



**AVON**  
**ORGANICS LTD.**  
*In Tune with Technology*

Report  Junction.com

**11th Annual Report 2003 - 2004**

[www.reportjunction.com](http://www.reportjunction.com)

## FINANCIAL ANALYSIS

(Rs. In lacs)

Particulars	2003-2004	2002-2003	2001-2002	2000-2001	1999-00
Sales	8424.75	8965.77	7933.76	5059.44	4608.59
Profit before Interest	1598.43	1699.58	1707.82	876.28	1137.09
Financial Charges	825.70	879.24	837.14	474.11	446.88
Cash Profit	772.73	820.34	870.68	402.17	690.21
Depreciation	414.07	417.43	414.46	289.35	296.92
Profit before Tax	358.66	402.91	456.22	112.82	393.29
Taxation	22.00	24.00	30.00	8.50	28.00
Taxation for previous years	17.00	—	—	—	—
Deferred Tax	15.33	24.97	35.14	—	—
Net Profit after Tax	304.33	353.94	391.08	104.32	365.29
<b>Sources of Funds</b>					
Share Capital	950.83	930.19	930.19	930.19	945.69
Reserves and Surplus	1999.31	1694.98	1294.54	1051.68	931.86
Long Term Loans	2565.71	2251.64	2181.89	2147.46	1115.55
Unsecured Loans	86.46	153.84	186.74	144.42	6.16
Sales Tax Deferment	1060.73	876.58	680.35	534.60	385.09
Current Liabilities	3873.32	3358.66	3009.50	2133.44	1390.24
	10536.36	9265.89	8283.21	6941.79	4774.59
<b>Application of Funds</b>					
Net Fixed Assets	4173.64	4235.93	4220.27	4148.46	2460.32
Current Assets	6446.54	5087.87	4130.09	2789.16	2303.16
Misc. Expenses not written off	41.64	57.41	23.19	4.17	11.11
Deferred Tax Liability	(130.65)	(115.32)	(90.34)	—	—
Investments	5.19	—	—	—	—
	10536.36	9265.89	8283.21	6941.79	4774.59
<b>Key Ratios</b>					
Debt : Equity	0.87	0.86	0.98	1.08	0.59
Total Outstanding Liabilities:					
Tangible Networkth	2.57	2.53	2.72	2.50	1.54
Current Ratio	1.66	1.51	1.37	1.31	1.66
Net Profit to Sales (%)	3.61	3.95	4.93	2.06	7.93
Cash Profit to Sales (%)	9.17	9.15	10.97	7.95	14.98
Gross Profit to Sales (%)	18.97	18.96	21.53	17.32	24.67
Interest coverage ratio (No. of Times)	1.94	1.93	2.04	1.85	2.54

CONTENTS .....	Page
Notice of Annual General Meeting .....	2
Directors' Report .....	8
Manangement Discussion and Analysis Report .....	14
Report on Corporate Governance .....	17
Auditors' Report .....	25
Balance Sheet .....	28
Profit and Loss Account .....	29
Schedules 1 to 21 .....	30
Cash Flow Statement .....	45
Balance Sheet Abstract .....	47

**BOARD OF DIRECTORS****Board of Directors**

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

**Company Secretary**

Ms Runa Karan

**Registered Office**

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

**Corporate Office**

6-3-865, 4th Floor, Madhupala Towers,  
 Opp: Greenland Apts., Ameerpet, Hyderabad  
 Phone: 040 - 23414432 / 23405042 / 55154528;  
 Fax: 040 - 23404438

**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 - 2357338 / 2357339

**Bankers / Financial Institutions**

State Bank of Hyderabad  
 The Bank of Nova Scotia  
 State Bank of India  
 UCO Bank  
 ICICI Bank Limited  
 UTI Bank Limited  
 IDBI

**Registrars & Share Transfer Agents**

Ikon Visions Private Limited  
 Flat No. 33, Sanali Heavens ,  
 8-3-948, Ameerpet,  
 Hyderabad-73.  
 Phone no. (040)23744356, 23744138.

## NOTICE

NOTICE IS HEREBY GIVEN THAT the 11th Annual General Meeting of Avon Organics Limited will be held on Saturday, the 21st day of August, 2004 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 audited Balance Sheet as at 31st March, 2004 and the Profit and Loss Account for the financial year ended 31st March, 2004 and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri CKC Gupta, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. P.M.Bhargava who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and to fix their remuneration.

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions of the Companies Act, 1956, M/s Shyam Sharma & Co., Chartered Accountants, Hyderabad be appointed as Statutory Auditors of the Company and to hold office until the conclusion of the next Annual General Meeting, in place of the outgoing Auditors M/s Kishore & Sastry, at such remuneration as may be decided by the Board of Directors and agreeable to them."

