

# FOURTH ANNUAL REPORT 1996-97

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Report **AVON**  
ORGANICS LIMITED

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*MEETING THE CHALLENGES*



# AVON ORGANICS LIMITED

## FOURTH ANNUAL REPORT : 1996 - 97

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**BOARD OF DIRECTORS**

Dr. G.S SIDHU	:	CHAIRMAN
Sri P.R AGARWAL	:	MANAGING DIRECTOR
Sri RAJESH AGARWAL	:	EXECUTIVE DIRECTOR
Dr. T.V KRISHNA RAO	:	DIRECTOR
Sri T.VENKATESWARA PRASAD	:	DIRECTOR
Sri RAMESH AGARWAL	:	DIRECTOR

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FINANCE CONTROLLER	:	Sri K.S SEKHAR BABU
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AUDITORS	:	KISHORE & SASTRY Chartered Accountants 84, Sidharta Nagar, P.O Vengal Rao Nagar, Hyderabad - 500 038.
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BANKERS	:	STATE BANK OF HYDERABAD Industrial Finance Branch, Hyderabad - 500 082.
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REGISTERED OFFICE & WORKS	:	Survey No.18, Yawapur, Sadasivpet (M), Medak Dist. A.P Phone : 08455-52290
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ADMINISTRATIVE OFFICE	:	6-3-347/17/5, Dwarakapuri Colony, Panjagutta, Hyderabad - 500 082. Phone : 040-3351128, 3351129 Fax : 040-3351134
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**DATE AND VENUE OF THE MEETING**

Saturday 27th September, 1997  
Time : 3.00 P.M.  
Survey No. 18, Yawapur, Sadasivpet,  
Medak, Andhra Pradesh, INDIA.

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## NOTICE

NOTICE is hereby given that the Fourth Annual General Meeting of the members of AVON ORGANICS LIMITED, will be held on Saturday 27th September, 1997 at 3.00 pm at the Registered office of the company at Survey No.18, Yawapur Village, Sadasivpet, Medak Dist., Andhra Pradesh to transact the following business :

## ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance sheet as at 31st March, 1997 and the Profit & Loss Account for the period ended on that date and Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. G.S. Sidhu who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. T.V. Krishna Rao who retires by rotation, and being eligible, offers himself for re-appointment.
4. Appointment of Auditors and to fix their remuneration.

## SPECIAL BUSINESS :

5. To consider and if thought fit, to pass with or without modification, the following resolution as a special Resolution:

"RESOLVED THAT in partial modification of Resolution passed at the Shareholders Meeting of the Company held on 1st November, 1994 in respect of payment of remuneration to Sri P.R. Agarwal, Managing Director and in accordance with the provisions of Sections 198, 309, 310 and other applicable provision, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, the Company hereby accords its approval to an increase in Remuneration of the aforesaid Managing Director from Rs.40,000/- per month (inclusive of perquisites) to a remuneration of Rs.60,000/- per month with the following break up of salary and perquisites with affect from 1st August, 1997 for the remainder of the tenure of his appointment i.e., upto 4th August, 1998.

- |   |   |  |
|---|---|--|
| I. Salary   | : | Rs. 48,000/- per month   |
| II. Perquisites                                     | : | Following perquisites the total amount of which is restricted to Rs.12,000/- per month are allowed in addition to the above mentioned salary : |
| i. House rent allowance                             | : | Rs.6,000/- per month maximum.  |
| ii. Medical reimbursement                           | : | Rs.1,000/- per month maximum   |
| iii. Sweeper, Watchman, gardener, helper allowances | : | Rs.8,000/- per month maximum.  |

6. To consider and if thought fit, to pass with or without modification, the following resolution as a special Resolution:

"RESOLVED THAT in partial modification of Resolutions passed at the Shareholders Meeting of the Company held on 1st November, 1994 in respect appointment which was effective from 1st October, 1994 and payment of remuneration to Sri Rajesh Agarwal, Executive Director of the Company and in accordance with the provision of Sections 198, 309, 310 and other applicable provision, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956 the Company hereby accords its approval to an increase in Remuneration of the aforesaid Executive Director from Rs.40,000/- per month (inclusive of perquisites) to a remuneration of Rs.60,000/- per month with the following break up of salary and perquisites with affect from 1st August, 1997 for the remainder of the tenure of his appointment i.e., upto 30th September, 1999.

