# 19th Annual Report 2011-2012

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<br>Mr. Manoj Jain, Director<br>Mr. Upkar Singh Kohli, Non-Executive, Independent Director<br>Mr. Sudhir Ghate, Non-Executive, Independent Director<br>Mr. Ashit Shah, Non-Executive, Independent Director |
| Company Secretary | Ms. Sunipa Ghosh |
| Registered Office | Survey No. 18, Yawapur, Sadasivpet (M),<br>Medak Dist. A.P.;<br>Phone: 9949828084<br>Fax: 91-08455-251536 |
| Corporate Office | 1. H. No.8-3-1010/32, Unit 401,<br>Vijaya Enclave, Beside Andhra Bank, Srinagar Colony,<br>Hyderabad-500 073.<br>Phone: 040-23731409<br>Fax: 040-23731370<br><br>2. 541/A, Arch House, Marol Maroshi Road,<br>Marol, Andheri (E), Mumbai -400 059<br>Phone: 022-33089200<br>Fax: 022-2920 7798 |
| Auditors | M/s Mukesh Mehta & Associates,<br>Chartered Accountants,<br>3/4A, Hammersmith Ind. Premises, Narayan Pathare Marg,<br>Off Sitladevi Temple Road, Mahim (W), Mumbai - 400 016 |
| Manufacturing Facilities | 1. Survey No. 18, Yawapur, Sadasivpet (M), Medak Dist., A.P.<br>Phone: 9949828084<br><br>2. Plot No. E-2, Chincholi Industrial Area Solapur, Maharastra.<br>Phone: 0217 - 2357738<br>Fax-0217-2357339 |
| Bankers | State Bank of India<br>Axis Bank Limited<br>Punjab National Bank<br>Indian Overseas Bank<br>Karur Vysya Bank |
| Registrars & Share Transfer Agents | XL Softech Systems Limited,<br>3, Sagar Society, Road No. 2, Banjara Hills,<br>Hyderabad-500 034. Phone no. (040)23545913, 14, 15. |

# NOTICE

NOTICE IS HEREBY GIVEN THAT the 19th Annual General Meeting of Avon Organics Limited will be held on Friday, 28th September, 2012 at 10.00 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, approve and adopt the Profit and Loss Account for the financial year ended 31st March, 2012 and the Audited Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To declare dividend on Equity Shares for the financial year ended 31st March 2012
3. To appoint a Director in place of Mr. Ashit Shah, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Sudhir Ghate, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

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

**Sd/-**
**Sunipa Ghosh**
**Company Secretary**

Place: Mumbai
Date: 30th May, 2012

# 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, and for the purpose of payment of Dividend, the Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, 25th September, 2012 to Friday, 28th September, 2012 (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. The dividend on Equity shares as recommended by the directors for the year ended 31st March, 2012, when declared at the meeting, will be paid:

i) To those members whose names shall appear in the Register of Members of the Company, after giving effect to all valid share transfers in physical form lodged with the Company/RTA on or before Monday, 24th September, 2012.

ii) To those "Beneficial Owners" in respect of shares held in electronic form, whose names shall appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), at the end of business hours on Monday, 24th September, 2012.

5. For the purpose of payment of Dividend, the members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.
6. In terms of Sections 205A and 205C of the Companies Act, 1956, any dividend remaining unpaid for a period of seven years from the due date of payment is required to be transferred to the Investor Education and Protection Fund. Members who have not got their dividend warrants encashed, are requested to write to the Registrars & Share Transfer Agents for issuance of revalidated Demand drafts or Duplicate Dividend warrants.
7. Members holding shares in physical form are requested to inform any change, in their registered address to the registered / corporate office of the company or 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.
8. Member/Proxies should bring in their attendance slip sent herewith duly filled in for attending the meeting.
9. 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.
10. The shares of the Company are presently listed on the Hyderabad, Mumbai and Calcutta Stock Exchanges. However, the same is actively traded at Bombay Stock Exchange.

# DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting their Nineteenth Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March, 2012.

## FINANCIAL RESULTS

| Particulars | 2011-12 (Rs. In Lakhs) | 2010-11 (Rs. In Lakhs) |
|---|---|---|
| Sales & Operational Income | **16703.34** | 16212.07 |
| Gross Profit /(Loss) before Interest, Depreciation and Tax (PBDIT) | **4175.69** | 2945.63 |
| Less. Depreciation | **1086.09** | 611.64 |
| Profit before Interest and Tax (PBIT) | **3089.60** | 2333.99 |
| Less. Interest & Financial charges | **1954.32** | 1347.93 |
| **Profit / (Loss) before Tax (PBT)** | **1135.28** | 986.05 |
| Less Provision for Taxation | | |
| : Provision for tax | **222.00** | 200.00 |
| Add: MAT credit | **(222.00)** | (200.00) |
| : Short provision for Tax for earlier years | **76.76** | - |
| : Deffered Tax | **51.97** | - |
| **Net Profit / (Loss) after tax (PAT)** | **1006.55** | **986.05** |

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

## DIVIDEND

The Directors are pleased to recommend payment of Dividend @ 10% (Re. 1/- per Equity Share of the face value of Rs. 10/- each), which, if approved by the Members at the forthcoming Annual General Meeting will involve an outflow of Rs. 225 Lakhs towards Dividend and Rs.36.50 Lakhs as Dividend Distribution Tax resulting in a total outflow of Rs. 261.50 Lakhs.

## YEAR IN RETROSPECT

During the year under review, the Company has achieved Net Sales and Operational income of Rs. 16703.34 Lakhs as against Rs. 16212.07 Lakhs in the previous year, registering an increase in sales by 3.03%. During the year the Company has achieved a Net profit of Rs. 1006.55 Lakhs as against Rs. 986.05 Lakhs, during the corresponding period in the previous year.

The total sales of the Company includes export sales of Rs. 5202.26 Lakhs during the year under review as against 4223.65 Lakhs, during the previous year and account for approximately 31.15% of the total sales in the current year as against 26.05% in the previous corresponding period.

## QUALITY SYSTEMS

The Company being engaged in the pharmaceutical sector strives to maintain higher quality standards and complies with various regulations in relation to the same. The manufacturing facility of the company situated at Solapur, Maharashtra is a cGMP facility and is USFDA inspected. The facility of the company situated at Sadasivpeth is ISO 9001:2008 certified.

## 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, 2012, 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, 2012 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, 2012 have been prepared on a going concern basis.

## CORPORATE GOVERNANCE

The Company's essential character revolves around values based on transparency, integrity, professionalism and accountability. At the highest level, the company continuously endeavours to improve upon these aspects on an ongoing basis and strives to achieve the higher standards of Corporate Governance. The nature of compliances made in order to meet the requirements and to promote transparency and efficient governance, are more specifically detailed in a separate report on Corporate Governance attached herewith, which forms part of the Annual Report. 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 Agreement entered into by the Company with Stock Exchanges, is also enclosed as a part of this Annual Report.

**NOTE ON OPERATIONS OF THE SUBSIDIARY COMPANY IN SINGAPORE**

The Company's subsidiary company in Singapore, M/s. Regal Pharma Pte. Ltd. is involved in facilitating marketing operations in the overseas market.

During the year under review, the company has infused of Rs. 1076.40 Lakhs as capital in its subsidiary company, Regal Pharma PTE Ltd., Singapore by subscribing to 31,20,000 Equity shares for Singapore $1 each.

**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, 2012, 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 to 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 Annual Accounts of the Subsidiary company will also be made available for inspection at the registered offices of both the Company and the subsidiary company..

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

**DIRECTORS**

The Board comprise of Chairman & Managing Director and Non-Executive Directors with majority of the Board comprising of Non-Executive Independent Directors.

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

**Re-appointment of Mr. Sudhir Ghate, Non-Executive Director**

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

He is a commerce graduate by qualification and possesses an extensive experience in various commercial and industrial matters. He also owns and manages a premier institution called "The Academy" at Mangalore for over a decade. He is presently a Director in M/s. Magnum Intergrafiks Private Limited, M/s. Mangalore Infotech Solutions Private Limited, M/s. Trichur Heart Hospital Limited, M/s. VRL Logistics Limited and M/s. Kanara Chamber of Commerce & Industry.

**Re-appointment of Mr. Ashit Shah, Non-Executive Director**

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

He is a practicing Chartered Accountant and proprietor of M/s. Ashit Shah & Co., Chartered Accountants. He has rich experience in commercial matter & laws and have effectively handled cases relating to Direct Tax, Indirect Tax and Assurance Services. He has also authored many books on subjects related to his profession. He is also a Director in M/s. Pears Financial Services Pvt. Ltd.

**Resignation of Mr. V. S. Soma, Executive Director & Company Secretary**

Mr. V. S. Soma resigned as Executive Director & Company Secretary of the Company with effect from 17th January, 2012 citing his other engagements.

**PARTICULARS OF EMPLOYEES:**

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.

We would like to state that, 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, continues to hold office until conclusion of this Annual General Meeting and have been 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 should hold a valid certificate issued by Peer Review Board of the ICAI. M/s. Mukesh Mehta & Co., Chartered Accountants hold a valid certificate issued by Peer Review Board of the 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, 2012 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.

For and on behalf of the Board

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

Date: 30.05.2012
Place: Mumbai

## 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 :**

a. Energy Conservation Measures taken : The Company is engaged in continuous process of energy conservation through improved operational and maintenance practices.

b. Total energy consumption per unit of Production : Details are furnished in Form A

**B. Technology absorption** : Details are furnished in Form B

(Rs. in Lakhs)

| **C. Foreign Exchange Earnings and Outgo** | **2011-2012** | **2010-2011** |
|---|---|---|
| 1. Foreign Exchange Earnings (Rs. In Lakhs) | **5202.26** | 4223.65 |
| 2. Foreign Exchange outgo (Rs. in Lakhs) | **1250.04** | 1560.12 |
| 3. Net Foreign Exchange Earnings (Rs. In Lakhs) | **3952.22** | 2663.53 |

## FORM A

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

| | **2011-2012** | **2010-2011** |
|---|---|---|
| **A. POWER AND FUEL CONSUMPTION:** | | |
| **1. ELECTRICITY :** | | |
| a. Purchased Units : | **8816645** | 8527104 |
| Amount (Rs. In Lakhs) | **487.78** | 412.24 |
| Rate/Unit (Rs.) | **5.53** | 4.83 |
| b. Own Generation : | | |
| Through D. G. Set Units | **837074** | 948970 |
| Amount (Rs. In Lakhs) | **121.21** | 119.96 |
| Rate/Unit (Rs.) | **14.48** | 12.64 |
| **2. FURNACE & BOILER** (Rs. In Lakhs) | **570.86** | 708.72 |
| **B CONSUMPTION PER UNIT OF PRODUCTION:** | | |
| Electricity (Unit / MT) (Rs. in Lakhs) | **204565** | 117536 |
| Furnace & Boiler (Unit /MT) (Rs.) | **191756.80** | 156519 |

## FORM B

### A. RESEARCH AND DEVELOPMENT :

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

   A) New product MAC (Methyl amino crotonate) has been developed and the quality has been found to be of acceptable standards.
   B) DEAA (Di ethyl aceto acetamide) - Laboratory trials are completed and are ready to be implemented in plant.
   C) CEFDINIR intermediate - Laboratory trials are being conducted with the process still under modifications.

2. Benefits derived from above R & D.

   - Commercial production for MAC (Methyl amino crotonate) has been started at the plant level & is being supplied onwards for further use in PAD.(Phthaloyl Amlodipine)

3. Future plan of action.

i) To achieve maximum production of MAC (Methyl amino crotonate) by utilizing additional equipments from DR3 - Production Block.

ii) To achieve the maximum production of PHEEMA by improving yields.

iii) To carry out additional experiments in Lab on Cefdinir intermediate in an effort to reduce production cost. .

4. Expenditure on R & D :

| | (Rs. In Lakhs) 2011-12 | 2010-11 |
|---|---|---|
| Revenue Expenditure | 39.17 | 25.79 |
| % to Turnover | 0.23% | 0.16% |

### B. TECHNOLOGY ABSORPTION :

| | | |
|---|---|---|
| 1. | Efforts in brief made towards technology absorption | : Consistent efforts made towards achieving the required quality of PHEEMA. |
| 2. | Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc. | : Cost reduction in PHEEMA. |
| 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 |

# Management Discussion and Analysis Report

## GLOBAL PHARMACEUTICAL MARKET

The global pharmaceutical market is changing rapidly and growing more complex. Annual global spending on medicines is expected to rise from $956 billion in 2011 to nearly $1.2 trillion in 2016, representing a compound annual growth rate of 3-6 per cent, as per the IMS Institute for Healthcare Informatics' report, The Global Use of Medicines: Outlook through 2016.

This growth in annual global spending is mainly driven by volume increases in the emerging markets and an uptick in spending in developed nations.

Following several years of slowing growth, the global market for medicines is poised to rebound from an expected low point of 3-4 per cent growth in 2012 to 5-7 per cent in 2016, according to a new forecast issued by the IMS Institute for Healthcare Informatics.

Health systems in emerging markets will nearly double their medicine spending in five years. The increase will be driven by rising incomes, continued low cost for drugs, and government-sponsored programmes designed to increase access to treatments - by limiting patients' exposure to costs and encouraging greater use of medicines. Generics and other products, including over-the-counter medicines, diagnostics and non-therapeutics, will account for approximately 83% of such increase.

Global generic spending is expected to increase from $242 billion in 2011 to $400-430 billion by 2016, fuelled by volume growth in emerging markets and the ongoing transition to generics in developed nations.

Branded formulations could experience a dip pursuant to a peak expiry of patents in 2012 and as well as increased cost-containment actions by payers. The impact of patent expiries primarily will be felt in the US. In Europe, limited savings from expiring patents are prompting policy shifts to encourage greater use of generics and lower reimbursement for these products.

## INDIAN PHARMACEUTICAL MARKET

The recent spate of turbulence experienced in the Indian market has resulted in high inflation levels, volatile industrial output and escalated interest rates and have collectively caused a downward revision in the GDP growth rates from 8% to 6.9%.

Even though, the outlook for the pharmaceuticals sector in the country remains positive, the Indian Pharmaceuticals market valued at around US $ 12.3 billion (IMS March MAT 2012) is a highly fragmented market with a large number of players spread across therapy segments.

