

23rd ANNUAL REPORT
2007 - 2008



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 Jhunjhunwala	-	<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. Lakshminiwas & Jain
Chartered Accountants
5-4-726, Nampally Station Road
Hyderabad – 500 001.

REGISTRAR & SHARE TRANSFER AGENTS

CIL Securities Ltd
214, Raghava Ratna Towers
Chirag Ali Lane
Hyderabad – 500 001.



NOTICE

Notice is hereby given that the Twenty Third Annual General Meeting of the Company will be held on Saturday the 27th September 2008 at 10.00 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 31st March 2008 and the Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in the place of Shri U C Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. Lakshminiwas & 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, 2008

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 24th September, 2008 to 27th September, 2008 (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, 2008

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	U C Bhandari
1.	Age	56 Years
2.	Date of Appointment	22/03/2003
3.	Qualification	B.Com., FCA
4.	Experience	Having vast experience of Global Loan Syndication and Mergers & Acquisitions. Over 25 years experience in Financial Consultancy especially in real estate and financial markets.
5.	Other Directorships	Prudential Sugar Corporation Ltd. Raj Packaging Industries Ltd., B & B Infratech Ltd., Atlantis Stocks Ltd., Prudential Tea Ltd., Enrich Stocks Pvt. Ltd., Ritual Garments Exports Pvt. Ltd., Bonchance Finance Pvt. Ltd., Paresh Exports Pvt. Ltd., Gaurav Securities Pvt. Ltd., Ritual Finance & Investments Pvt. Ltd., Sitar Construction Pvt. 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 Third Annual Report and the Audited Accounts for the year ended 31st March, 2008.

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

	Year ended 31.03.2008	Year ended 31.03.2007
Profit before Finance charges and Depreciation	203.56	209.14
Finance Charges	18.05	14.16
Depreciation	78.47	86.43
Prior Period Adjustment	-	2.50
Provision for Tax:		
- Current	42.00	12.00
- Deferred	(3.98)	27.44
- Fringe Benefit Tax	0.96	0.86
Profit after Tax	68.06	70.75
Adjustment for Tax of earlier year	(7.38)	-
Surplus Brought forward	335.07	267.32
Surplus carried forward	410.51	335.07

2. Performance & Prospects:

During the year under review, the Company has successfully completed GMP as stipulated under the provisions as per the Schedule M of the Drug and Cosmetics Rules, 1945 and obtained GMP Certification. The Company has ordered HPLC, which is in the process of installing the said machine which will help the Company to analyze the production process stage-wise to ensure quality product.

The Company has diversified into Biotech product and is expecting a great demand

for the Biotech products which will increase the profitability of the company in the coming years.

During the year under review the Company could achieve net profit of Rs.75.44 lacs as against Rs.70.75 Lacs during the previous year 2006-07. Due to the increase in the basic Raw Materials prices there is slender increase in the net profit of the Company in the current year. The demand for company's product has been growing steadily and see major demand in coming years.

3. **Dividend:** During the financial year 2007-08 your Board of Directors could not recommend any dividend due to absence of distributable profit.

4. **Directors:** Shri U C Bhandari, 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, 2008 and of the loss 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;



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- iv. The Annual Accounts have been prepared on a going concern basis.
- 6. Auditors:** M/s. Lakshminiwas & 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 for accomplishment of organizational objectives.
- 8.** 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.
- 9. Acknowledgement:** The Board of Directors are very thankful to the State Bank of Hyderabad and other Government Agencies for their continued help, guidance and assistance in the functioning of the Company.
- 10.** Your Directors express their gratitude to the shareholders for the confidence reposed in the Company.
- 11.** Information on Energy Conservation and Technology Absorption required to be disclosed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, forming part of the Directors' Report for the year ended 31st March 2008, is enclosed as Annexure to this Report.

for and on behalf of the Board

Place: Hyderabad
Date : 31st August, 2008

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)**

	2007-2008	2006-2007
A. POWER & FUEL CONSUMPTION		
1. ELECTRICITY		
a. Purchased Units (KWH in Lacs)	3.21	4.65
Total amount (Rs. In Lacs)	15.23	19.73
Rate/Unit (Rs./KWH)	4.75	4.24
b. Owned Generation		
Through Diesel Generator Unit (KWH in Lacs)	0.31	0.52
Total Amount (Rs. In Lacs)	1.73	2.60
Units per liter of Diesel Oil	5.98	7.11
Cost/Unit (Rs./KWH)	5.67	4.96
2. COAL		
Quality 'C' Grade in Steam Boiler		
Quantity (Tonnes)	196	239
Total Cost (Rs. In Lacs)	7.66	7.97
Average rate/T (Rs.)	3912	3335
B. CONSUMPTION PER UNIT OF PRODUCTION:		
Electricity & Diesel (KWH)	2.14	2.26
Coal (M.T.)	1.19	1.04

