

# 16<sup>th</sup> ANNUAL REPORT 2008-2009

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**AVON**  
**ORGANICS LTD.**

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## CONTENTS

|   |    |
|---|----|
| Notice of Annual General Meeting .....          | 02 |
| Director's Report .....                         | 11 |
| Management Discussion and Analysis Report ..... | 15 |
| Report on Corporate Governance .....            | 17 |
| Auditors' Report .....                          | 29 |
| Balance Sheet .....                             | 32 |
| Profit And Loss Account .....                   | 33 |
| Schedules 1 to 20 .....                         | 34 |
| Cash Flow Statments .....                       | 44 |
| Balance Sheet Abstract .....                    | 46 |

## CORPORATE INFORMATION

## BOARD OF DIRECTORS

|                           |   |
|---------------------------|---|
| <b>Board of Directors</b> | Mr. Ajit Kamath, <i>Non Executive Chairman &amp; Managing Director</i><br>Mr. Manoj Jain, <i>Director</i><br>Mr. V. S. Soma, <i>Executive Director &amp; Company Secretary</i><br>Mr. Sudhir Ghate, <i>Director</i><br>Dr. Shantilal Jain, <i>Director</i><br>Mr. Ashit Shah, <i>Director</i> |
|---------------------------|---|

|                          |                |
|--------------------------|----------------|
| <b>Company Secretary</b> | Mr. V. S. Soma |
|--------------------------|----------------|

|                          |  |
|--------------------------|--|
| <b>Registered Office</b> | Survey No. 18, Yawapur, Sadasivpet (M),<br>Medak Dist., Andhra Pradesh |
|--------------------------|--|

|                         |   |
|-------------------------|---|
| <b>Corporate Office</b> | 6-3-865, 4 <sup>th</sup> Floor, Madhupala Towers,<br>Opp. Greenlands Apts., Ameerpet,<br>Hyderabad. |
|-------------------------|---|

Phone: 040 – 23414432 /23405042

Fax: 040 – 23404438

|                 |   |
|-----------------|---|
| <b>Auditors</b> | M/s. Shyam Sharma & Co., Chartered Accountants,<br>1-10-5, Ashok Nagar, Hyderabad-500 020 |
|-----------------|---|

|                        |  |
|------------------------|--|
| <b>Plant Locations</b> | - Survey No. 18, Yawapur, Sadasivpet (M),<br>Medak Dist., Andhra Pradesh<br>- Plot No. E-2, MIDC,<br>Chincholi Industrial Area, Solapur, Maharashtra |
|------------------------|--|

|                |  |
|----------------|--|
| <b>Bankers</b> | State Bank of India<br>AXIS Bank Limited<br>Punjab National Bank |
|----------------|--|

|   |   |
|---|---|
| <b>Registrars &amp; Share Transfer Agents</b> | M/s. XL Softech Limited, 3, Sagar Society,<br>Road No. 2, Banjara Hills, Hyderabad -500 034,<br>Phone No. : 040 - 23545913/ 14/ 15. |
|---|---|



## NOTICE

NOTICE IS HEREBY GIVEN THAT the 16<sup>th</sup> Annual General Meeting of Avon Organics Limited will be held on Tuesday, the 29<sup>th</sup> day of September, 2009 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 31<sup>st</sup> March, 2009 and the Profit and Loss Account for the financial year ended 31<sup>st</sup> March, 2009 alongwith the Report of the Directors and Auditors thereon.
2. To appoint M/s. Mukesh Mehta & Associates, Chartered Accountants, in place of the retiring Auditors, M/s. Shyam Sharma & Co., Chartered Accountants, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on remuneration to be decided by the Board of Directors of the Company.

**SPECIAL BUSINESS**

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

**"RESOLVED THAT** Mr. Ajit Kamath, who was inducted into the Board as an Additional Director of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956 (the "Act"), on 31<sup>st</sup> day of January, 2009, holding office upto the conclusion of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Act, be and is hereby appointed as a Director of the Company.

