheet of Gennex Laboratories Limited as at 31.03.2011, 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.

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 (Auditors' 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, Profit & 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 Accounting 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 31<sup>st</sup> March, 2011, 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.10 in Schedule 14 which deals with confirmation of balances in Advances, Deposits, Unsecured Loans, Other Liabilities, Sundry Debtors and Sundry Creditors respectively, Note No.11 in Schedule 14 regarding pending registration formalities for land acquired, Note No.13 in Schedule 14 regarding investments, Note No. 15 in Schedule 14 regarding pending of approval from members/Central**



**Government for remuneration paid to Mr. Arihant Baid and Note No. 17 in Schedule 14 for non-disclosure of information relating to 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 31.03.2011 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  
Membership No. 015332

Place : Hyderabad  
Date: 31st August, 2011



**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. According to the information and explanation given to us, during the year, the Company has not taken/granted loan to 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 register 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 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 31.03.2011 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 31.03.2011 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 31.03.2011.
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 (Auditors' 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 (Auditors' 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 (Auditors' 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 is 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 Para 4(xx) of the Companies (Auditors' Report) Order, 2003, are not applicable to the Company.
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

Place : Hyderabad  
Date : 31st August, 2011



**BALANCE SHEET AS AT 31ST MARCH, 2011**

	Schedule	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
<b>I. SOURCES OF FUNDS</b>			
a. Shareholders' Funds:			
i. Share Capital	1	126,503,000	126,503,000
ii. Reserve & Surplus	2	117,591,592	113,516,407
b. Loan Funds:			
i. Secured Loans	3	11,743,023	14,928,100
ii. Unsecured Loans	4	3,784,732	3,833,472
		15,527,755	18,761,572
<b>TOTAL</b>		<b>259,622,347</b>	<b>258,780,979</b>
<b>II. APPLICATION OF FUNDS</b>			
a. Fixed Assets:	5		
Gross Block		236,188,434	232,088,241
Less: Depreciation		76,119,144	69,407,023
Net Block		160,069,290	162,681,218
b. Investments	6	70,100,000	70,100,000
c. Current Assets, Loans & Advances:	7		
i. Inventories		19,307,943	15,934,264
ii. Sundry Debtors		21,314,711	22,431,461
iii. Cash and Bank Balances		10,792,233	2,659,984
iv. Loans and Advances		14,282,352	27,594,215
		65,697,239	68,619,924
Less: Current Liabilities and Provisions	8	22,968,351	27,822,953
Net Current Assets		42,728,888	40,796,971
d. Deferred Tax (net)		(13,275,831)	(14,797,210)
e. Miscellaneous Expenditure (to the extent not written off or adjusted)		-	-
<b>TOTAL</b>		<b>259,622,347</b>	<b>258,780,979</b>

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**  
Partner  
Membership No. 015332  
Place: Hyderabad  
Date : 31st August, 2011

