

20th

Annual Report
2012-2013



AVON
ORGANICS LIMITED
(AN ARCH ENTERPRISE)
In Tune with Technology

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CORPORATE INFORMATION

Board of Directors

Mr. Ajit Kamath, Non Executive Chairman & Managing Director
Mr. Manoj Jain, Director
Mr. Rajendra Kaimal, Additional Director
Mr. Upkar Singh Kohli, Non-Executive, Independent Director
Mr. Ashit Shah, Non-Executive, Independent Director
Mr. Sudhir Ghate, Non-Executive, Independent Director

Company Secretary

Ms. Sunipa Ghosh

Registered Office

Survey No. 18, Yawapur, Sadasivpet,
Medak District, Andhra Pradesh.
Phone: 9949828084
Fax: 91-08455-251536

Corporate Office

1. H. No. 8-3-1010/32, Flat No.401,
Sahiti Vijaya Enclave, Srinagar Colony,
Hyderabad - 500 073, Andhra Pradesh
Phone: 040-23731409
Fax: 040-23731370

2. H Wing, 4th Floor, Tex Center,
Off. Saki Vihar Road, Chandivali, Andheri (E),
Mumbai - 400 072.

Auditors

M/s Mukesh Mehta & Associates,
Chartered Accountants,
3/4A, Hammersmith Ind. Premises, Narayan Pathare Marg,
Off Sitladevi Temple Road, Mahim (W), Mumbai - 400 016

Manufacturing Facilities

1. Plot No. E-2, Chincholi Industrial Area Solapur, Maharashtra;

2. Survey No. 18, Yawapur, Sadasivpet,
Medak District, Andhra Pradesh*

Bankers

State Bank of India
Axis Bank Limited
Punjab National Bank
Indian Overseas Bank
Karur Vysya Bank

Registrars & Share Transfer Agents

XL Softech Limited,
3, Sagar Society, Road No. 2, Banjara Hills,
Hyderabad - 500 034. Phone no.: 040-23545913/14/15.

* Non-Operational

NOTICE

NOTICE IS HEREBY GIVEN THAT the 20th Annual General Meeting of Avon Organics Limited will be held on Saturday, 21st September, 2013 at 10.00 a.m. at Hotel Daspalla, Road No. 37, Jubilee Hills, Hyderabad - 500 033, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the Profit and Loss Account for the financial year ended 31st March, 2013 alongwith the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ajit Kamath, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Manoj Jain, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Mukesh Mehta & Associates, Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of this Annual General

Meeting of the Company on remuneration to be decided by the Board of Directors of the Company.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Rajendra Kaimal, who was inducted into the Board as an Additional Director of the Company in accordance to the provisions of Section 260 of the Companies Act, 1956 (the "Act") effective from 30th May, 2013, 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"

By Order of the Board
For Avon Organics Limited

Sd/-
Sunipa Ghosh
Company Secretary

Place: Mumbai
Date: 09.08.2013

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

Mr. Rajendra Kaimal, has been appointed as Additional Director of the Company at the meeting of Board of Directors held on 30th May, 2013. As per the provisions of Section 260 of the Companies Act, 1956, he will hold office of a Director up to the conclusion of Annual General Meeting. The Company has received notice in writing

under Section 257 of the Companies Act, 1956, proposing his candidature for the office of the Director.

A brief profile of Mr. Rajendra Kaimal is included in Annual Report.

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

None of the Directors of the Company, except Mr. Rajendra Kaimal, are interested in this resolution.

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. As per the requirements of Section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 18th September, 2013 to Saturday, 21st September, 2013 (both days inclusive).
3. Members are requested to produce the Attendance Slip duly signed as per the specimen signature recorded with the Company/Depository Participant for admission to the meeting hall.
4. Members holding shares in physical form are requested to inform any change, in their registered address to X L Softech Systems Limited, Registrar & Share Transfer Agents of the Company.

Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts.

5. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 5 of the notice set out is annexed hereto.
6. Member/Proxies should bring in their attendance slip sent herewith duly filled in for attending the meeting.
7. A member desirous of receiving any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.
8. The shares of the Company are presently listed on the Hyderabad, Bombay and Calcutta Stock Exchanges. However, the same is traded at Bombay Stock Exchange.

Details of Directors seeking appointment/reappointment in forthcoming Annual General Meeting:

Name	Mr. Ajit Kamath	Mr. Manoj Jain	Mr. Rajendra Kaimal
Date of Birth	12.12.1969	20.03.1970	23.06.1973
Date of Appointment	31.01.2009	31.01.2009	30.05.2013
Nationality	Indian	Indian	Indian
Category	Promoter of Holding Company	Promoter of Holding Company	Promoter of Holding Company
Designation	Chairman & Managing Director	Director	Director
Qualification / Expertise in Specific Functional Areas	Mr. Ajit Kamath, aged 44 years, holds a Bachelor's degree in Commerce from University of Mumbai. Mr. Kamath is the Chairman & Managing Director of Arch Pharmalabs Limited, our holding company. He has more than 16 years of experience in the pharmaceutical industry. He has been involved and instrumental in planning and formulating the overall business strategy and developing business relations for our Company.	Mr. Manoj Jain, aged 44 years, holds a Bachelor's Degree in Commerce. He is a Chartered Accountant by qualification and has more than 16 years of experience in the pharmaceutical industry. He is the Chief Financial Officer and is overall in-charge of the accounting and finance functions of Arch Pharmalabs Limited, our holding company. He is also responsible for the statutory and secretarial affairs and the audit and taxation related activities of our Company. He is also instrumental in the formulation of corporate policy, strategic and perspective planning and external relations for our Company.	Mr. Rajendra Kaimal, aged 40 years, holds a Bachelors Degree in Commerce from the University of Mumbai. He has completed his Masters in Management Studies from Narsee Monjee Institute of Management Studies, Mumbai and is a Cost Accountant from the Institute of Cost and Works Accountants of India. He has over 13 years of experience in the pharmaceutical industry. He is over-all in-charge of overseeing the commercial operations of Arch Pharmalabs Limited, our holding company.
Occupation	Business	Business	Business
Other Directorships/ Directorships held in other companies	<ol style="list-style-type: none"> 1. Arch Pharmalabs Limited 2. AM R Investments Pvt. Ltd 3. Arch Herbals Pvt. Ltd. 4. Arch Impex Pvt. Ltd 5. Arch Investment Pvt. Ltd. 6. Arch Agro Industries Pvt Ltd. 7. Arch Pharmachem Limited 8. Arch Finechemicals Limited 9. Arch Life Sciences Limited 10. AMRA Remedies Limited 11. AMRA Renal Care Limited 12. Arch Infra Ventures Limited 13. Arch Pharmalabs Pte. Ltd 14. Arch Pharmalabs FZ-LLC 15. Regal Pharma PTE. Ltd. 16. Arch Pharmalabs (USA) Inc 17. Marm Realty Pvt. Ltd 18. Nipro Tube Glass Limited 	<ol style="list-style-type: none"> 1. Arch Pharmalabs Limited 2. AM R Investments Pvt. Ltd 3. Arch Herbals Pvt. Ltd. 4. Arch Impex Pvt. Ltd 5. Arch Investment Pvt. Ltd. 6. Arch Agro Industries Pvt Ltd 7. Arch Pharmachem Limited 8. Arch Finechemicals Limited 9. Arch Life Sciences Limited 10. AMRA Remedies Limited 11. AMRA Renal Care Limited 12. Arch Infra Ventures Limited 13. Arch Pharmalabs Pte. Ltd 14. Arch Pharmalabs FZ-LLC 15. Regal Pharma PTE. Ltd. 16. Rivertouch Farmland Private Limited 17. Riverview Realty Private Limited 18. Riverside Farmland Private Limited 	<ol style="list-style-type: none"> 1. Arch Pharmalabs Limited 2. AM R Investments Pvt. Ltd 3. Arch Herbals Pvt. Ltd. 4. Arch Impex Pvt. Ltd. 5. Arch Investment Pvt. Ltd. 6. Arch Agro Industries Pvt Ltd 7. Arch Pharmachem Limited 8. Arch Finechemicals Limited 9. Arch Life Sciences Limited 10. AMRA Remedies Limited 11. AMRA Renal Care Limited 12. Arch Infra Ventures Limited 13. Arch Pharmalabs Pte. Ltd 14. Arch Pharmalabs FZ-LLC
Membership/ Chairmanship of Committees of other companies (includes only Audit Committees and Shareholders'/ Investor Grievance Committee)	Member of Shareholders, Share Transfers & Investor Grievances Committee of Arch Pharmalabs Limited	Member of the Audit Committee of Arch Pharmalabs Limited	NIL
Shareholding in the Company	NIL	NIL	NIL
Relationship between directors inter-se	NIL	NIL	NIL