**RESOLVED FURTHER THAT** pursuant to the change in the management of the Company and resignation by Dr.P.M.Bhargava, erstwhile Chairman and Mr. P. R. Agarwal, erstwhile Managing Director of the Company from the Board, Mr. Ajit Kamath be and is hereby appointed as Non-Executive Chairman & Managing Director of the Company for a period of 5(five) years with effect from 1<sup>st</sup> August, 2009, without drawing any remuneration, allowances and perquisites of any kind - monetary or non monetary, from the Company, in accordance with the provisions of Section 198, 269, 309, 316 and Schedule XIII and applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) and re-enactment thereof and/or any rules or regulations there under).

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to vary the

terms of his appointment as specified above, to the extent the Board of Directors may consider appropriate and as may be permitted or authorised by the Companies Act, 1956 or schedules appended thereto for the time being in force or any statutory modification or re-enactment thereof and/or any rules or regulations there under."

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

**"RESOLVED THAT** Mr. Manoj Jain, who was inducted into the Board as an Additional Director of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956 (the "Act"), on 31<sup>st</sup> day of January, 2009, holding office upto the conclusion of this Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Act, be and is hereby appointed as a Director of the Company."

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

**"RESOLVED THAT** Mr. V. S. Soma, Company Secretary of the Company, who was inducted into the Board as an Additional Director of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956 (the "Act"), effective from 1<sup>st</sup> day of August, 2009, holding office upto the conclusion of this Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Act, be and is hereby appointed as a Director of the Company.

**RESOLVED FURTHER THAT** in accordance with the provisions of Sections 198, 269, 309 and Schedule XIII and applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) and re-enactment thereof and/or any rules or regulations there under), Mr. V. S. Soma, Company Secretary, be and is hereby appointed as the Whole-time Director of the Company designated as Executive Director for a period of 3 (three) years, effective from 1<sup>st</sup> August 2009 on such terms of appointment and remuneration payable to him as stated below:

1. Remuneration

1) Salary: Rs. 1,25,000/- (Rupees One Lakh Twenty five Thousand only) per month, which include perquisites, allowances and reimbursements, as per Company rules.

The Board or any committee thereof, in its absolute discretion and based on merit and taking into account the Company's performance for the year, from time to time, may revise the terms and conditions of the appointment including remuneration details.

2) The following perquisites are included in the above salary :

- a) Medical reimbursement: Actual expenses incurred for self.
- b) Contribution to Provident Fund, Superannuation fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent that these either singly or put together, are not taxable under the Income Tax Act, 1961.
- c) Gratuity payable shall be calculated as per the provisions of the Gratuity Act, 1972.
- d) Encashment of Leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

II. The following are the other terms of the appointment:

- a) Provision of Company's car, which will not be considered as perquisites.
- b) Reimbursement of entertainment expenses, traveling and all other expenses, traveling and all other expenses actually and properly incurred for the purpose of Company's business.
- c) No sitting fees shall be paid for attending the meeting of the Board of Directors or committee thereof.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorised to vary the terms of his appointment and vary or increase the remuneration and perquisites including the monetary value thereof to the extent the Board of Directors may consider appropriate and as may be permitted or authorised by the Companies Act, 1956, or schedules appended thereto, for the time being in force or any statutory modification(s) or re-enactment thereof and/ or any rules or regulations there under."

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

**"RESOLVED THAT** Mr. Sudhir Ghate, who was inducted into the Board as an Additional Director of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956 (the "Act"), effective from 1<sup>st</sup> day of August, 2009, holding office upto the conclusion of this Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Act be and is hereby appointed as a Director of the Company"

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

**"RESOLVED THAT** Dr. Shantilal Jain, who was inducted into the Board as an Additional Director of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956 (the "Act"), effective from 1<sup>st</sup> day of August, 2009, holding office upto the conclusion of this Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Act be and is hereby appointed as a Director of the Company".

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

**"RESOLVED THAT** Mr. Ashit Shah, who was inducted into the Board as an Additional Director of the Company in accordance with the provisions of Section 260 of the Companies Act, 1956 (the "Act"), effective from 1<sup>st</sup> day of August, 2009, holding office upto the conclusion of this Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Act be and is hereby appointed as a Director of the Company."

