

AVON ORGANICS LTD.



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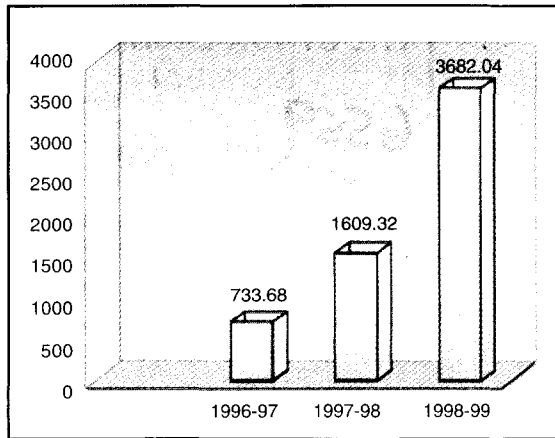
IN TUNE WITH TECHNOLOGY

SIXTH ANNUAL REPORT
1998-99

AVON ORGANICS LIMITED

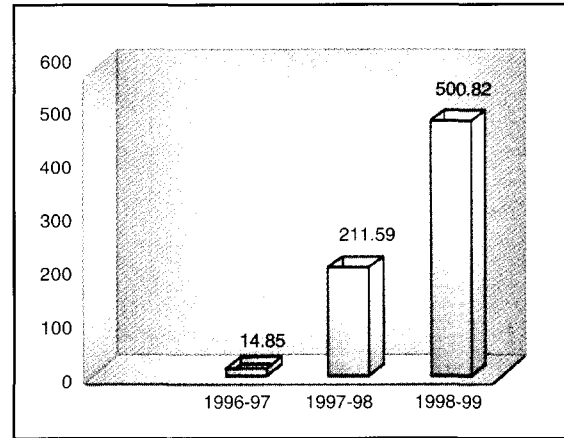
Sales

(Rupees in lacs)



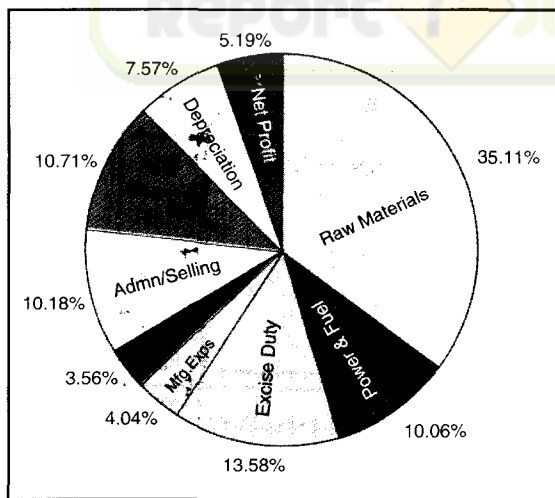
Cash Profit

(Rupees in lacs)



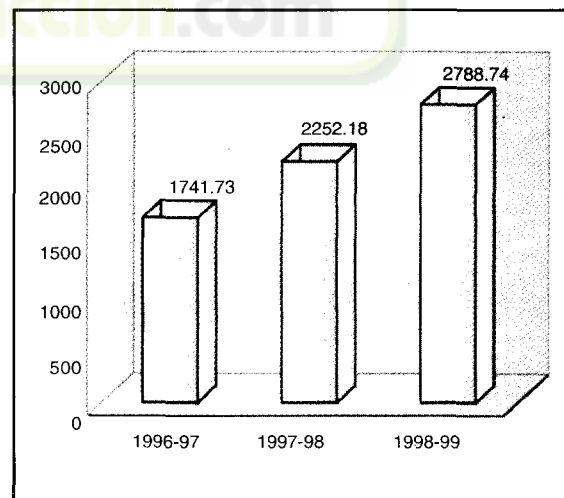
Income Distribution

(Rupees in lacs)



Fixed Assets

(Rupees in lacs)



Avon Organics Limited

Board of Directors

Dr. G.S. SIDHU, Chairman
Sri. P.R.AGARWAL, Managing Director
Dr. T. KRISHNA
Dr. T.V. KRISHNA RAO
(Alternate Director to Dr. T.Krishna)
Sri. RAMESH AGARWAL
Sri. T. VENKATESWARA PRASAD, Director-Finance
Sri. C.K.C. GUPTA
Sri. RAJESH AGARWAL, Executive Director
Sri. UMESH AGARWAL

Company Secretary

Ms. SWARNA NARAYAN

Auditors

M/s. KISHORE & SASTRY
Chartered Accountants
11 & 12, Amrutha Mall, Somajiguda
Hyderabad – 500 016