Regarded as one of the fastest-growing pharma market globally, primarily driven by a large population, evolving patient demographics, increasing health care expenditure, growing urbanisation, rising life expectancy, and active private-sector participation, Indian companies are today regarded as collaborators demonstrating capabilities that match global expectations.

India ranks third in terms of manufacturing pharma products by volume. India's Pharmaceutical industry is gaining its position as a global leader clearly topping the charts among the Indian science based industries with significant expertise in the complex field of drug manufacture and technology. India's pharmaceutical market has registered a strong growth of 16% in 2012.

The Indian pharmaceuticals sector is poised to reach US$ 55 billion by 2020, from US$ 12.6 billion in 2009 (Source: Mckinsey, India Pharma 2020: Propelling access and acceptance realising true potential, 2010).India tops in exporting generic medicines. The Indian pharma industry produces around 20% to 24% of the global generic drugs. Around 40% of the total pharmaceutical produce is exported (55% formulation and 45% APIs). The Indian pharmaceutical market is expected to witness rapid and significant growth on the back of greater acceptance and penetration of generics, enhanced export opportunities, increasing global demand, and a large share of off-patent drugs in the future.

### Outlook

India's pharmaceutical industry is at an advantageous position compared to other emerging countries. With the advantage of being a highly organised sector, the Indian pharmaceutical companies are growing at the rate of 8-9% annually.

### Risks and Concerns

Some of the keys risks and concerns that are faced by the Company are as follows:

Some of the obvious and identifiable risks include the following:

- High level of inflation implying an increase on costs of various inputs / services which may not be passed entirely and may have a negative impact on the margins of the Company;
- High volatility in the world currency markets
- Competition from other Indian Companies operating in similar segments.
- The fall in the GDP growth rates indicating a macro level slowdown in the economy alongwith tightened liquidity and rising interest costs.
- Other key risks related to our business include loss of key personnel, increased labour costs and uncertainties in terms of regulatory changes.

**Finance**

**a. Operational &Financial Performance**

- **Sales& Operating Income:** During the year under review, Net Sales and Operational income stood at Rs. 16703.34 Lakhs as against Rs. 16212.07 Lakhs in the previous year, registering an increase in sales by 3.03%.

- **Gross Margin (EBITDA):** During the year under review, the gross margin stood at Rs. 4175.69 Lakhs (25%) as against Rs. 2945.63 Lakhs (18.17%) in the previous year, which was primarily due to process improvisation and increase in operational efficiency which led to increases in EBITDA margins.

- **Net Profit:** During the year under review the Company has made a Net profit of Rs. 1006.55 Lakhs as against Rs. 986.05 Lakhs, thereby registering an increase in profits by 2.08%

- **Net-worth:** The net-worth of the Company increased to Rs. 6886.92 Lakhs from Rs. 6141.87 Lakhs during the previous year. The increase has been primarily on account of retaining of profits earned by the company during the year after providing for dividend payment and Tax thereon.

- **Investment in Subsidiary :** During the year under review, the company has infused a capital of Rs. 1076.40 Lakhs in its subsidiary company, Regal Pharma PTE Ltd., Singapore by subscribing to 31,20,000 Equity shares for Singapore $1 each.

- **Fixed Assets:** During the year under review, the Company has incurred an amount of Rs. 1445.88 Lakhs towards capital expenditure and Capital Work-in progress.

**Internal Control Systems**

The Company has adequate internal control systems commensurate with the size and the nature of business of the Company.

The internal control system is constantly assessed and strengthened with tighter control procedures. The Internal Control Systems ensure efficiency of operations, compliance with internal policies and applicable laws and regulations, protection of resources and assets, and accurate reporting of financial transactions.

The Company has a robust internal audit system which ensures a hand-in-hand working of the auditors with the company representatives with a view not only to test the adherence of the laid down procedures but also to suggest improvements in processes and systems. The internal audit system is approved by the audit committee who monitor the implementation of various recommendations based on observations of the auditors, as reported to the audit committee.

**Human Resource Development and Industrial Relations**

As of 31st March, 2012, the employee strength of the Company stands at 484 .

The Company continues to focus on its core values of knowledge, action and care, which are also reflected in the behavior of the employees. There has been no other material development in the Company, as far Human Resources are concerned.

The Board wishes to place on record its appreciation for the dedication and commitment of your Company's employees at all levels, which has continued to be our major strength.

***Caveat***

*The statements forming part of the Management Discussion and Analysis Report may contain certain forward looking statements within the meaning of applicable securities laws and regulations. Many factors could cause the actual results, performances or achievements of the Company to be materially different from any future results, performances and achievements that may be expressed or implied by such forward looking statements.*

# REPORT ON CORPORATE GOVERNANCE

Avon's philosophy on corporate governance envisages working towards high levels of transparency and ethical business conduct by employees across all levels in the Company. The Company is committed to achieve and maintain higher standard of Corporate Governance on a sustained basis. Our Corporate Governance processes are directed at ensuring that Company's actions, assets and agents are directed to maximize long term shareholder value.

This report sets out some of the insights of Company's policies and practices relating to Corporate Governance.

## 1. COMPANY'S PHILOSOPHY

- To strive towards high growth path in terms of profits and revenues.
- To endeavour to exercise in all integrity, the fiduciary responsibilities towards all stakeholders in the company
- To ensure that that the Company achieves its ambitions in prudent and sustainable manner
- To maintain integrity in business transactions and a ban on exerting any kind of improper influence;
- To ensure fair and respectful working conditions across all levels.

## 2. BOARD OF DIRECTORS

### a. Composition of the Board

As on 31st March, 2012, a majority of the Board comprises of Non-Executive, Independent Directors. The composition of the Board is in line with the principles of Corporate Governance, as envisaged by Clause 49 of the Listing Agreement, with an optimum combination of Non-Executive, Independent Directors on the Board.

The composition of the Board as on 31st March, 2012 was as follows:

| Sl. No. | Names of Directors | Designations |
|---|---|---|
| 1. | Mr. Ajit Kamath | Non-Executive Chairman & Managing Director |
| 2. | Mr. Manoj Jain | Director |
| 3. | Mr. Upkar Singh Kohli | Non-Executive Director, Independent |
| 4. | Mr. Sudhir Ghate | Non-Executive Director, Independent |
| 5. | Mr. Ashit Shah | Non-Executive Director, Independent |

Note: Mr. V. S. Soma resigned from the Board as Executive Director and Company Secretary & Compliance Officer with effect from 17th January, 2012.

In compliance with the provisions of Clause 49 of the Listing Agreement, since the Non-Executive Chairman of the Company is a Promoter Director of the holding Company (Arch Pharmalabs Limited), more than fifty percent of the Board is required to comprise of Independent Directors.

Further, in adherence to the requirements of Clause 49 of the Listing Agreement, a declaration confirming their independent status with reference to the Company, is furnished by every Director at the time of their appointment as well as on an annual ongoing basis.

The Board has constituted an Audit Committee, Shareholders and Investors Grievances Committee, Remuneration Committee and a Finance Committee.

The attendance of the Board of Directors at the Board Meetings, Annual General Meeting and the details of other directorships and Chairmanships/ committee memberships held by them are furnished below

| Name of Directors | Category | No. of Board Meetings attended out of 4 held | No. of Directorships of other Companies | No. of Memberships of Board Sub-Committees / Chairmanships in other Companies | Attendance at the last AGM held on 29th July 2011 |
|---|---|---|---|---|---|
| Mr. Ajit Kamath | Non Executive- Promoter | 4 | 19 | 1 | Yes |
| Mr. Manoj Jain | Non Executive – Promoter | 4 | 19 | 1 | Yes |
| Mr. V. S. Soma* | Company Secretary & Whole-time Director | 3 | Nil | Nil | Yes |
| Mr. Upkar Singh Kohli | Non- Executive - Independent | 4 | 10 | 1 | No |
| Mr. Sudhir Ghate | Non- Executive - Independent | 4 | 5 | 5 Chairman of Audit Committee in 2 companies | Yes |
| Mr. Ashit Shah | Non- Executive - Independent | 3 | 1 | Nil | No |

*Resigned with effect from 17.01.2012

**b. Board Meetings and Procedure**

The tentative annual calendar of the Meetings of the Board of Directors is agreed upon at the beginning of the year. The Board of Directors meets at least 4 times in a year, in order to evaluate the management policies, review compliance reports, appraise the financial matters and grant strategic direction to the Company so that long term interests of the stakeholders are served.

The meetings are governed by the detailed agenda. All issues included in the agenda are backed up by comprehensive background information to enable the Board to take informed decisions. The agenda papers, containing detailed notes on various agenda items and other information which would enable the Board to discharge its responsibility effectively, are circulated in advance to the Members of the Board. The Managing Director briefs the Board on the overall performance of the Company. The Chairman of the Audit Committee briefs the Board on important matters discussed at the Meetings of the Audit Committee. The statements of shareholders'/ Investors' Grievances received and resolved are also placed before the Board.

The Board of Directors of the Company met 4 times during the financial year 2011-12 on the following dates:

19th May, 2011, 29th July, 2011, 14th November, 2011 and 13th February, 2012

**c. Code of Conduct**

As per the requirements of Clause 49 of the Listing Agreement, the Company has adopted a Code of Conduct for Directors as well as for senior management of the Company. All the Directors and senior management personnel have affirmed compliance with code of conduct.

Code of conduct is formulated taking into account Confidentiality of Interest, Protection of Assets, Honesty & Integrity, Gifts & Donations, Prevention of Insider Trading, and Compliance of various applicable laws.

**3. BOARD COMMITTEES:**

In compliance with the applicable rules and regulations and for effective functioning of the Board at operational levels in the Company, the following Committees of the Board have been formed.

## A. AUDIT COMMITTEE

### (a) Brief description of terms of reference

1) Evaluation and monitoring of the Company's financial reporting process and disclosure of its financial information in a bid to ensure that the financial statements are correct, sufficient and credible.
2) Reviewing with the management the annual financial statements before submission to the Board, internal and external auditors and the adequacy of the internal control systems, with particular reference to:
   - Major accounting entries involving estimates based on the exercise of judgment by the management;
   - Significant adjustments made in the financial statement arising out audit findings;
   - Disclosure of related party transactions;
   - Changes if any, in the accounting policies;
   - Qualifications in draft audit report;
   - Compliance with listing agreement requirements and other regulatory requirements;
3) Discussing with the Statutory Auditors, Cost Auditors and Internal Auditors about the scope and coverage of audit in the Company and ascertaining areas of concern, if any.
4) Reviewing with the Management, quarterly and half-yearly financial reports, before submission to the Board.
5) Reviewing the internal audit mechanism existing in the Company and putting forward relevant suggestions for betterment of the internal audit process.
6) Making recommendations in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor including fixing of audit fees.
7) Investigating into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and external professional advice, if any.
8) Reviewing the Company's financial and risk management policies and compliance with internal control systems.

### (b) Composition, Names of Members and Chairman

The composition of the Audit Committee is in line with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

All Members of Audit Committee are equipped with a thorough understanding of the financial matters and issues related thereto.

As per the requirements of Clause 49, audit committee should comprise of minimum 3 members with minimum two/third of the Committee being independent with an Independent Chairman. As on 31st March, 2012, the constitution of Audit Committee and attendance thereat was as follows:

| Name of the Member | Position | No. of meetings attended |
|---|---|---|
| Mr. Sudhir Ghate<br>[Non-Executive and Independent] | Chairman | 4 |
| Mr. Ashit Shah<br>[Non-Executive and Independent] | Member | 3 |
| Mr. Manoj Jain<br>[Non-Executive] | Member | 4 |

Mr. V. S. Soma, Executive Director and Company Secretary acted as Secretary to the Audit Committee for the meetings held on 19th May, 2011, 29th July, 2011and 14th November, 2011.

In view of his resignation, Ms. Sunipa Ghosh has been appointed as a Company Secretary with effect from 17th January, 2012 who also acts as Secretary to the Audit Committee.
The Audit Committee meeting held on 13th February, 2012 was attended by Ms. Sunipa Ghosh as a Secretary to the Audit Committee.

The Committee met 4 times during the year under review on

19th May, 2011; 29th July, 2011; 14th November, 2011 & 13th February, 2012

## B. REMUNERATION COMMITTEE

### (a) Brief description of terms of reference

The Remuneration Committee has been constituted to recommend / review remuneration/ commission/ incentives payable to the Managing Director / Whole-time Directors of the Company, based on their performance and defined assessment criteria.

The Remuneration policy is in consonance with the existing industry practice.

### (b) Composition, Names of Members and Chairman

The constitution of the Remuneration Committee was as under:

| Name of the Member | Position |
|---|---|
| Mr. Sudhir Ghate [Non-Executive, Independent] | Chairman |
| Mr. Upkar Singh Kohli [Non-Executive, Independent] | Member |
| Mr. Ashit Shah [Non-Executive, Independent] | Member |

The committee currently comprises of three members, all of them being Non-Executive Independent Directors. The constitution of the Committee complies with the requirements of Clause 49 of the Listing Agreement.

Presently, the Non-Executive Directors do not receive any remuneration/commission and are paid sitting fees for attending the meetings of the Board and Committee. The Non-Executive Chairman and Managing Director do not draw any remuneration from the Company. Remuneration payable to the Whole-time Director for part of the year under review, was governed by the agreement executed between him and the Company and as approved by the shareholders.

No sitting fee is paid to Mr. Manoj Jain, Non-Executive Director for attending the Board/Committee meetings, as he is the Promoter Director of Arch Pharmalabs Limited, the parent company of Avon Organics Limited.

There were no other pecuniary relationships or transactions between the Non-Executive Directors and the Company.

The details of remuneration paid to the Whole-time Director for part of the financial year 2011-12 are given below:

| Executive Directors | All elements of remuneration package i.e. salary, benefits, bonus etc. (in rupees) |
|---|---|
| Mr. V. S. Soma* | 9,96,815 |

*Resigned with effect from 17.01.2012

Note: Directors remuneration is in accordance with Schedule XIII of the Companies Act, 1956.

## C. SHAREHOLDERS' / INVESTOR GRIEVANCE COMMITTEE MEETING

### (a) Brief description of terms of reference

The Company has constituted Shareholders'/Investor Grievance Committee to work in tandem with the Registrar and Share Transfer Agent and oversees the redressal of grievances of the shareholders of the Company. The Committee also reviews the performance of the Registrar and Share Transfer Agents and suggests measures for overall improvement in the quality of investor services.