**SPECIAL BUSINESS :**

5. 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 CKC Gupta, as Technical Adviser of the Company for a period of 5 years, with effect from 1st May, 2004 on a monthly remuneration of Rs. 21,000 plus service tax."

6. 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 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, and subject to any other approvals as may be necessary, the Company hereby approves the terms of appointment and remuneration of Sri. Rajesh Agarwal as the Executive Director of the Company for a period of 5 years with effect from 5th day of October, 2004, on the terms and conditions including remuneration as are set out in the Explanatory statement annexed hereto, with the liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment as may be agreed between the Board and Sri Rajesh Agarwal."

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

"RESOLVED THAT pursuant to the provisions of Sections 198,269,309 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, and subject to any other approvals as may be necessary, the Company hereby approves the terms of appointment and remuneration of Sri. Umesh Agarwal as the Director Marketing of the Company for a period of 5 years with effect from 3rd day of August, 2004 on the terms and conditions as set out in the Explanatory statement annexed hereto, with the liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment as may be agreed between the Board and Sri Umesh Agarwal."

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

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956, The Securities Contracts (Regulation) Act, 1956, the Listing Agreement with the Stock Exchanges and the provisions of The Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, or any amendment or modification thereof, and subject to such approvals, permissions and sanctions as may be necessary, and such conditions and modifications as may be prescribed or imposed by any Authority while granting such approvals, permissions or sanctions which may be agreed to by the Board of Directors of the Company ('the Board'); consent be and is hereby accorded to delist the Equity Shares of the Company from The Calcutta Stock Exchange Limited, Calcutta.

RESOLVED FURTHER THAT consent be and is hereby accorded to the Board, to settle all questions, difficulties or doubts that may arise in this regard and to do all such acts, deeds and things as may be necessary, expedient and desirable, for the purpose of giving effect to this Resolution."

for **Avon Organics Limited**

Place : Hyderabad

**Runa Karan**

Date : 30.06.2004

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 16th day of August, 2004 to Saturday, the 21st day of August, 2004 ( 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 21st day of August, 2004 at 3.00 p.m., the company will provide transport facility 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 remains 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.4**

The Statutory Auditors M/s Kishore & Sastry, Chartered Accountants hold office until the conclusion of the ensuing Annual General Meeting and have expressed their inability to continue as Statutory Auditors of the company due to their pre-occupation in services other than audit related activities. The board of Directors place on record their sincere appreciation for their valuable services rendered to the company, since inception.

M/s Shyam Sharma & Co., Chartered Accountants have signified their willingness for appointment as Statutory Auditors and confirmed their eligibility under Section 224 (IB) of the Companies Act, 1956.

The Directors recommend for their appointment to the shareholders from the conclusion of the ensuing Annual General Meeting.

None of the Directors are concerned or interested in this resolution.

**Item No.5**

The Board of Directors at its meeting held on 30.06.2004, approved the appointment of Sri CKC Gupta as Technical Adviser of the company for a period of 5 years, with effect from 1st day of May, 2004, on a monthly remuneration of Rs.21,000, plus service tax. Sri CKC Gupta is a Mechanical Engineer with over 40 years of experience and it will be in the interest of the company that Sri C K C Gupta be appointed as Technical Adviser of the Company.

The appointment of Sri CKC Gupta 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.

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

**Item No.6**

Sri Rajesh Agarwal was appointed as Executive Director of the company with effect from 3rd day of October, 1999 for a period of five years. Sri Rajesh Agarwal is a graduate in Chemical Engineering from BITS, Pilani and a Master in Business Management from IIM, Calcutta. The Board of Directors of the company at its meeting held on 30.06.2004 approved the appointment of Sri Rajesh Agarwal as the Executive Director of the company for a further period of five years with effect from 5th day of October, 2004 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 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 5th day of October, 2004
3. **Remuneration payable:**
  - a. Salary: Rs. 1,20,000 per month, with an annual increment of Rs. 5,000/- due on 1st October every year.
  - b. Commission: Equivalent to 0.5% of the profits 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 Companies' 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 Companies' business, telephone and other communications facilities at residence, will not be considered as 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 as specified above as a minimum remuneration subject to provisions of Schedule XIII of the Companies Act, 1956.

4. The 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.
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.

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, Director Marketing who are related to Sri Rajesh Agarwal are interested in the above 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. 7

Sri Umesh Agarwal was appointed as Director Marketing of the company with effect from 1st day of August, 1999 for a period of five years. The Board of Directors at its meeting held on 30.06.2004 approved the appointment of Sri Umesh Agarwal as Director Marketing for a further period of five years and 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 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, manage the business and affairs of the Company.

**2. Period of Agreement:**

Five years with effect from 3rd day of August, 2004.

