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AVON ORGANICS LTD.

In Tune with Technology

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Eighth Annual Report
2000-2001

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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. T.Venkateswara Prasad
Director-Finance

Sri. C.K.C.Gupta

Sri. Rajesh Agarwal
Executive Director

Sri. Umesh Agarwal
Director-Marketing

Sri. J.Venkateswarlu
Additional Director

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, IFB, Punjagutta, Hyderabad.
The Bank of Nova Scotia, Banjara Hills, Hyderabad
Canara Bank, IFB, S.P Road, Secunderabad.

Financial Institutions
ICICI Limited, Hyderabad.
IDBI, Hyderabad
IIBI, Hyderabad

Registered Office
Survey No. 18, Yawapur, Sadasivpet (M),
Medak Dist. A.P.
Phone : 911-52290 ; Fax: 911-51536

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

Bio-Tech Division : Plot No. E-2,
Chincholi Industrial Area
Solapur, Maharastra.
Phone : 0217–357738/357339

Corporate Office
6-3-865, 4th Floor, Madhupala Towers,
Opp: Greenland Apts., Ameerpet,
Hyderabad – 500 016.
Phone : 040 – 3414432 / 3405042 / 6570445
Fax : 040 – 3404438

Registrars & Share Transfer Agents
Ikon Visions Private Limited
Flat No. 33, Sanali Heavens,
8-3-948, Ameerpet, Hyderabad - 500 073.
Phone : (040)3744356, 3744138.

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Notice

NOTICE IS HEREBY GIVEN THAT the 8th Annual General Meeting of Avon Organics Limited will be held on Saturday, the 15th day of September, 2001 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, 2001 and the Profit and Loss Account for the financial year ended 31st March, 2001 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 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 :

5. To appoint Sri J.Venkateswarlu 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 consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution :**

   "RESOLVED THAT, in supersession of the resolution passed at the Extra Ordinary General Meeting of the Company held on 15th May, 2000, the consent of the Company be and is hereby accorded to the Board of Directors, pursuant to the provisions of Section 293(1)(d) of the Companies Act, 1956, to borrow any sum / sums of money from time to time notwithstanding that the money/moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will 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 that the total amount so borrowed shall not exceed a sum of Rs. 75 crores (Rupees Seventy Five Crores only) at any time."

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution :**

   "RESOLVED THAT, in supersession of the resolution passed at the Annual General Meeting of the Company held on 27th September, 1997, the consent of the Company be and is hereby accorded to the Board of Directors pursuant to the provisions of 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, to the creation by the

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Board of Directors of the 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.75 crores (Rupees Seventy Five crores only) in favour of lending Financial Institution(s) / Corporate Body(s) / person(s) / Corporation(s) / Government(s) / Lender(s) / Bank(s) (together with interest) for monies borrowed or to be borrowed."

FURTHER RESOLVED 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."

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

Place : Hyderabad
Date : 30.06.2001

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 th 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 Monday, the 10th day of September, 2001 to Saturday, the 15th day of September, 2001 (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. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendants at the meeting.
8. The shares of the Company are presently listed on the Hyderabad, Mumbai and Calcutta Stock Exchanges and the Company has paid the listing fees to all the above Stock Exchanges.
9. Shareholders may now avail the nomination facility under Section 109A of the Companies Act, 1956. The relevant nomination form is enclosed.

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Annexure to Notice

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

Item No. 5

Sri J.Venkateswarlu was appointed as an Additional Director of the Company with effect from the 28th day of February, 2001. Pursuant to Section 260 of the Companies Act, 1956, Sri J.Venkateswarulu will hold office of Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Sri J.Venkateswarlu for the office of the Director under the provisions of Section 257 of the Companies Act, 1956.

Sri J. Venkateswarlu is a Chartered Accountant with over 15 years of experience in handling finance, accounts, taxation and other matters and it will be in the interest of the Company that Sri J. Venkateswarlu be appointed as a Director of the Company.

The Directors recommend this resolution for approval of the shareholders.

None of the Directors except Sri J. Venkateswarlu is concerned or interested in this resolution.