For and on behalf of the Board  
**Vinod Baid**  
Chairman

**U C Bhandari**  
Director


**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011**

	Schedule	Year Ended 31st March, 2011 Rs.	Year Ended 31st March, 2010 Rs.
<b>INCOME</b>			
Income from Operations		197,774,782	154,451,659
Other Income	9	226,382	200,196
Increase/(Decrease) in Stocks	10	8,233,035	708,548
		<u>206,234,199</u>	<u>155,360,403</u>
<b>EXPENDITURE</b>			
Cost of materials pur/consumed	11	128,209,926	92,788,405
Purchase		41,765	—
Excise Duty		6,349,247	3,954,750
Manufacturing, Selling & Administrative Expenses	12	56,874,126	44,739,334
Finance Charges	13	2,540,965	2,310,955
Depreciation	5	7,185,746	6,901,028
		<u>201,201,775</u>	<u>150,694,472</u>
Profit Before Tax		5,032,424	4,665,931
PRIOR PERIOD ADJUSTMENTS		—	(10,646,198)
Provision for Tax			
a. Current Tax		(2,300,000)	(2,100,000)
b. Deffered Tax		1,521,379	1,079,656
Profit after Tax		4,253,803	(7,000,611)
Adjustment for Tax of earlier year		178,618	—
Balance as per last year Balance Sheet		37,043,515	44,044,126
Balance available for appropriation		<u>41,118,700</u>	<u>37,043,515</u>
<b>Appropriations:</b>			
Balance carried forward		<u>41,118,700</u>	<u>37,043,515</u>
Balance available for appropriation		<u>41,118,700</u>	<u>37,043,515</u>
Basic Earning Per Share		0.03	(0.06)
Diluted Earning Per Share		0.03	(0.06)
Notes on the Accounts	14		
Schedules 1 to 14 annexed hereto form part of these accounts			
Per our report attached		For and on behalf of the Board	
For <b>Laxminiwas &amp; Jain</b>		<b>Vinod Baid</b>	
Chartered Accountants		Chairman	
Firm Regn. No. 001859S			
<b>Sharada G Patil</b>		<b>U C Bhandari</b>	
Partner		Director	
<b>Membership No. 015332</b>			
Place: Hyderabad			
Date : 31st August, 2011			

**Gennex Laboratories Limited**

	As at 31st March, 2011 <u>Rs.</u>	As at 31st March, 2010 <u>Rs.</u>
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
16,00,00,000 Equity Shares of Re.1/- each	<b>160,000,000</b>	160,000,000
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
12,65,03,000 Equity Shares of Re.1/- each	<b>126,503,000</b>	126,503,000
	<b><u>126,503,000</u></b>	<b><u>126,503,000</u></b>
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
Share Premium	<b>60,000,000</b>	60,000,000
Investment Subsidy	<b>2,000,000</b>	2,000,000
General Reserve	<b>7,222,892</b>	7,222,892
Capital Reserve (Forfeit of warrant)	<b>7,250,000</b>	7,250,000
Profit & Loss Account	<b>41,118,700</b>	37,043,515
	<b><u>117,591,592</u></b>	<b><u>113,516,407</u></b>
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
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)	<b>5,769,533</b>	9,839,629
SBH Buyer's Credit (LC)	<b>4,380,165</b>	4,363,560
Car Loans (Secured by means of Hypothecation of respective Car)	<b>1,593,325</b>	724,911
	<b><u>11,743,023</u></b>	<b><u>14,928,100</u></b>
<b>SCHEDULE - 4</b>		
<b>UNSECURED LOANS</b>		
Sales Tax Deferrment	<b>3,784,732</b>	3,833,472
	<b><u>3,784,732</u></b>	<b><u>3,833,472</u></b>



**SCHEDULE - 5**  
**FIXED ASSETS**

Particulars	GROSS BLOCK		DEPRECIATION		NET BLOCK				
	Cost as on 01-04-2010 Rs.	Additions during the year Rs.	Sale or adjust- ment Rs.	Total as on 31-03-2011 Rs.	As on 01-04-2010 Rs.	For the year 2010-11 Rs.	Total Upto 31-03-2011 Rs.	As on 31-03-2011 Rs.	As on 31-03-2010 Rs.
Land	84181540	—	—	84181540	—	—	—	84181540	84181540
Building	16978278	—	—	16978278	3932255	539559	4471814	12506464	13046023
Plant & Machinery	109638277	1902184	—	111540461	48324129	5828090	54152219	57388242	61314148
Furniture & Fixtures	16785784	346086	—	17131870	14730018	320643	15050661	2081209	2055766
Motor Vehicles	4504362	2297930	854664	5947628	2420621	497454	2444450	3503178	2083741
Capital Work in Progress	—	408657	—	408657	—	—	—	408657	—
<b>Total</b>	<b>232088241</b>	<b>4954857</b>	<b>854664</b>	<b>236188434</b>	<b>69407023</b>	<b>7185746</b>	<b>76119144</b>	<b>160069290</b>	<b>162681218</b>
Previous Year	151248164	80840077	—	232088241	62505995	6901028	69407023	162681218	



