

21st

**Annual Report
2013-2014**



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

CONTENTS

Contents	Page No
1. Corporate Information -----	1
2. Notice -----	2
3. Directors' Report -----	8
4. Annexure to Directors' Report -----	10
5. Management Discussion and Analysis Report -----	12
6. Report on Corporate Governance -----	14
Standalone Financials	
7. Auditors' Report -----	22
8. Annexure to Auditors' Report -----	24
9. Balance Sheet -----	26
10. Statement of Profit & Loss -----	27
11. Notes to Financial Statements -----	28
12. Notes to Accounts -----	34
13. Statement of Cash Flow -----	39
14. Auditors' Certificate on Cash Flow -----	40
Consolidated Financials	
15. Statement pursuant to Section 212 relating to subsidiaries -----	41
16. Auditors' Report -----	42
17. Balance Sheet -----	43
18. Statement of Profit & Loss -----	44
19. Notes to Financial Statements -----	45
20. Notes to Accounts -----	51
21. Statement of Cash Flow -----	57
22. Proxy Form -----	59
23. Attendance Slip -----	60
24. Assent / Dissent Form for voting on AGM Resolutions -----	61

CORPORATE INFORMATION

Board of Directors	Mr. Ajit Kamath, Non Executive Chairman & Managing Director Mr. Manoj Jain, Director Mr. Rajendra Kaimal, Director Dr. Sunil Pitroda, Additional Director
Company Secretary	Mr. Jignesh Patel
Registered Office	Survey No.18, Yawapur Village, Sadasivpet, Medak Dist., Tel : 9949828084; Fax: 040-23404438
Corporate Office	H.No.8-3-1010/32, Flat No.401, Sahiti Vijaya Enclave, Beside Andhra Bank, Srinagar Colony, Hyderabad – 500 073 H Wing, 4th Floor, Tex Centre, Off Saki Vihar Road, Chandivali, Andheri (East), Mumbai – 400 072.
Plant Locations	Survey No.18, Yawapur Village, Sadasivpeth, Medak Dist, * (non-operational) Plot No. E-2, Chincholi Industrial Area, Solapur, Maharashtra.
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
Registrars and Share Transfer Agents	XL Softech Systems Limited, 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad- 500 034. Phone no. (040)23545913, 14, 15

NOTICE

NOTICE IS HEREBY GIVEN THAT the 21st Annual General Meeting of Avon Organics Limited will be held on Tuesday, 30th December, 2014 at 10 a.m. at Hotel Daspalla, Road No. 37, Jubilee Hills, Hyderabad – 500033, Andhra Pradesh to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2014 and the Profit and Loss Account for the financial year ended 31st March, 2014 alongwith the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Rajendra Kaimal (DIN: 00032839), who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Manoj Jain (DIN: 00034727), who retires by rotation and is eligible for re-appointment.
4. **Appointment of Statutory Auditors**

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

“RESOLVED THAT pursuant to the provisions of Section 139 of the Companies Act, 2013 (Act) and other applicable provisions if any of the Act and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s. Mukesh Mehta & Associates, Chartered Accountants (Registration No. 116309W), the retiring Auditors of the Company, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this 21st Annual General Meeting till the conclusion of 24th Annual General Meeting, i.e. for a period of 3 (three) years, subject to ratification of their appointment by the Shareholders at every Annual General Meeting, at such remuneration plus service tax and out of pocket expenses as may be mutually agreed between the Board of Directors and M/s. Mukesh Mehta & Associates, Chartered Accountants respectively.”

SPECIAL BUSINESS:

5. Appointment of Dr. Sunil Pitroda as an Independent Director of the Company.

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

“RESOLVED THAT pursuant to the provisions of Section 149, 152, 160 and other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 read with Schedule IV to the said act, (including any statutory modification(s) or re-enactment thereof for the time being in force), **Dr. Sunil Pitroda (DIN: 07028212)**, who was appointed as an Additional Director by the Board of Directors and who holds office up to the date of this Annual General Meeting) and who is eligible for appointment, has submitted a declaration that he meets the criteria for independence as provided under Section 149(6) of the Act and in respect of whom the Company has received a notice in writing from a

member under Section 160 of the Act, proposing his candidature for the office of Independent Director, be and is hereby appointed as an Independent Director of the Company, not liable by rotation, to hold office for the period of 5 year from 30th December, 2014 to 29th December, 2019.