Item No. 6

The Company at its Extra Ordinary General Meeting held on 15th May, 2000 authorised the Board to borrow for the purpose of the Company monies in excess of the paid up capital and its free reserves, provided the sum or sums so borrowed and remaining outstanding at any time shall not exceed Rs.50 crores.

Since the Company's activities have increased significantly, to meet the increasing requirements of funds for 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. 75 crores. The resolution has accordingly been proposed for approval of the shareholders pursuant to Section 293 (1) (d) of the Companies Act, 1956.

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

Item No. 7

The Company at its Annual General Meeting held on 27th September, 1997 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 Rs. 30.00 crores in favour of lending Financial Institution(s) / Corporate body(s) / person(s) / Corporation(s) / Government / Lender(s) / Bank(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 to time for which mortgages / charges / hypothecations are to be created on the movable and immovable properties of the Company and hence it is considered necessary to enhance the said limit to Rs. 75 crores. The resolution has accordingly been proposed for approval of the shareholders pursuant to Section 293 (1) (a) of the Companies Act, 1956.

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

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

Place : Hyderabad
Date : 30.06.2001

Runa Karan
Company Secretary

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Directors' Report

To
The Members

Your Directors have pleasure in presenting the 8th Annual Report together with the Audited Accounts for the Year ended 31st March, 2001.

FINANCIAL RESULTS

	2000-01 Rs. In Lacs	1999-00 Rs. In Lacs
Sales (Gross)	**5059.44**	4608.59
Gross Profit before interest, Depreciation	**910.71**	1130.15
Less : Financial charges	**508.54**	446.88
Gross Profit after interest but before Depreciation	**402.17**	683.27
Less : Depreciation	**289.35**	289.98
Profit before tax	**112.82**	393.29
Provision for taxation	**8.50**	28.00
Net Profit	**104.32**	365.29
Brought forward Profit/ loss of previous years	**366.92**	1.63
Surplus available	**471.24**	366.92

PERFORMANCE AND OPERATIONS OF THE COMPANY

The sales and operational income for the year under review was Rs. 5059.44 lacs as against Rs.4608.59 lacs in the previous year, registering an increase of 9.75%. The profit before tax for the year was Rs. 112.82 lacs. The profits of the Company have been affected during the year under review due to abnormal increase in raw material prices and steep hike in cost of power and fuel. The Company has taken necessary steps to increase the profitability by marketing high value added products. To counter the further increase in power and fuel cost, the Company has installed energy saving devices. The Company had developed technology for recovery of Diketene from sludge. The Company has also diversified into Bio- Technology, where the value addition is high and the plant has commenced operations during March, 2001. All these benefits will be reflected from the year 2001-2002.

COMMENCEMENT OF COMMERCIAL PRODUCTION IN SOLAPUR

As stated above, in March, 2001, the Company has commenced its operations of Bio-Technology Project located at Solapur, Maharastra for manufacture of Ephedrine and Pseudo-Ephedrine with an installed capacity of 150 MT per annum. Your Directors are pleased to inform you that during the second month of operations, the Company has achieved capacity utilisation of 65% and confident of utilising the installed capacities to the maximum extent. The product has been launched in the International Market and the quality has been well accepted and all the sincere efforts are being put in to explore the Export Market.

CANCELLATION OF CONVERTIBLE WARRANTS

During the year under review, the Board of Directors have cancelled the convertible warrants issued to the promoters, for non payment of allotment money and the amount

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paid as application money has been forfeited and transferred to the Capital Reserves of the Company.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors state that:

a) In the preparation of the Annual Accounts for the year ended 31st March, 2001, the applicable accounting standards have been followed;

b) Your Directors have selected such accounting policies and applied them consistently and made judgements 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 31st March, 2001 and of the Profit and Loss Account for the year ended on that date;

c) Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the Assets of the Company and preventing and detecting fraud and other irregularities and

d) The accounts for the year ended 31st March, 2001 have been prepared on a going concern basis.