**Gennex Laboratories Limited**

	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
<b>SCHEDULE - 6</b>		
<b>INVESTMENTS</b>		
<b>UNQUOTED</b>		
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>
<b>SCHEDULE - 7</b>		
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
a. Inventories (As taken, valued and certified by the Management)		
i. Stores & Spares	713,125	1,276,983
ii. Coal & Diesel	87,998	64,076
iii. Raw Materials	4,473,499	8,792,919
iv. Finished Goods	12,530,780	2,157,043
v. Work-in-process	<u>1,502,541</u>	<u>3,643,243</u>
	<u>19,307,943</u>	<u>15,934,264</u>
b. Sundry Debtors (Unsecured and considered good)		
i. Debts outstanding for a period exceeding six months	695,010	527,354
ii. Others	<u>20,619,701</u>	<u>21,904,107</u>
	<u>21,314,711</u>	<u>22,431,461</u>
c. Cash and Bank Balances		
i. Cash on Hand	52,495	31,378
ii. Balance with Scheduled banks in current accounts	9,361,629	92,380
iii. In deposit accounts (Under lien with Bank towards margin-money & Sales tax Dept.)	<u>1,378,109</u>	<u>2,536,226</u>
	<u>10,792,233</u>	<u>2,659,984</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.	12,656,788	26,036,472
ii. Sundry Deposits	1,341,147	1,320,833
iii. Prepaid Expenses	<u>284,417</u>	<u>236,910</u>
	<u>14,282,352</u>	<u>27,594,215</u>
Total (a+b+c+d)	<u>65,697,239</u>	<u>68,619,924</u>



	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
<b>SCHEDULE - 8</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
A. Current Liabilities:		
i. Sundry Creditors	8,979,303	15,024,416
ii. Other Liabilities	9,583,283	8,952,461
iii. Advance received against Supplies	279,430	408,275
Total (A)	<u>18,842,016</u>	<u>24,385,152</u>
B. Provisions:		
i. Provision for Tax (Net of TDS & MAT)	2,300,000	2,100,000
ii. Provision for Bonus	144,335	136,801
iii. Provision for Gratuity	1,332,000	806,000
iv. Provision for Leave Encashment	350,000	395,000
Total (B)	<u>4,126,335</u>	<u>3,437,801</u>
Total (A+B)	<u>22,968,351</u>	<u>27,822,953</u>

**SCHEDULE - 9****OTHER INCOME**

Interest Received (Income Tax Deducted thereon Rs.22778 Previous Year Rs.100152)	226,382	188,321
Miscellaneous Receipt	—	11,875
	<u>226,382</u>	<u>200,196</u>

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

Finished Goods	2,157,043	3,377,383
Work-in-Process	3,643,243	1,714,355
	<u>5,800,286</u>	<u>5,091,738</u>

**CLOSING STOCK:**

Finished Goods	12,530,780	2,157,043
Work-in-Process	1,502,541	3,643,243
	<u>14,033,321</u>	<u>5,800,286</u>
Increase/(Decrease) in Stock	8,233,035	708,548