Bankers

STATE BANK OF HYDERABAD
Industrial Finance Branch
Hyderabad – 500 016

Registered Office & Works

Survey No. 18, Yawapur
Sadasivpet (M), Medak Dist. A.P.
Phone:911-52290

Corporate Office

6-3-865, 4th Floor, Madhupala Towers,
Opp. Greenland Apts, Ameerpet,
Hyderabad – 500 016
Phone : 040-3394432,3395042
Fax : 040-3394438

Share Transfer Agents

Ikon Visions Private Limited
Flat N0.33, Sanali Heavens
8-3-948 Ameerpet
Hyderabad – 500 073

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Performance at a Glance

| Particulars | 1998-99 | 1997-98 | 1996-97 |
|--|---------|---------|---------|
| Sales | 3682.04 | 1609.32 | 733.68 |
| Profit before interest | 921.01 | 474.67 | 136.73 |
| Financial charges | 420.19 | 263.08 | 121.88 |
| Cash profit | 500.82 | 211.59 | 14.85 |
| Depreciation & Written Offs | 297.00 | 242.60 | 56.23 |
| Profit before tax | 203.82 | (31.01) | (41.38) |
| Taxation | 21.50 | — | — |
| Net Profit after tax | 182.32 | (31.01) | (41.38) |
| SOURCES OF FUNDS | | | |
| Share Capital | 732.09 | 712.39 | 682.16 |
| Reserves and Surplus | 19.13 | 10.00 | — |
| Long Term Loans | 1318.04 | 1352.71 | 830.94 |
| Unsecured Loans | 137.49 | 148.28 | 36.18 |
| Sales Tax Deferrment | 225.04 | 139.72 | 27.88 |
| Current Liabilities | 945.46 | 486.28 | 537.12 |
| | 3377.25 | 2849.38 | 2114.28 |
| APPLICATION OF FUNDS | | | |
| Net Fixed Assets | 2103.45 | 1856.94 | 1689.31 |
| Current Assets | 1255.75 | 784.62 | 351.64 |
| Misc. expenses not written off | 18.05 | 24.99 | 31.94 |
| Profit and Loss Account | — | 182.83 | 41.39 |
| | 3377.25 | 2849.38 | 2114.28 |
| Key Ratios | | | |
| Debt : Equity | 1.75:1 | 2.51:1 | 1.30:1 |
| Total outside liabilities : Tangible network | 3.58:1 | 4.13:1 | 2.35:1 |
| Current Ratio | 1.33:1 | 1.61:1 | 0.65:1 |
| Net profit to sales (%) | 4.95 | (1.93) | (5.64) |
| Cash profit to sales (%) | 13.60 | 13.15 | 2.02 |
| Gross profit to sales (%) | 25.01 | 29.50 | 18.64 |
| DSCR (Times) | 2.19 | 1.80 | 1.12 |

CORPORATE GOVERNANCE

Avon is a professionally managed company and has consistently adopted the code of good corporate governance.

The following are some of the highlights:

Board Constitution :

The Board comprises of the Chairman, Managing Director, Executive Director, and Director – Finance and four non-executive directors. During the year, the Board met 5 times.

Share Transfer Committee :

This Committee consists of the Managing Director, Executive Director and the Company Secretary. The function of this committee is to approve transfer and transmission of shares/issue of duplicate share certificates. The Committee met 14 times during the year and approved 218 share transfers involving 3,27,300

Shares. The Company effects transfers within 15 to 21 days time on an average. The minutes of the share transfer committee are circulated to the Board and taken note of.

Statutory Compliance :

The Company ensures compliance of various statutory requirements and the quarterly reports in the form of certificate by the Company Secretary are placed before the Board for its perusal.

Statutory Registers :

All the Statutory Registers that are required to be maintained, particularly Register of Directors, Register of Contracts in which directors have interest, Register of Directors' shareholding etc., are maintained and continuously updated.

NOTICE

NOTICE IS HEREBY GIVEN THAT the 6th Annual General Meeting of Avon Organics Limited will be held on Saturday, the 18th day of September, 1999 at 3.00 p.m. at the Registered Office of the Company at Survey No. 18, Yawapur Village, Sadasivpet Mandal, Medak Dist. Andhra Pradesh to transact the following business as :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance sheet as at 31st March, 1999 and the Profit and Loss account for the financial year ended 31st March, 1999 and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. T. Krishna, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Sri. Rajesh Agarwal, who retires by rotation and is eligible for re-appointment.
4. To appoint Statutory Auditors and to fix their remuneration.