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.	4,47,23,902
2. Value of imports on C.I.F. basis – Raw materials	Rs.	3,80,98,890
3. Expenditure in Foreign Currency	—	



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 2007-2008 on 29.05.2007, 16.07.2007, 04.09.2007, 13.10.2007, 30.10.2007 and 31.01.2008 The last Annual General Meeting of the Company was held on September 28, 2007.

Name of Director	No. of Meetings held	No. of Meetings attended	Attendance at last AGM
Shri Vinod Baid	6	6	Y
Shri Kishore Jhunjunwala	6	4	N
Shri U.C. Bhandari	6	5	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 Jhunjunwala - Member
2. Shri U.C. Bhandari - Member
3. Shri Y.Ravinder Reddy - Member

During the Financial Year 2007-2008, Five Audit Committee Meetings were held on 25.05.2007, 29.06.2007, 30.08.2007, 27.10.2007 and 31.01.2008.

Attendance at Audit Committee Meetings

Name of the Director	No. of Meetings attended
Shri U.C. Bhandari	5
Shri Kishore Jhunjunwala	3
Shri Y Ravinder Reddy	5

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 L.P. Baid, Asst. Vice President (Accounts & Administration) has been designated as Compliance Officer. During the year 2007-2008, 4 (four) complaints were received from Investors, All complaints have generally been resolved to the satisfaction of the complainants.

All valid share transfers received during the year 2007-2008 have been acted upon by the company and there were no pending share transfers as on March 31, 2008.

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
2004-2005	30.09.2005 / 10.00 a.m.	Registered Office
2005-2006	29.09.2006 / 10.00 a.m.	Registered Office
2006-2007	28.09.2007 / 10.00 a.m.	Registered Office

During the year the company has passed special resolutions for preferential issue of Equity/ Shares/Warrants for the company's expansion plans, acquisitions and capital expenditure.

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 : 27th September, 2008 at 10.00 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 : INE509C01018
CDSL for Equity Shares

B. Date of Book Closure : 24th September 2008 to 27th September 2008
(both days inclusive)

C. Registrar & Share Transfer Agent

CIL Securities Ltd, 214, Rahava Ratna Towers, Chirag Ali Lane, Hyderabad - 500 001.

D. Address for Correspondence

CIL Securities Ltd
Unit Gennex Laboratories Limited
(Formerly Prudential Pharmaceuticals Limited)
214, Raghava Ratna Towers, Chirag Ali Lane,
Hyderabad - 500 001

E. Compliance Officer

Shri L.P. Baid
Asst. Vice President (Accounts & Administration)
Gennex Laboratories Limited
'AKASH GANGA' 4th Floor
Plot No.144, Srinagar Colony
Hyderabad - 500 073.

F. 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.

G. 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). 98,90,682 Equity Shares which consists of 78.19% of total Equity capital is held in Dematerialized form with NSDL and CDSL as on 31st March, 2008.

H. 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, 2008

Shareholding of Nominal value of		Shareholders		Share Amount	
Rs.	Rs.	Number	% to Total	(in Rs.)	% to Total
Upto	5000	4138	86.99	60,35,860	4.77
5001	- 10000	306	6.43	27,59,250	2.18
10001	- 20000	139	2.92	22,71,510	1.80
20001	- 30000	46	0.97	12,15,000	0.96
30001	- 40000	34	0.71	12,41,090	0.98
40001	- 50000	25	0.53	12,09,840	0.96
50001	- 100000	34	0.71	27,00,110	2.13
100001	and above	35	0.74	10,90,70,340	86.22
Total		4757	100.00	12,65,03,000	100.00

J. Shareholding Pattern as on 31st March, 2008

Category	No. of shares held	Percentage of shareholding
1 Promoters' Holding		
1. Indian Promoters		
- Individual	4818	0.04
- Bodies Corporate	50,42,182	39.86
2. Persons acting in concert	—	—
Sub-Total (1)	50,47,000	39.90
2. Non-Promoters' Holding		
Institutional Investors:		
a. Mutual Funds and UTI	—	—
b. Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-Government Institutions)	—	—
c. FIIs	—	—
3 Others		
a. Private Corporate Bodies	43,61,442	34.48
b. Indian Public	32,41,858	25.62
c. NRIs/OCBs	—	—
d. Any other	—	—
Sub-Total (2)	76,03,300	60.10
Grand Total (1+2)	1,26,50,300	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 2007 to March 2008.