**Gennex Laboratories Limited**

	Year ended 31st March, 2011 <u>Rs.</u>	Year ended 31st March, 2010 <u>Rs.</u>
<b>SCHEDULE - 11</b>		
<b>COST OF MATERIALS CONSUMED:</b>		
Opening Stock		
At Factory	8,792,919	2,172,255
In Transit	—	—
	<u>8,792,919</u>	<u>2,172,255</u>
ADD: Purchases	<u>123,890,506</u>	<u>99,409,069</u>
	<u>132,683,425</u>	<u>101,581,324</u>
LESS: Closing Stock		
At Factory	4,473,499	8,792,919
In Transit	—	—
	<u>4,473,499</u>	<u>8,792,919</u>
	<u>128,209,926</u>	<u>92,788,405</u>
<b>SCHEDULE - 12</b>		
<b>MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES</b>		
Stores, Spares and Others	8,994,017	4,479,418
Power & Fuel	10,363,085	8,063,349
Job Work Charges	125,490	—
Pollution Expenses	1,118,012	1,026,497
Salaries & Wages	14,220,014	10,647,795
Contribution to Provident Fund & ESI	686,065	533,797
Bonus	144,335	136,801
Staff Welfare	659,139	596,981
Consultancy & Legal Expenses	1,384,230	1,315,325
Rent & Facilities	1,866,962	1,875,128
Electricity Charges	305,561	221,553
Security Charges	293,688	245,188
Printing & Stationery	503,125	299,887
Communication Expenses	646,489	682,715
Insurance	338,311	277,309
Travelling & Conveyance Exp.	2,489,823	1,830,647
Selling Expenses	2,966,146	1,015,375
Exchange Rate Fluctuation	470,135	684,341
Carriage Outwards	4,505,044	3,161,324
<b>Repairs &amp; Maintenance:</b>		
Building	894,901	423,891
Machinery	1,608,979	950,992
Other Assets	287,817	101,562
<b>Auditors' Remuneration:</b>		
Audit Fees	50,690	64,590
Tax Audit Fees	16,530	16,530
Certification Fees	15,000	20,000
Vehicle Maintenance	254,353	135,354
Sales Tax	—	128,309



Miscellaneous Expenses	976,198	1,916,441
Sundry Balances Written Off (Net)	443,949	3,888,235
Loss on Fixed Assets	246,038	—
	56,874,126	44,739,334

**SCHEDULE - 13****FINANCE CHARGES**

- Working Capital Loans	1,285,448	1,299,145
- Others	257,745	330,901
- Bank Charges	997,772	680,909
	2,540,965	2,310,955

**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 dimunition 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. Obsolesence 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:	2010-2011 (Rs. In Lacs)	2009-2010 (Rs. In Lacs)
i. Counter Guarantee against Bank Guarantees and Letters of Credit	0.00	40.39
ii. Income-Tax where appeals are pending	*65.48	*35.26
iii. Sales Tax where Appeal is pending	*14.57	—
iii. Advance License for Import/Export Obligation	*45.31	91.00
iv. Claim against the Company not acknowledged as debts	*3.23	3.23

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

3 The Company’s operations mainly consists of only one segment - Bulk Drugs, Biotech products & Intermediaries and therefore the figures above relate to that segment.

## 4. 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		
c. Other related parties				
S. No.	Name & Relationship	Nature of Transaction	Amount Rs.	
1.	Mr. Arihant Baid (Son of Director)	Remuneration	12,00,000	
			(Rs. in Lacs)	
S. No.	Name & Relationship	Advances Taken Include Opening Balance	Advances Paid Include Opening Balance	Amount Rs.
2.	Mercury Fund Management Co. Ltd.	70.72	70.72	0
3.	Prudential Management Advisors (P) Ltd.	3.74	3.74	0
4.	Regent Education & Research Foundation Trust	0	0.32	0.32
5.	Deccan Remedies Limited	130.21	130.21	0



5. EARNINGS PER SHARE (Accounting Standard-20)

Earnings per share has been computed as under	2010-2011	2009-2010
a. Profit after Taxation	4,075,185	(7,000,611)
b. Number of ordinary shares outstanding	126,503,000	126,503,000
c. Earnings Per Share (Face value Re.1/-) (Basic)	0.03	-0.06
No. of Shares	126,503,000	126,503,000
Total	126,503,000	126,503,000
(Diluted EPS)	0.03	-0.06

6. The break up of the net Deferred Tax Liability as on 31st March, 2011 is as under:

Sl.No	Particulars	Deferred Tax
a)	Difference between Book & Tax Depreciation (Liability)	13,927,076
b)	Provisions	(651,245)
	Total	13,275,831
	Net Deferred Tax Liability/(Assets)	13,275,831