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

**"RESOLVED THAT** in accordance with the provisions of Section 31, and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s), or redeemed-enactment thereof, for the time being in force), and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from authorities or bodies, the Articles of Association of the Company be and are hereby altered in the following manner:

- (i) Article no. 53 stating "Sri P. R. Agarwal shall be permanent Director on the Board for life and shall not be liable to retire by rotation." be and is hereby deleted in view of his resignation from the Board effective from 1<sup>st</sup> August, 2009.
- (ii) Article no. 67 be and is hereby replaced and it shall be read as follows:

"Subject to the applicable provisions of the Companies Act, 1956 and subject to such approvals as may be necessary, the Board may from time to time appoint one or more of their body to the office of Managing Director and or

Manager or Whole time Director(s) for such term and on such remuneration (whether by way of salary and/or commission or partly in one and partly in another), with or without bonus and any other and/or all allowances as they think fit and a Director so appointed shall be considered as a Director retiring by rotation for the purposes of Sections 255 and 256 of the Companies Act, 1956 and his or her appointment shall be subject to determination ipso facto if he or she ceases from any cause to be a Director, or if the Company in general meeting resolves that his or her term of office as Managing Director or Manager or Whole time Director to be determined."

- (iii) Article no. 68 be and is hereby replaced and shall be read as follows:

"Any Director may from time to time upon the request of any other Director, shall convene the meeting of the Board. All meetings of the Board of the Company shall unless otherwise determined by the Board, be held at the Registered Office of the Company. The quorum for a meeting shall be two directors or one third of the total strength (any fraction contained in one third being round off as one) whichever is higher. The Board shall meet at least once in every three months and at least four meetings shall be held in each calendar year."

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

**"RESOLVED THAT** in supercession of all the earlier resolutions passed by the Company, pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s), or redeemed enactment thereof, for the time being in force and as amended from time to time, consent of the Members be and is hereby accorded to the creation of such mortgages and/or charges and also for modification or varying the terms of any existing mortgages and/or charges on all or any of the immovable or movable properties of the Company, wheresover situated, present and/or future, including the whole of the undertaking(s) of the Company (save and except the current assets that are or may be hypothecated and/or pledged in favour of the Company's bankers for securing borrowings for working capital requirements) to secure the repayments of any borrowings made or loan availed of, or debentures issued and/or to be made/availed of/issued by the

Company and to secure the payment of interest thereon or any charges or expenses relating thereto or arising from the borrowings or availing of loans or issue of debentures and that the said debentures or charges be created in favour of the trustees of debenture holders, if any, and in any manner as may be thought fit by the Board of Directors of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to execute trust deeds and/or such other documents for creating mortgages and resolve and settle any difficulties that may arise in the proposed issue and allotment of the debentures and to do all such acts and deeds, and things in connection therewith and incidental thereto as the Board of Directors, in its absolute discretion may deem fit."

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

**"RESOLVED THAT** in supercession of all the earlier resolutions passed by the Company, pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, including any statutory modification(s), or redeemed enactment thereof, for the time being in force and as amended from time to time, consent of the Members be and is hereby accorded to the Board of Directors of the Company, for borrowing from time to time, all such sums of money for the purpose of business of the Company, notwithstanding that the moneys borrowed together with moneys already borrowed by the Company (apart from the temporary loans obtained or to be 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, i.e. to say, reserves not set apart for any specific purpose, provided that the total amount of money so borrowed and outstanding shall not at any time exceed the sum of Rs.500.00 Crores (Rupees Five Hundred Crores only).

**RESOLVED FURTHER THAT** the consent of the Members be and is hereby accorded to the Board of Directors, of the Company for issuing non-convertible debentures, whether to public or to specified individuals, bodies corporate, Banks, Financial Institutions, Mutual Funds or other lenders, of such nominal value and on such terms and conditions as to the duration and the manner of redemption of debentures, the interest payable and as to the security, as may be decided by the Board of Directors of the Company in the best interest of the Company."