Period	The Bombay Stock Exchange Ltd.	
	High	Low
April 2007	15.10	9.65
May 2007	15.51	12.45
June 2007	24.55	15.95
July 2007	29.95	23.30
August 2007	28.90	34.30
September 2007	36.75	29.40
October 2007	36.00	31.00
November 2007	49.75	32.80
December 2007	59.00	40.75
January 2008	54.95	34.90
February 2008	45.50	33.00
March 2008	43.00	30.10

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: 31st August, 2008



**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, 2008 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, 2008 as stipulated in clause 49 of the Listing Agreement of the said company with the Stock Exchanges (hereinafter referred to as Clause 49).

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the directors and the management, we certify that the Company has by 31st March 2008, 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, 2008 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 Lakshminiwas & Jain
Chartered Accountants

Sharada G Patil
Partner
M.No. 015332

Place : Hyderabad

Date : 31st August, 2008



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 44100030862-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 Discussion and Analysis Report" be considered to be forward looking statements within 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 31.03.2008 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. 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 Central Government of India 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, 2008, 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 Non-confirmation of balances in Advances, Deposits, Unsecured Loans, Other Liabilities, Sundry Debtors, Sundry Creditors and Advance against supplies respectively 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 31.03.2008 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 Lakshminiwas & Jain
Chartered Accountants
Sharada G Patil
Partner
M.No. 015332

Place : Hyderabad
Date : 31st August, 2008

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 are 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 two parties covered in the register maintained under Section 301 of the Companies Act, 1956. The year end balance of loans/(advances) granted to such parties was Rs. 492.86 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 any loan from company, parties covered in the register maintained under Sec. 301 of the Act
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. Further, on the basis of our examination, and according to the information and explanation given to us, there are no continuing failures to correct major weaknesses in internal controls.
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 an internal audit system commensurate with the size and nature of its business.
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 31.03.2008 for a period of more than six months from the date they became payable.
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. 64.65 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 31.03.2008 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 no overdrawn the working capital limit of Rs. 75.00 Lakhs from State Bank of Hyderabad.
12. In our opinion and according to the information and explanation given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
13. In our opinion, the Company is not a Chit Fund or Nidhi / Mutual Benefit Fund / Society. Therefore, the provisions of Clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from Banks or Financial Institutions.



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 the 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, the Company has made Preferential allotment of Shares to parties and Companies covered in the Register maintained Under Section 301 of the Companies Act. In our opinion, the price at which shares has been issued is not prejudicial to the interest of the company.
19. According to the information and explanation given to us, during the year the company has not issued any debentures.
20. According to the information and explanation given to us, we have verified the end use of money raised by issue of Shares during the year as disclosed in the notes to the Financial Statement.
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 Lakshminiwas & Jain
Chartered Accountants
Sharada G Patil
Partner
M.No. 015332

Place : Hyderabad
Date : 31st August, 2008

**BALANCE SHEET AS AT 31ST MARCH, 2008**

	Schedule	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
I. SOURCES OF FUNDS			
a. Shareholders' Funds:			
i. Share Capital	1	126,503,000	101,503,000
ii. Share Warrants	1	7,250,000	0
ii. Reserve & Surplus	2	110,274,369	55,229,997
b. Loan Funds:			
i. Secured Loans	3	6,760,286	10,171,142
ii. Unsecured Loans	4	4,159,764	3,765,911
		<u>10,920,050</u>	<u>13,937,053</u>
TOTAL		<u>254,947,419</u>	<u>170,670,050</u>
II. APPLICATION OF FUNDS			
a. Fixed Assets:			
Gross Block	5	149,474,990	149,130,991
Less: Depreciation		<u>56,378,101</u>	<u>48,865,740</u>
Net Block		93,096,889	100,265,251
b. Investments	6	70,100,000	100,000
c. Current Assets, Loans & Advances:			
i. Inventories		12,441,503	11,445,073
ii. Sundry Debtors		70,979,918	31,344,794
iii. Cash and Bank Balances		4,078,742	1,051,930
iv. Loans and Advances		75,044,832	55,036,224
		<u>162,544,995</u>	<u>98,878,021</u>
Less: Current Liabilities and Provisions	8	<u>54,382,754</u>	<u>11,763,139</u>
Net Current Assets		108,162,241	87,114,882
d. Deferred Tax (net)		(16,411,711)	(16,810,083)
e. Miscellaneous Expenditure (to the extent not written off or adjusted)		-	-
TOTAL		<u>254,947,419</u>	<u>170,670,050</u>