7. Details of Managerial remuneration:

	2010-2011 (Rupees)	2009-2010 (Rupees)
	Nil	Nil

8. 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, 2011		Year ended 31st March, 2010	
	Qty in MTs	Rs.	Qty. in MTs	Rs.
i. Installed Capacity				
- Bulk Drugs/Intermediates	900.000		900.000	
ii. Actual Production				
- Bulk Drugs/Intermediates	526.878		388.653	
iii. Purchase	0.010		0	
iv. Turnover				
- Bulk Drugs/Intermediates	355.389	197,774,782	299.058	154,451,659
- Captive Consumption	152.000		92.200	
- Job-work Receipts	0	0		-
- Raw Materials	0	—		-
v. Opening Stock of Finished Goods				
- Bulk Drugs/Intermediates	5.801	2,157,043	8.406	3,377,383
vi. Closing Stock of Finished Goods				
- Bulk Drugs/Intermediates	25.300	12,530,780	5.801	2,157,043



## Gennex Laboratories Limited

	<u>Year ended</u> <u>31st March, 2011</u>		<u>Year ended</u> <u>31st March, 2010</u>	
vii. Information in regard to raw materials consumed	<b>Qty.in Kgs</b>		<b>Qty.in Kgs</b>	
a. Guaicol	<b>264.350</b>	<b>68,013,262</b>	210.717	57,015,410
b. Ephichlorhydrine	<b>233.481</b>	<b>26,877,344</b>	191.676	15,627,303
c. Caustic Soda Flakes	<b>117.861</b>	<b>2,369,103</b>	97.743	2,182,524
d. Solvents	<b>245.223</b>	<b>11,208,793</b>	156.010	6,935,072
e. Others	<b>410.010</b>	<b>19,741,424</b>	264.637	11,028,096
	<b>1,270.925</b>	<b>128,209,926</b>	920.783	92,788,405
viii. Value of imported and indigeneous raw materials purchase/consumed:				
a. Imported	<b>26%</b>	<b>33,753,674</b>	37%	34,562,007
b. Indigeneous	<b>74%</b>	<b>94,456,252</b>	63%	58,226,398
		<b>128,209,926</b>		92,788,405
ix. Stores, Spare Parts & Components (Indigeneous)		<b>8,994,017</b>		4,479,418
x. Earnings in Foreign Currency on F.O.B. basis				
- Export of Goods		<b>94,607,474</b>		49,122,043
xi. Value of imports on C.I.F. basis				
- Raw materials		<b>34,663,249</b>		37,908,280
xii. Expenditure in Foreign Currency		<u>Rs.</u>		<u>Rs.</u>
a. Bank Charges		<b>210,256</b>		127,818
b. Sales Commission		<b>2,130,711</b>		810,144
c. Travelling Expenses		<b>496,752</b>		80,973
9. Employees Benefits:				
As per the valuation made by the independent Agency the present value of accrued gratuity comes to Rs. 13,32,000 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. 454,455.				
The Company contributes applicable rates of salary of all eligible employees towards provident fund managed by the Central Government.				
10. Balance in Advances, Deposits, Unsecured loans, other Liabilities, Sundry Debtors, Sundry Creditors and advance against supplies are subject to confirmation by respective parties.				
11. The Company acquired land for which Registration formalities are yet to be completed, for Land purchased by the Company in earlier year.				