12. To consider and if thought fit, to pass with or without modification the following resolution as a **Special Resolution**:

**"RESOLVED THAT** in accordance with the provisions of Section 31, and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s), or redeemed-enactment thereof, for the time being in force), and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from authorities or bodies, the Articles of Association of the Company be and are hereby altered in the following manner:

- (i) Article no. 35 (b) of the Articles of Association, be and is hereby replaced and it shall be read as follows:

"The Board of Directors may from time to time but with such consent of the Company in General Meeting as may be required under Section 293 raise any moneys or sums of money for the purpose of the Company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not without the sanction of the Company at a General Meeting 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 and in particular. The Board may from time to time, at their discretion raise or borrow or secure the payment of any such sum of money for the purpose of the Company by the issue of debentures, perpetual or otherwise, as per the provisions of Section 292 of the Companies Act, 1956. As security for any such money so borrowed, raised or received, the Board is authorised to mortgage, pledge or charge the whole or any part of the property assets or revenue of the Company present or future including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or pay off any such securities.

Provided, that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated above shall specify the total amount upto which moneys may be borrowed by the Board of Directors."

- (ii) The following Articles be and are hereby inserted after Article 35 (b) as 35 (c) & 35 (d):

Article 35 (c) shall be read as follows:

"The Directors may by a resolution at a meeting of the Board of Directors delegate the above power to borrow money otherwise than on

debentures to a Committee of Directors or to any Director or the Managing Director, if any, within the limits prescribed."

Article 35 (d) shall be read as follows:

"Subject to the provision of the above sub-clause the Directors may from time to time at their discretion raise or borrow or secure the repayment of any sum or sums of money for the purpose of the Company at such time and in such manner and upon such terms and conditions in all respects as they think fit, and in particular by promissory notes or by opening current accounts or by receiving deposits and advances with or without security or by the Issue of bonds, perpetual or redeemable debentures or debenture-stock of the Company (both present and future) including its uncalled capital for the time being or by mortgaging or charging or pledging any lands, buildings, goods or other properties or securities of the Company or by such other means as to them may seem expedient."

13. To consider and if thought fit, to pass with or without modification the following resolution as a **Special Resolution**:

**"RESOLVED THAT** in accordance with the provisions of Section 31, and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s), or redeemed-enactment thereof, for the time being in force), and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from authorities or bodies, the Articles of Association of the Company be and are hereby altered as follows:

Existing Article No. 82 of the Articles of Association, be and is hereby replaced and it shall be read as follows:

Article No. 82

"The Common Seal shall not be affixed to any instrument except by the authority of a resolution of the Board or of a Committee of the Board, authorised by it in that behalf and unless the Board otherwise determines, every deed or other instrument to which the seal is required to be affixed shall, unless the same is executed by a duly constituted attorney for the Company, be signed by "any two Directors" or "any one Director and the Company Secretary" or "any one Director and any other person as may be authorised by the Board", in whose presence the seal shall have been affixed, provided nevertheless that any instrument bearing the seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority to issue the same."

By Order of the Board  
For Avon Organics Limited

V. S. Soma  
Executive Director  
& Company Secretary

Place : Hyderabad  
Date : 27.08.2009



**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 Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 25<sup>th</sup> day of September, 2009 to Tuesday, the 29<sup>th</sup> day of September, 2009 (both days inclusive).
3. Members are requested to inform any change, with their registered address to the registered/corporate office of the company.
4. Member/Proxies should bring in their attendance slip sent herewith duly filled in for attending the meeting.
5. 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.
6. Pick up coach facility:  
For the convenience of members who are desirous of attending the Company's Annual General Meeting scheduled on Tuesday, 29<sup>th</sup> day of September, 2009 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.
7. 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 205C 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.

**EXPLANATORY STATEMENTS PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.****Item No.3**

Pursuant to the acquisition of substantial stake in Avon Organics Limited by Arch Pharmedlabs Limited, Avon Organics Limited has become a subsidiary of Arch Pharmedlabs Limited. Further, a change in management was effected since February, 2009.