Notes on the Accounts 14

Schedules 1 to 14 annexed hereto form part of these accounts

Per our report attached
For **Lakshminiwas & Jain**
Chartered Accountants
Sharada G Patil (M. No. 015332)
Partner
Place: Hyderabad
Date : 31/08/2008

For and on behalf of the Board
Vinod Baid
Chairman
U C Bhandari
Director


PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

	Schedule	Year Ended 31st March, 2008 Rs.	Year Ended 31st March, 2007 Rs.
INCOME			
Income from Operations		222,983,548	114,713,545
Other Income	9	66,69,418	177,332
Increase/(Decrease) in Stocks	10	(353,582)	(4,826,460)
		<u>229,299,384</u>	<u>110,064,417</u>
EXPENDITURE			
Cost of materials pur/consumed	11	176,191,347	60,800,907
Purchase		201,452	1,988,524
Excise Duty		3,176,353	4,512,637
Manufacturing, Selling & Administrative Expenses	12	29,374,145	21,848,588
Finance Charges	13	1,805,285	1,416,240
Depreciation	5	7,846,970	8,642,831
		<u>218,595,552</u>	<u>99,209,727</u>
Profit Before Tax		10,703,832	10,854,690
Prior Period Adjustment			250,056
Provision for Tax			
a. Current Tax		4,200,000	1,200,000
b. Deffered Tax		(398,372)	2,743,970
c. Fringe Benefit Tax		95,575	85,765
Profit after Tax		6,806,629	7,075,011
Adjustment for Tax of earlier year		(737,743)	—
Balance as per last year Balance Sheet		33,507,105	26,432,094
Balance available for appropriation		<u>41,051,477</u>	<u>33,507,105</u>
Appropriations:			
Amount transferred to General Reserve		—	—
Balance carried forward		<u>41,051,477</u>	<u>33,507,105</u>
		<u>41,051,477</u>	<u>33,507,105</u>
Basic and Diluted Earning Per Share		0.60	0.70
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 **Lakshminiwas & Jain**
Chartered Accountants

Vinod Baid
Chairman

Sharada G Patil (M. No. 015332)
Partner

U C Bhandari
Director

 Place: Hyderabad
Date : 31/08/2008



Gennex Laboratories Limited

	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
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SCHEDULE - 1

SHARE CAPITAL

AUTHORISED CAPITAL

1,60,00,000 (Previous Year 1,20,00,000)

Equity Shares of Rs.10/- each

160,000,000

120,000,000

ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

1,26,50,300 (Previous Year 1,01,50,300)

Equity Shares of Rs.10/- each

126,503,000

101,503,000

126,503,000

101,503,000

Share Warrants

(25,00,00 share Warrants of Rs. 29/- per warrant including premium of Rs.19/- per warrant (Previous year - Nil)

Called up and paid up Rs. 2.90 per Warrant

(Previous Year-Nil)

7,250,000

—

133,753,000

101,503,000

SCHEDULE - 2

RESERVES AND SURPLUS

Share Premium

60,000,000

12,500,000

Investment Subsidy

2,000,000

2,000,000

General Reserve

7,222,892

7,222,892

Profit & Loss Account

41,051,477

33,507,105

110,274,369

55,229,997

SCHEDULE - 3

SECURED LOANS

Working Capital Borrowings

6,760,286

10,171,142

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)