CONSTITUTION OF AUDIT COMMITTEE

Pursuant to the provisions of Section 292A of the Companies Act, 1956 , the Company has constituted and set up an Audit Committee comprising of majority non-executive directors. The Audit committee will provide an over sight on the reporting process of the Company's financial and accounting matters and the disclosure of its financial statement in a correct, sufficient and credible format. The committee would review the efficacy of the internal control mechanism and would monitor the risk management policies adopted by the Company, the reports furnished by the internal and statutory auditors, examine the accounting and taxation and disclosure aspects of all significant transactions.

DIRECTORS

During the year under review, Sri J.Venkateswarlu, Chartered Accountant was appointed as an Additional Director of the Company with effect from 28/02/2001.

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Dr.T. Krishna and Mr. C K C Gupta retire by rotation and being eligible, offer 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. Particulars of employees under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended is given in Annexure–A, as a part of this report.

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DISCLOSURE OF PARITCULARS

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.

ACKNOWLEDGEMENTS

The Board of Directors is pleased to place on record its appreciation the co-operation and support extended by financial institutions and banks, viz., ICICI, IIBI, IDBI, SBH, Scotia Bank, Canara Bank and various departments of the Central and State Governments.

The Board would like to thank the Company's shareholders, customers, suppliers for the support and the confidence which they have reposed in its management.

Your Directors also place on record their appreciation of all the employees for their sincere efforts put in by them for the progress of the Company.

For and on Behalf of
the Board of Directors.

P.R.Agarwal
Managing Director

T.Venkateswara Prasad
Director Finance

Hyderabad
30.06.2001

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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, 2001.

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	35 yrs	05.08.1993	62	15.00	Technocrat
2.	Rajesh Agarwal	Executive Director	B.Tech (BITS) MBA (IIM)	13 yrs	01.10.1994	37	15.00	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 and have been renewed.

Annexure – 'B' 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 and forming part of Directors' Report.

A. Conservation of Energy :

a. Energy Conservation Measures taken : -21 Refrigeration load was reduced by putting high efficiency plate heat exchanger with chilled water in DK plant. This resulted a power saving of 50,000 units per month

To meet the increased demand of steam as well as energy 8 TPH boiler was installed.

Spiral heat exchanger has been installed in place of shell & tube in new high purifying distillation column, which resulted a power saving of 500 units/day.

Refrigeration pumps systems were analysed and number of motors Hp were reduced to a total saving of 50 H p during the financial year.

b. Total energy consumption per unit of Production : Details are furnished in Form A

B. Technology absorption : Details are furnished in Form B

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C. Foreign Exchange Earnings and Outgo

1. Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plans. : The Company has taken several initiatives to export the products. The company has tied with parties in abroad for exports to various countries viz., Japan, Korea, Belgium, USA, UK, Pakistan, France and Denmark. The Company is competing with the above countries in terms of quality and price.

	2000-01 (INR)	1999-00 (INR)
2. Foreign Exchange Earnings (FOB Value)	**31743592**	2129945
3. Foreign Exchange outgo		
a. Raw Material	**18548649**	4475435
b. Capital Goods	**2381728**	804153
c. Foreign Travel	**2027187**	598722
d. Foreign Technology Fees	**1852000**	Nil
e. FC Loan repayments	**1332951**	1704783
f. FC interest payments	**441866**	754679
g. Books and Services	**24235**	105229
h. Market feasibility fees	**2341250**	Nil

FORM A

Form for disclosure of particulars with respect to conservation of energy.

	Current Year (2000-01)	Previous Year (1999-00)
A. POWER AND FUEL CONSUMPTION:		
1. ELECTRICITY :		
a. Purchased Units :	**3493327**	3134340
Amount (Rs. in lacs)	**154.86**	120.13
Rate/Unit (Rs.)	**4.43**	3.83
b. Own Generation :		
Through D.G.Set Units	**4179391**	3505388
Amount (Rs. in lacs)	**195.23**	112.71
Rate/Unit (Rs.)	**4.67**	3.21
c. Furnace (Furnace Oil & Others) (Rs. in lacs)	**302.07**	287.24
B. CONSUMPTION PER UNIT OF PRODUCTION:		
1. Electricity (Unit/MT) (Rs.)	**7704**	5558
2. Furnace (Furnace Oil & Others) (Unit /MT) (Rs.)	**6647**	6857

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