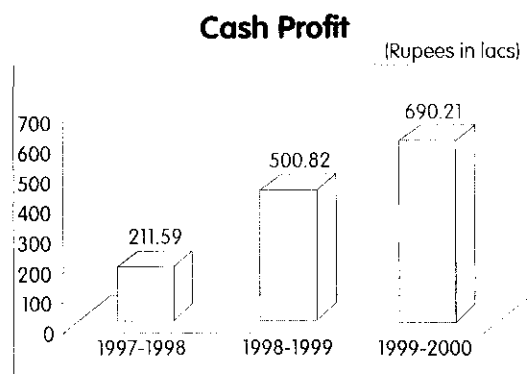
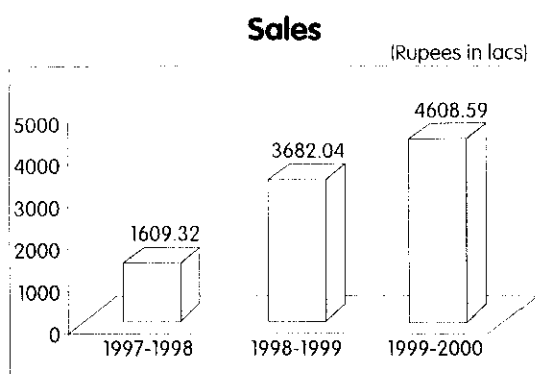




Seventh Annual Report

1999-2000



PERFORMANCE AT A GLANCE

	(Rs. in lacs)			
Particulars	1999-00	1998-99	1997-98	1996-97
Sales	4608.59	3682.04	1609.32	733.68
Profit before Interest	1137.09	921.01	474.67	136.73
Financial Charges	446.88	420.19	263.08	121.88
Cash Profit	690.21	500.82	211.59	14.85
Depreciation & Written off's	296.92	297.00	242.6	56.23
Profit before Tax	393.29	203.82	(31.01)	(41.38)
Taxation	28.00	21.50	--	--
Net Profit after Tax	365.29	182.32	(31.01)	(41.38)
Sources of Funds				
Share Capital	945.69	732.09	712.39	682.16
Reserves and Surplus	931.86	19.13	10.00	--
Long Term Loans	1115.55	1318.04	1352.71	830.94
Unsecured Loans	6.16	137.49	148.28	36.18
Sales Tax Deferment	385.09	225.04	139.72	27.88
Current Liabilities	1390.24	945.46	486.28	537.12
	4774.59	3377.25	2849.38	2114.28
Application of Funds				
Net Fixed Assets	2460.32	2103.45	1856.94	1689.31
Current Assets	2303.16	1255.75	784.62	351.64
Misc. Expenses not written off	11.11	18.05	24.99	31.94
Profit and Loss Account	--	--	182.83	41.39
	4774.59	3377.25	2849.38	2114.28
Key Ratios				
Debt : Equity	0.59:1	1.75:1	2.51:1	1.30:1
Total Outstanding Liabilities:Tangible Networth	1.56:1	3.58:1	4.13:1	2.35:1
Current Ratio	1.66:1	1.33:1	1.61:1	0.65:1
Net Profit to Sales (%)	12.61	4.95	(1.93)	(5.64)
Cash Profit to Sales (%)	14.98	13.60	13.15	2.02
Gross Profit to Sales (%)	24.67	25.01	29.5	18.64
DSCR (Times)	1.75	2.19	1.80	1.12

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. C.K.C. Gupta
 Sri. T.Venkateswara Prasad, Director Finance
 Sri. Rajesh Agarwal , Executive Director
 Sri. Umesh Agarwal

Company Secretary

Ms. Runa Karan

Auditors

M/s. Kishore & Sastry,
 Chartered Accountants,
 11 & 12 Amrutha Mall, Somajiguda,
 HYDERABAD - 500 016.

Bankers

State Bank of Hyderabad,

Financial Institutions

ICICI Limited
 Industrial Development Bank of India
 Industrial Investment Bank of India Limited
 State Bank of Hyderabad

Registered Office & Works

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

Corporate Office

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

Share Transfer Agents

Ikon Visions Private Limited
 Flat No.33, Sanali Heavens,
 8-3-948, Ameerpet,
 HYDERABAD - 500 073
 Phone No.(040) 3744356, 3744138

Demat Registrars

Sindhu Corporate Services Pvt. Ltd,
 492, East Marredpally,
 Secunderabad - 500 026
 Phone Nos. (040) 7733478, 7733485

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NOTICE

NOTICE IS HEREBY GIVEN THAT the 7th Annual General Meeting of Avon Organics Limited will be held on Saturday the 23rd day of September, 2000 at 3.00 p.m. at the Registered Office of the Company at Survey No.18, Yawapur Village, Sadasivpet Mandal, Medak District, Andhra Pradesh, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2000 and the Profit and Loss Account for the financial year ended 31st March, 2000 and the 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 Sri C.K.C.Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and to fix their remuneration.