SCHEDULE - 4

UNSECURED LOANS

Car Loans

326,292

87,341

Sales Tax Deferrment

3,833,472

3,678,570

4,159,764

3,765,911

SCHEDULE - 5
FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as on 01-04-2007 Rs.	Additions during the year Rs.	Sale or adjust- ment Rs.	Total as on 31-03-2008 Rs.	As on 01-04-2007 Rs.	Adjust- ments Rs.	For the year 2007-08 Rs.	Total Upto 31-03-2008 Rs.	As on 31-03-2008 Rs.	As on 31-03-2007 Rs.
Land	6306540	-	-	6306540	-	-	-	-	6306540	630654
Building	14696154	-	-	14696154	2518775	-	441221	2959996	11736158	12177379
Plant & Machinery	107962854	159200	528107	107593947	31973916	334609	5674621	37313928	70280019	75988938
Furniture & Fixtures	16178273	213681	-	16391954	12750368	-	1414430	14164798	2227156	3427905
Motor Vehicles	3517170	499225	-	4016395	1622681	-	316698	1939379	2077016	1894488
Capital Work in Progress	470000	-	-	470000	-	-	-	-	470000	470000
Total	149130991	872106	528107	149474990	48865740	334609	7846970	56378101	93096889	100265250
Previous Year	148448214	1132739	449962	149130991	40472965	250056	8642831	48865740	100265251	



**Gennex Laboratories Limited**

	As at 31st March, 2008 Rs.	As at 31st March, 2007 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	
	<u>70,100,000</u>	<u>100,000</u>
SCHEDULE - 7		
CURRENT ASSETS, LOANS & ADVANCES		
a. Inventories (As taken, valued and certified by the Management)		
i. Stores & Spares	748,781	248,619
ii. Coal & Diesel	124,459	92,621
iii. Raw Materials	8,879,773	8,061,761
iv. Finished Goods	884,658	806,800
v. Work-in-process	<u>1,803,832</u>	<u>2,235,272</u>
	<u>12,441,503</u>	<u>11,445,073</u>
b. Sundry Debtors (Unsecured and considered good)		
i. Debts outstanding for a period exceeding six months	505,688	1,506,216
ii. Others	<u>70,474,230</u>	<u>29,838,578</u>
	<u>70,979,918</u>	<u>31,344,794</u>
c. Cash and Bank Balances		
i. Cash on Hand	2,723,145	860,829
ii. Balance with Scheduled banks in current accounts	181,245	36,101
iii. In deposit accounts (Under lien with Bank towards margin-money & Sales tax Dept.)	<u>1,174,352</u>	<u>155,000</u>
	<u>4,078,742</u>	<u>1,051,930</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.	73,783,509	53,064,260
ii. Export benefits receivable	—	624,911
iii. Sundry Deposits	1,200,183	1,190,183
iv. Prepaid Expenses	<u>61,140</u>	<u>156,870</u>
	<u>75,044,832</u>	<u>55,036,224</u>
Total (a+b+c+d)	<u>162,544,995</u>	<u>98,878,021</u>



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	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
SCHEDULE - 8		
CURRENT LIABILITIES & PROVISIONS		
A. Current Liabilities:		
i. Sundry Creditors	43,948,840	5,497,316
ii. Other Liabilities	4,637,278	3,800,106
iii. Advance received against Supplies	454,118	143,761
Total (A)	<u>49,040,236</u>	<u>9,441,183</u>
B. Provisions:		
i. Provision for Tax (Net of TDS & MAT)	4,200,000	1,200,000
ii. Provision for Fringe Benefit Tax	95,575	—
iii. Provision for Bonus	107,042	53,205
Provision for Gratuity	626,143	643,933
Provision for Leave Encashment	313,758	424,818
Total (B)	<u>5,342,518</u>	<u>2,321,956</u>
Total (A+B)	<u>54,382,754</u>	<u>11,763,139</u>

SCHEDULE - 9

OTHER INCOME

Interest Received (Income Tax Deducted thereon Rs.13852.00/-, Previous Year Rs.5148.00/-)	110,502	34,433
Miscellaneous Receipt	—	49,505
Commission Received	36,62,154	—
Claim Received	28,96,762	—
Sundry Balances w/off	—	93,394
	<u>66,69,418</u>	<u>177,332</u>

SCHEDULE - 10

INCREASE / (DECREASE) IN STOCK OF FINISHED GOODS AND WORK-IN-PROCESS

OPENING STOCK:

Finished Goods	806,800	2,200,952
Work-in-Process	2,235,272	5,667,580
	<u>3,042,072</u>	<u>7,868,532</u>

CLOSING STOCK:

Finished Goods	884,658	806,800
Work-in-Process	1,803,832	2,235,272
	<u>2,688,490</u>	<u>3,042,072</u>
Increase/(Decrease) in Stock	(353,582)	(4,826,460)