The Committee is responsible for redressal of all shareholder related matters such as:

- Issuing duplicate share certificates
- Dematerialisation of shares
- Resolving Shareholders' grievances
- Non - receipt of declared Dividend
- Change in shareholders' addresses
- Non- receipt of Annual Reports
- Timely disclosures for shareholders and investors

### (b) Composition, Names of Members and Chairperson

The Committee functions under the Chairmanship of Mr. Ashit Shah, Non-Executive, Independent Director of the Company, in compliance with Clause 49 of the Listing Agreement.

The Committee comprised of the following members:

| Name of the Member | Position |
|---|---|
| Mr. Ashit Shah [Non-Executive and Independent] | Chairman |
| Mr. Upkar Singh Kohli [Non-Executive and Independent] | Member |

The Committee met 4 times during the year under review on

19th May, 2011; 29th July, 2011; 14th November, 2011 & 13th February, 2012

### (c) Name and designation of Compliance Officer

Ms. Sunipa Ghosh, Company Secretary of the Company is the Compliance Officer of the Company, responsible for supervising the working of the Shareholders' / Investor Grievance Committee Meeting and monitoring the investor and shareholders grievance redressal mechanism and for reporting the same to the Company's Board at each meeting. She is further responsible for directly liaisoning with the authorities such as Securities Exchange Board of India [SEBI], stock exchanges, Registrar of Companies, etc. and investors with respect to implementation of various clauses, rules, regulations and other directives of such authorities and investor service and complaints of related matters.

| | |
|---|---|
| **Name of the Compliance officer** | **Ms. Sunipa Ghosh** |
| **Designation** | **Company Secretary** |
| **Contact Details:** | |
| **Address** | **C/o. Avon Organics Limited<br>Survey No.18, Yawapur,<br>Sadasivpet (M), Medak Dist.,<br>Andhra Pradesh - 502291.** |
| **Tel No** | **08455 399 914** |
| **Fax No** | **08455 399 999** |
| **E-mail** | **cs_1@avonorganicsltd.com** |

Details of number of requests / complaints received and resolved are as under:

| Nature of Correspondence | Received | Replied/Resolved | Pending |
|---|---|---|---|
| 1. Non receipt of dividend | 2 | 2 | NIL |
| 2. Non-receipt of share certificates sent for transfer etc. | NIL | NIL | NIL |
| 3. Non-receipt of Annual Reports, right forms, bonus shares/interest on delayed receipt of refund order | NIL | NIL | NIL |
| **TOTAL** | **2** | **2** | **Nil** |

No investor complaints remained unattended / pending for more than 30 days and no request for share transfers or dematerialization received during the financial year was pending for more than 30 days and 15 days, respectively.

**D. SHARE TRANSFER SYSTEM:**

Share transfers are processed and share certificates duly endorsed are returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

The authority for approving transfer, transmission, etc. of the equity shares of the Company has been delegated to the Company's Registrar & Share Transfer Agents [RTA] namely, M/s. X L Softech Systems Limited under the supervision and control of the Company Secretary, Ms. Sunipa Ghosh, Company Secretary of the Company, who is also the Compliance Officer of the Company.

A summary of transfer / transmission of the equity shares, so approved by the Company Secretary is placed at every Board Meeting / Shareholders' / Investors' Grievance Committee.

There were no share transfers pending as at the end of the financial year.

**Reconciliation of Share Capital Audit**

An independent Practicing Company Secretary carries out the Reconciliation of Share Capital Audit as mandated by SEBI, and reports on the reconciliation of total issued and listed Capital with that of total share capital admitted / held in dematerialized form with National Securities Depository Limited [NSDL] and Central Depository Services Limited [CDSL] and those held in physical form. This audit is carried out on quarterly basis and the report thereof is placed before the Shareholders and Investors' Grievances Committee of the Board and is submitted to the Stock Exchanges, where the Company`s equity shares are listed.

**4. GENERAL BODY MEETINGS**

A. Details of last three Annual General Meetings held are as follows:

| Year | Day, Date and Time of the Meeting | Venue | Details of Special Resolutions passed |
|---|---|---|---|
| 2011 | Friday, 29th July, 2011, 11.30 a.m. | Registered Office | NIL |
| 2010 | Saturday, 25th September, 2010, 11.30 a.m. | Registered Office | NIL |
| 2009 | Tuesday, 29th September, 2009, 3.00 p.m. | Registered Office | Three special resolutions were passed to alter the Articles of Association for amending the following provisions in the articles:<br>1. Provisions related to rotation of Directors and quorum for meetings of Board of Directors<br>2. a. Authorising the Board to borrow on behalf of the Company for amounts exceeding the paid-up capital and free reserves of the Company, subject to approval by the shareholders at the General Meeting of the Company;<br>b. Authorising the Board to delegate the borrowing powers otherwise than on debentures or to a committee of the Board or any Director or Managing Director; |

All the resolutions set out in the Notices were passed by the shareholders. The Company did not have any proposal to vote through postal ballot during the year under review.

No Extra Ordinary General Meeting of the Members was held during the year 2011-12.

## 5. INFORMATION IN RESPECT OF DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AS REQUIRED UNDER CLAUSE 49 VI (A) OF THE LISTING AGREEMENT

### a. Re-appointment of Mr. Sudhir Ghate, Non-Executive Director

Mr. Sudhir Ghate, Non-executive Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

He is a commerce graduate by qualification and possesses an extensive experience in various commercial and industrial matters. He also owns and manages a premier institution called "The Academy" at Mangalore for over a decade. He is also a Director in M/s. Magnum Intergrafiks Private Limited, M/s. Mangalore Infotech Solutions Private Limited, M/s. Trichur Heart Hospital Limited, M/s. VRL Logistics Limited and M/s. Kanara Chamber of Commerce & Industry.

**b. Re-appointment of Mr. Ashit Shah, Non-Executive Director**

Mr. Ashit Shah, Non-executive Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

He is a practicing Chartered Accountant and proprietor of M/s. Ashit Shah & Co. He has effectively handled cases relating to Direct Tax, Indirect Tax and Audit. He has also authored many books on subjects related to his profession. He is also a Director in M/s. Pears Financial Services Pvt. Ltd.

**c. Resignation of Mr. V. S. Soma, Executive Director & Company Secretary**

Mr. V. S. Soma resigned as Executive Director & Company Secretary of the Company with effect from 17th January, 2012. Upon his resignation as Company Secretary, the position of Compliance officer also gets vacated.

## 6. INFORMATION IN RESPECT OF COMPANY SECRETARY APPOINTMENT AS REQUIRED UNDER CLAUSE 47 (a) OF THE LISTING AGREEMENT

**Resignation of Mr. V. S. Soma, Executive Director & Company Secretary**

Mr. V. S. Soma resigned as Executive Director & Company Secretary of the Company with effect from 17th January, 2012.

**Appointment of Ms. Sunipa Ghosh as Company Secretary & Compliance Officer**

In view of the resignation of Mr. V. S. Soma as Executive Director & Company Secretary with effect from 17th January, 2012, Ms. Sunipa Ghosh has been appointed as the Company Secretary of the Company with effect from 17th January, 2012.

Ms. Sunipa Ghosh is further appointed as a Compliance officer of the Company as per the provisions of Clause 47 (a) of the Listing Agreement. She will be responsible for monitoring the share transfer process and report to the Company's Board at each meeting. The compliance officer will directly liaise with the authorities such as Securities and Exchange Board of India, Stock Exchanges, Registrar of Companies, etc. and investors with respect to implementation of various clauses, rules, regulations and other directives of such authorities and investor service and complaints of related matter.

## 7. DISCLOSURES

**a. Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of the company at large.**

None of the transactions with any of the related parties were in conflict with the interest of the Company. Details of such transactions are stated in Notes to Accounts that form part of the Balance Sheet.

**b. Details of non-compliance by the company, penalties, and strictures imposed on the company by Stock Exchange or SEBI or any Statutory Authorities on any matter related to capital markets during the last three years.**

There were no instances of non-compliance of any matter related to the capital markets during the last three years.

## 8. MEANS OF COMMUNICATION

**Financial Results:** The quarterly, half-yearly and annual results of the Company are published in widely circulated newspapers viz. The Financial Express (a national daily) and Andhra Prabha

(a regional daily). These are also submitted to the Stock Exchanges on which the company's shares are listed in accordance with the Listing Agreement.

**Annual Report:** Annual Report of the Company containing, inter-alia, Audited Standalone Financial Statements, Consolidated Financial Statements, Directors' Report, Report on Corporate Governance, Auditors Report and other important information is circulated to the members and others entitled thereto for each financial year. The Management Discussion and Analysis Report forms part of the Annual Report. .

## 9. E-GOVERNANCE:

The Ministry of Corporate Affairs has adopted a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. In accordance with the circulars issued by the Ministry, companies can send various documents and notices, including annual report, to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

Accordingly the Company proposes to send documents like Shareholders Meeting Notice/ other notices, audited financial statements, directors' report, auditors' report or any other document, to its members in electronic form at the email address provided by them and/or made available to the Company by their Depositories. This will facilitate faster communication, reduction in paper consumption and will also ensure avoidance of loss of documents in transit. Members who have not yet registered their email ids (including those who wish to change their already registered email id) may get the same registered/ updated either with their Depositories or by filling up the form attached to this Annual Report and sending to the Registrar & Share Transfer Agent.

## 10. GENERAL SHAREHOLDERS' INFORMATION

| | |
|---|---|
| **1. Date, Time and Venue of AGM:** | Friday, 28th September, 2012 at 10 a.m.<br>Hotel Daspalla, Road No. 37, Jubilee Hills,<br>Hyderabad-500 033, Andhra Pradesh. |
| **2. Financial Calendar** | 1st April to 31st March |
| **3. Board Meetings for Quarterly Results:**<br>(tentative and subject to change) | |
| • Quarter ending June 30, 2012 | - On or before 15th August, 2012 |
| • Quarter ending September 30, 2012 | - On or before 15th November, 2012 |
| • Quarter ending December 31, 2012 | - On or before 15th February, 2013 |
| • Quarter ending March 31, 2013 | - On or before 15th May, 2013 |
| • Annual General Meeting for the Financial Year ended March 31, 2013 | - On or before 30th September 2013 |
| **4. Book Closure dates** | Tuesday, 25th September, 2012 to<br>Friday, 28th September, 2012<br>(both days inclusive) |
| **5. Proposed date of Dividend Payment:** | The Dividend of Re. 1/- i.e 10% per Equity share of Rs. 10/-, as recommended by the Board of Directors, subject to confirmation by the shareholders at the ensuing 19th Annual General Meeting to be held on Friday, 28th September, 2012, will be paid within 30 days of the said date:<br><br>(i) To those members who hold shares in physical form and whose names appear on the Company's Register of Members as holders of Equity Shares on Monday, 24th September, 2012; |

| | |
|---|---|
| | (ii) In respect of the shares held in dematerialized form, to the beneficial owners of the shares at the close of business hours on Monday, 24th September, 2012 as per details furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). |
| **6. Listing on the stock exchanges** | The Bombay Stock Exchange Limited (BSE)<br>The Calcutta Stock Exchange Limited (CSE)<br>The Hyderabad Stock Exchange Limited (HSE)<br><br>However, the equity shares of the Company are not traded in HSE and CSE. |
| **7. Payment of Listing fees** | Annual listing fees have been paid as per the requirements of Listing Agreement. The listing fees for the year under review was not paid to Hyderabad Stock Exchange, due to its derecognition by SEBI with effect from 29th August, 2007. |
| **8. International Securities Identification Number.** | INE881A01015 |
| **9. Corporate Identification Number** | L24110AP1993PLC016112 |
| **10. Stock Code:**<br>**BSE**<br>**HSE**<br>**CSE** | <br>531541<br>AVN<br>11123 |
| **11. Registered Office** | Survey No.18, Yawapur Village,<br>Sadasivpet, Medak Dist., A.P.<br>Tel : 9949828084;<br>Fax: 040-23404438 |
| **12. Corporate Office** | H. No.8-3-1010/32, Unit 401,<br>Vijaya Enclave, Beside Andhra Bank,<br>Srinagar Colony,<br>Hyderabad-500 073.<br><br>541/A, ARCH House,<br>Marol Maroshi Road,<br>Marol, Andheri (E)<br>Mumbai – 400 059. |
| Exclusive e-mail Id for investors | cs_1@avonorganics.com |
| **13. Registrars and Share Transfer Agents** | XL Softech Systems Limited,<br>3, Sagar Society, Road No. 2, Banjara Hills,<br>Hyderabad- 500 034.<br>Phone no. (040)23545913, 14, 15. |
| **14. Share Transfer System** | Shares sent for physical transfer or dematerialization requests are generally registered and returned within a period of 15 days from the date of receipt of completed and validly executed documents.<br><br>Bad deliveries are promptly returned to Depository Participants (DPs) under advice to the shareholders. |

**15. Plant Locations**

Survey No.18, Yawapur Village,
Sadasivpeth, Medak Dist, A.P.

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

**16. Address for Correspondence**

Shareholder correspondence should be addressed to the Company's R & T Agent or to the secretarial department of the Company.

**17. Dematerialisation of shares and liquidity:**

As on 31st March, 2012, 2,23,54,984 Equity shares equivalent to 99.36 % of the paid up share capital of the company are in dematerialized form. The company's shares are currently traded in B group at the Bombay Stock Exchange.

**18. Outstanding GDR/ADR/Warrants or any**

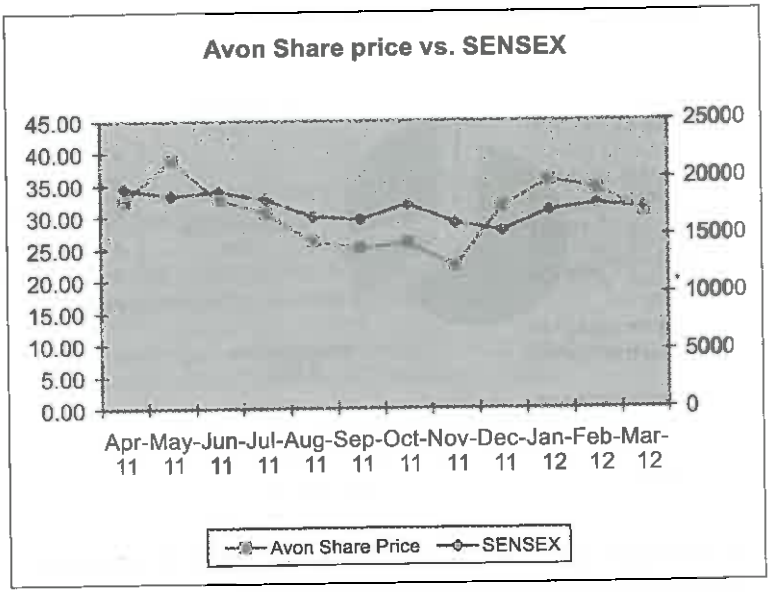
As on date, the Company has not issued any of these types of securities, convertible instruments, conversion date and likely impact of Equity.