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, any of the Director of the Company be and is hereby severally authorized to do all such acts, deeds and things as it may be deemed necessary in this regard, including filing of necessary statutory forms with Registrar of Companies, Ministry of Corporate Affairs, as may be required from time to time”.

6. Authorization to borrow under section 180 (1) (c) of the Companies Act, 2013

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

“RESOLVED THAT in supersession of Resolution No.7 passed at the Annual General Meeting of the Company held on 29th July, 2011 and pursuant to Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board”, which term shall be deemed to include any Committee of the Board constituted to exercise its powers, conferred by this Resolution), for borrowing/ availing financial assistance of any sum or sums of money from time to time, from any one or more Banks, Financial Institutions, Investors, Lenders or Refinance Lenders, any other persons, firms, Bodies Corporate, Pension Funds, Hedge Funds or any other Funds, either Indian or foreign (hereinafter referred as ‘Lenders’ or ‘Investor’), whether by way of cash credit, advances or deposits, loans or working capital, bill discounting or Bonds, Notes or any other debt, debt instrument, financial assistance / facilities and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's investment, assets and/or other properties whether movable or immovable or stock in trade (including raw materials, stores, spares parts and components in stock in transit) and work in progress and all or any of the undertakings of the Company, notwithstanding that the money to be borrowed by the Company, apart from temporary loans obtained from the Company's bankers in the ordinary course of business may exceed the aggregate of the paid up share capital of the Company and its free reserves, provided that the total amount upto which the money(ies) may be borrowed by the Board of Directors outstanding at any time shall not exceed the sum of Rs. 1,000 Crore (Rupees One Thousand Crore only)”.

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, any of the Director of the Company be and is hereby severally authorized to do all such acts, deeds and things as it may be deemed necessary in this regard, including filing of necessary statutory forms with Registrar of Companies, Ministry of Corporate Affairs any other authorities as may be required from time to time”.

7. Authorization to mortgage the assets of the Company under Section 180 (1) (a) of the Companies Act, 2013

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

“RESOLVED THAT in supersession of Resolution No.8 passed at the Annual General Meeting of the Company held on 29th July, 2011 and pursuant to Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, as amended from time to time, consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the “Board”, which term shall be deemed to include any Committee of the Board constituted to exercise its powers, including the powers conferred by this Resolution) to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with the power to take over the management and concern of the Company in certain events, to or in favour of all or any of the financial institutions/banks/ trustees for banks and financial institutions/ insurance companies/other investing agencies/trustees for holders of debentures/bonds/other instruments which may be issued to and subscribed by all or any of the financial

institutions/banks/insurance companies/other investing agencies or any other person(s)/bodies corporate by way of private placement or otherwise to secure Rupee/foreign currency loans, debentures, bonds or other instruments (hereinafter collectively referred to as “Loans”) provided that the total amount of Loans together with interest thereon at the respective agreed rates, additional interest, compound interest, liquidated damages, commitment charges, premia on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the aforesaid parties or any of them under the Agreements/Arrangements entered into/to be entered into by the Company in respect of the said Loans, shall not at any time exceed the limit of Rs. 1,000 crore (Rupees One Thousand Crore).

“RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, any of the Director of the Company be and is hereby severally authorized to do all such acts, deeds and things as it may be deemed necessary in this regard, including filing of necessary statutory forms with Registrar of Companies, Ministry of Corporate Affairs any other authorities as may be required from time to time”.

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

Sd/-
Jignesh Patel
Company Secretary

Place: Mumbai
Date: 05.12.2014

NOTES

- The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (the Act), in regard to the business as set out in Item Nos.5 to 7 above are annexed hereto
- A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. Proxies, in order to be effective, must be received at the Company's Corporate Office situated at 4th Floor, H Wing, Tex Centre, Chandivali, off. Saki Vihar Road , Andheri (E), Mumbai 400 072 not less than 48 hours before the meeting. Proxies submitted on behalf of companies, societies, partnership firms, etc. must be supported by appropriate resolution/authority, as applicable, issued on behalf of the nominating organisation.