Mr. Ajit Kamath, Promoter, designated as Chairman and Managing Director in Arch Pharmedlabs Limited, was appointed as an Additional Director of the Company, at the meeting of the Board of Directors held on 31<sup>st</sup> January, 2009. He was further appointed as a Non-Executive Chairman and Managing Director of the Company for a period of 5 years with effect from 1<sup>st</sup> August, 2009, by way of unanimous approval at the meeting of the Board of Directors held on 31<sup>st</sup> July, 2009, pursuant to Sections 198, 269, 309, 316 and Schedule XIII and applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) and re-enactment thereof and/or any rules or regulations there under) and subject to the approval of shareholders, without drawing any remuneration, allowances and perquisites of any kind - monetary or non monetary, from the Company.

Mr. Ajit Kamath is a Commerce Graduate and possesses an extensive experience of more than 12 years in the Pharmaceutical industry. In Arch Pharmedlabs Limited, his contribution spans across all levels, starting from grass root level to organizational development. His pioneering efforts have led to Arch Pharmedlabs Limited being one of the leaders in the bulk drugs industry today.

A brief profile of Mr. Ajit Kamath is included in a separate Annexure after the Notice, forming part of this Annual Report.

Hence, the Board recommends the resolution for the approval of the shareholders as Ordinary resolution.

None of the Directors of the Company, except Mr. Ajit Kamath and Mr. Manoj Jain being the Promoter Director of the holding Company, are interested in this resolution.

**Item No.4**

Pursuant to the acquisition of substantial stake in Avon Organics Limited by Arch Pharmedlabs Limited, Avon Organics Limited has become a subsidiary of Arch Pharmedlabs Limited. Further, a change in management was effected since February, 2009.

Mr. Manoj Jain, Promoter, designated as Deputy Managing



Director in Arch Pharmalabs Limited, was appointed as an Additional Director of the Company, at the meeting of the Board of Directors held on 31<sup>st</sup> January, 2009. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Manoj Jain will hold office of a director upto the conclusion of Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Manoj Jain for the office of the Director.

A brief profile of Mr. Manoj Jain is included in a separate Annexure after the Notice, forming part of this Annual Report.

Hence, the Board recommends the resolution for the approval of the shareholders as Ordinary resolution.

None of the Directors of the Company, except Mr. Manoj Jain and Mr. Ajit Kamath being the Promoter Director of the holding Company, are interested in this resolution.

#### Item No. 5

Mr.V.S.Soma, Company Secretary of the Company, was inducted into the Board of the Company as an Additional Director of the Company by the Board of Directors in their meeting held on 31<sup>st</sup> July, 2009. He was further appointed as a Whole-time Director designated as an Executive Director of the Company for a period of 3 years with effect from 1<sup>st</sup> August, 2009 pursuant to Sections 198, 269, 309 and Schedule XIII and applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) and re-enactment thereof and/or any rules or regulations there under) and subject to the approval of shareholders, at the terms and conditions, decided by the Board.

Mr.V.S.Soma is a Fellow Member of the Institute of Chartered Accountants of India and an Associate Member of the Institute of Company Secretaries of India. He has two and a half decades of experience spanning diverse industries, majority being in the pharmaceutical space. Mr. Soma has been associated with the Company as a Company Secretary and Compliance Officer, since April, 2008.

A brief profile of Mr. V. S. Soma is included in a separate Annexure after the Notice, forming part of this Annual Report.

Hence, the Board recommends the resolution for the approval of the shareholders as Ordinary resolution.

None of the Directors of the Company, except Mr.V.S.Soma, are interested in this resolution.

#### Item No. 6, 7 & 8

Pursuant to the acquisition of substantial stake in Avon

Organics Limited by Arch Pharmalabs Limited, Avon Organics Limited has become a subsidiary of Arch Pharmalabs Limited. Further, a change in management was effected since February, 2009.

Mr. Sudhir Ghatte, Dr. Shantilal Jain and Mr. Ashit Shah have been appointed as Additional Directors of the Company at the meeting of the Board of Directors held on 31<sup>st</sup> July, 2009. As per the provisions of Section 260 of the Companies Act, 1956, the abovementioned Directors will hold office of a Director up to the conclusion of Annual General Meeting. The Company has received notices in writing under Section 257 of the Companies Act, 1956, proposing their candidature for the office of the Director.