**19. Stock Market data relating to shares listed**

Monthly High and low quotations at the Bombay Stock Exchange for the year 2011-12

| Month | Bombay Stock Exchange ( in Rs.) | |
|---|---|---|
| | High | Low |
| April 2011 | 36.70 | 31.00 |
| May 2011 | 39.10 | 31.10 |
| June 2011 | 39.30 | 30.75 |
| July 2011 | 33.85 | 29.60 |
| August 2011 | 31.90 | 24.60 |
| September 2011 | 27.40 | 23.65 |
| October 2011 | 26.90 | 24.10 |
| November 2011 | 25.90 | 20.15 |
| December 2011 | 33.00 | 18.40 |
| January 2012 | 41.00 | 31.00 |
| February 2012 | 37.95 | 32.95 |
| March 2012 | 41.40 | 28.60 |

Chart showing comparison of Avon Share Price (closing-monthly) with BSE Sensex (closing-monthly):



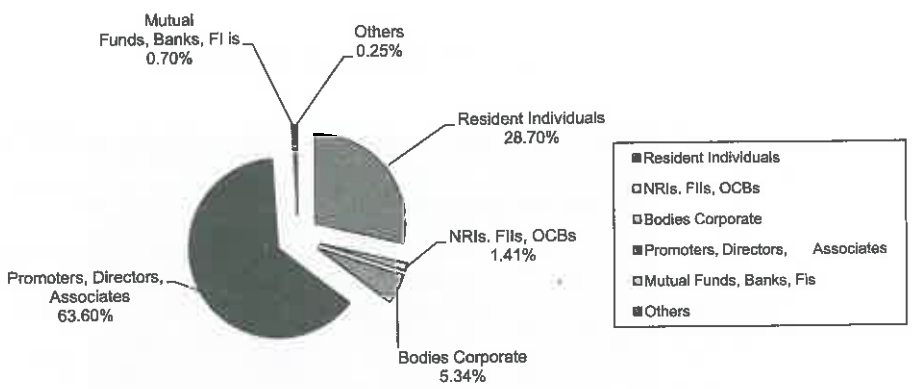

## 20. Distribution of Shareholding as on 31st March, 2012

| No. of Equity shares | Shareholders | | No of Shares | |
|---|---|---|---|---|
| | Number | % of Holders | Number | % of shares |
| Upto 5000 | 4979 | 96.23 | 2552254 | 11.34 |
| 5001-10000 | 99 | 1.91 | 733188 | 3.26 |
| 10001-20000 | 39 | 0.75 | 535259 | 2.38 |
| 20001-30000 | 15 | 0.29 | 364673 | 1.62 |
| 30001-40000 | 12 | 0.23 | 417699 | 1.86 |
| 40001-50000 | 12 | 0.23 | 555817 | 2.47 |
| 50001-100000 | 10 | 0.19 | 686726 | 3.05 |
| 100001 and Above | 8 | 0.15 | 16654384 | 74.02 |
| **Total** | **5174** | **100.00** | **22500000** | **100.00** |

## 21. Categories of shareholders as on 31st March, 2012

| Categories | No of shareholders | % of shareholders | No. of held | % of shares |
|---|---|---|---|---|
| Resident Individuals | 4951 | 95.69 | 6456808 | 28.70 |
| NRIs, FIIs, OCBs | 33 | 0.64 | 318096 | 1.41 |
| Bodies Corporate | 178 | 3.44 | 1201242 | 5.34 |
| Promoters, Directors, Associates | 1 | 0.02 | 14309100 | 63.60 |
| Mutual Funds, Banks, FIs | 2 | 0.04 | 157600 | 0.70 |
| Others | 9 | 0.17 | 57154 | 0.25 |
| **Total** | **5174** | **100.00** | **22500000** | **100.00** |

**Categories of Shareholders as on 31st March, 2012**




## CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT

To

The Shareholders,

I hereby declare that all the Board Members and the senior management personnel have affirmed compliance with the code of conduct adopted by the company and have submitted declarations in this behalf for the year ended 31st March, 2012.

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

Place : Mumbai
Date : 30.05.2012

## CERTIFICATE FROM CHAIRMAN AND MANAGING DIRECTOR

I, Ajit Kamath, Chairman & Managing Director of Avon Organics Limited, to the best of my knowledge and belief, certify that:

a. I have reviewed the financial statements and the cash flow statement for the year under review and certify that:

i. these statements do not contain any materially untrue statement or omit any material facts or contain statements that might be misleading.

ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. To the best of my knowledge and belief, no transactions entered into by the company during the year are fradulent, illegal or violate of the company's code of conduct.

c. I am responsible for establishing and maintaining internal controls for financing reporting and have evaluated the effectiveness and disclosed to the auditors and audit committee, the deficiencies in the design and operation of such internal controls and the steps taken to rectify these deficiencies.

d. I have indicated to the auditors and audit committee that -

i. there are no significant changes in internal control over financial reporting during the year.

ii. there are no significant changes in accounting policies during the year and the same have been disclosed in the notes to the financial statements.

iii there are no frauds of which I was aware, that involves management or other employees who have a significant role in the company's internal control system.

Place : Mumbai

Date : 30.05.2012

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
**AVON ORGANICS LIMITED**

We have examined the compliance conditions of Corporate Governance by AVON ORGANICS LIMITED for the year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement mentioned above.

We state that in respect of investor grievances received during the year ended 31st March, 2012, no investor grievances are pending for a period more than one month against the Company as per the records maintained by the Company and presented to the Investor Grievance Committee.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency with which the management has conducted the affairs of the Company.

For **Mukesh Mehta & Associates**
**Chartered Accountants**

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Membership No.100407**
**FRN:116309W**

Place: Mumbai
Date: 30.05.2012

## AUDITORS' REPORT

To
The Members of **AVON ORGANICS LIMITED,**

We have audited the attached Balance Sheet of Avon Organics Limited, as at 31st March, 2012, and also the Profit and Loss Account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors Report Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

(ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.

(iii) The Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account.

(iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

(v) On the basis of written representations received from the directors as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2012.

(b) in the case of the profit and loss account, of the profit for the year ended on that date and

(c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **Mukesh Mehta & Associates**
**Chartered Accountants.**

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Membership No.100407**
**FRN:116309W**

Place:Mumbai,
Date: 30.05.2012

## ANNEXURE TO AUDIT REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1.1 The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.

1.2 As explained to us, all the Fixed assets have been physically verified by the management at reasonable intervals, which in our opinion, is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such verification.

1.3 During the year, the company has not disposed of any substantial part of its fixed assets, affecting the going concern.

2.1 The inventory has been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.

2.2 In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

2.3 On the basis of our examination of records of inventory, we are of the opinion that the company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and the book stocks were not material.

3.1 The company had taken interest free unsecured loans from holding company covered in the register maintained under section 301 of the Companies Act, 1956.

3.2 The loans taken by the company do not have any stipulation for payment of principle and interest; hence no amounts outstanding as at the end of the year and is considered as over due.

3.3 The company has not granted any loans or advances in the nature of loans to the companies covered in the register maintained under section 301 of the Companies Act, 1956.

3.4 The company has given interest free loan to wholly owned subsidiary of the company. In respect of the said loans, the maximum amount outstanding at any time during the year is Rs. 51,015/- and the year end balance is Rs. 51,015/-.

4 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal control system and there is no continuing failure to correct any major weakness in internal control.

5.1 Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under section 301 of the Act have been so entered.

5.2 In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, which needs to be entered in the registers maintained under section 301 of the Act, have been so entered. Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevalent market price at the relevant time.

6 Based on our audit procedures and according to the information and explanations given to us, the company has not accepted any deposits from the public and hence complying with the provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under is not applicable.

7 In our opinion the company has an internal audit system commensurate with its size and nature of its business.

8 The Central Government has prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 to the company and such accounts and records have been made and maintained by the company.

9.1 According to the records of the company, the company is regular in depositing the undisputed statutory dues including provident fund, Employees' State Insurance, Income tax, Sales-tax, Wealth-tax, Customs duty, Excise-duty, Service tax, Cess and any other statutory dues with the appropriate authorities., and there are no arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable.

9.2 According to the records of the company, there are no dues of Sales tax, Income tax, Customs duty, Wealth tax, Excise duty of Cess which have not been deposited on account of any dispute.

10 The company has not incurred cash loss in the current year and immediately preceding previous year. The company does not have any accumulated losses.

11 Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any financial institution or bank as at the end of the financial year.

12 In our opinion and according to the information and explanation given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares and debentures and other securities. Accordingly, the provisions of para 4(xii) of the CARO, 2003 are not applicable to the company.

13 Based on our examination of documents and record, we are of the opinion that the company has not granted any loans and advances on the basis of the security by way of pledge of shares, debentures and the securities.

14 Based on our examination of the records and evaluation of the related internal control, we are of the opinion that the company has not dealt or traded in securities, debentures and other investments during the year. The company's long-term investments in shares have been held by the Company in its own name. The company has acquired the shares of its subsidiary company during the year.

15 According to the records of the company and information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.

16 According to the records of the company and information and explanations given to us, during the year the company has availed the term loans from Banks / Financial institution and have been applied for the purpose for which they have been obtained.

17 Based on the audit procedures applied and according to the information and explanations furnished to us, the funds raised on short term basis have not been used for long term investment and vice versa.

18 The company has not made any preferential allotment of shares / share warrants to parties and companies covered in the register maintained under Section 301 of the Act.

19 According to the information and explanations furnished to us and based on the records verified by us, during the period covered by our audit report the company has not issued any long term debentures and hence creation of securities for the same is not applicable.

20 According to the information and explanations furnished to us and based on the records verified by us, the company has not raised any money through public issues during the period covered under audit and hence disclosure by the management on the end usage of money raised by public issues and our verification of the same is not applicable.

21 Based upon the audit procedures performed and information and explanations given by the management, no material fraud on or by the company has been noticed or reported during the year.

For **Mukesh Mehta & Associates**
**Chartered Accountants**

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Membership No.100407**
**FRN:116309W**

Place: Mumbai
Date: 30.05.2012

# BALANCE SHEET AS AT 31.03.2012

(Amount in Rs.)

| Particulars | Note | As at 31.03.2012 | | As at 31.03.2011 | |
|---|---|---|---|---|---|
| **EQUITIES & LIABILITIES** | | | | | |
| **Shareholders Fund** | | | | | |
| Share Capital | 1 | 225,000,000 | | 225,000,000 | |
| Reserves & Surplus | 2 | 463,691,877 | 688,691,877 | 389,186,737 | 614,186,737 |
| **Share Application Money pending allotment** | | | - | | - |
| **Non-Current Liabilities** | | | | | |
| Long Term Borrowing | 3 | 516,949,787 | | 692,635,775 | |
| Long Term Liability | 3A | 317,140,209 | | 194,856,415 | |
| Deferred tax liabilities (Net) | | 19,261,270 | 853,351,266 | 14,064,610 | 901,556,800 |
| **Current Liabilities** | | | | | |
| Short Term borrowings | 4 | 473,627,350 | | 478,541,607 | |
| Trade payables | 5 | 339,592,839 | | 316,561,070 | |
| Other current liabilities | 6 | 189,339,810 | | 142,428,292 | |
| Short-term provisions | 7 | 30,376,387 | 1,032,936,386 | 46,650,246 | 984,181,215 |
| **TOTAL** | | | 2,574,979,529 | | 2,499,924,752 |
| **ASSETS** | | | | | |
| **Non Current Assets** | | | | | |
| Fixed Assets | 8 | | | | |
| Tangible Assets | | 1,001,686,137 | | 1,100,885,463 | |
| Intangible Assets | | - | | - | |
| Capital Work in Progress | | 134,907,045 | | - | |
| Intangible Assets under development | | - | 1,136,593,182 | - | 1,100,885,463 |
| **Non-Current Investment** | 9 | | 107,643,256 | | 3,256 |
| **Long Term Loans and Advances** | 10 | | 51,015 | | 51,015 |
| **CURRENT ASSETS** | | | | | |
| Current Investments | | - | | - | |
| Inventories | 11 | 443,465,311 | | 493,258,396 | |
| Trade Receivables | 12 | 655,127,269 | | 633,892,680 | |
| Cash & Cash equivalents | 13 | 78,717,441 | | 24,936,164 | |
| Short terms loans and advances | 14 | 44,148,934 | | 131,530,286 | |
| Other Current Assets | 15 | 109,233,120 | 1,330,692,076 | 115,367,492 | 1,398,985,019 |
| **TOTAL** | | | 2,574,979,529 | | 2,499,924,752 |
| Significant Accounting Policies Notes on Financial statements | 23 | | | | |

The Schedules referred to above from an integral part of the Balance Sheet

As per our report of even date
for **Mukesh Mehta & Associates**
**Chartered Accountants**

For and on behalf of the Board

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Mem.No. 100407**
**FRN: 116309W**

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

**Sd/-**
**Manoj Jain**
**Director**

**Sd/-**
**Sunipa Ghosh**
**Company Secretary**

Place : Mumbai
Date : 30.05.2012

# PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2012

(Amount in Rs.)