SPECIAL BUSINESS

1. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

"RESOLVED THAT in partial modification to the resolution passed, pursuant to Section 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, at the Annual General Meeting of the company held on 29.09.1998 and the company hereby approves the increase in the remuneration payable to Sri T.Venkateswara Prasad, Director - Finance w.e.f.01.04.2000, on the following terms, subject to the approval of various authorities:

1. Salary : Rs.25,000 per month with an annual increment of Rs. 5000.
2. Medical Reimbursement : Medical Expenses incurred on self and family subject to a ceiling of one months' salary in a year or three months salary over a period of three years.
3. Leave Travel Concession : Leave Travel Concession for self and family once in a year in accordance with any other rules specified by the company.
4. All other benefits are as per Companies Rules and Regulations.

2. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

"RESOLVED THAT in partial modification to the resolution passed, pursuant to Section 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, at the Annual General Meeting of the company held on 18 /09/99, the company hereby approves the increase in the remuneration payable to Sri Umesh Agarwal, Director - Marketing w.e.f 01.04.2000, on the following terms, subject to the approval of various authorities:

1. Salary : Rs.50,000 per month with an annual increment of Rs. 5000.
2. Perquisites are restricted to Rs.2,00,000/- per annum.
3. All other benefits and perquisites are as per resolution passed on 18/09/99.
3. To consider and if thought fit, to pass with or without modification, the following resolution as an ordinary resolution :

Avon Organics Limited

"RESOLVED THAT in partial modification to the resolution passed, pursuant to Section 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, at the Annual General Meeting of the company held on 18 /09/99 , the company hereby approves the increase in the remuneration payable to Sri Rajesh Agarwal, Executive Director w.e.f 01.04.2000, on the following terms, subject to the approval of various authorities:

1. Salary : Rs.1,00,000 per month with an annual increment of Rs. 5000.
2. All other benefits and perquisites are as per resolution passed on 18/09/99.

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

Place : Hyderabad
Date : 30/06/2000

Runa Karan
Company Secretary

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the company.
2. Instrument of proxies in order to be effective must be deposited at the company's registered office not less than 48 hours before the time fixed for the meeting.
3. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 19th day of September, 2000 to Saturday the 23rd day of September, 2000 (both days inclusive).
5. Members are requested to inform any change, in their registered address to the registered / corporate office of the company.
6. Member/Proxies should bring in their attendance slip sent herewith duly filled in for attending the meeting.
7. **Nomination facility**
The Companies (Amendment) Act, 1999 has introduced through Section 109A, the facility of nomination to share/debenture/deposit holders. This facility is mainly useful for all holders holding the shares/debentures/deposits in single name. In cases where the securities/deposits are held in joint names, the nomination will get effective only on the death of all the holders.
The relevant Nomination Form with instructions are being sent alongwith this notice.

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ANNEXURE TO NOTICE

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

Item No. 1

Sri T.V.Prasad was appointed as Director - Finance of the Company in accordance with the provisions of Schedule XIII of the Companies Act, 1956 for a period of 5 years with effect from 1st March, 1998 at the 5th Annual General Meeting of the Company held on 26th September, 1998. The terms of his remuneration were also approved by the members at the same meeting. The terms of his remuneration payable to him have been revised with effect from 01.04.2000 for the remainder of the tenure of his term.

The revised terms of remuneration are to be approved by the members in the General Meeting and the Directors commend this resolution for acceptance by the members.

None of the Directors except Sri T.V.Prasad is concerned or interested in this resolution

Item No. 2

Sri. Umesh Agawal was appointed as Director - Marketing of the Company in accordance with the provisions of Schedule XIII of the Companies Act, 1956 for a period of 5 years with effect from 1st August, 1999 at the 6th Annual General meeting of the Company held on 18th September, 1999. The terms of his remuneration were also approved by the members at the same meeting. The terms of his remuneration payable to him have been revised with effect from 01.04.2000 for the remainder of the tenure of his term. The revised terms of remuneration are to be approved by the members in the General Meeting and the Directors recommend this resolution for approval of the shareholders.