- |   |   |  |
|---|---|--|
| I. Salary   | : | Rs. 48,000/- per month   |
| II. Perquisites                                     | : | Following perquisites the total amount of which is restricted to Rs.12,000/- per month are allowed in addition to the above mentioned salary : |
| i. House rent allowance                             | : | Rs.6,000/- per month maximum.  |
| ii. Medical reimbursement                           | : | Rs.1,000/- per month maximum.  |
| iii. Sweeper, Watchman, gardener, helper allowances | : | Rs.8,000/- per month maximum.  |

## AVON ORGANICS LIMITED

## ABOUT YOUR COMPANY

- \* Avon Organics Limited (AOL), was incorporated in 1993 as a Public Limited Company with an objective to establish commercially viable fine chemicals processes with application in pesticides and drug industries.
- \* The Company's manufacturing facilities are situated at Survey No.18, Yawapur Village, Sadasivpet (M), Medak Dist., Andhra Pradesh ( about 65Km from Hyderabad). The factory has locational advantages including proximity to product market. The project came up with equity participation by Andhra Pradesh Industrial Development Corporation. The Term Loans for the project was advanced by Industrial Credit and Investment Corporation of India Ltd.(ICICI), Industrial Investment Bank of India Ltd.(IIEI) and State Bank of Hyderabad(SBH).
- \* Every aspect of design, layout and production at AOL is carried out with the least interference with the environment. Aerobic filters, aerators, sand filters etc., treat the plant effluents which are then fit for agricultural use. Green belt around the plant as well as attached company's agricultural land make use of such treated effluent for irrigation purpose.
- \* AOL has commenced the commercial production on 27th July, 1996.
- \* Nearly 200 strong dedicated work force work round the clock (3 shifts) to manufacture the products of the company and to sell them to the customers all over India.
- \* AOL offers distinct blend of technical, industrial and financial skills to develop and succeed.
- \* The Company has confirmed orders on hand valued at Rs.9.00 crores equivalent to 6 months of production.
- \* The increase in Turnover during the current financial year 1997-98 is targeted at 120% of 1996-97 turnover.
- \* Labour relations in AOL have been cordial.

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## ANNEXURE TO NOTICE

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

## ITEM NO: 5

Sri P.R. Agarwal has been appointed as Managing Director on 5th August, 1993 for a period of five years and the remuneration is being drawn with effect from 1st October, 1994.

The latest amendments to Schedule XIII to the Companies Act, 1956 enables the Board of Directors to pay the remuneration to the Managing Director within the specified limits as contained in the said Schedule XIII which has to be determined in accordance with Section 198 read with Sections 309 and 310 of the Companies Act, 1956.

Recognising the need for increasing the remuneration payable to the Managing Director for the valuable services being rendered to the Company, the Board of Directors in their meetings held on 24th May, 1997 and 5th July, 1997 had decided to increase the salary of the aforesaid Managing Director from Rs.40,000/- per month with perquisites to Rs.60,000/- per month inclusive of perquisites with effect from 1st August, 1997 for the remaining period of his appointment i.e., upto 4th August, 1998.

Therefore an approval by Shareholders is being sought to increase the remuneration of Managing Director. Except Sri P.R. Agarwal, Managing Director and Sri Rajesh Agarwal who is related to Shri P.R. Agarwal, no other Director is interested or concerned in this resolution.

## ITEM NO: 6

Sri Rajesh Agarwal has been appointed as Executive Director for a period of five years with effect from 1st October, 1994.

The latest amendments to Schedule XIII to the Companies Act, 1956 enables the Board of Directors to pay the remuneration to the Managing Director/Wholtime Director within the specified limits as contained in the said Schedule XIII which has to be determined in accordance with Section 198 read with Sections 309 and 310 of the Companies Act, 1956.