**3. Remuneration payable:**

- a. Salary: Rs. 85,000 per month, with an annual increment of Rs. 5,000/- due on 1st August every year.
- b. Commission: Equivalent to 0.5% of the profits 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. 2,00,000 per annum. For the purpose of calculating the above ceiling, the perquisites shall be evaluated as per income-tax rules wherever applicable.
  - ii. The 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, will not be considered as 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 Director Marketing, then the remuneration payable by way of salary, dearness allowance, perquisites and any other allowances as specified above as a minimum remuneration subject to provisions of Schedule XIII of the Companies Act, 1956
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.

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 who are related to Sri Umesh Agarwal are interested in the above 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.

#### Item No. 8

The Equity Shares of Rs. 10/- each of your Company, are presently listed on the following Stock Exchanges in India:

- a) The Mumbai Stock Exchange of India Ltd., Mumbai (BSE)
- b) The Calcutta Stock Exchange Limited, Calcutta (CSE)
- c) The Hyderabad Stock Exchange Limited., Hyderabad (HSE)

It has been observed that the equity shares of the company are not traded on The Calcutta Stock Exchange Ltd., since inception. The company has paid Rs.8750 towards the annual listing fees for the year 2004-05.

The delisting of equity shares will not adversely effect the liquidity to the investors and shareholders,

including those located in the regions where the above Stock Exchange is situated, as the equity shares would continue to be listed on BSE. With the nation wide and extensive network of trading terminals set up by the BSE, the investors and shareholders have access to online dealings in the company's equity shares and therefore the continued listing on The Calcutta Stock Exchange Ltd. is not necessary. In accordance with the Delisting Guidelines, an exit opportunity is not required to be given to the shareholders.

In view of the above it is felt that continued listing with The Calcutta Stock Exchange Ltd does not provide any significant tangible advantage to the members of the company and the delisting of equity shares from The Calcutta Stock Exchange Ltd will not be prejudicial to or affect the interest of the investors or shareholders of the company. The Company would also comply with additional conditions, if any, imposed by the Calcutta Stock Exchange Limited to comply by the SEBI guidelines

The Directors recommend this resolution for approval of the shareholders.

None of the Directors is concerned or interested in this resolution

for **Avon Organics Limited**

Place : Hyderabad  
Date : 30.06.2004

**Runa Karan**  
Company Secretary

## DIRECTORS' REPORT

To  
The Members

Your Directors have pleasure in presenting the 11th Annual Report together with the Audited Accounts for the year ended 31st March, 2004.

## FINANCIAL RESULTS

	<b>2003-2004</b>	2002-2003
	<b>Rs. in Lacs</b>	Rs.in lacs
Sales & Operational Income	<b>8424.75</b>	8965.77
Gross Profit before interest, Depreciation	<b>1598.43</b>	1699.58
Less: Financial charges	<b>825.70</b>	879.24
Gross Profit after interest but before Depreciation	<b>772.73</b>	820.34
Less: Depreciation	<b>414.07</b>	417.43
Profit before tax	<b>358.66</b>	402.91
Less : Provision for taxation		
- current year	<b>22.00</b>	24.00
- previous years	<b>17.00</b>	—
Less: Deferred Tax (Current Year)	<b>15.33</b>	24.97
Net profit after tax	<b>304.33</b>	353.94
Add : Brought forward Profit/loss of previous years	<b>314.55</b>	314.10
Add: Excess Dividend provision written back	—	46.51
Surplus available	<b>618.88</b>	714.55
<b>APPROPRIATIONS</b>		
Transfer to General Reserve	<b>500.00</b>	400.00
Surplus carried to Balance Sheet	<b>118.88</b>	314.55

## DIVIDEND

With a view to conserve and plough back the available resources and thereby strengthen your company, the Directors do not propose to recommend any dividend for the year under review.

## PERFORMANCE REVIEW

During the year the company has achieved sales and operational income of Rs. 8424.75 lakhs as against Rs.8965.77 in the previous year. The profit before tax was Rs. 358.66 lakhs as against Rs. 402.91 lakhs in the previous year.

The Export sales have increased from Rs. 2358.64 lacs in the previous year to Rs. 2837.04 lacs in the current year.

Despite decrease in sales, the profitability of the company was marginally affected due to cost control measures taken up by the company.

## OPERATIONS AND FUTURE OUTLOOK

During the year under review, the sales of the Diketene Division is reduced marginally on account of phasing out of some of the products which were not economical, due to unprecedented global competition, pricing pressures and lower export realizations on account of strengthening of the rupee against dollar.

During the year, the company has incurred capital expenditure for adding new value added products, wherein the value additions are comfortable. The company has also taken several cost control measures, for reducing the cost of finance and other overheads.

In view of the cost control measures taken up by the company, flexibility in the product mix and further addition of more value added products, the company is hopeful of achieving better turnover and profits as compared to the year under review.

During the year under review, the company in the Biotech division has achieved sales and operational