12. The Company's Lease Agreement is in respect of Building at Srinagar Colony. The Lease Rentals payable are charged as "Lease Rental Charges" under "Other Expenses" in Schedule - 13. This Leasing arrangement are for longer period and renewable by mutual consent on mutually agreeable terms. Future lease rental payable are as under:

Particulars	Rs. in Lakhs
	As at March 31, 2011*
Payable:	
Not later than one year	15.00
Later than one year but not later than 3 years	19.50
Later than 3 years	0

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

13. Investment includes Rs.70,000,000 in shares of Deccan Remedies Ltd. for the Company's expansion plans.
14. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.
15. Remuneration paid to Mr. Arihant Baid, S/o. Mr. Vinod Baid, subject to approval of members and Central Government.
16. In accordance with the Accounting Standard (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 carried out by the management there was no impairment loss on the fixed assets during the year ended 31st March, 2011.
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  
**Membership No. 015332**

**U C Bhandari**  
Director

Place: Hyderabad  
Date : 31st August, 2011





**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

**I. Registration Details**

Registration Number : 11168  
State Code : 01  
Balance Sheet Date : 31.03.2011

**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 : 2596.22                      Total Assets : 2596.22

**Sources of Funds:**

Paid up Capital : 1265.03	Share Warrants Money : 0.00
	Reserve & Surplus : 1175.92
Secured Loans : 117.43	Unsecured Loans : 37.85

**Application of Funds:**

Net Fixed Assets : 1600.69	Investments : 701.00
Net Current Assets : 427.29	Deferred Tax - Net : -132.76

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

Total Income : 2062.34	Total Expenditure : 2012.02
Profit before Tax : 50.32	Prior period adjustments : 0
Profit/(Loss) after Tax : 40.75	Earning per share : 0.03
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 : Fluconazole

For and on behalf of the Board

Place : Hyderabad  
Date : 31st August, 2011

**Vinod Baid**  
Chairman

**U C Bhandari**  
Director



	31.03.2011 (Rs. in Lacs)	31.03.2010 (Rs. in Lacs)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items:	50.32	46.66
Adjustment for:		
Depreciation	71.86	69.01
Finance Charges	25.41	23.11
Loss on Fixed Assets	2.46	0.00
Interest Received	-2.26	-1.88
Taxation	0.00	0.00
<b>Operating Profit before Working Capital Changes</b>	<b>147.79</b>	<b>136.90</b>
Adjustment for:		
Trade and Other Receivables	144.29	1359.72
Inventories	-33.74	-78.34
Trade Payables	-71.98	-530.12
<b>Cash generated from operations</b>	<b>186.36</b>	<b>888.16</b>
Adjustments for:		
Interest/Other Income Received	0.00	0.00
Prior Period Adjustments	0.00	-106.46
Income-tax	0.00	0.00
<b>Net Cash from Operating Activities</b>	<b>186.36</b>	<b>781.70</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	-49.55	-808.40
Purchase of Investments	0.00	0.00
Sale of Assets	0.00	0.00
Interest/Other Income received	2.26	1.88
<b>Net Cash used in Investing Activities</b>	<b>-47.29</b>	<b>-806.52</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Bank borrowings	-31.85	41.18
Finance Charges	-25.41	-23.11
Issue of Equity Shares/Warrants	0.00	0.00
Increase/(Decrease) in Unsecured Loans	-0.49	-9.81
<b>Net Cash from Financing Activities</b>	<b>-57.75</b>	<b>8.26</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT(A+B+C)</b>	<b>81.32</b>	<b>-16.56</b>
<b>Cash and Cash Equivalents as on 01.04.2010</b>	<b>26.60</b>	<b>43.16</b>
<b>Cash and Cash Equivalents as on 31.03.2011</b>	<b>107.92</b>	<b>26.60</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, 2011

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", 3rd 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 26th Annual General Meeting of the company to be held on Friday, the 30th September, 2011 at 11.00 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 ..... 2011.

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**

(Formerly Prudential Pharmaceuticals 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 26th Annual General Meeting of the Company to be held on Friday, the 30th September, 2011 at 11.00 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.

**BOOK POST**

*If undelivered, please return to:*  
**GENNEX LABORATORIES LIMITED**  
"AKASH GANGA", 3rd Floor, Plot No. 144,  
Srinagar Colony, Hyderabad - 500 073.