Members are requested to note that a person can act as a proxy on behalf of Members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
- Corporate Members intending to send their authorised representatives to attend the Annual General Meeting (AGM) are requested to send a certified copy of the Board Resolution authorising their representative to attend and vote in their behalf at the Meeting.

- In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- Only bonafide members of the Company whose names appear on the Register of Members/Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
- Members are requested to bring their copies of Annual Report to the Meeting. In order to enable us to register your attendance at the venue of the Annual General Meeting, we request you to please bring your folio number/demat account number/DP ID-Client ID to enable us to give you a duly filled attendance slip for your signature and participation at the meeting.
- The Register of Members and the Transfer Books of the Company will remain closed from Friday, 19th December, 2014 to Tuesday, 30th December, 2014, both days inclusive.
- The Notice of the AGM along with the Annual Report 2013-14 is being sent by electronic mode to those Members whose e-mail addresses are registered with the Company/Depositories, unless any Member has requested for a physical copy of the same. For Members who have not registered their e-mail addresses, physical copies are being sent by the permitted mode.

9. To support the 'Green Initiative', the Members who have not registered their e-mail addresses are requested to register the same with RTA/Depositories.

10. Voting through Electronic Means

- i. In compliance with the provisions of Section 108 of the Act and the Rules framed thereunder, the Members are provided with the facility to cast their vote electronically through the e-voting services provided by Central Depository Services (India) Limited (CDSL), on all resolutions set forth in this Notice.

The instructions for shareholders voting electronically are as under:

- i. The voting period begins on Tuesday, 23rd December, 2014 at 09.00 A.M. and ends on Wednesday, 24th December, 2014 at 05.00 P.M. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of Thursday, 4th December, 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- ii. The shareholders should log on to the e-voting website www.evotingindia.com.
- iii. Click on Shareholders
- iv. Now Enter your User ID
- For CDSL: 16 digits beneficiary ID,
 - For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - Members holding shares in Physical Form should enter Folio Number registered with the Company.
- v. Next enter the Image Verification as displayed and Click on Login.
- vi. If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- vii. If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the last 8 digits of the demat account/folio number in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with folio number 100 then enter RA00000100 in the PAN field.

DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details#	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on the cut off date in the Dividend Bank details field.

- viii. After entering these details appropriately, click on "SUBMIT" tab.
- ix. Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- x. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- xi. Click on the EVSN for the relevant "AVON ORGANICS LIMITED" on which you choose to vote.
- xii. On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- xiii. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- xiv. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- xv. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- xvi. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- xvii. If Demat account holder has forgotten the changed password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- xviii. Note for Non – Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates.
 - They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.
 - After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.
- xix. Once the vote on the resolution is cast by the shareholders, they shall not be allowed to change it subsequently.
- xx. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.
- xxi. The voting rights of shareholders shall be in proportion to their shares of the paid up equity share Capital of the Company as on the cut-off date of Thursday, 4th December, 2014.
- xxii. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communications.
- II. Mr. Vidit Narsana ,Company Secretary in Practice (Membership No. 28344, Certificate of Practice No. 11915), Mumbai has been appointed as the Scrutinizer to scrutinize the e-voting process(including the Physical Assent/ Dissent Form received from Members who do not have access to e-voting) in fair and transparent manner.
- III. The Scrutinizer shall within a period of not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman/Director of the Company.
- IV. The Results on resolutions shall be declared on or after the AGM of the Company by the Chairman of the Company or any other person duly authorized in this regard. The results declared along with the Scrutinizer's Report shall be placed on the website of CDSL within two (2) days of passing of the resolutions at the 22nd AGM of the Company on 30th December, 2014 and communicated to the BSE Limited.
11. In case of those members who do not have access to e-voting facility, they can use the assent/dissent form sent herewith and convey their assent/dissent to each one of the items of business to be transacted at the ensuing AGM and send the form in a sealed envelop to reach Mr.Vidit Narsana Scrutinizer appointed by the Company at the Corporate Office of the Company at 4th Floor, H Wing, Tex Centre, Chandivali, off. Saki Vihar Road , Andheri (E), Mumbai 400 072 on or before Wednesday, 24th December, 2014 at (05.00 P.M.).
12. Members who have not registered their e-mail addresses, so far are requested to register their e-mail addresses with the Depository. Members who hold shares in physical form are requested to register their e-mail addresses with the Registrar & Share Transfer Agent (RTA), M/s. XL Softech Systems Limited, 3, Sagar Soceity,Rd No.2, Banjara Hills, Hyderabad-500034, Telangana.