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

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.

Item No. 3

Sri. Rajesh Agarwal was appointed as Executive Director of the Company in accordance with the provisions of Schedule XIII of the Companies Act, 1956 for a period of 5 years with effect from 1st August, 1999 at the 6th Annual General meeting of the Company held on 18th September, 1999. The terms of his remuneration were also approved by the members at the same meeting. The terms of his remuneration payable to him have been revised with effect from 01.04.2000 for the remainder of the tenure of his term. The revised terms of remuneration are to be approved by the members in the General Meeting and the Directors recommend this resolution for acceptance by the members.

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

None of the Directors other than Sri. P.R. Agarwal, Managing Director and Sri. Umesh Agarwal, Director-Marketing 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.

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

Place : Hyderabad
Date : 30/06/2000

Runa Karan
Company Secretary

Avon Organics Limited

DIRECTORS' REPORT

To,

The Members

Your Directors have pleasure in presenting the 7th Annual Report together with the Audited Accounts for the Year ended 31st March, 2000.

FINANCIAL RESULTS

	1999-2000 Rs. In Lacs	1998-99 Rs. In Lacs
Sales (Gross)	4608.59	3682.04
Gross Profit before interest, Depreciation, and Misc. expenses written off	1137.09	921.01
Less : Financial charges	446.88	420.19
Gross Profit after interest but before Depreciation	690.21	500.82
Less: Depreciation	289.98	290.06
Less : Misc. expenses written off	6.94	6.94
Profit before tax	393.29	203.82
Provision for taxation	28.00	21.50
Net Profit	365.29	182.32
Add: prior period Adjustment (Net)	--	2.15
Brought forward Profit/loss of previous years	1.63	(182.84)
Surplus available	366.92	1.63

PERFORMANCE OF THE COMPANY AND OPERATIONS

The sales and operational income for the year under review was Rs. 4608.59 lacs as against Rs.3682.04 lacs in the previous year, registering an increase of 25%. The profit after tax for the year has increased to Rs.365.29 lacs as against the previous year's net profit of Rs.182.32 lacs, resulting in a growth of 100%.

During the year under review, the company at its full fledged in-house R&D has developed and added new derivatives viz., Acetoacet-o-anisidide (AAOA), Acetoacet-o-toluidide (AAOT), Acetoacet-o-chloroanilide (AAOCA), Acetoacet-m-xylylidide (AAMX), Acetoacet-p-chloroanilide (AAPCA), Acetoacet-p-anisidide (AAPA) and Naphthol AS-IRG to its product tree. The company now has a substantial share in the derivative market and the production of derivatives has increased from 3444.67 MT to 4188.77 MT.

DIVERSIFICATION

During the year under review, the company has proposed to venture into Bio-Technology project at MIDC, Chincholi Industrial Area, Solapur, Maharashtra for manufacture of Ephedrine and Pseudo-Ephedrine at a project cost of Rs.1300 lacs. To part finance this the company has made a Preferential Issue of 18,00,000 Equity Shares of Rs.38.75 each aggregating to Rs.697.50 lacs and issued 4,00,000 warrants convertible into 4,00,000 equity shares of the company at a price as may be fixed and determined by the Board, subject to the guidelines prescribed by SEBI.

Of the above issue proceeds, the company proposes to invest an amount of Rs.500 lacs in the Bio-Tech Project and the balance to augment the company's long term working capital requirements.

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ICICI Limited has sanctioned a term loan of Rs.800 lacs to part finance the above project.

As on date, the company has obtained necessary permissions and licenses etc. for commissioning of the project. The civil works are in an advanced stage of completion and the company is hopeful of commencing the commercial production by December this year, three months ahead of schedule.

BANKS AND FINANCIAL INSTITUTIONS

The company has been prompt in making the payment of interest and installments to the financial institutions and also interest on working capital to the banks and the banks considered the financial discipline of the company by giving good rating and thereby favouring with lower rate of interest.

DEMATERIALIZATION OF SECURITIES

In its drive to ensure safety and convenience to the shareholders, the Company has opted for dematerializing its securities in the market. The Company has already got itself registered as an Issuer with both Central Depository Services Limited and National Securities Depository Limited. Thus the securities can now be traded in electronic form. The company has appointed M/s. Sindhu Corporate Services Pvt. Limited as its Demat Registrars, for demating the shares of the company. The Securities and Exchange Board of India (SEBI), through a notification have made it compulsory that any delivery in your Company's shares against stock exchange trades becomes compulsory in demat form with effect from 24th July, 2000.