SPECIAL BUSINESS :

5. To appoint Sri. C.K.C. Gupta as a Director liable to retire by rotation, who was appointed as an additional director by the Board of Directors and holds office up to the date of the ensuing Annual General Meeting of the Company, and in respect of whom the Company has received a notice in writing from a member under the provisions of section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director.
6. To appoint Sri. Umesh Agarwal as a Director liable to retire by rotation, who was appointed as an additional director by the Board of Directors and holds office up to the date of the ensuing Annual General Meeting of the Company, and in respect of whom the Company has received a notice in writing from a member under the provisions of section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director.

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

"RESOLVED THAT pursuant to section 314 and other applicable provisions of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the appointment of Dr. G.S. Sidhu as a Technical Advisor of the Company with effect from the 1st day of April, 1999 at a remuneration of Rs. 15,000 per month."

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 314 and other applicable provisions of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the appointment of Sri. C.K.C. Gupta as a Technical Consultant of the Company with effect from the 1st day of May, 1999 at a remuneration of Rs. 15,000 per month."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 314 and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves the appointment of Sri. Rajesh Agarwal as the Executive Director of the Company for a period of 5 years with effect from 3rd day of October, 1999 on the terms and conditions including remuneration as are set out in the draft agreement to be entered into by the Company with him, submitted to the meeting, which agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or Agreement, so as not exceeding the limits, if any, specified in Schedule XIII to the Companies Act, 1956 or any other amendments thereto as may be agreed to between the Directors and Sri. Rajesh Agarwal or as may be varied by the General Meeting and that the consent of the Company be and is hereby accorded to his holding an office or place

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of profit and continuing to hold an office or place of profit as a Director nominated and as may be nominated by the Company from time to time on the Board of its subsidiary companies."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 314 and other applicable provisions, if any of the Companies Act, 1956, the Company hereby approves the appointment of Sri. Umesh Agarwal as Director - Marketing of the Company for a period of 5 years with effect from 1st day of August, 1999 on the terms and conditions including remuneration as are set out in the draft agreement to be entered into by the Company with him, submitted to the meeting, which agreement is hereby specifically sanctioned with liberty to the Directors to alter

and vary the terms and conditions of the said appointment and/or Agreement, so as not exceeding the limits, if any, specified in Schedule XIII to the Companies Act, 1956 or any other amendments thereto as may be agreed to between the Directors and Sri. Umesh Agarwal or as may be varied by the General Meeting and that the consent of the Company be and is hereby accorded to his holding an office or place of profit and continuing to hold an office or place of profit as a Director nominated and as may be nominated by the Company from time to time on the Board of its subsidiary companies."

By Order of the Board
for **Avon Organics Ltd**

Hyderabad
31st July, 1999

Swarna Narayan
Company Secretary

NOTES :

1. The relative explanatory statement pursuant to section 173 of the Companies Act, 1956 in respect of the Special Business set out above is annexed hereto.
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 the Share Transfer Books of the Company will remain closed from Tuesday, the 14th day of September, 1999 to Saturday, the 18th day of September, 1999 (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.

ANNEXURE TO NOTICE**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956****Item No. 5**

Sri C.K.C. Gupta was appointed as an Additional Director of the Company with effect from the 1st day of May, 1999. Pursuant to Section 260 of the Companies Act, 1956, Sri C.K.C. Gupta will hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Sri C.K.C. Gupta for the office of the Director under the provisions of Section 257 of the Companies Act, 1956.

Sri C.K.C. Gupta is a mechanical engineer with over 20 years of experience and was a pioneer in implementing the refrigeration systems at the plant.

The Directors recommend this resolution for approval of the Shareholders.

None of the Directors of the Company other than Sri C.K.C. Gupta is interested in this resolution.

Item No. 6

Sri Umesh Agarwal was appointed as an Additional Director of the Company with effect from the 1st day of May, 1999. Pursuant to Section 260 of the Companies Act, 1956, Sri Umesh Agarwal will hold office of Director upto the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Sri Umesh Agarwal for the office of the Director under the provisions of Section 257 of the Companies Act, 1956.

Sri Umesh Agarwal is a Commerce Graduate and joined the Company in 1997 as Vice President (Marketing) and distinguished himself in various assignments and made substantial contribution to the business which has grown multifold in sales. It will be in the interest of the Company that Sri Umesh Agarwal be appointed as a Director of the Company.

