



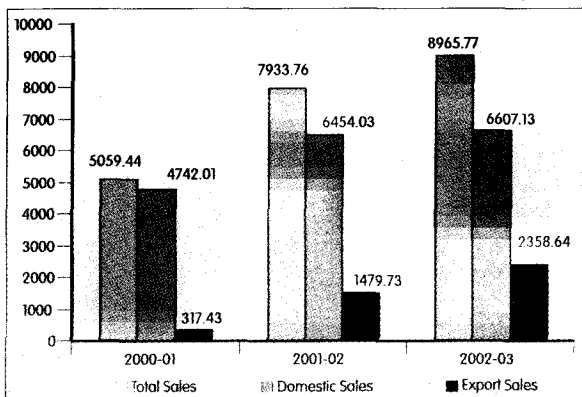
AVON
ORGANICS LTD.

In Tune with Technology

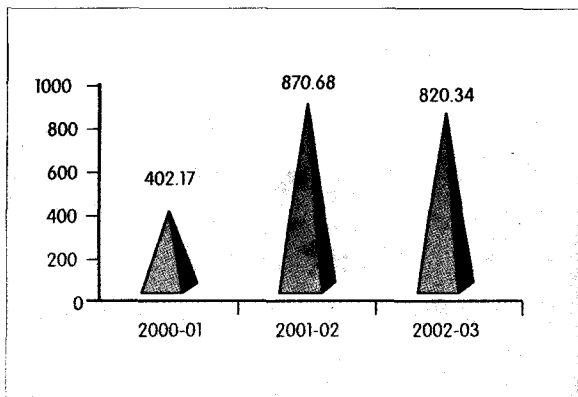
Report  Junction.com

ANNUAL REPORT
2002-2003

Sales (Rs.in lacs)



Cash Profit (Rs. in lacs)



FINANCIAL ANALYSIS

(Rs. In lacs)

	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
Sales	8965.77	7933.76	5059.44	4608.59	3682.04
Profit before Interest	1699.58	1707.82	876.28	1137.09	921.01
Financial Charges	879.24	837.14	474.11	446.88	420.19
Cash Profit	820.34	870.68	402.17	690.21	500.82
Depreciation	417.43	414.46	289.35	296.92	297
Profit before Tax	402.91	456.22	112.82	393.29	203.82
Taxation	24.00	30	8.5	28	21.5
Deferred Tax	24.97	35.14	—	—	—
Net Profit after Tax	353.94	391.08	104.32	365.29	182.32

Sources of Funds

Share Capital	930.19	930.19	930.19	945.69	732.09
Reserves and Surplus	1694.98	1294.54	1051.68	931.86	19.13
Long Term Loans	2251.64	2181.89	2147.46	1115.55	1318.04
Unsecured Loans	153.84	186.74	144.42	6.16	137.49
Sales Tax Deferment	876.58	680.35	534.6	385.09	225.04
Current Liabilities	3358.66	3009.5	2133.44	1390.24	945.46
	9265.89	8283.21	6941.79	4774.59	3377.25

Application of Funds

Net Fixed Assets	4235.93	4220.27	4148.46	2460.32	2103.45
Current Assets	5087.87	4130.09	2789.16	2303.16	1255.75
Misc. Expenses not written off	57.41	23.19	4.17	11.11	18.05
Deferred Tax Liability	(115.32)	(90.34)	0.00	0.00	0.00
	9265.89	8283.21	6941.79	4774.59	3377.25

Key Ratios

Debt:Equity	0.86	0.98	1.08	0.59	1.75
Total Outstanding Liabilities:					
Tangible Network	2.59	2.75	2.51	1.55	3.58
Current Ratio	1.51	1.37	1.31	1.66	1.33
Net Profit to Sales (%)	3.95	4.93	2.06	7.93	4.95
Cash Profit to Sales (%)	9.15	10.97	7.95	14.98	13.60
Gross Profit to Sales(%)	18.96	21.53	17.32	24.67	25.01
Interest Coverage ratio (No. of times)	1.93	2.04	1.85	2.54	2.19