Brief profiles of Mr. Sudhir Ghatte, Dr. Shantilal Jain and Mr. Ashit Shah are included in a separate Annexure after the Notice, forming part of this Annual Report.

Hence, the Board recommends resolutions for the approval of the shareholders as Ordinary resolutions.

None of the Directors of the Company, except Mr. Sudhir Ghatte, Dr. Shantilal Jain and Mr. Ashit Shah, are interested in this resolution.

#### Item No. 9

In accordance with the provisions of Section 31, and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s), or redeemed-enactment thereof, for the time being in force), the articles are proposed to be replaced:

- (i) Pursuant to the change in management of the Company and in view of resignation of Mr. P.R. Agarwal as Managing Director and also as a Director from the Company, approval of the shareholders is being sought to delete Article 53 of the Articles of Association pertaining to his permanent directorship.
- (ii) The restriction in the Articles, for the Managing Director, Manager and Whole-time Director appointed as per the provisions of the Companies Act, 1956, to be considered as rotational directors, is proposed to be removed. Consequently, Article 67 of the Articles of Association is proposed to be altered in order to include the Managing Director, Manager and Whole-time Director so appointed as per the provisions of the Companies Act, 1956, while determining the number of Directors retiring by rotation at the time of Annual General Meeting for the purposes of Sections 255 and 256 of the Companies Act, 1956.
- (iii) The approval of shareholders is being sought to remove

words "Commercial Director or Technical Director" from Article 68 of the Articles of Association of the Company due to the reconstitution of the Board.

Hence, the Board recommends the resolution for the approval of the shareholders as *Special resolution*.

None of the Directors are interested in this resolution.

#### Item Nos. 10 & 11

This is to inform the members of the Company that under Section 293(1)(d) of the Companies Act, 1956, the Board of Directors cannot, except with the consent of the Company in a general meeting, borrow moneys apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

The Company is pursuing a growth trajectory which would involve capital expenditure to upgrade the manufacturing facilities and also to upgrade the EHS standards. The Company would require funds from banks / financial institutions / other lending bodies for this purpose. Hence, it is proposed to enhance the borrowing powers of the Board from Rs. 150 Crores to Rs. 500 Crores.

Accordingly, the sanction of the shareholders under Section 293(1)(d) of the Act is being sought to enable the Board of Directors to borrow moneys upto the limit of Rs.500 Crores in supercession of all the earlier resolutions passed.

The Company may be required to secure such borrowings by creation or modification of mortgages, hypothecation and/ or encumbrances/ charges. Accordingly, the sanction of the shareholders, under Section 293(1)(a) is being sought to enable the Board of Director to take the necessary steps for creation or modification of mortgages, hypothecation and/ or encumbrances/ charges for the borrowings.

Hence, the Board recommends the resolutions for the approval of the shareholders as Ordinary resolutions.

None of the Directors are interested in resolutions.

#### Item No. 12

In view of the increase in the borrowing powers of the Board of Directors of the Company by way of abovementioned resolutions, the approval of the shareholders is being sought to change the provisions in the Articles of Association in respect of the same.

Consequently, it is proposed to substitute Article 35(b) by adopting new Article No. 35(b) and it is also proposed to

insert new Article nos. 35(c) and 35(d).

Hence, the Board recommends the resolution for the approval of the shareholders as *Special resolution*.

None of the Directors are interested in this resolution.

#### Item No. 13

The Articles of Association of the Company are required to be altered to enable the affixation of Common Seal of the Company on any instrument in the presence of two Directors or any one Director and Company Secretary or any one Director and any other person authorised in this behalf.

Consequently, it is proposed to substitute Article 82 by adopting new Article No. 82.

Hence, the Board recommends the resolution for the approval of the shareholders as *Special resolution*.

None of the Directors are interested in this resolution.

By Order of the Board  
For Avon Organics Limited

V. S. Soma  
Executive Director  
& Company Secretary

Place : Hyderabad  
Date : 27.08.2009