RE-ISSUE OF FORFEITED SHARES OF THE COMPANY

Out of 1,02,100 Equity shares that were forfeited by the company, 94,600 Equity Shares were re-issued at a price of Rs 34 per share aggregating Rs.32.16 lacs and the forfeiture of balance 7500 shares were annulled.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Dr. G.S.Sidhu and Sri C.K.C.Gupta retire by rotation and being eligible, offers themselves for re-appointment.

AUDITORS

The Statutory Auditors, M/s.Kishore and Sastry, Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. A certificate has been received from the Auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

EMPLOYEES

The Board of Directors wishes to express its appreciation to all the employees of the company for their outstanding contribution to the operations of the company during the year. Relations with staff members and the work force continued to be cordial and satisfactory during the year under review. Particulars of employees under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is given in Annexure -A, as a part of this report.

DISCLOSURE OF PARTICULARS

Information as required 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 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure -B attached hereto, which forms part of this report.

PUBLIC DEPOSITS

During the year under review, the company has neither invited nor received any deposits from the public.

Avon Organics Limited

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their appreciation for the continued support from the financial institutions and banks, viz., ICICI, IBI, IDBI, SBH and various departments of the Central and State Governments.

efforts put in by them for the progress of the company.

For and on Behalf of
the Board of Directors.

Your Directors also place on record their appreciation of all the employees for their sincere

Place : Hyderabad
Date : 30/06/2000

Dr. G.S.Sidhu
Chairman

ANNEXURE - 'A' TO THE DIRECTORS' REPORT

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2000.

Sl No.	Name	Designation	Qualification	Experience (No. of Yrs)	Date of commencement Of employment	Age	Gross remuneration (Rs. in Lacs)	Last Employment
1.	P.R.Agarwal	Managing Director	M.S	34 yrs	05.08.1993	61	21.14	Technocrat
2.	Rajesh Agarwal	Executive Director	B.Tech (BITS) MBA (IIM)	12 yrs	01.10.1994	36	12.00	MD of Hyderabad Metchem (P) Ltd.

Notes :

1. Sri P.R.Agarwal, Managing Director and Sri Rajesh Agarwal, Executive Director of the Company are related to each other.
2. The above appointments are contractual.

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ANNEXURE - 'B' TO THE DIRECTORS' REPORT

Information under Section 271(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report.

A. Conservation of Energy :

a. Energy Conservation Measures Taken:

The company gives utmost priority for conservation of energy and has undertaken the energy conservation measures on continuous basis. The following measures have been undertaken during the year to reduce consumption of power consumption.

Optimization of -21 Ammonia absorption system leading to steam saving of 200 Kgs/hr.

Optimization of -21 Ammonia absorption system lead to capacity increase and electrical energy saving 500 units / day.

Implementation of high efficiency heat exchangers for manufacture of Amide leads to saving of chilled water consumption resulted energy saving of 700 units/day.

Optimization of cooling towers resulted in saving of energy about 100 units/day by reducing the compressor running hours.

Modification of Boiler Furnace resulted a steady full capacity steam production leads to reduction in running hours of oil fired boiler (10KL of LDO per month is saved).

Implementation of new degasing system of Amide resulted a material saving of 5 MT of Amide per month.

Successful commissioning of solid waste incinerator leads to reduction in pollution .

Conversion of the Ketene furnace firing system in new DK Plant leads to a saving of 12000 ltrs of LDO per month.

DK-I plant jacket piping was modified for more CT Water flow resulted a vacuum improvement by which production was increased by 2 ½%.

Productivity of 99.7% DK (Sulzer) has been increased by solving the problem of Evaporator and provision of non-contact for the steam ejector.

Optimization of Sulzer Column for running 97.0% DK resulted uninterrupted production of DK.

Optimization of extra distillation resulted the reduction of loss of product by 1.5%

The company is studying the possibilities of various methods by which the company optimizes the use of energy without effecting the productivity.

b. Additional Investments & Proposed, if any, being implemented for reduction of energy:

The company proposed to install Vapour Absorption Machine with Lithium Bromide for Consumption as refrigerant at a cost of Rs.25.00 lakhs and downsized motors to pumps for reduction on the electrical load.

c. Impact of the above measures:

There will be a reduction of 200 HP on the Electrical load by installation of the above vapour absorption machine.

d. Total energy consumption per unit of production:

Details are furnished in form - A.