BOARD OF DIRECTORS

Dr.P.M.Bhargava	Chairman
Sri P.R.Agarwal	Managing Director
Dr. T.Krishna	Director
Dr. T.V.Krishna Rao	Alternate Director to Dr. T.Krishna
Sri T.Venkateswara Prasad	Director-Finance
Sri C.K.C.Gupta	Director
Sri Rajesh Agarwal	Executive Director
Sri Umesh Agarwal	Director-Marketing
Sri J.Venkateswarlu	Director
Sri G.K.Kabra	Director
Sri R.Kandaswami	Nominee Director

Company Secretary

Ms. Runa Karan

Registered Office

Survey No. 18, Yawapur,
Sadasivpet (M), Medak Dist. A.P.
Phone: 911-252290; Fax: 911-251536

Auditors

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

Factories:

Diketene Division: Survey No. 18,
Yawapur, Sadasivpet (M),
Medak Dist. A.P.
Phone: 911-252290

Bio-Tech Division: Plot No. E-2,
Chincholi, Industrial Area Solapur,
Maharashtra.
Phone: 0217 - 2357738 / 2357339

Corporate Office

6-3-865, 4th Floor, Madhupala Towers,
Opp: Greenland Apts.,
Ameerpet, Hyderabad - 500 016.
Phone: +91 - 40 - 23414432
23405042 / 55570445
Fax: +91 - 40 - 23404438

Bankers

The Bank of Nova Scotia,
Banjara Hills, Hyderabad
Canara Bank, IFB, S.P Road, Secunderabad.
UCO Bank, S.D.Road, Secunderabad.
State Bank of Hyderabad,
IFB, Panjagutta, Hyderabad

Financial Institutions

ICICI Bank Limited, Hyderabad.
IDBI, Hyderabad, IIBI, Hyderabad

Registrars & Share Transfer Agents

Ikon Visions Private Limited
Flat No. 33, Sanali Heavens,
8-3-948, Ameerpet, Hyderabad-500 073.
Phone no. +91 - 40 - 23744356, 23744138.

Avon Organics Limited

NOTICE

NOTICE IS HEREBY GIVEN THAT the 10th Annual General Meeting of Avon Organics Limited will be held on Saturday, the 27th day of September, 2003 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, 2003 and the Profit and Loss Account for the financial year ended 31st March, 2003 and the Report of the Directors' and Auditors thereon.
2. To appoint a Director in place of Sri T.Venkateswara Prasad, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri G.K.Kabra, 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 Dr. P.M.Bhargava, 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 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. P.M.Bhargava as a Technical Adviser of the Company with effect from 1st February, 2003 at a remuneration of Rs. 19,000 per month."

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

"RESOLVED THAT in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Banks / Financial Institutions, Sri P.R.Agarwal be and is hereby re-appointed as Managing Director of the Company for a period of 5 years w.e.f. 09.08.2003 to 08.08.2008 on the following terms and conditions:

- a. Salary : Rs. 1.00 Lac per month
- b. Commission : 1% on the net profits of the Company
- c. Perquisites
In addition to salary and commission, Sri P.R.Agarwal shall be entitled
 1. House Rent Allowance or Rent Free Unfurnished accommodation not exceeding 40% of the salary over and above 10% payable by him. Reimbursement of expenditure on Gas, Electricity, Water and Furniture subject to a ceiling of 10% of Salary.
 2. Medical Reimbursement: Medical Expenses incurred on self and family subject to a ceiling of one months' salary

Avon Organics Limited



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. Club Fees: Membership fees in any two clubs not being admission and Life Membership Fees.
5. Provision of Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance-calls on telephone and use of car for private purpose shall be billed by the Company.

The Managing Director shall also be eligible for the following perks which shall not be included in the computation of the ceiling of remuneration mentioned hereinabove.