The Directors recommend this resolution for approval of the Shareholders.

None of the directors other than Sri P.R. Agarwal Managing Director and Sri Rajesh Agarwal Executive Director, being related to Sri Umesh Agarwal, is interested in this resolution.

Item No. 7

The Board of Directors at its meeting held on 31st day of July, 1999 approved the appointment of Dr. G.S. Sidhu as the Technical Consultant of the Company for a period of five years with effect from 1st day of April, 1999 at a remuneration of Rs. 15,000 Per month. Dr. G.S. Sidhu a Doctorate in Organic Chemistry did his post doctoral fellow and research associate at the University of Heidelberg, Germany. A renowned technologist and a Padma Shri awardee, Dr. G.S. Sidhu retired as Director General of CSIR. He played a significant part in the design, layout and implementation of the project of the Company and is presently advising the Company on the R&D aspects for new and high value Derivatives which will serve as the backbone for the Company's business opportunities in the new millennium. It will be in the interest of the Company to appoint Dr. G.S. Sidhu as a Technical Consultant.

The appointment of Dr. G.S. Sidhu including the payment of remuneration is subject to the approval of the Company in General Meeting.

The Directors recommend this resolution for approval of the Shareholders.

Dr. G.S. Sidhu is interested to the extent of the remuneration payable to him. No other Director is concerned or interested in this resolution.

Item No. 8

Sri C.K.C. Gupta was appointed as an Additional Director of the Company with effect from the 1st day of May, 1999. He was appointed as a Technical Consultant for a period of five years, with effect from 1st day of May, 1999, at a remuneration of Rs. 15,000 per month, by the Board of Directors of the Company at its meeting held on the 31st day of July, 1999.

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The appointment of Sri C.K.C. Gupta including the payment of remuneration is subject to the approval of the Company in General Meeting.

The Directors recommend this resolution for approval of the Shareholders.

Sri C.K.C. Gupta is interested to the extent of the remuneration payable to him. No other Director is concerned or interested in this resolution.

Item No. 9

Sri Rajesh Agarwal was appointed as the Executive Director of the Company with effect from 1st day of October, 1994 for a period of five years. Sri Rajesh Agarwal is a graduate in Chemical Engineering having graduated from BITS, Pillani and a Master in Business Management from IIM, Calcutta. The Board of Directors of the Company at its meeting held on 31st day of July, 1999 approved the appointment of Sri Rajesh Agarwal as the Executive Director of the Company for further period of five years with effect from 3rd day of October, 1999 and also approved the draft agreement setting out the terms and conditions including the remuneration payable to him. The appointment of Sri Rajesh Agarwal including the remuneration payable to him is subject to the approval of the Company in General Meeting.

The agreement proposed to be entered into by the Company with Sri Rajesh Agarwal in respect of his appointment as the Executive Director of the Company, inter alia, contains the following terms and conditions.

1. The Executive Director shall, subject to the supervision and control of the Board of Directors and/or Managing Director, manage the business and affairs of the Company.

2. Period of Agreement :

Five years with effect from 3rd day of October, 1999.

3. Remuneration payable :

- a. Salary Rs. 80,000 per month including dearness and all other allowances with an annual increase of Rs. 5,000/- due on 1st October every year.

- b. Commission : Equivalent to 0.5% of the profits before tax of the Company.

c. Perquisites :

- i. The Executive Director shall be entitled to perquisites including free furnished accommodation or house rent in lieu thereof, gas, electricity, water, furnishings, medical reimbursement and leave travel concessions for self and family, club fees, medical and personal accident insurance etc., in accordance with the rules of the Company. The aforesaid perquisites may be in the form of reimbursement or allowance but will be restricted to Rs. 3,00,000 per annum. For the purpose of calculating the above ceiling, the perquisites shall be evaluated as per income-tax rules wherever applicable.

- ii. The Executive Director shall be entitled to Company contribution to Provident Fund, Superannuation Fund Annuity Fund upto the tax exempt limit, benefits of Gratuity and Pension Scheme for Senior Management Staff, earned leave and encashment of earned leave at the end of the tenure and long service awards, as per the rules of the company and these shall not be included in the computation of perquisites.

- iii. Car for use on Company's business, telephone and other communications facilities at residence, shall not be included in the computation of perquisites.

- d. In the event of the Company making a loss or where the profits are inadequate, to pay his remuneration during the currency of the tenure of the Executive Director, then the remuneration payable by way of salary, dearness allowance, perquisites and any other allowances, shall not exceed Rs. 10,50,000 per annum or Rs. 87,500 per month.