| Particulars | Note | Year ended 31.03.2012 | Year ended 31.03.2011 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from Operation | 16 | 1,670,333,802 | 1,621,207,304 |
| Other Income | 16 | 2,331,158 | 2,483,786 |
| TOTAL | | 1,672,664,960 | 1,623,691,090 |
| **EXPENDITURE** | | | |
| Cost of Materials Consumed | 17 | 851,477,366 | 1,063,885,917 |
| (Increase)/Decrease in stocks | 18 | 67,004,082 | (59,330,450) |
| Power & Fuel | | 117,985,112 | 124,092,351 |
| Payments & benefits to employees | 19 | 130,536,953 | 103,214,670 |
| Other Manufacturing Expenses | 20 | 46,589,482 | 63,378,865 |
| Administrative & Selling Expenses | 21 | 41,502,894 | 33,886,931 |
| Financial charges | 22 | 195,431,786 | 134,793,950 |
| Depreciation | | 108,609,112 | 61,164,052 |
| TOTAL | | 1,559,136,786 | 1,525,086,287 |
| **Profit/(loss) before tax** | | 113,528,174 | 98,604,803 |
| Less:Prior Period Expenses | | - | - |
| Less : Provision for Taxation | | 22,200,000 | 20,000,000 |
| Add:MAT credit | | (22,200,000) | (20,000,000) |
| Less:Short Provision for Tax for earlier Years | | 7,676,311 | - |
| Less:Deffered Tax | | 5,196,660 | - |
| **Profit/(loss) after tax** | | 100,655,204 | 98,604,803 |
| Significant Accounting Policies & Notes to Accounts | 23 | | |
| **COMPUTATION OF EARNING PER SHARE** | | | |
| a) Net profit / (loss) for the year (Rs.) | | 100,655,204 | 98,604,803 |
| b) No. of shares outstanding during the year | | 22,500,000 | 22,500,000 |
| c) Basic and diluted EPS (Rs.) | | 4.47 | 4.38 |
| d) Nominal Value of Share (Fully paid-up) | | Rs.10/- each | Rs.10/- each |

The Schedules referred to above from an integral part of the Profit & Loss Account

As per our report of even date
for **Mukesh Mehta & Associates**
**Chartered Accountants**

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Mem.No. 100407**
**FRN: 116309W**

Place : Mumbai
Date : 30.05.2012

For and on behalf of the Board

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

**Sd/-**
**Manoj Jain**
**Director**

**Sd/-**
**Sunipa Ghosh**
**Company Secretary**

# Notes on Financial Statements for the year ended 31st March 2012

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 1 | **SHARE CAPITAL** | | |
| | **Authorised Share Capital:**<br>25,000,000 Equity Shares of Rs. 10/- each<br>(Previous year 25,000,000 Equity Shares of Rs.10/- each) | 250,000,000 | 250,000,000 |
| | **Issued, Subscribed and paid-up:**<br>22,500,000 Equity Shares of Rs. 10/- each<br>(Previous year 225,00,000 Equity Shares of Rs.10/- each) | 225,000,000 | 225,000,000 |

**Number of Equity Shares held by each shareholder holding more than 5% shares in the company are as follows:**

(Amount in Rs.)

| | Particulars | Number of shares as at 31st March, 2012 | % | Number of shares as at 31st March, 2011 | % |
|---|---|---|---|---|---|
| | Arch Pharmalabs Limited | 14,309,100 | 63.60 | 14,309,100 | 63.60 |

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 2 | **RESERVES & SURPLUS** | | |
| | State Investment Subsidy | 2,000,000 | 2,000,000 |
| | Capital Reserve | 7,000,000 | 7,000,000 |
| | Security Premium | 295,851,400 | 295,851,400 |
| | General Reserve | 130,000,000 | 130,000,000 |
| | **Profit & Loss Account** | | |
| | As per last balance sheet | (45,664,663) | (118,032,497) |
| | Add: Profit for the year | 100,655,204 | 98,604,803 |
| | | 54,990,540 | (19,427,694) |
| | **Less: Apportionments** | | |
| | **Proposed Dividend on Equity** | 22,500,000 | 22,500,000 |
| | (Dividend per Share Re.1/-) | | |
| | (Previous year Re.1/-) | | |
| | Less:Tax on Dividend | 3,650,063 | 3,736,969 |
| | | 28,840,477 | (45,664,663) |
| | | 463,691,877 | 389,186,737 |

Dividend amount per equity share proposed to be distributed to Shareholders Re.1/- per equity Share (P.Y. Re.1/- per share).

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | | As at 31.03.2011 | |
|---|---|---|---|---|---|
| | | Current | Non Current | Current | Non Current |
| 3 | **LONG TERM BORROWINGS** | | | | |
| | **Secured** | | | | |
| | Term Loans From Banks | 175,887,638 | 368,888,892 | 136,245,368 | 537,777,780 |
| | | 175,887,638 | 368,888,892 | 136,245,368 | 537,777,780 |
| | **Unsecured** | | | | |
| | Deferred Sales Tax Loan from State Govts. | 13,452,172 | 148,060,895 | 6,182,924 | 154,857,995 |
| | | 13,452,172 | 148,060,895 | 6,182,924 | 154,857,995 |
| | | 189,339,810 | 516,949,787 | 142,428,292 | 692,635,775 |

**Term Loan-Maturity Profile**

(Amount in Rs.)

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| Term Loan From Banks | 175,887,638 | 168,888,892 | 80,000,000 | 80,000,000 | 40,000,000 |

**Term Loans**
The term loans from banks of Rs. 5447.77 Lakhs (previous year Rs. 6740.23 Lakhs) are secured by way of first pari passu charge on fixed assets, second pari passu charge on current assets, personal guarantee of promoter directors and also by way of corporate guarantee.

**Defered Sales Tax Loan Maturity Profile**

(Amount in Rs.)

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| Defered Sales Tax Loan | 13,452,172 | 20,384,136 | 18,871,986 | 22,748,858 | 18,905,245 |

**Deferred Sales Tax Loan**
The Company has been availing interest free Sales Tax deferment loan from States Government Authorities and the balance Outstanding as on 31st March, 2012 was Rs. 1,615.13 Lakhs (Previous year Rs. 1.610.41 Lakhs)

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 3A | **LONG TERM LIABILITY** | | |
| | **Unsecured** | | |
| | From Body Corporates | 317,140,209 | 194,856,415 |
| | | **317,140,209** | **194,856,415** |
| 4 | **SHORT TERM BORROWINGS** | | |
| | **Secured** | | |
| | Working capital loan From Banks | 473,627,350 | 478,358,529 |
| | Vehicle loans under hire purchase | - | 183,078 |
| | | **473,627,350** | **478,541,607** |

**Working Capital**
The working capital loans from the banks Rs..4736.27 Lakhs (previous year Rs. 4783.58 Lakhs) are secured by first pari passu charge on the current assets, second pari passu charge on fixed assets and personal guarantee of promoter directors of the company.

**Vehicle Loans**
The Vehicle loan Rs.NIL (previous year Rs.1.83 Lakhs) availed under hire purchase are secured by way of hypothecation of vehicles and also personal guarantee of some of the erstwhile Directors of the Company.

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 5 | **TRADE PAYABLES** | | |
| | Sundry Creditors | 339,592,839 | 316,561,070 |
| | | **339,592,839** | **316,561,070** |

In the absence of necessary information with the company relating to information to the registration status of suppliers under the Micro, Small and Medium Enterprises Development Act, 2006, the information required under the said Act could not be complied and disclosed. The company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises.

## 8. FIXED ASSETS:

### Deprecation as per the Companies Act, 1956 :

(Amount in Rs.)

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01.04.2011 | Additions | Deletions | As at 31.03.2012 | As at 01.04.2011 | Depreciation For the year | On Deletions | As at 31.03.2012 | As at 31.03.2012 | As at 31.03.2011 |
| Land & Site Development | 12,531,645 | - | - | **12,531,645** | - | - | - | - | **12,531,645** | 12,531,645 |
| **Buildings** | | | | | | | | | | |
| - Non - Factory | 6,034,460 | - | - | **6,034,460** | 2,045,270 | 199,460 | - | **2,244,730** | **3,789,730** | 3,989,190 |
| - Factory | 169,378,428 | - | - | **169,378,428** | 51,100,003 | 5,746,777 | - | **56,846,780** | **112,531,648** | 118,278,425 |
| Plant & Machinery | 1,423,354,238 | 4,127,317 | 390,070 | **1,427,091,485** | 484,091,434 | 98,840,028 | 119,310 | **582,812,152** | **844,279,333** | 939,262,804 |
| Lab Equipment | - | 4,629,331 | - | **4,629,331** | - | 81,043 | - | **81,043** | **4,548,288** | - |
| Electrical Installations | 49,508,847 | - | - | **49,508,847** | 33,541,366 | 1,900,357 | - | **35,441,723** | **14,067,124** | 15,967,481 |
| Furniture | 9,246,021 | - | - | **9,246,021** | 4,711,429 | 428,440 | - | **5,139,869** | **4,106,152** | 4,534,592 |
| Office Equipment | 5,505,490 | 53,040 | - | **5,558,530** | 2,702,341 | 318,764 | - | **3,021,105** | **2,537,425** | 2,803,149 |
| Computers | 8,225,150 | 352,383 | - | **8,577,533** | 5,712,016 | 870,054 | - | **6,582,070** | **1,995,463** | 2,513,134 |
| Vehicles | 3,874,666 | 518,475 | - | **4,393,141** | 2,869,623 | 224,189 | - | **3,093,812** | **1,299,329** | 1,005,043 |
| **TOTAL** | 1,687,658,945 | 9,680,546 | 390,070 | **1,696,949,421** | 586,773,482 | **108,609,112** | 119,310 | **695,263,284** | **1,001,686,137** | 1,100,885,463 |
| Previous Year | 1,094,607,448 | 593,051,496 | - | **1,687,658,944** | 525,609,430 | 61,164,052 | - | 586,773,481 | 1,100,885,463 | 568,998,018 |
| Capital Work in Progress | | | | | | | | | 134,907,045 | - |

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 6 | **OTHER CURRENT LIABILITIES** | | |
| | Current Maturities of long term debt (Refere Note No.3) | 175,887,638 | 136,245,368 |
| | Sales Tax Deferment Loan (Refere Note No.3) | 13,452,172 | 6,182,924 |
| | | 189,339,810 | 142,428,292 |
| 7 | **SHORT-TERM PROVISIONS** | | |
| | Provision for Tax | - | 20,413,277 |
| | Provision for Excise Duty | 4,226,324 | - |
| | Proposed Dividend | 22,500,000 | 22,500,000 |
| | Dividend Distribution Tax | 3,650,063 | 3,736,969 |
| | | 30,376,387 | 46,650,246 |
| 9 | **NON-CURRENT INVESTMENTS** | | |
| | **In Share of Subsidiary Company** | | |
| | **Unquoted - Fully paid Up** | | |
| | 3,120,100 Shares of SGD 1 Each in Regal Pharma Pte. Ltd. (Previous year 100 shares of SGD 1 each in Regal Pharma Pte. Ltd.) | 107,643,256 | 3,256 |
| | | 107,643,256 | 3,256 |
| 10 | **LONG TERM LOANS AND ADVANCES** | | |
| | Advances to Subsidiary | 51,015 | 51,015 |
| | | 51,015 | 51,015 |
| 11 | **INVENTORIES** | | |
| | Raw Materials | 113,512,379 | 92,227,591 |
| | Stores, Consumables & Packing Material | 64,577,572 | 16,878,210 |
| | Work-in-progress | 219,877,883 | 209,298,505 |
| | Finished Goods | 45,467,293 | 118,824,428 |
| | Material in transit | 30,184 | 56,029,662 |
| | | 443,465,311 | 493,258,396 |
| 12 | **TRADE RECEIVABLES** | | |
| | (Unsecured and Considered Good) | | |
| | Over six months | 7,039,663 | 21,222,624 |
| | Others | 648,087,606 | 612,670,056 |
| | | 655,127,269 | 633,892,680 |
| 13 | **CASH & CASH EQUIVALENTS** | | |
| | Cash in hand | 122,089 | 1,060,319 |
| | Balance with Banks | | |
| | In Current Accounts | 52,333,461 | 1,781,974 |
| | In Deposits Accounts (Pledged with bank as margin) | 26,261,892 | 22,093,871 |
| | **Deposits Accounts** Rs. 12646112/- (P.Y. Rs.12317514/-) maturity is more than 12 months. | | |
| | | 78,717,441 | 24,936,164 |
| 14 | **SHORT TERMS LOANS AND ADVANCES** | | |
| | (Unsecured and Considered Good) | | |
| | Advance for Suppliers and expenses | 17,813,120 | 81,075,645 |
| | Advances to employees | 155,009 | 303,149 |
| | Other Advances | 26,180,806 | 50,151,493 |
| | | 44,148,934 | 131,530,286 |

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 15 | **OTHER CURRENT ASSETS** | | |
| | Deposits | 10,077,862 | 11,799,862 |
| | Accrued Interest on Deposits | 53,513 | 1,033,203 |
| | Balance with Govt. Departments | 68,089,013 | 66,862,911 |
| | Prepaid expenses | 5,153,628 | 2,438,268 |
| | Income Tax | 25,859,104 | 33,233,248 |
| | | 109,233,120 | 115,367,492 |

(Amount in Rs.)

| Sl. No. | Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 |
|---|---|---|---|
| 16 | **REVENUE FROM OPERATIONS** | | |
| | Sale of Products | 1,732,769,249 | 1,692,402,162 |
| | Other operating Revenue | 12,038,565 | 19,910,642 |
| | | 1,744,807,814 | 1,712,312,804 |
| | Less: Excise duty | 74,474,012 | 91,105,500 |
| | | 1,670,333,802 | 1,621,207,304 |
| | **OTHER INCOME** | | |
| | Interest Received | 2,331,158 | 2,248,926 |
| | Misc. Income | - | 234,859 |
| | | 2,331,158 | 2,483,786 |
| | **Broad Particulars of Sale of Products** | | |
| | API/Intermediate | 842,819,710 | 882,793,196 |
| | Contract Manufacturing /Custom Synthesis | 787,244,009 | 710,120,949 |
| | Others | 40,270,083 | 28,293,159 |
| | | 1,670,333,802 | 1,621,207,304 |

(Amount in Rs.)