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-Tax, 1961,
2. Gratuity payable at a rate not exceeding half a months' salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

FURTHER RESOLVED THAT where in any financial year during the currency of the tenure of Sri P.R.Agarwal, Managing Director, the Company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites and allowances as specified above as a minimum remuneration subject to provisions of Schedule XIII of the Companies Act, 1956.

"RESOLVED FURTHER that the aforesaid remuneration shall be subject to schedule XIII of the Companies Act, 1956 and may be modified as may be agreed to by the Company and the proposed Managing Director, from time to time.

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

"RESOLVED THAT in accordance with the provisions of Section 198, 269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Banks / Financial Institutions, Sri T.V.Prasad be and is hereby re-appointed as Director Finance of the Company for a period of 5 years w.e.f. 28.06.2003 to 27.06.2008 on the following terms and conditions:

- a. Salary : Rs. 40,000 per month with an annual increment of Rs.5000
- b. 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.
- c. Leave Travel Concession: Leave Travel Concession for self and family once in a year in accordance with any other rules specified by the Company.
- d. Bonus: Bonus as per the rules specified by the company.
- e. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-Tax, 1961,
- f. Gratuity payable at a rate not exceeding

Avon Organics Limited



half a months' salary for each completed year of service, and

- g. Encashment of leave at the end of the tenure.

FURTHER RESOLVED THAT where in any financial year during the currency of the tenure of Sri T.V.Prasad, Director Finance the Company has no profits or its profits are inadequate, the company will pay remuneration by way of salary and perquisites and allowances as specified above as a minimum remuneration subject to provisions of Schedule XIII of the Companies Act, 1956.

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

"RESOLVED THAT pursuant to Section 314 (1) (B) of the Companies Act, 1956, Smt Sarita Agarwal who was appointed as Vice President (Admn. & Accounts) be paid monthly remuneration during the continuance of her employment as under:

Rs.35,000 with effect from 01.07.2003, with an annual increment of Rs.5000, upto a period of 3 years, subject to a ceiling of Rs.50,000.

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

Place : Hyderabad **Runa Karan**
Date : 28th June, 2003 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 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.

2. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of special business is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 22nd day of September, 2003 to Saturday, the 27th day of September, 2003 (both days inclusive)
4. Members are requested to inform any change, in their registered address to the registered / corporate office of the Company.
5. Member/Proxies should bring in their attendance slip sent herewith duly filled in for attending the meeting.
6. 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.
7. Pick up coach facility
For the convenience of members who are desirous of attending the company's Annual General Meeting scheduled on 27th day of September, 2003 at 3.00 p.m., the company will provide transport from Corporate office to Sadasivpet (Factory) and back. The pick up coach will leave from Madhupala Towers, Ameerpet, Hyderabad at 1.00 p.m. on the date of the AGM to reach the venue of the AGM in time for the meeting and leave for Hyderabad after the meeting.

Members wishing to avail of this facility may kindly intimate two days in advance and be present in time at the pick-up point at the corporate office in Hyderabad.

8. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividend for the financial year 2001-02, which remain unclaimed for a period of 7 years will be transferred by the company to the Investor Education and Protection Fund (IEPF), established by the Central Government pursuant to Section 205 C of the Companies Act, 1956.

Shareholders who have not encashed the dividend warrant(s) so far for the financial year 2001-02, are requested to make their claim to the company at its Registered Office. It may also be noted that once the unclaimed dividend is transferred to the Investor Education and Protection Fund (IEPF), no claim shall lie in respect thereof.

ANNEXURE TO NOTICE

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

Item No. 5

Dr. P.M.Bhargava was appointed as an Additional Director of the Company with effect from the 31st day of January, 2003. Pursuant to Section 260 of the Companies Act, 1956, Dr.P.M.Bhargava 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 Dr.P.M.Bhargava for the office of the Director under the provisions of Section 257 of the Companies Act, 1956.