4. Executive Director, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or committee thereof from the date of his appointment.

5. The Executive Director shall not participate in any selling agency of the Company.

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6. The Executive Director shall be reimbursed expenses incurred by him towards travelling, entertainment and any other expenditure incurred by him for the business of the Company
7. The termination of the said agreement by either parties shall be by way of a written notice giving a minimum of six months' time to the other party.

The agreement proposed to be entered into by the Company with Sri Rajesh Agarwal is available for inspection of members at the Corporate office of the Company on all working days between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.

The Directors recommend this resolution for approval of the shareholders.

None of the directors other than Sri P.R. Agarwal, Managing Director and Sri Umesh Agarwal being related to Sri Rajesh Agarwal, is interested in this resolution. Sri Rajesh Agarwal is interested in the proposed resolution to the extent of the remuneration payable to him.

This explanation together with the accompanying notice is and should be treated as an abstract of the terms of appointment of the Executive Director under Section 302 of the Companies Act, 1956.

Item No. 10

Sri Umesh Agarwal was appointed as Director - Marketing with effect from 1st day of August, 1999 for a period of five years, by the Board of Directors of the Company at its meeting held on the 31st day of July, 1999 and the Board also approved the draft agreement setting out the terms and conditions including the remuneration payable to him. The appointment of Sri Umesh Agarwal including the remuneration payable to him is subject to the approval of the Company in General Meeting.

The agreement proposed to be entered into by the Company with Sri Umesh Agarwal in respect of his appointment as the Director - Marketing of the Company, inter alia, contains the following terms and conditions.

1. The Director - Marketing shall, subject to the supervision and control of the Board of Directors

and/or Managing Director and/or Executive Director, manage the business and affairs of the Company.

2. Period of Agreement :

Five years with effect from 1st day of August, 1999.

3. Remuneration payable :

- a. Salary Rs. 30,000 per month including dearness and other allowances with an annual increase of Rs. 5,000/- due on 1st August, every year.
- b. Commission : Equivalent to 0.5% of the profits before tax of the Company.
- c. Perquisites :
 - i. The Director - Marketing shall be entitled to perquisites including free furnished accommodation or house rent in lieu thereof, gas, electricity, water, furnishings, medical reimbursement and leave travel concessions for self and family, club fees, medical and personal accident insurance etc., in accordance with the rules of the Company. The aforesaid perquisites may be in the form of reimbursement or allowance but will be restricted to Rs. 1,25,000 per annum. For the purpose of calculating the above ceiling, the perquisites shall be evaluated as per income-tax rules wherever applicable.
 - ii. The Director - Marketing shall be entitled to Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund upto the tax exempt limit, benefits of Gratuity and Pension Scheme for Senior Management Staff, earned leave and encashment of earned leave at the end of the tenure and long service awards, as per the rules of the Company and these shall not be included in the computation of perquisites.
 - iii. Car for use on Company's business, telephone and other communications facilities at residence, shall not be included in the computation of perquisites.
- d. In the event of the Company making a loss or where the profits are inadequate, to pay his

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remuneration, during the currency of the tenure of the Director - Marketing, then the remuneration payable by way of salary, dearness allowance, perquisites and any other allowances, shall not exceed Rs. 10,50,000 per annum or Rs. 87,500 per month.

4. The Director - Marketing, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or committee thereof from the date of his appointment.
5. The Director - Marketing shall not participate in any selling agency of the Company.
6. The Director - Marketing shall be reimbursed expenses incurred by him towards travelling, entertainment and any other expenditure incurred by him for the business of the Company.
7. The termination of the said agreement by either parties shall be by way of a written notice giving a minimum of six months' time to the other party.

The agreement proposed to be entered into by the Company with Sri. Umesh Agarwal is available for

inspection of members at the Corporate Office of the Company on all working days between 11.00 a.m. to 1.00 p.m. upto the date of the Annual General Meeting.

The Directors recommend this resolution for approval of the shareholders.

None of the Directors other than Sri. P.R. Agarwal, Managing Director and Sri. Rajesh Agarwal Executive Director being related to Sri. Umesh Agarwal, is interested in this resolution Sri. Umesh Agarwal is interested in the proposed resolution to the extent of the remuneration payable to him.

This explanation together with the accompanying notice is and should be treated as an abstract of the terms of appointment of the Director Marketing under Section 302 of the Companies Act, 1956.

By Order of the Board
for **Avon Organics Ltd**

Hyderabad
31st July, 1999

Swarna Narayan
Company Secretary