| Sl. No. | Particulars | Year ended 31.03.2012 | | Year ended 31.03.2011 | |
|---|---|---|---|---|---|
| 17 | **COST OF MATERIALS CONSUMED** | | 851,477,366 | | 1,063,885,917 |
| | | Amount | % of Consumption | Amount | % of Consumption |
| | Imported | 187,148,063 | 21.98% | 154,638,000 | 14.54% |
| | Indigenous | 664,329,303 | 78.02% | 909,247,917 | 85.46% |
| | | 851,477,366 | 100% | 1,063,885,917 | 100% |
| | **Broad Catogary of Material Consumed** | | | | |
| | Chemicals and Solvents | | 851,477,366 | | 1,063,885,917 |
| 18 | **(INCREASE)/DECREASE IN STOCKS** | | | | |
| | Opening Stock | | | | |
| | Work-in-progress | 209,298,505 | | 225,499,957 | |
| | Finished Goods | 118,824,428 | 328,122,934 | 43,292,527 | 268,792,484 |
| | Closing Stock | | | | |
| | Work-in-progress | 219,877,883 | | 209,298,505 | |
| | Finished Goods | 45,467,293 | 265,345,176 | 118,824,428 | 328,122,934 |
| | Increase/Decrease in Excise duty on Finished goods | | 4,226,324 | | - |
| | | | 67,004,082 | | (59,330,450) |

(Amount in Rs.)

| Sl. No. | Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 |
|---|---|---|---|
| 19 | **PAYMENTS & BENEFITS TO EMPLOYEES** | | |
| | Salaries & Wages | 112,645,870 | 89,889,796 |
| | Staff Welfare Expenses | 9,395,868 | 5,781,771 |
| | Contributions to Funds | 7,498,400 | 6,283,104 |
| | Directors Remuneration | 996,815 | 1,260,000 |
| | | 130,536,953 | 103,214,670 |
| 20 | **OTHER MANUFACTURING EXPENSES** | | |
| | Packing Material consumed | 4,162,036 | 7,010,906 |
| | Stores and spares consumed | 20,028,328 | 19,672,451 |
| | Repairs & Maintenance | 9,395,306 | 4,826,156 |
| | Manufacturing Expenses | 10,700,976 | 29,292,354 |
| | Insurance Charges | 2,302,836 | 2,576,998 |
| | | 46,589,482 | 63,378,865 |

**VALUE OF STORES, CHEMICALS AND PACKING MATERIALS CONSUMED** (Amount in Rs.)

| | Particulars | Year ended 31.03.2012 | | Year ended 31.03.2011 | |
|---|---|---|---|---|---|
| | | Amount | % of Consumption | Amount | % of Consumption |
| | Imported | - | - | - | - |
| | indigenous | 24,190,364 | 100.00% | 26,683,357 | 100.00% |
| | | 24,190,364 | 100.00% | 26,683,357 | 100.00% |

| Sl. No. | Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 |
|---|---|---|---|
| 21 | **ADMINISTRATIVE AND SELLING EXPENSES** | | |
| | Rent, Rates & Taxes | 6,214,784 | 3,231,391 |
| | Printing & Stationary | 1,887,778 | 2,199,049 |
| | Postage,Telegrams & Telephones | 1,328,242 | 2,138,016 |
| | Professional Charges | 6,529,702 | 5,357,980 |
| | Travelling & Conveyance | 2,653,133 | 4,297,505 |
| | Auditors' Fees | 150,000 | 150,000 |
| | Vehicle Maintainance | 5,643,822 | 3,102,059 |
| | Vehicle Hire charges | 3,144,566 | 3,521,214 |
| | General Expenses | 5,984,497 | 1,668,290 |
| | Export Expenses | 602,275 | 560,956 |
| | ECGC Premium | 206,900 | 551,942 |
| | Discounts | - | 149,216 |
| | Outward Freight | 6,962,545 | 6,399,721 |
| | Sales Promotion & Advertisement | 194,650 | 559,592 |
| | | 41,502,894 | 33,886,931 |
| 22 | **INTEREST AND FINANCIAL CHARGES** | | |
| | Interest Paid | 168,589,433 | 100,202,511 |
| | Other Financial Charges | 26,842,352 | 34,591,439 |
| | | 195,431,786 | 134,793,950 |

## SCHEDULE 23
## NOTES TO ACCOUNTS

### Significant Accounting Policies & Notes to Accounts

**I Basis of Preparation of Financial Statements:**

a) The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

b) The Company follows mercantile system of accounting and recognizes all significant items of income and expenditure on accrual basis.

c) All income & expenditure having material bearing on the financial statements are recognised on an accrual basis.

d) Use of Estimates: The preparation of financial statements in confirmity with generally accepted accounting principles requires management to make assumptions and estimates which it believes are reasonable under the circumastances that affect the reported amounts of assets, liabilities and contingent liabilities on the date of financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Difference between the actual results and estimates are recognised in the year in which the results are known /materialized.

**II Statement of Significant Accounting Policies:**

**A Fixed Assets:**
All fixed assets are stated at Historical Cost less Depreciation except in the case of Land and Site Development whereas it is stated at Cost Plus Development expenditure. The expenses incurred in setting up the project are capitalised and apportioned to the assets procured for that project in proportion to the value of each of the asset.

**B Depreciation:**
The depreciation on fixed assets has been provided on Written Down Value method for Fixed Assets in Diketene Division and common assets at Corporate Office and on Straight Line Method for Assets in Bio-Tech Division in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.Depreciation is not provided on Land. Depreciation on assets acquired for the project are provided on commercialisation and depreciation on other assets if put into use is provided accordingly. Further, depreciation on additions during the year is provided on prorata basis as per Schedule-VI of the Companies Act,1956.

**C Employees' Benefits:**
Contribution to defined schemes such as Provident Fund, ESI are charged as incurred on accrual basis. The premium paid to LIC Gratuity Fund as per section 4 of the Gratuity Act, 1972 has been charged to Profit & Loss account.

**D Foreign Currency Transactions:**

a. Transactions denominated in foreign currencies are recorded at spot rates / average rates.
b. Monetary items denominated in foreign currencies at the year end are restated at year end rates.
c. Non monetary foreign currency items are carried at cost.
d. In respect of branches, which are integral foreign operations, all transactions are translated at rates prevailing on the date of transaction or that approximates the actual rate on the date of transaction. Branch monetary assets and liabilities are restated at the year end rates.
e. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Statement of Profit and Loss except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

**E Inventories:**

Inventories are valued as under:

a. Raw Materials, Stores, Consumables, Packing materials and other materials: at cost on moving average basis
b. Work in process is carried at cost of input RM and estimated cost of manufacturing upto the stage of completion.
c. Finished Goods: At realizable value or cost whichever is lower.

**F Excise Duty, Service Tax and Education Cess:**

Excise Duty is accounted on the basis of payments made in respect of goods cleared. CENVAT, Service Tax and Education Cess on capital goods, raw materials and services as the case may be are accounted on receipt / completion of contracts, job works etc.

**G Revenue Recognition:**

Revenue in respect of sales is recognised as and when goods are supplied and in respect of insurance claims, interest etc., is recognised when it is reasonably certain that the ultimate collection will be made.

**H R & D Expenditure:**

Expenditure for capital items are debited to respective Fixed Assets and depreciation at applicable rates. Revenue expenditure is charged to Profit & Loss Account.

**I Deferred tax:**

Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the the year and reversed in subsequent periods. Deferred Tax assets on accumulated losses and unabsorbed depreciation are recognised only to the extent there is certainity of realisation of such asset in future.

**J Earnings Per Share :**

The basic and diluted Earnings Per Share is calculated by dividing the profit/(loss) after tax by the weighted average number of equity shares outstanding.

**K Impairment of Assets :**

At each Balance Sheet date, the carrying values of the assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where there is an indication that there is a likely impairment loss for a group of assets, the company estimates the recoverable amount of the group of assets as a whole, to determine the value of impairment.

**L Investments:**

Investments are stated at cost. The Company has acquired the shares of subsidiary company during the year and the same is stated at cost.

**M Borrowing Costs :**

Borrowing Costs attributable to acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset, till the period in which the asset is ready for use. Other borrowing costs are recognised as an expense in the period in which these are incurred.

**N Provisions and Contingent Assets :**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for i) possible obligations, which will be confirmed only by future events not wholly within the control of the company or ii) present obligation arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assests are not recognised in the financial statements since this may result in the recognition of income that may may never be realised.

**1. Contingent Liabilities not provided for :**

(Amount in Rs.)

| | Particulars | 2011-12 | 2010-11 |
|---|---|---|---|
| a. | Estimated Amount of Unexecuted Capital Contracts | 22,238,000 | - |
| b. | Letters of Credit | 2,137,135 | 11,896,000 |
| c. | Bank Guarantees | 3,360,000 | 3,000,000 |
| d. | Others | 2,938,000 | 2,938,000 |

**2.Managerial Remuneration:**

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| **Executive Director** | | |
| Salary | 996,815 | 1,260,000 |
| Perquisites | - | - |

**3. Auditors Remuneration:**

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Statutory Audit Fees | 150,000 | 150,000 |
| Tax Audit Fees | 50,000 | - |
| Certification and Consultancy Fees | 50,000 | - |

**4. Foreign Currency / Exchange Transactions:**

(Amount in Rs.)

| | Particulars | 2011-12 | 2010-11 |
|---|---|---|---|
| A. | Value of Imports | | |
| | Raw Materials | 124,864,459 | 155,308,000 |
| B. | Value of Exports - Direct | 520,225,751 | 422,365,000 |
| C. | Expenditure in Foreign Currency (Rs.) | | |
| | a. Foreign Travel | - | - |
| | b. Other Services | 140,000 | 704,000 |

5 In view of brought forwared losses provision for Income Tax as per MAT provision u/s 115JB is made.

6 The Company is engaged solely in the business of 'Pharmaceuticals'. The entire operations are governed by the same set of risks and returns and hence the same has been considered as representing a single segment. This treatment is in accordance with the guiding principles enunciated in the Accounting Standard 17 on 'Segment Reporting' as notified under the Companies Act, 1956. However the geographical break up of sales is as under

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| i) Domestic | 1,150,108,051 | 1,198,842,304 |
| ii) Exports | 520,225,751 | 422,365,000 |

7. Pursuant to AS-18 the names, relationships and particulars of transactions with related parties during the year are as under:

**A) List of Related parties**

| Sl No. | Particualrs | Relationship |
|---|---|---|
| 1 | Mr. Ajit Kamath | Key Management Person |
| 2 | Mr. Manoj Jain | Key Management Person |
| 3 | Mr. V S Soma | Key Management Person |
| 4 | Arch Pharmalabs Ltd | Holding Company |
| 5 | Regal Pharma Pte. Ltd | Subsidiary Company |

**B)** The following transactions were carried with the related parties in the ordinary course of business during the year

(Amount in Rs.)

| Sl No. | Particulars | Transaction | 2011-12 | 2010-11 |
|---|---|---|---|---|
| 1 | Arch Pharmalabs Ltd | Purchase of fixed assets | **203,091** | 4,998,786 |
| 2 | Arch Pharmalabs Ltd | Sales of fixed assets | **270,760** | 555,340 |
| 3 | Arch Pharmalabs Ltd | Purchase | **81,597,558** | 99,040,446 |
| 4 | Arch Pharmalabs Ltd | Sales | **24,742,694** | 49,187,758 |
| 5 | Arch Pharmalabs Ltd | Interest Paid | **17,537,077** | 9,728,239 |
| 6 | Arch Pharmalabs Ltd | Dividend | **14,309,100** | 14,309,100 |
| 7 | Arch Pharmalabs Ltd | Deposits Received | **122,283,793** | 8,755,415 |
| 8 | Regal Pharma Pte. Ltd | Loans & Advances | **51,015** | 51,015 |
| 9 | Mr. V.S.Soma | Services | **996,815** | 1,260,000 |
| 10 | Regal Pharma Pte. Ltd | Investment in Subsidiary | **107,643,256** | 3,256 |
| Balances as on 31st March 2012 | | | | |
| 1 | Arch Pharmalabs Ltd | Long Term Liability | **317,140,209** | 194,856,415 |
| 2 | Regal Pharma Pte. Ltd | Loans & Advances | **51,015** | 51,015 |
| 3 | Regal Pharma Pte. Ltd | Investment in Subsidiary | **107,643,256** | 3,256 |

8. The disclosure as per Accounting Standard (AS) 15 (Revised) "Employee Benefits" as notified by company (Accounting Standard) Rules, 2006 are as under:

Defined Contribution Plan Contribution to Defined Contribution Plan, recognised as expense for the year are as under:

(Amount in Rs.)

| Defined Contribution Plan | As on 31.03.2012 |
|---|---|
| Employer's Contribution to Provident Fund | 2,566,000 |
| Employer's Contribution to Pension Scheme | 2,988,000 |
| Employer's Contribution to ESIC | 1,036,000 |

Gratuity paid by the company is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation..

**I. Assumptions**

| Particulars | As on 31.03.2012 |
|---|---|
| DiscountRate | 8.00% |
| SalaryEscalation | 4.00% |

**II. Table showing changes in present value of obligation as on 31.03.2012** (Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Present value of obligations as at beginning of year | 6,389,287 |
| Interest cost | 511,143 |
| Current service cost | 1,110,861 |
| Benefits paid | (617,689) |
| Actuarial (gain)/ loss on obligations | 1,229,896 |
| Present value of obligations as at end of year | 8,623,498 |

**III. Table showing changes in the fair value of plan assets as on 31.03.2012** (Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Fair Value of plan assets at beginning of year | 1,759,862 |
| Expected return on plan assets | 153,625 |
| Contributions | 1,126,776 |
| Benefits paid | (617,689) |
| Actuarial gain/( loss) on plan assets | NIL |
| Fair Value of plan assets at the end of year | 2,422,574 |

**IV. Table showing fair value of plan assets as on 31.03.2012** (Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Fair Value of plan assets at beginning of year | 1,759,862 |
| Actual return on plan assets | 153,625 |
| Contributions | 1,126,776 |
| Benefits paid | (617,689) |
| Fair Value of plan assets at the end of year | 2,422,574 |
| Funded status | (6,200,924) |
| Excess of Actual over estimated return on plan assets | NIL |
| (Actual Rate of return = Estimated rate of return as ARD falls on 31st March) | |

**V. Actuarial gain/loss recognised as on 31.03.2012** (Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Actuarial (gain)/loss on obligations | (1,229,896) |
| Actuarial (gain)/loss for the year-plan asssets | NIL |
| Actuarial (gain)/loss on obligations | 1,229,896 |
| Actuarial (gain)/loss recognised in the year | 1,229,896 |

**VI. The amounts to be recognised in the balance sheet and statements of profit and loss** (Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Present value of obligations as at the end of year | 8,623,498 |
| Fair Value of plan assets as at the end of the year | 2,422,574 |
| Funded status | (6,200,924) |
| Net assets/(liability) recognised in balance sheet | 6,200,924 |

**VII. Expenses recognized in statement of profit and loss** (Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Current service cost | 1,110,861 |
| Interest cost | 511,143 |
| Expected return on plan assets | (153,625) |
| Net Actuarial (gain)/ loss recognised in the year | 1,229,896 |
| Expenses recongnised in statement of profit and loss | 2,698,275 |
| (Previous year figures are not available and hence the same are not disclosed) | |

9. The disclosure as per Accounting Standard (AS) 22 "Taxes on Income" as notified by Companies (Accounting Standard) Rules,2006 are as under:

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Deferred Tax liability (Net) | 5,196,660 | NIL |

10 The disclosure as per Accounting Standard (AS) 20 "Earnings per Share" as notified by Companies (Accounting Standard) Rules,2006 are as under:

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Net profit after tax | 108,331,514 | 98,604,803 |
| Excess/(Short) provision for tax for earlier years | 7,676,311 | - |
| Net Profit attributable to Equity shareholders | 100,655,204 | 98,604,803 |
| Weighted Average number of equity shares outstanding during the year | 22500000 | 22500000 |
| Basic and Diluted Earnings per share | 4.47 | 4.38 |
| Face Value per equity share | 10 | 10 |

11 **FINANCIAL AND DERIVATIVE INSTRUMENTS**

Foreign currency exposure that are not hedged as on 31st March,2012 on account of:

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Trade Receivables | 312,087,691 | 414,492,540 |
| Borrowings | NIL | NIL |
| Trade Payble | NIL | NIL |

12 **Other Notes**

(a) The Revised Schedule VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

(b) In the opinion of the Board of Directors, other current assets have a value on realisation in the ordinary course of the Company's business, which is at least to the amount at which they are stated in the balance sheet.