Recognising the need for increasing the remuneration payable to the Executive Director for the valuable services being rendered to the Company, the Board of Directors in their meetings held on 24th May, 1997 and 5th July, 1997 had decided to increase the salary of the aforesaid Executive Director from Rs.40,000/- per month with perquisites to Rs.60,000/- per month inclusive of perquisites with effect from 1st August, 1997 for the remaining period of his appointment i.e., upto 30th September, 1999.

Therefore an approval by Shareholders is being sought to increase the Salary of Executive Director.

Except Sri Rajesh Agarwal, Executive Director and Shri P.R Agarwal who is related to Sri Rajesh Agarwal, no other Director is interested or concerned in this resolution.

## ITEM NO.7

Under section 293 (1) (d) of the Companies Act 1956, the Board cannot borrow monies together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) which would exceed the aggregate of the paid-up capital of the Company and its free reserves.

The Company at its Annual General Meeting held on 26th September, 1995 authorised the Board to borrow for the purpose of the Company monies in excess of the paid-up capital of the company and its free reserves provided the sum or sums so borrowed and remaining outstanding at any time shall not exceed Rs.15 Crores.

The Company's activities have increased significantly. To meet the increasing requirements of the funds of the various expansion and diversification activities envisage by your Company, it is considered necessary to enhance the said borrowing limit of the Directors to Rs.30 Crores. The resolution has accordingly been proposed for approval of the Shareholders pursuant to Section 293 (1) (d) of the Companies Act, 1956 or any statutory modifications or re-enactment thereof to enable the Directors to borrow for the purpose of the

**AVON ORGANICS LIMITED**

7. To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:  
 "RESOLVED THAT pursuant to Section 293 (1) (d) of the Companies Act, 1956 Board of Directors of the Company is hereby authorised to borrow any sum or sums of money or monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the company's Bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided, however, that the total amount borrowed shall not exceed Rs. 30 Crores (Rupees thirty Crores)".
8. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:  
 "RESOLVED THAT pursuant to Section 293 (1) (a) of the Companies Act, 1956 and other applicable provisions, if any, read with Articles 35(a) and 35(b) of the Articles of Association of the Company, the consent of the Company be and is hereby accorded to the creation by the Board of Directors of Company of such mortgages, charges and hypothecations, created by the Company as the Board may direct on all immovable and movable properties of the company both present and future aggregating to Rs. 30 Crores (Rupees Thirty Crores) in favour of lending Financial Institutions (s) / Corporate body(s) / persons(s) / Corporation(s) / Government / Lenders(s) (together with interest) for monies borrowed or to be borrowed."  
 "RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to finalise the documents for creating the aforesaid mortgages and / or charges and to do all such acts and things as may be necessary for giving effect to the above resolution."
9. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:  
 "RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any of the Companies Act, 1956, Articles 35 (b) of the Articles of Association of the Company be altered as follows :  
 The Existing words and figures in the "1st line:  
 "Rs. 15 Crores (Fifteen Crores)"  
 shall be substituted by  
 "Rs. 30 Crores (Thirty Crores)".

July 5, 1997

CORPORATE OFFICE:

6-3-347/17/5,  
 DWARAKAPURI COLONY, PUNJAGUTTA,  
 HYDERABAD - 500 082

BY ORDER OF THE BOARD  
 for AVON ORGANICS LIMITED

(P.R. AGARWAL)  
 MANAGING DIRECTOR

**NOTES:**

1. The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business set out above is annexed here
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
3. The Instrument of Proxy for use at the meeting must be lodged at the Registered Office of the Company not later than 48 hours before the time fixed for the Meeting.
4. The Register of Members and share Transfer Books of the Company will remain closed from 16th September, 1997 to 27th September, 1997 (both days inclusive).
5. Members / Proxies should bring their attendance slip sent herewith duly filled in for attending the Meeting.
6. Members are requested to notify any change in their registered address/residential status immediately to the Registered Office /Corporate Office of the Company.



## FOURTH ANNUAL REPORT 1996-97

## DIRECTORS' REPORT

To The Members,

Your Directors have pleasure in presenting the FOURTH ANNUAL REPORT of the Company together with Audited Balance sheet and Profit and Loss Account for the period ended 31st March, 1997.

## FINANCIAL RESULTS

Your Company commenced commercial production on 27th July 1996 and hence the financial results under review are for a period of 8 months.