Gennex Laboratories Limited

	Year ended 31st March, 2008 Rs.	Year ended 31st March, 2007 Rs.
SCHEDULE - 11		
COST OF MATERIALS CONSUMED:		
Opening Stock		
At Factory	6,289,734	3,894,268
In Transit	1,772,027	—
	<u>8,061,761</u>	<u>3,894,268</u>
ADD: Purchases	<u>177,009,359</u>	<u>64,968,400</u>
	185,071,120	68,862,668
LESS: Closing Stock		
At Factory	8,879,773	6,289,734
In Transit	—	1,772,027
	<u>176,191,347</u>	<u>60,800,907</u>
SCHEDULE - 12		
MANUFACTURING, SELLING AND ADMINISTRATIVE EXPENSES		
Stores, Spares and Others	4,754,446	2,480,930
Power & Fuel	3,477,400	4,828,613
Job Work Charges	204,170	—
Pollution Expenses	369,490	440,094
Salaries & Wages	5,196,070	4,702,910
Contribution to Provident Fund & ESI	352,885	350,419
Bonus	107,042	53,205
Staff Welfare	335,732	332,400
Consultancy & Legal Expenses	150,592	96,296
Rent & Facilities	1,657,757	1,091,988
Electricity Charges	312,326	320,617
Security Charges	245,180	165,321
Printing & Stationery	240,836	230,915
Communication Expenses	537,845	599,970
Insurance	187,946	252,590
Travelling & Conveyance Exp.	1,277,857	243,115
Selling Expenses	356,303	816,007
Exchange Rate Fluctuation	671,132	638,115
Carriage Outwards	2,027,928	2,085,702
Repairs & Maintenance:		
Building	1,258,505	25,128
Machinery	1,831,536	499,282
Other Assets	163,712	44,503
Auditors' Remuneration:		
Audit Fees	64,590	39,590
Tax Audit Fees	16,650	16,530
Certification Fees	68,540	30,000
Vehicle Maintenance	335,751	4,18,986
Sales Tax	466,971	290,984



Miscellaneous Expenses	2,166,343	754,378
Sundry Blances Written Off (Net)	3,45,232	—
Loss on Fixed Assets	193,498	—
	<u>29,374,145</u>	<u>21,848,588</u>

SCHEDULE - 13**FINANCE CHARGES**

- Working Capital Loans	1,112,218	1,009,981
- Others	100,126	76,295
- Bank Charges	592,941	329,964
	<u>1,805,285</u>	<u>1,416,240</u>

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 accounted for at the exchange rates prevailing at the time of accounting for such transactions. Gains or losses arising out of settlement of the Foreign Currency transactions are accounted for in the Profit & Loss Account at the time of realisation.

g. VALUATION OF INVENTORIES:

i. Stores & Spares are valued at Weighted Average Cost.

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

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:	2007-2008	2006-2007
	(Rs. In Lacs)	(Rs. In Lacs)
i. Counter Guarantee against Bank Guarantees and Letters of Credit	11.50	1.50
ii. Income-Tax where appeals are pending	*64.65	*72.10
iii. Sales Tax where Appeal is pending	0	121.97

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

3 Excise Duty estimated at Rs.1.28 Lacs (Previous year Rs. 1.32 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-08	March-07	March-08	March-07	March-08	March-07
Revenue						
Export Sales	468.47	609.30	0	0	468.47	609.30
Domestic Sales	225.77	538.13	1535.60	0	1761.37	538.13
Total Revenue	694.24	1147.43	1535.60	0	2229.84	1147.43
Segment Result	-174.44	122.37	298.43	0	123.99	122.37
Unallocated Expenses	0	2.50	0	0	0	2.50
Less: Interest Expense	18.05	14.16	0	0	18.05	14.16
Add: Interest Income	0.60	0.34	0.51	0	1.11	0.34
Profit Before Tax	-191.89	111.05	298.94	0	107.05	111.05
Less: Provision for Tax/Deffer Tax etc.,					31.61	40.30
Net Profit	0	0	0	0	75.44	70.75

Other Information

Segment Assets	2496.60	1992.43	760.82	0	3257.42	1992.43
Segment Liabilities	288.65	257.00	364.37	0	653.02	257.00
Capital Expenditure	8.72	11.33	0	0	8.72	11.33
Depreciation	78.47	86.43	0	0	78.47	86.43
Non Cash Expenses Other than Depreciation	0	0	0	0	0	0