(c) During the year, the company has migrated to new ERP system i.e SAP, for which the Company has changed the method of valuation of inventory from FIFO to weighted average. Had such change not been made the value of the inventory as at the year end and the profit for the year would be lower by Rs.13.88 Lakhs

(d) The Ministry of Corporate Affairs, Government of India, Vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with Section 212 of the companies Act 1956, subject to fulfilment of conditions stipulated in the circular. The company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption.

As per our report of even date
For **Mukesh Mehta & Associates**
**Chartered Accountants**

For and on behalf of the Board

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Membership No.**
**Mem. No. 100407**
**FRN: 116309W**

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

**Sd/-**
**Manoj Jain**
**Director**

**Sd/-**
**Sunipa Ghosh**
**Company Secretary**

Place: Mumbai
Date : 30.05.2012

# CASH FLOW STATEMENT

(Amount in Rs.)

| Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 |
|---|---|---|
| **A. Cash Flow from Operating Activities** | | |
| Net Profit before tax and extraordinary items | 113,528,174 | 98,604,803 |
| Adjustments for | | |
| Depreciation | 108,609,112 | 61,164,052 |
| (Profit) /Loss on Sale of Asset/Investment | - | (140,900) |
| Interest | 195,431,786 | 134,793,950 |
| **Operating Profits before Working Capital Changes** | 417,569,072 | 294,421,905 |
| (Increase) / Decrease in Inventories | 49,793,085 | 123,553,958 |
| (Increase) / Decrease in Debtors | (21,234,589) | (24,279,603) |
| (Increase) / Decrease in Loans & Advances | 93,515,724 | (25,107,432) |
| Increase / (Decrease) in Current Liabilities | 53,486,350 | (103,107,299) |
| Increase /( Decrease) in Cash Credit Loan | (4,731,179) | 6,816,371 |
| **Cash Generated from Operations** | 588,398,462 | 272,297,900 |
| Income Tax | (12,872,971) | - |
| **Net Cash flow from operating Activities (A)** | 575,525,492 | 272,297,900 |
| **B. Cash Flow from Investing Activities** | | |
| Fixed Assets | (144,587,591) | (294,995,695) |
| Sale of Fixed Assets | 270,760 | - |
| Investment in Subsidery | (107,640,000) | - |
| Sale of Investments | - | 157,042 |
| **Net Cash Used in Investing Activities (B)** | (251,956,831) | (294,838,654) |
| **C. Cash Flow from Financing Activities** | | |
| Change in long term borrowings | (48,205,535) | 82,833,870 |
| Interest Paid | (195,431,786) | (134,793,950) |
| Payment of Dividend | (22,500,000) | (22,500,000) |
| Dividend Distribution Tax | (3,650,063) | (3,823,875) |
| Unsecured Loan | - | 3,360,873 |
| **Net Cash inflow from Financing Activities (C)** | (269,787,383) | (74,923,082) |
| **Net Increase in Cash Flow (A+B+C)** | 53,781,277 | (97,463,836) |
| Opening Balance of Cash and Cash Equivalent | 24,936,164 | 122,400,000 |
| Closing Balance of Cash and Cash Equivalent | 78,717,441 | 24,936,164 |

As per our report of even date
for **Mukesh Mehta & Associates**
**Chartered Accountants**

For and on behalf of the Board

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Membership No.**
**Mem. No. 100407**
**FRN: 116309W**

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

**Sd/-**
**Manoj Jain**
**Director**

**Sd/-**
**Sunipa Ghosh**
**Company Secretary**

Place: Mumbai
Date : 30.05.2012

## AUDITORS' CERTIFICATE ON CASH FLOW

To
The Board of Directors,
**AVON ORGANICS LIMITED**

We have examined the attached cash flow statements of M/s. AVON ORGANICS LIMITED for the year ended 31st March, 2012. The statement has been prepared by the company in accordance with the requirements of Clause 32 of the Listing Agreement and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our Report dated May 30, 2012 to the members of the Company.

For **Mukesh Mehta & Associates**
**Chartered Accountants.**

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Membership No.100407**
**FRN:116309W**

Place: Mumbai
Date: 30.05.2012

## Statement Pursuant to Section 212 of the Companies Act,1956 relating to Subsidiary Company

(Amount in Rs.)

| Sr. No. | Name of the Subsidiary | Regal Pharma PTE LTD | |
|---|---|---|---|
| 1 | The financial year for the subsidiary company ended on | 31.03.2012 | 31.03.2011 |
| 2 | Shares of the subsidiary comapany held by holding company as on above date | | |
| | (i) Number | 2808090 | 90 |
| | (ii) Extent of holding | 90% | 90% |
| 3 | Date from which it became a subsidiary | 27.07.2010 | 27.07.2010 |
| 4 | The net aggregate amount of Profits/(Losses) of the Subsidiary so far as they concern the member of the Holding Company. | | |
| | a) Dealt within the holding Company's accounts | | |
| | i) for the financial year of the subsidiary | 50,482,828 | (183,934) |
| | ii) for the previous financial years of the subsidiary since it became the holding Company's subsidiary | (183,934) | N.A |
| | b) Not dealt within the holding Company's accounts | | |
| | i) for the financial year of the subsidiary | 5,609,203 | (354) |
| | ii) for the previous financial years of the subsidiary since it became the holding Company's subsidiary | (354) | N.A |
| 5 | Issued, Subscribed & Paid-up Capital | 119,603,618 | 3,544 |
| 6 | Reserves & Surplus | 55,906,633 | (184,288) |
| 7 | Total Assets | 175,510,251 | (180,744) |
| 8 | Total Liabilities | 175,510,251 | (180,744) |
| 9 | Investments | NIL | NIL |
| 10 | Turnover | 1,202,311,648 | NIL |
| 11 | Profit before Tax | 63,177,206 | (184,288) |
| 12 | Provision for Taxation | 7,085,175 | NIL |
| 13 | Profit after Tax | 56,092,031 | (184,288) |
| 14 | Proposed Dividend | NIL | NIL |

## AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENT

To

The Members of **AVON ORGANICS LIMITED**

1. We have audited the attached Consolidated Balance Sheet of **AVON ORGANICS LIMITED** (the "company") and its subsidiary Regal Pharma Pte. Ltd. (collectively referred to as "the Group") for the year ended on 31st March,2012, the Consolidated profit and loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management and have been prepared by the management on basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of subsidiary, M/s Regal Pharma Pte. Ltd. whose financial statements reflect total assets of Rs. 98,88,05,049 for the period ended as on 31st March 2012, total turnover of Rs. 1,20,23,11,648 and net cash flows amounting to Rs. 17,26,16,597 for the period ended 31st March, 2012. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirement of Accounting Standard (AS) 21, Consolidated Financial Statement as notified by Companies (Accounting Standards) Rules, 2006.

5. Based on our audit as aforesaid, and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   - In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group for the year ended as on 31st March, 2012; and

   - In the case of the Consolidated Profit and Loss account, of the Profit of Group for the year ended on that date.

   - In the case of the Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

For **Mukesh Mehta & Associates**
**Chartered Accountant**

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Membership No. 100407**
**FRN: 116309W**

Place: Mumbai
Date: 30.05.2012

## CONSOLIDATED BALANCE SHEET AS AT 31.03.2012

(Amount in Rs.)

| Particulars | Note | As at 31.03.2012 | | As at 31.03.2011 | |
|---|---|---|---|---|---|
| **EQUITIES & LIABILITIES** | | | | | |
| **Shareholders Fund** | | | | | |
| Share Capital | 1 | 225,000,000 | | 225,000,000 | |
| Reserves & Surplus | 2 | 514,007,381 | 739,007,381 | 389,001,338 | 614,001,338 |
| **Minority Interest** | | | 17,551,490 | | |
| **Share Application Money pending allotment** | | - | - | - | - |
| **Non-Current Liabilities** | | | | | |
| Long Term Borrowing | 3 | 516,949,787 | | 692,635,775 | |
| Long Term Liability | 3A | 317,140,209 | | 194,856,415 | |
| Deferred tax liabilities (Net) | | 19,261,270 | 853,351,266 | 14,064,610 | 901,556,800 |
| **Current Liabilities** | | | | | |
| Short Term borrowings | 4 | 473,627,350 | | 478,541,607 | |
| Trade payables | 5 | 1,145,751,447 | | 316,695,742 | |
| Other current liabilities | 6 | 189,339,810 | | 142,428,292 | |
| Short-term provisions | 7 | 37,461,562 | 1,846,180,169 | 46,650,246 | 984,315,887 |
| **TOTAL** | | | 3,456,090,307 | | 2,499,874,025 |
| **ASSETS** | | | | | |
| **Non Current Assets** | | | | | |
| **Fixed Assets** | 8 | | | | |
| Tangible Assets | | 1,001,686,137 | | 1,100,885,463 | |
| Intangible Assets | | - | | - | |
| Capital Work in Progress | | 134,907,045 | | - | |
| Intangible Assets under development | | - | 1,136,593,182 | | 1,100,885,463 |
| **Non-Current Investment** | 9 | | - | | - |
| **Long Term Loans and Advances** | 10 | | - | | - |
| **CURRENT ASSETS** | | | | | |
| Current Investments | | - | | | |
| Inventories | 11 | 443,465,311 | | 493,258,396 | |
| Trade Receivables | 12 | 1,470,482,535 | | 633,892,680 | |
| Cash & Cash equivalents | 13 | 251,334,039 | | 24,939,708 | |
| Short terms loans and advances | 14 | 44,843,793 | | 131,530,286 | |
| Other Current Assets | 15 | 109,371,447 | 2,319,497,125 | 115,367,492 | 1,398,988,563 |
| **TOTAL** | | | 3,456,090,307 | | 2,499,874,025 |
| Significant Accounting Policies | 23 | | | | |
| Notes on Financial statements | | | | | |

The Schedules referred to above from an integral part of the Balance Sheet

As per our report of even date
For **Mukesh Mehta & Associates**
**Chartered Accountants**

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Mem. No. 100407**
**FRN: 116309W**

Place: Mumbai
Date : 30.05.2012

For and on behalf of the Board

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

**Sd/-**
**Manoj Jain**
**Director**

**Sd/-**
**Sunipa Ghosh**
**Company Secretary**

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2012

(Amount in Rs.)

| Particulars | Note | Year ended 31.03.2012 | Year ended 31.03.2011 |
|---|---|---|---|
| **INCOME** | | | |
| Revenue from Operation | 16 | 2,872.645,450 | 1,621,207,304 |
| Other Income | 16 | 2,331,158 | 2,483,786 |
| **TOTAL** | | 2,874,976,608 | 1,623,691,090 |
| **EXPENDITURE** | | | |
| Cost of Materials Consumed | 17 | 1,994,003,650 | 1,063,885,917 |
| (Increase)/Decrease in stocks | 18 | 67,004,082 | (59,330,450) |
| Power & Fuel | | 117,985,112 | 124,092,351 |
| Payments & benefits to employees | 19 | 130,536,953 | 103,214,670 |
| Other Manufacturing Expenses | 20 | 30,035,664 | 63,378,865 |
| Administrative & Selling Expenses | 21 | 44,301,099 | 34,071,219 |
| Financial charges | 22 | 205,795,556 | 134,795,415 |
| Depreciation | | 108,609,112 | 61,164,052 |
| **TOTAL** | | 2,698,271,228 | 1,525,272,040 |
| **Profit/(loss) before tax** | | 176,705,380 | 98,419,050 |
| Less:Prior Period Expenses | | - | - |
| Less : Provision for Taxation | | 29,285,175 | 20,000,000 |
| Add:MAT credit | | (22,200,000) | (20,000,000) |
| Less:Short Provision for Tax for earlier Years | | 7,676,311 | - |
| Less:Deffered Tax | | 5,196,660 | - |
| **Profit/(loss) after tax** | | 156,747,234 | 98,419,050 |
| Less:Minority Interest | | 5,591,128 | (354) |
| **Amount Available for Appropriations** | | 151,156,106 | 98,419,404 |
| Significant Accounting Policies & Notes to Accounts | | | |
| Significant Accounting Policies | | | |
| Notes on Financial statements | 23 | | |
| **COMPUTATION OF EARNING PER SHARE** | | | |
| a) Net profit / (loss) for the year (Rs.) | | 151,156,106 | 98,419,404 |
| b) No. pf shares outstanding during the year | | 22,500,000 | 22,500,000 |
| c) Basic and diluted EPS (Rs.) | | 4.47 | 4.38 |
| d) Nominal Value of Share (Fully Paid-up) | | Rs.10/- each | Rs.10/- each |

The Schedules referred to above from an integral part of the Profit And Loss Account