Your Directors report that while Gross profit before interest and depreciation is Rs. 132.09 lacs, there is a net loss of Rs. 41.39 lacs after providing for interest and depreciation largely due to using more power and refrigeration. These had to be run continuously irrespective of rate of production in early months i.e., from 27.07.96 to 31.12.96. The details are as under.

	Rs.in lacs
Sales	
Gross profit before interest and Depreciation	132.09
Less : Interest & finance charges	(121.88)
Gross profit after interest but before depreciation	10.21
Less : Depreciation	(51.60)
Net Loss	(41.39)

## PERFORMANCE OF THE COMPANY

The year under review was successful year from more than one point of view. The Net Sales Turnover Rs.590.13 lac has crossed the projected Sales Rs.465.00 lacs. Your Company's products accepted in the market and received repeated orders. Such satisfied customers include HPM Industries, India Pesticides, Rallis India, Tantech Agrochemicals, Lupin Agrochemicals, Nagarjuna Agrichem, Bhaskar Agrochemicals, Siris India, Aurobindo Pharma etc.

Your Company achieved 70% of capacity utilisation in first 8 months & crossed the projected capacity utilisation of 60%.

Despite the teething problems in the initial period, Your Company was able to achieve stabilisation of production activity in the shortest possible period. Your Company achieved 98.5% capacity utilisation in the month of March 1997. The overall capacity utilisation during the period under review was 70%.

With both Monomethyl Acetoacetamide & Methyl Acetoacetate Ester are well accepted by the users, we can be reasonably sure to achieve our targeted aims.

**AVON ORGANICS LIMITED**

Company as aforesaid upto an aggregate amount of Rs.30 Crores in supersession of the Resolution passed on 26th September, 1995 as aforesaid.

None of the Directors may be deemed to be concerned or interested in the Resolution.

**ITEM NO.8**

The Shareholders are kindly aware that the Company has been approaching the financial Institutions and Banks for financial assistance in the form of term loans, working capital etc.,

Section 293 (1) (a) of the Companies Act, 1956 provides, inter alia, that the Board of Directors of a public company shall not, without the consent of such public company in general meeting sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the company, or where the Company owns more than one undertaking of the whole, of substantially the whole, of any such undertaking.

The Company at its Annual General Meeting held on 26th September, 1995 accorded its consent to the creation by the Board of Directors of the Company of such mortgages and charges in addition to the existing mortgages, charges and hypothecations, created by the Company as the Board may direct on all immovable and movable properties of the Company both present and future aggregating to Rupees 1500 lakhs (One thousand five hundred lakhs) in favour of lending financial Institutions(s) / Corporate body(s) / person(s) / Corporation(s) / Government / Lender(s) (together with interest) for monies borrowed or to be borrowed.

To meet the increasing requirements of the funds, the Board of Directors are required to borrow monies from time for time for which mortgages / charges / hypothecations are to be created on the immovable and movable properties of the Company.

Hence the Resolution set out in Item No:8 seeks the consent and approval of the Members as required under Section 293 (1) (a) of the Companies Act, 1956, for the creations of the said mortgages / charge of the Company's properties by the Board of Directors to the extent of Rs.30 Crores from time to time.

Copies of the relevant documents or correspondence between the financial institutions/Banks and the Company are open for inspection at the Registered Office of the Company between 11.00 A.M and 1.00 P.M on any working day prior to the date of the meeting.

None of the Directors of the Company is interested in the said resolution.

**ITEM NO : 9**

In pursuance of the proposal of increase of borrowing limits to Rs.30 Crores under Item No:7 & 8 the Article of Association of the Company has to be amended to that extent under Section 31 of the Companies Act.

Hence, the Resolution set out in Item No:9 seeks the consent and approval of the Members to amend Articles 35(b) of Articles of Association of the Company.

None of the Directors of the Company is interested in the said resolution.

BY ORDER OF THE BOARD  
for AVON ORGANICS LIMITED

July 5, 1997

CORPORATE OFFICE:

6-3-347/17/5,

DWARAKAPURI COLONY, PUNJAGUTTA,

HYDERABAD - 500 082.

P.RAGARWAL  
MANAGING DIRECTOR.