Secondary Segment Details	Within India		Outside India		Total	
	March-08	March-07	March-08	March-07	March-08	March-07
Revenues	1761.37	538.13	468.47	609.30	2229.84	1147.43
Segment Assets	3245.22	1915.77	12.20	76.66	3257.42	1992.43
Capital Expenditure	8.72	11.33	0	0	8.72	11.33

5. RELATED PARTY TRANSACTIONS (Accounting standard -18)

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

b. Enterprises where Control Exists

Prudential Sugar Corporation Ltd Nil

c. Other related parties

S. No. Name & Relationship	Nature of Transaction	Mximum Outstanding	Amount Rs.
Mercury Fund Management Co. Limited	Advances Investment	49,285,812 70,000,000	49,285,812 70,000,000

6. EARNINGS PER SHARE (Accounting Standard-20)

Earnings per share has been computed as under	2007-2008	2006-2007
a. Profit after Taxation	7,544,372	7,01,000
b. Number of ordinary shares outstanding	12,650,300	10,150,000
c. Earnings Per Share (Face value Rs.10/-) (Basic and Diluted)	0.60	0.70

7. The break up of the net Deferred Tax Liability as on 31st March, 2008 is as under,

Sl.No	Particulars	Deferred Tax Asset	Deferred Tax Liability
a)	Difference between Book & Tax Depreciation	-	16,448,095
b)	Others	36,384	-
	Total	36,384	16,448,095
	Net Deferred Tax Liability		16,411,711

8. Details of Managerial remuneration:

	2007-2008 (Rupees)	2006-2007 (Rupees)
	Nil	Nil



Gennex Laboratories Limited

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 2008 (Qty. in MT)		Year ended 31st March, 2007 (Qty. in MT)	
i. Installed Capacity				
- Bulk Drugs/Intermediates		900.000		900.000
ii. Actual Production				
- Bulk Drugs/Intermediates		164.361		228.998
iii. Turnover				
- Bulk Drugs/Intermediates	136.915	68111065	215.962	93203873
- Captive Consumption	28.710		26.697	
- Job-work Receipts	0	0		21500000
- Raw Materials		1312017		9672
iv. Opening Stock of Finished Goods				
- Bulk Drugs/Intermediates	3.067	806800	11.728	2200952
v. Purchase of Goods for Re-sale	0.500	201452	5.000	1988524
vi. Closing Stock of Finished Goods				
- Bulk Drugs/Intermediates	1.638	884658	3.067	806800
vii. Information in regard to raw materials consumed	Qty.in Kgs		Qty.in Kgs	
a. Guaicol	125,200	30,465,581	147,800	30,925,852
Epichlorhydrine	95,553	8,994,172	131,609	14,713,816
O.C.B.	-	-	-	-
d. Caustic Soda Flakes	46,887	1,196,155	63,625	1,462,603
e. Solvents	141,896	6,373,456	188,317	8,127,587
f. Others	54,983	1,950,068	66,543	5,571,049
	464,519	48,979,432	597,894	60,800,907
viii. Value of imported and indigeneous raw materials purchase/consumed:				
a. Imported	73%	35,940,517	74%	44,772,818
b. Indigeneous	27%	13,038,915	26%	16,028,089
c. Purchases at Kolkata		127,211,915		—
		176,191,347		60,800,907
ix. Stores, Spare Parts & Components (Indigeneous)		4,754,446		2,480,930
x. Earnings in Foreign Currency on F.O.B. basis				
- Export of Goods		44,723,902		50,501,643
xi. Value of imports on C.I.F. basis				
- Raw materials		38,098,890		45,795,675
xii. Expenditure in Foreign C urrency		—		—

10. Employees Benefits:

As per the valuation made by the independent Agency the present value of accrued gratuity comes to Rs. 6,26,143/- which has taken in accounts.