Dr. P.M.Bhargava, a Doctorate from the Lucknow University, is a renowned technologist and Padma Bhushan Awardee. He is the founder of CCMB and a distinguished fellow of the CSIR. He is regarded as the architect of modern Biology and Biotechnology in India. His contribution in the Biotechnology field will serve as the backbone for the company's business opportunities in future. and it will be in the interest of the company that Dr.P.M.Bhargava be appointed as a Director of the Company.

The Directors recommend this resolution for approval of the shareholders.

None of the Directors except Dr.P.M.Bhargava is concerned or interested in this resolution

Item No.6

The Board of Directors at its meeting held on 31.01.2003, approved the appointment of Dr. P.M.Bhargava as Technical Adviser of the company for a period of 5 years, with effect from 1st day of February, 2003, at a remuneration of Rs.19,000 per month. Dr. P.M.Bhargava, a doctorate from the Lucknow University, is a renowned technologist and Padma Bhushan Awardee. He is the founder of CCMB and a distinguished fellow of the CSIR. He is regarded as the architect of modern Biology and Biotechnology in India and it will be in the interest of the company that Dr.P.M.Bhargava be appointed as the Technical Adviser of the Company.

The appointment of Dr. P.M.Bhargava including the payment of remuneration is subject to the approval of the company in the General Meeting.

The Directors recommend this resolution for approval of the shareholders.

Dr P.M.Bhargava is interested to the extent of the remuneration payable to him. No other Director is concerned or interested in this resolution

Item No.7

Sri P.R.Agarwal was appointed as Managing Director for a period of 5 years w.e.f. 07.08.1998 and his term of appointment expired on 06.08.2003. While placing on record their appreciation for Sri P.R.Agarwal, the Board of

Avon Organics Limited

Directors considered the appointment of Sri P.R.Agarwal as Managing Director of the company for a further period of 5 years w.e.f 09.08.2003 on the terms and conditions as set out in the notice. The Board recommends the above resolution for your consent.

None of the Directors except Sri P.R.Agarwal, Sri Rajesh Agarwal, Executive Director and Sri Umesh Agarwal, Director - Marketing sons of Sri P.R.Agarwal are interested in the above resolution.

Item No. 8

Sri T.V.Prasad was appointed as Director Finance for a period of 5 years w.e.f. 01.03.1998 and his term of appointment expired on 28th February, 2003. Sri T.V.Prasad, with an experience of over 20 years has been advising on the financial aspects of the company. Considering his experience the Board felt that the company would be immensely benefited and likewise appointed him as Director Finance of the company for a further period of 5 years w.e.f 28.06.2003. The Board recommends the above resolution for your consent.

None of the Directors except Sri T.V.Prasad is interested in the above resolution

Item No.9

Ms Sarita Agarwal was appointed as Vice President (Administration & Accounts) in 1997 and has been working with full dedication for the past 8 years. As per the recent amendment in the Companies Act, 1956 and in accordance with Section 314, any relative of the Director of a Company, if appointed to place of profit in a company and on a remuneration not exceeding Rs.50,000 requires the consent of the shareholders of the company by way of a special resolution. Thus this resolution and the Board recommends the same for your consent.

None of the Directors except Sri P.R.Agarwal, Sri Rajesh Agarwal, to whom Mrs. Sarita Agarwal is related are interested in the above resolution.

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

Place : Hyderabad

Date : 28th June, 2003

Runa Karan

Company Secretary

Avon Organics Limited

DIRECTORS' REPORT

To
The Members

Your Directors have pleasure in presenting the 10th Annual Report together with the Audited Accounts for the Year ended 31st March, 2003.