EXPLANATORY STATEMENT

As required by Section 102 of the Companies Act, 2013 (the Act), the following Explanatory Statement sets out all material facts relating to the business mentioned under Item Nos.5 to 7 of the accompanying Notice:

Item No. 5

Based on recommendation of the of the Board of Directors and after reviewing confirmation of independence received, the Board of Directors of the Company appointed Dr. Sunil Pitroda, as an Additional Director of the Company, in the category of Independent Directors. Pursuant to Section 161(1) of the Companies Act 2013, Dr. Sunil Pitroda holds his office till the date of this Annual General Meeting. Appropriate notice has been received by the Company from a member proposing appointment of Dr. Sunil Pitroda as Director of the Company and requisite consent has been received from Dr. Sunil Pitroda pursuant to provisions of Section 152 of the Companies Act 2013. In the opinion of the Board, Dr. Sunil Pitroda who is proposed to be appointed as an Independent Director of the Company for the period from 30th December, 2014 to 29th December, 2019 fulfils the conditions specified under Section 149(6) and Schedule IV of the Companies Act 2013 and is Independent of the management.

Board recommends the resolution for the approval of members as Ordinary Resolution.

None of the Directors and/or Key Managerial Personnel of the Company or their relatives, except Dr. Sunil Pitroda (whose appointment is proposed in this resolution) are in any way concerned or interested in the resolution

Item No. 6 & 7

The approval of the shareholders was obtained under Section 293(1)(d) of the Companies Act, 1956 for authorizing the Board of Directors to borrow in excess of its paid up share capital and free reserves upto an aggregate amount of Rs.1,000 Crore (Rupees One Thousand Crore Only). The approval of the shareholders was also obtained, under Section 293(1)(a) of the Companies Act, 1956 to

mortgage, hypothecate, create charge and security etc, on the whole of the undertaking or substantially whole of the undertaking as mentioned in the resolution and explanatory statement of the Notice of AGM dated May 19, 2011. Both the above resolutions were passed as Ordinary Resolution, pursuant to the provisions of Section 293(1)(a) and 293(1)(d).

MCA has notified various sections of Companies Act, 2013 and Sections 180 (1)(a) and 180(1)(c) under the New Act, corresponding to Section 293(1)(a) and 293(1)(d) of Companies Act, 1956, are effective from 12th September, 2013, which requires that the approval of the Shareholders is required by way of Special Resolution, instead of Ordinary Resolution.

Further as per MCA General Circular no. 04 /2014 dated March 25, 2014, it has been further clarified that all the resolutions pertaining to Section 293(1)(a) and 293(1)(d) of Companies Act, 1956, passed earlier, will be valid for a period of one year from the date of notification of Section 180 of Companies Act, 2013. It is therefore, necessary for the members to pass an enabling resolution as Special Resolution under Section 180(1)(a) and Section 180(1)(c) and other applicable provisions of the Companies Act, 2013, as set out at Item No. 6 and 7 respectively, to enable the Board of Directors to mortgage, hypothecate or create charge on the undertaking of the Company and to borrow upto Rs. 1,000 crores from time to time, as per the details mentioned in the resolution.

Board recommends the resolution for the approval of members as Special Resolution.