Defined Contribution Plan:

Contribution Plan:

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

Employer's Contribution to Provident/Pension Fund - Rs. 2,51,882/-

The Company contribute 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. Fully Convertible Warrant represents the application amounts received for allotment of 25,00,000 warrants convertible within a period of 18 Months from the date of the allotment of the warrants into 25,00,000 equity Shares of Rs. 10/- each at an exercise price of Rs. 29/- per share or at the price determined in accordance with the relevant SEBI guidelines, whichever is higher.
13. The Company has invested 700,000,000 is shares of Deccan Remedies Ltd for the Company's expansion plans out of money raised through Shares/Warrants during the year.
14. There are no amounts due and outstanding to be credited to Investor Education and Protection Fund.
15. As per the requirement of Small, Medium & Micro Industries Act, 2006, certain disclosures are required to be made. As the company is still in the process of compiling the information, such disclosure is not made in the accounts.
16. Investment Subsidy received from Andhra Pradesh Govt., is shown under Reserves and Surplus.
17. Previous year figures have been regrouped/rearranged wherever considered nec

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 **Lakshminiwas & Jain**
Chartered Accountants

Vinod Baid
Chairman

Sharada G Patil
Partner
M.No. 015332

U C Bhandari
Director

Place: Hyderabad
Date : 31st August, 2008



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration Number : 11168
State Code : 01
Balance Sheet Date : 31.03.2008

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

Public issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placement (preferential Allotment))
NIL	725.00

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

Total Liabilities : 2549.47 Total Assets : 2549.47

Sources of Funds:

Paid up Capital : 1265.03	Reserve & Surplus : 1102.74
	Share Warrants Money : 72.50
Secured Loans : 67.60	Unsecured Loans : 41.60

Application of Funds:

Net Fixed Assets : 930.97	Investments : 701.00
Current Assets : 1081.62	Deferred Tax - Net : (164.12)

Financial Performance of Company (Rs. in Lacs):

Net Income : 2292.99	Total Expenditure : 2185.96
Profit before Tax : 107.05	Prior period adjustments : Nil
Profit/(Loss) after Tax : 75.44	Earning per share : 0.60
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 : 31st August, 2008

Vinod Baid
Chairman

U C Bhandari
Director



	31.03.2008 (Rs.in Lacs)	31.03.2007 (Rs.in Lacs)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items:	107.05	108.55
Adjustment for:		
Depreciation	78.47	86.43
Finance Charges	18.05	14.16
Misc. Expenses written-off	0.00	0.00
Bad Debts W/off	0.00	0.00
Loss on Fixed Assets	1.93	0.00
Other Income	0.00	(0.93)
Interest Received	(1.11)	(0.34)
Taxation	(35.58)	0.00
Operating Profit before Working Capital Changes	<u>168.81</u>	<u>207.87</u>
Adjustment for:		
Trade and Other Receivables	(596.45)	(135.06)
Inventories	(9.96)	6.95
Trade Payables	402.98	(66.34)
Bank Borrowings	0.00	0.00
Cash generated from operations	<u>(34.62)</u>	<u>13.42</u>
Adjustments for:		
Interest/Other Income Received	0.00	0.00
Prior Period Adjustments	0.00	0.00
Income-tax	0.00	0.00
Net Cash from Operating Activities	<u>(34.62)</u>	-
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(8.72)	
Purchase of Investments	(700.00)	
Sale of Assets	0.00	0.00
Interest/Other Income received	1.11	0.34
Net Cash used in Investing Activities	<u>(707.61)</u>	<u>(6.48)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Bank borrowings	(10.89)	5.17
Finance Charges	(18.05)	(14.16)
Issue of Equity Shares/Warrants	797.50	0.00
Increase/(Decrease) in Unsecured Loans	3.94	1.41
Net Cash from Financing Activities	<u>772.50</u>	<u>(7.58)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT(A+B+C)	30.27	(0.64)
Cash and Cash Equivalents as on 01.04.2007	10.52	11.16
Cash and Cash Equivalents as on 31.03.2008	40.79	10.52

As per our report of even date For and on behalf of the Board

For Lakshminiwas & Jain

Chartered Accountants

Sharada G Patil (M.No. 015332)

Partner

Place: Hyderabad

Date : 31st August, 2008

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 23rd Annual General Meeting of the company to be held on Saturday, the 27th September, 2008 at 10.00 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 Two Thousand Eight.

Signature(s) of the Shareholder(s)

Folio No.

No. of Shares

Distinctive Nos.....



~~Note~~ This form must be deposited at the Registered Office of the Company not later than 48 hours before the time for holding the meeting.

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 23rd Annual General Meeting of the Company to be held on Saturday, the 27th September, 2008 at 10.00 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”, 4th Floor, Plot No. 144,
Srinagar Colony, Hyderabad - 500 073.