DIRECTORS' REPORT

To

The Members,

Your Directors have pleasure in presenting their Twentieth Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS

Particulars	2012-13 (Rs. in Lakhs)	2011-12 (Rs. in Lakhs)
Sales & Operational Income	17015.04	16703.34
Gross Profit /(Loss) before Interest, Depreciation and Tax (PBDIT)	3596.74	4175.69
Less. Depreciation	996.51	1086.09
Gross Profit before Interest and Tax (PBIT)	2600.23	3089.60
Less. Financial charges	1720.82	1954.32
Profit / (Loss) before Tax (PBT)	879.41	1135.28
Less Provision for Taxation		
: Provision for tax	200.00	222.00
Add: MAT credit	(200.00)	(222.00)
: Short provision for Tax for earlier years	-	76.76
: Deferred Tax	51.97	51.97
Net Profit / (Loss) after Tax (PAT)	827.44	1006.55

Previous Year's figures have been regrouped/reclassified wherever necessary to conform to the current year's classification.

DIVIDEND

In order to conserve available financial resources, your Directors do not recommend any dividend on Equity Shares for the year under review.

YEAR IN RETROSPECT

During the year, the Company has achieved Net Sales and Operational income of Rs. 17015.04 Lakhs as against Rs. 16703.34 Lakhs in the previous year, registering an increase in sales by 1.87%. The Company has achieved a Net Profit of Rs.827.44 Lakhs as against Rs.1,006.55 Lakhs during the previous fiscal year.

During the year under review the export turnover amounting to Rs.3716.64 Lakhs constituted 21.84% of the total turnover vis-à-vis Rs. 5202.26 Lakhs,

constituting 31.15% achieved in the previous year.

CAPITAL EXPENDITURE

During the year under review, Capital work in progress amounting to Rs. 1349.07 Lakhs was capitalized and in addition Rs. 492.64 Lakhs was incurred on maintenance capex.

QUALITY SYSTEMS

The Company continues with its efforts to maintain highest quality standards and complies with various regulations as required by laws for supplies of products to various territories. The Company currently has following valid certifications:

- ISO 9001:2008
- The Solapur unit of the Company is cGMP compliant and is USFDA inspected.

CONSOLIDATION AND SHIFTING OF ENTIRE MANUFACTURING OPERATIONS OF THE COMPANY TO THE SOLAPUR UNIT AND FUTURE EXPANSION

As a defining step in the cost control and operational optimization exercise, the Company at its Board meeting held on 9th August, 2013, has decided to shift complete manufacturing operations from the unit at Sadasivpet near Hyderabad to Solapur unit, Maharashtra. The consolidation of operations is expected to yield a considerable savings in operational cost.