None of the Directors and/or Key Managerial Personnel of the Company or their relatives, are in any way concerned or interested in the resolution

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

Place: Mumbai
Date: 05.12.2014

Sd/-
Jignesh Patel
Company Secretary

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

Name	Mr. Manoj Jain	Mr. Rajendra Kaimal	Dr. Sunil Pitroda
Date of Birth	20.03.1970	23.06.1973	29.11.1959
Date of Appointment	31.01.2009	30.05.2013	05.12.2014
Nationality	Indian	Indian	Indian
Category	Promoter of Holding Company	Promoter of Holding Company	Independent
Designation	Director	Director	Additional Director
Qualification / Expertise in Specific Functional Areas	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 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.	Dr. Sunil Pitroda, aged 55 years, holds Bachelor of Medicine, Bachelor of Surgery (MBBS) Degree from the University of Mumbai. He has over 30 years of experience in the Medical and surgical field. His experience in the field of Medicines and understanding of the healthcare vertical will help our Company grow further.
Occupation	Business	Business	Business
Other Directorships/ Directorships held in other companies	<ol style="list-style-type: none"> 1. Arch Pharmalabs Limited 2. Riverside Farmland Private Limited 3. Rivertouch Farmland Private Limited 4. Riverview Realty Private Limited 5. Arch Pharmalabs FZ-LLC 6. Arch Pharmalabs (USA) Inc 7. Regal Pharma Pte. Ltd. 	<ol style="list-style-type: none"> 1. Arch Pharmachem Ltd 2. Arch Impex Private Limited 3. Arch Pharmalabs Limited 4. Arch Life Sciences Limited 5. A M R Investments Private Limited 6. Arch Finechemicals Limited 7. Arch Infra Ventures Limited 8. Amra Remedies Limited 9. Arch Agro Industries Private Limited 10. Amra Renal Care Limited 11. Arch Investment Private Limited 12. Arch Herbals Private Limited 13. Arch Pharmalabs FZ-LLC 14. Arch Pharmalabs (USA) Inc 15. Regal Pharma Pte. Ltd. 	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 Twenty-First Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March, 2014.

FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	2013-14	2012-13
Revenue from Operations	5,688.67	17,015.04
Other Income	18.37	21.65
Total Revenue	5,707.04	17,036.69
Operating Costs	6,193.19	13,650.55
Profit/(Loss) Before Depreciation, Interest, Tax (PBDIT)	(486.15)	3,386.14
Depreciation	961.88	996.51
Profit/(Loss) Before Interest & Tax (PBIT)	(1,448.03)	2389.63
Profit/(Loss) Before Tax (PBT)	(3,202.91)	879.41
Taxation:		
Provision for Income Tax	-	200.00
Deferred Tax	54.43	51.97
Profit/(Loss) for the year	(3,257.34)	827.44

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

DIVIDEND

In view of loss incurred during the year, Your Directors do not recommend any dividend on Equity Shares for the year under review.

YEAR IN RETROSPECT

During the year, the Company registered a significant decline in Net Sales and the Operational income for the year was Rs. 5688.67 Lakhs as against 17015.04 Lakhs in the previous year, registering a decrease in sales by 66.57%, primarily the same was on account of Company's high dependence on certain customers with whom your Company could not do business as compared to previous years and also on account of multiple issues including the one's at the customers end beyond the control of your company. Also the market remained sluggish for the API & Intermediates players.

CAPITAL EXPENDITURE

During the year under review, Capital work in progress amounting to Rs. 291.90 Lakhs was capitalized and in addition Rs. 261.57 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.

DIRECTORS RESPONSIBILITY STATEMENT

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

- In the preparation of the annual accounts for the year ended 31st March, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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, 2014 and of the Profit and Loss Account for the year ended on that date;
- 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
- The accounts for the year ended 31st March, 2014 have been prepared on a going concern basis.

CORPORATE GOVERNANCE

Your company has been proactive in following the principle and practice of good corporate governance. The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges are complied with.

A separate statement on corporate governance is annexed as a part of the Annual Report along with the Auditors certificate on its compliance. A report in the form of Management Discussion and Analysis pursuant to clause 49 of the Listing Agreement, as a part of this report is annexed hereto.

DIRECTORS

Mr. Rajendra Kaimal (DIN: 00032839), 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 (DIN: 00034727), Non-executive Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Dr. Sunil Pitroda (DIN: 07028212), was appointed as an Additional Director of the Company, in the category of an Independent Director. Pursuant to Section 161(1) of the Companies Act, 2013, Dr. Sunil Pitroda holds office till the date of this Annual General Meeting and it is proposed to appoint him as an Independent Director of the Company for the period of 5 years from December 30, 2014 to December 29, 2019.