FINANCIAL RESULTS

	2002-2003 Rs. in Lacs	2001-2002 Rs. in lacs
Sales & Operational Income	8965.77	7933.75
Gross Profit before interest, Depreciation	1699.58	1707.82
Less: Financial charges	879.24	837.14
Gross Profit after interest but before Depreciation	820.34	870.68
Less: Depreciation	417.43	414.46
Profit before tax	402.91	456.22
Provision for taxation (Regular)	24.00	30.00
Net Profit after Tax	378.91	426.22
Less: Deferred Tax (Current Year)	24.97	35.14
Profit after deferred tax	353.94	391.07
Brought forward Profit/loss of previous years	314.10	416.05
Excess Dividend provision written back	46.51	0.00
Surplus available	714.55	807.12
APPROPRIATIONS		
Proposed Dividend	—	93.02
Transfer to General Reserve	400.00	400.00
Surplus carried to Balance Sheet	314.55	314.10

DIVIDEND

Due to cash flow constraints and to conserve the available resources, despite profits, your Directors regret their inability to recommend dividend for the year under review.

PERFORMANCE OF THE COMPANY

During the year the company has achieved sales and operational income of Rs.8965.77 lakhs reflecting a growth of 13% over the previous year. The profit before tax was Rs.402.91 lakhs as against Rs.456.22 lakhs in the previous year. The Export sales have increased from Rs.1479.72 lacs in the previous year to Rs. 2358.64 lacs in the current year, registering a growth of 59%.

Despite increase in sales, the performance of the company during the year under review was marginally affected due to abnormal increase in the raw material prices, power and fuel cost, overheads, constraints of the company to pass on the increased cost of inputs to the customers and lower export realizations due to strengthening of the rupee against dollar.

OPERATIONS AND FUTURE OUTLOOK

The Management is making all its efforts to counter the increased cost of inputs and overheads. The company has installed energy saving devices to counter the increased cost of power, planning to go for backward integration for reducing the raw material cost and providing effective training for better utilisation of manpower and utilities. The company is in the process of restructuring the rupee borrowings into foreign currency loans for reducing the interest burden.

During the year under review the company has utilised the capacities, in the both divisions to the fullest potential. The Company, in the diketene division, with its R & D and technical team efforts,

Avon Organics Limited



has developed a few more new products which will contribute to the best business opportunities in the years to come. The Company, in the Bio-tech division, has also added a few more products to the existing product basket. The process upgradation, in the Bio-tech division enables the company to improve its capacity utilisation.

During the year under review, the company in its Diketene division is focussing to market the products where the value addition and export potential are high. The company's product range in pigment intermediates is being strengthened. In the years to come, the market for organic pigments by using Arylides will be expanding and the company has developed skills to take larger share of the market.

The company in its Bio-tech division has entered into international markets in Latin America, Middle East, Africa and South East Asia for marketing Ephedrine Derivatives. The company has also signed a long term contract with a UK based MNC, for supply of bulk quantities of Ephedrine derivatives and is in the process of negotiating with a few other international customers. The revenue from these contracts will be reflected in the financial year 2003-2004. The company has also been granted Certificate of Suitability by the Council of Europe, European Directorate for the Quality of Medicines, which will help the company to market the products better in the European Market. The Ephedrine facility has been approved as meeting with the WHO GMP regulations and Drug Master Files have been filed and approved in many countries. The company is also pursuing for USFDA approval, which will enable the company to enter into regulated markets.

The Board of Directors are also pleased to inform you that the company has obtained the Export House status, which will enable the company to have smooth Import-Export operations. Your company's certificate for quality systems under ISO 9001 continues to be valid.

Every activity of the Company is directed towards making your company more stronger and result

oriented and your Directors are confident that the steps initiated in both the divisions will place the company in a strong position in the near future.

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, 2003, 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, 2003 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, 2003 have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The Company is in full compliance with the recommendations contained in the code of Corporate Governance. A detailed report on Corporate Governance and the Auditor's Certificate, forming part of the Directors' Report is enclosed herewith.

DIRECTORS

The Board of Directors of the company have appointed Dr. P.M.Bhargava as Additional Director