DIRECTORS RESPONSIBILITY STATEMENT

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

- a) In the preparation of the annual accounts for the year ended 31st March, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) Your Directors have selected such accounting policies and applied them consistently and made judgments 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, 2013 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, 2013 have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The Company strives to ensure that the best corporate governance policies and practices are consistently followed. It is the continuous endeavour of the Company to sustain such corporate governance standards at all levels through the company. The specific report on Corporate Governance, included in this Annual Report, states the exact nature of compliances made by the Company during the year under review. A certificate from Chairman and Managing Director of the Company, inter alia, confirming the correctness of the financial statements, compliance with company's code of conduct, adequacy of internal control measures and reporting of the matters to the Audit Committee in terms of Clause 49 of the Listing Agreements entered into by the Company with Stock Exchanges, is also enclosed as a part of this Annual Report.

NOTE ON OPERATION OF THE SUBSIDIARY COMPANY IN SINGAPORE

The Company acquired 10% stake from the promoter shareholders to make Regal Pharma Pte. Ltd., a wholly owned subsidiary of Avon Organics Limited. Your company gets assistance in marketing operations in the overseas market.

CONSOLIDATED FINANCIAL STATEMENT

The Ministry of Corporate affairs vide its General Circular no. 2/2011 dated 8th February, 2011 has granted a general exemption from appending the balance sheet of subsidiary companies to the annual report of the parent company as per Section 212 (8) of the Companies Act, 1956. As required under the circular, the Board of Directors of the

Company, has, at its meeting held on 30th May, 2013, passed a resolution issuing consent for not attaching the Balance Sheet of Subsidiary company to this Annual Report. Accordingly, the Balance Sheet, Profit & Loss Account and other documents of the subsidiary company are not being appended with the Balance Sheet of the Company.

The Company will arrange for the Annual Accounts of the subsidiary company and other relevant information in detail, for any shareholder of the Company who may be interested in obtaining the same.

The consolidated financial statements as prepared in accordance with the requirements of AS 21 and AS 23 issued by ICAI, and a statement pursuant to Section 212 of the Companies Act, 1956 are appended to and are forming part of this annual report.

DIRECTORS

The Board has an optimum combination of Executive and Non-Executive Directors.

As per the requirements of Clause 49 of Listing Agreement, the Non-Executive Chairman, being a Promoter Director of the parent Company, fifty percent of the Board comprises of Independent Directors, in compliance with the provisions of Clause 49 of the Listing Agreement.

Details of Directors re-appointed during the year

Mr. Ajit Kamath, Non-Executive Chairman & Managing Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Manoj Jain, Non-Executive Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Details of Director appointed as Additional Director during the year

Mr. Rajendra Kaimal, appointed as Additional Director at the Meeting of the Board of Directors held on 30th May, 2013, is proposed to be confirmed at the Annual General Meeting of the Company.

Brief profiles of the abovementioned Directors are included in a separate Annexure after the Notice, forming part of this Annual Report.

PARTICULARS OF EMPLOYEES:

The Board of Directors commends the continued dedication of employees at all levels and the industrial relations continue to be peaceful and cordial. Your Company's dedicated and talented workforce has enabled it to remain at the forefront of the Industry.

Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 as amended, requires Companies to list out names of the employees drawing remuneration of more than Rs. 5 Lakhs per month and/or more than Rs. 60 Lakhs Per annum.

However, none of the employees of the Company drew remuneration of Rs. 60 Lakhs or above per annum and/or Rs. 5 Lakhs or above per month during the year under review.

STATUTORY AUDITORS

M/s. Mukesh Mehta & Co., Chartered Accountants, Statutory Auditors of the Company, continue to hold office until conclusion of this Annual General Meeting and are recommended for re-appointment upto the conclusion of next Annual General Meeting. In terms of Clause 41(1)(h) of the Listing Agreement, the Statutory Auditors of the Company are subjected to the Peer Review Process of Institute of Chartered Accountants of India (ICAI), and hold a valid certificate issued by Peer Review Board of ICAI.

COST AUDITORS

In compliance with the directives issued by Central Government from time to time and in terms of the

provisions of Section 233B of the Companies Act, 1956, M/s. D.Z.R. & Co., Cost Accountants were appointed as Cost Auditors of the Company at the meeting of the Board of Directors held on 30th May, 2013 for the manufacturing units of the Company located at Solapur, Maharashtra and Sadasivpet, Andhra Pradesh, respectively. A certificate of eligibility has been received from M/s. D. Z. R. & Co., Cost Accountants, to the effect that their appointment is in accordance with the provisions of Section 224 (1) B of the Companies Act, 1956.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo as required to be disclosed 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 are set out as an annexure forming 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 take this opportunity to thank the Financial Institutions, Banks, employees, business associates, suppliers, Stock Exchanges, other regulatory authorities and all the stake holders of the Company for valuable sustained support and cooperation in conducting efficient operations of the Company. The Board also places on record the sustained management support received from M/s. Arch Pharmed Labs Limited, the Parent Company.

For and on behalf of the Board

Place : Mumbai
Date : 09.08.2013

Sd/-
Ajit Kamath
Chairman & Managing Director

ANNEXURE – 'A' 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

A. Conservation of Energy :

- | | |
|--|---|
| <p>a. Energy Conservation Measures taken</p> <p>b. Total energy consumption per unit of Production</p> | <p>☐ The Company is engaged in continuous process of energy conservation through improved operational and maintenance practices.</p> <p>☐ Details are furnished in Form A</p> |
|--|---|

B. Technology absorption

☐ Details are furnished in Form B.

C. Foreign Exchange Earnings and Outgo

	2012-2013	2011-2012
1. Foreign Exchange Earnings (Rs. In Lacs)	3716.64	5202.26
2. Foreign Exchange outgo (Rs.in Lacs)	1613.67	1250.04
3. Net Foreign Exchange Earnings (Rs. In Lacs)	2102.97	3952.22

FORM A

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

	2012-2013	2011-2012
A. POWER AND FUEL CONSUMPTION:		
1. ELECTRICITY :		
a. Purchased Units :	6422148	8816645
Amount (Rs. In lacs)	466.28	487.78
Rate/Unit (Rs.)	7.26	5.53
b. Own Generation :		
Through D. G. Set Units	262155	837074
Amount (Rs. In lacs)	40.85	121.21
Rate/Unit (Rs.)	15.58	14.48
2. FURNACE & BOILER (Rs. In lacs)	345.18	570.86
B. CONSUMPTION PER UNIT OF PRODUCTION:		
Electricity (Unit / MT) (Rs.)	392076	204565
Furnace & Boiler (Unit /MT) (Rs.)	266868	191757

FORM B

A. RESEARCH AND DEVELOPMENT :

1. Specific areas in which R & D was carried out.

CEFDINIR intermediate - Laboratory trials are completed and are ready to be implemented in plant.

2. Benefits derived from above R & D.

- CEFDINIR intermediate is being considered for production at a commercial level.

3. Future plan of action.

- To achieve maximum production of DEAA (Di ethyl aceto acetamide) and CEFDINIR intermediate.

4. Expenditure on R & D :

	(Rs. In lacs)	
	2012-13	2011-12
Revenue Expenditure	32.93	39.17
% to Turnover	0.19%	0.23%

B. TECHNOLOGY ABSORPTION :

1. Efforts in brief made towards technology absorption : Consistent efforts made towards achieving the required quality of Pseudoephedrine Hydrochloride.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc. : Cost reduction in Pseudoephedrine Hydrochloride.
3. In case of imported technology (import during the last 5 years reckoned from the beginning of the year); following information may be furnished
 - a Technology imported Nil
 - b Year of import Not Applicable
 - c Has technology been fully absorbed Not Applicable