As per our report of even date
For **Mukesh Mehta & Associates**
**Chartered Accountants**

For and on behalf of the Board

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Mem. No. 100407**
**FRN: 116309W**

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

**Sd/-**
**Manoj Jain**
**Director**

**Sd/-**
**Sunipa Ghosh**
**Company Secretary**

Place: Mumbai
Date : 30.05.2012

## Notes to Consolidated Financial Statements for the year ended 31st March 2012

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 1 | **SHARE CAPITAL** | | |
| | **Authorised Share Capital:** | | |
| | 25,000,000 Equity Shares of Rs. 10/- each | 250,000,000 | 250,000,000 |
| | (Previous year 25,000,000 Equity Shares of Rs.10/- each) | | |
| | **Issued, Subscribed and paid-up:** | | |
| | 22,500,000 Equity Shares of Rs. 10/- each | 225,000,000 | 225,000,000 |
| | (Previous year 225,00,000 Equity Shares of Rs.10/- each) | | |

**Number of Equity Shares held by each shareholder holding more than 5% shares in the company are as follows:**

(Amount in Rs.)

| | Particulars | Number of shares as at 31st March, 2012 | % | Number of shares as at 31st March, 2011 | % |
|---|---|---|---|---|---|
| | Arch Pharmalabs Limited | 14,309,100 | 63.60 | 14,309,100 | 63.60 |

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 2 | **RESERVES & SURPLUS** | | |
| | State Investment Subsidy | 2,000,000 | 2,000,000 |
| | Capital Reserve | 7,000,000 | 7,000,000 |
| | Security Premium | 295,851,400 | 295,851,400 |
| | General Reserve | 130,000,000 | 130,000,000 |
| | **Profit & Loss Account** | | |
| | As per last balance sheet | (45,850,062) | (118,032,497) |
| | Add: Profit for the year | 151,156,106 | 98,419,404 |
| | | 105,306,044 | (19,613,093) |
| | **Less: Apportionments** | | |
| | Proposed Dividend on Equity | 22,500,000 | 22,500,000 |
| | (Dividend per Share Re.1/-) | | |
| | (Previous year Re.1/-) | | |
| | Less:Tax on Dividend | 3,650,063 | 3,736,969 |
| | | 79,155,981 | (45,850,062) |
| | | 514,007,381 | 389,001,338 |

Dividend amount per equity share proposed to be distributed to Shareholders Re.1/- per Share (P.Y. Re.1/- per share).

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | | As at 31.03.2011 | |
|---|---|---|---|---|---|
| 3 | **LONG TERM BORROWINGS** | | | | |
| | | Current | Non Current | Current | Non Current |
| | **Secured** | | | | |
| | Term Loans From Banks | 175,887,638 | 368,888,892 | 136,245,368 | 537,777,780 |
| | | 175,887,638 | 368,888,892 | 136,245,368 | 537,777,780 |
| | **Unsecured** | | | | |
| | Deferred Sales Tax Loan from State Govts. | 13,452,172 | 148,060,895 | 6,182,924 | 154,857,995 |
| | | 13,452,172 | 148,060,895 | 6,182,924 | 154,857,995 |
| | | 189,339,810 | 516,949,787 | 142,428,292 | 692,635,775 |

**Term Loan-Maturity Profile**

(Amount in Rs.)

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| Term Loan from Banks | 175,887,638 | 168,888,892 | 80,000,000 | 80,000,000 | 40,000,000 |

**Term Loans**

The term loans from banks of Rs. 5447.77 Lakhs (previous year Rs. 6740.23 Lakhs) are secured by way of first pari passu charge on fixed assets, second pari pasu charge on current assets, personal guarantee of promoter director and also by way of corporate guarantee.

**Defered Sales Tax Loan Maturity Profile**

(Amount in Rs.)

| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 |
|---|---|---|---|---|---|
| Defered Sales Tax Loan | 13,452,172 | 20,384,136 | 18,871,986 | 22,748,858 | 18,905,245 |

**Deferred Sales Tax Loan**

The Company has been availing interest free Sales Tax deferment loan from State Government Authorities and the balance Outstanding as on 31st March, 2012 was Rs. 1,615.13 Lakhs (Previous year Rs. 1,610.41 Lakhs)

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 3A | **LONG TERM LIABILITY** | | |
| | **Unsecured** | | |
| | From Body Corporates | 317,140,209 | 194,856,415 |
| | | 317,140,209 | 194,856,415 |
| 4 | **SHORT TERM BORROWINGS** | | |
| | **Secured** | | |
| | Working capital loan From Banks | 473,627,350 | 478,358,529 |
| | Vehicle loans under hire purchase | - | 183,078 |
| | | 473,627,350 | 478,541,607 |

**Working Capital**

The working capital loans from the banks Rs.4736.27 Lakhs (previous year Rs. 4783.58 Lakhs) are secured by first pari passu charge on the current assets, second pari passu charge on fixed assets and personal guarantee of promoter directors of the company.

**Vehicle Loans**

The Vehicle loan Rs.NIL ( previous year Rs.1.83 Lakhs) availed under hire purchase are secured by way of hypothecation of vehicles and also personal garantee of some of the erstwhile Directors of the Company.

(Amount in Rs.)

| | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 5 | **TRADE PAYABLES** | | |
| | Sundry Creditors | 1,145,751,447 | 316,695,742 |
| | | 1,145,751,447 | 316,695,742 |

In the absence of necessary information with the company relating to information to the registration status of suppliers under the Micro, Small and Medium Enterprises Development Act, 2006, the information required under the said Act could not be complied and disclosed. The company has not received information from vendors regarding their status under the Micro, Small and Medium Enterprises.

**Note. 8**
**FIXED ASSETS**
**Deprecation as per the Companies Act, 1956 :**

(Amount in Rs.)

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at 01.04.2011 | Additions | Deletions | As at 31.03.2012 | As at 01.04.2011 | Depreciation For the year | On Deletions | As at 31.03.2012 | As at 31.03.2012 | As at 31.03.2011 |
| Land & Site Development | 12,531,645 | - | - | 12,531,645 | - | - | - | - | 12,531,645 | 12,531,645 |
| **Buildings** | | | | | | | | | | |
| - Non - Factory | 6,034,460 | - | - | 6,034,460 | 2,045,270 | 199,460 | - | 2,244,730 | 3,789,730 | 3,989,190 |
| - Factory | 169,378,428 | - | - | 169,378,428 | 51,100,003 | 5,746,777 | - | 56,846,780 | 112,531,648 | 118,278,425 |
| Plant & Machinery | 1,423,354,238 | 4,127,317 | 390,070 | 1,427,091,485 | 484,091,434 | 98,840,028 | 119,310 | 582,812,152 | 844,279,333 | 939,262,804 |
| Lab Equipment | - | 4,629,331 | - | 4,629,331 | - | 81,043 | - | 81,043 | 4,548,288 | - |
| Electrical Installations | 49,508,847 | - | - | 49,508,847 | 33,541,366 | 1,900,357 | - | 35,441,723 | 14,067,124 | 15,967,481 |
| Furniture | 9,246,021 | - | - | 9,246,021 | 4,711,429 | 428,440 | - | 5,139,869 | 4,106,152 | 4,534,592 |
| Office Equipment | 5,505,490 | 53,040 | - | 5,558,530 | 2,702,341 | 318,764 | - | 3,021,105 | 2,537,425 | 2,803,149 |
| Computers | 8,225,150 | 352,383 | - | 8,577,533 | 5,712,016 | 870,054 | - | 6,582,070 | 1,995,463 | 2,513,134 |
| Vehicles | 3,874,666 | 518,475 | - | 4,393,141 | 2,869,623 | 224,189 | - | 3,093,812 | 1,299,329 | 1,005,043 |
| **TOTAL** | 1,687,658,945 | 9,680,546 | 390,070 | 1,696,949,421 | 586,773,482 | 108,609,112 | 119,310 | 695,263,284 | 1,001,686,137 | 1,100,885,463 |
| Previous Year | 1,094,607,448 | 593,051,496 | - | 1,687,658,944 | 525,609,430 | 61,164,052 | - | 586,773,481 | 1,100,885,463 | 568,998,018 |
| Capital Work in Progress | | | | | | | | | 134,907,045 | - |

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 6 | **OTHER CURRENT LIABILITIES** | | |
| | Current Maturities of long term debt (Refere Note No.3) | 175,887,638 | 136,245,368 |
| | Sales Tax Deferment Loan (Refere Note No.3) | 13,452,172 | 6,182,924 |
| | | 189,339,810 | 142,428,292 |
| 7 | **SHORT-TERM PROVISIONS** | | |
| | Provision for Tax | 7,085,175 | 20,413,277 |
| | Provision for Excise Duty | 4,226,324 | - |
| | Proposed Dividend | 22,500,000 | 22,500,000 |
| | Dividend Distribution Tax | 3,650,063 | 3,736,969 |
| | | 37,461,562 | 46,650,246 |
| 9 | **NON-CURRENT INVESTMENTS** | | |
| | Equity Shares - fully paid up- UnQuoted | - | - |
| | | - | - |
| 10 | **LONG TERM LOANS AND ADVANCES** | | |
| | Advances to Subsidiary | - | - |
| | | - | - |
| 11 | **INVENTORIES** | | |
| | Raw Materials | 113,512,379 | 92,227,591 |
| | Stores, Consumables & Packing Material | 64,577,572 | 16,878,210 |
| | Work-in-progress | 219,877,883 | 209,298,505 |
| | Finished Goods | 45,467,293 | 118,824,428 |
| | Material in transit | 30,184 | 56,029,662 |
| | | 443,465,311 | 493,258,396 |
| 12 | **TRADE RECEIVABLES** | | |
| | (Unsecured and Considered Good) | | |
| | Over six months | 7,039,663 | 21,222,624 |
| | Others | 1,463,442,872 | 612,670,056 |
| | | 1,470,482,535 | 633,892,680 |
| 13 | **CASH & CASH EQUIVALENTS** | | |
| | Cash on hand | 126,148 | 1,063,863 |
| | Balance with Banks : | | |
| | - In Current Accounts | 61,245,199 | 1,781,974 |
| | - In Deposits Accounts (Pledged with bank as margin) | 189,962,692 | 22,093,871 |
| | **Deposits Accounts** | | |
| | Rs. 12646112/- (P.Y. Rs.12317514/-) maturity is more than 12 months. | 251,334,039 | 24,939,708 |

(Amount in Rs.)

| Sl. No. | Particulars | As at 31.03.2012 | As at 31.03.2011 |
|---|---|---|---|
| 14 | **SHORT TERMS LOANS AND ADVANCES** | | |
| | (Unsecured and Considered Good) | | |
| | Advance for Suppliers and expenses | 17,813,120 | 81,075,645 |
| | Advances to employees | 155,009 | 303,149 |
| | Other Advances | 26,875,664 | 50,151,493 |
| | | 44,843,793 | 131,530,286 |
| 15 | **OTHER CURRENT ASSETS** | | |
| | Deposits | 10,216,189 | 11,799,862 |
| | Accrued Interest on Deposits | 53,513 | 1,033,203 |
| | Balance with Govt. Departments | 68,089,013 | 66,862,911 |
| | Prepaid expenses | 5,153,628 | 2,438,268 |
| | Income Tax | 25,859,104 | 33,233,248 |
| | | 109,371,447 | 115,367,492 |

(Amount in Rs.)

| Sl. No. | Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 |
|---|---|---|---|
| 16 | **REVENUE FROM OPERATIONS** | | |
| | Sale of Products | 2,935,080,897 | 1,692,402,162 |
| | Other operating Revenue | 12,038,565 | 19,910,642 |
| | | 2,947,119,462 | 1,712,312,804 |
| | Less: Excise duty | 74,474,012 | 91,105,500 |
| | | 2,872,645,450 | 1,621,207,304 |
| | **OTHER INCOME** | | |
| | Interest Received | 2,331,158 | 2,248,926 |
| | Misc. Income | - | 234,859 |
| | | 2,331,158 | 2,483,786 |
| | **Broad Particulars of Sale of Products** | | |
| | API/Intermediate | 2,045,131,358 | 882,793,196 |
| | Contract Manufacturing /Custom Synthesis | 787,244,009 | 710,120,949 |
| | Others | 40,270,083 | 28,293,159 |
| | | 2,872,645,450 | 1,621,207,304 |

(Amount in Rs.)

| Sl. No. | Particulars | | Year ended 31.03.2012 | | Year ended 31.03.2011 |
|---|---|---|---|---|---|
| 17 | **COST OF MATERIALS CONSUMED** | | 1,994,003,650 | | 1,063,885,917 |
| | | Amount | % of Consumption | Amount | % of Consumption |
| | Imported | 790,106,271 | 39.62% | 154,638,000 | 14.54% |
| | Indigenous | 1,203,897,379 | 60.38% | 909,247,917 | 85.46% |
| | | 1,994,003,650 | 100% | 1,063,885,917 | 100% |
| | **BroadCategoryofMaterialConsumed** | | | | |
| | Chemicals and Solvents | | 1,994,003,650 | | 1,063,885,917 |

(Amount in Rs.)

| Sl No. | Particulars | Year ended 31.03.2012 | | Year ended 31.03.2011 | |
|---|---|---|---|---|---|
| 18 | **(INCREASE)/DECREASE IN STOCKS** | | | | |
| | **Opening Stock** | | | | |
| | Work-in-progress | 209,298,505 | | 225,499,957 | |
| | Finished Goods | 118,824,428 | 328,122,934 | 43,292,527 | 268,792,484 |
| | **Closing Stock** | | | | |
| | Work-in-progress | 219,877,883 | | 209,298,505 | |
| | Finished Good | 45,467,293 | 265,345,176 | 118,824,428 | 328,122,934 |
| | Increase/Decrease in Excise duty on Finished goods | | 4,226,324 | | - |
| | | | 67,004,082 | | (59,330,450) |

(Amount in Rs.)

| Sl No | Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 |
|---|---|---|---|
| 19 | **PAYMENTS & BENEFITS TO EMPLOYEES** | | |
| | Salaries & Wages | 112,645,870 | 89,889,796 |
| | Staff Welfare Expenses | 9,395,868 | 5,781,771 |
| | Contributions to Funds | 7,498,400 | 6,283,104 |
| | Director's Remuneration | 996,815 | 1,260,000 |
| | | 130,536,953 | 103,214,670 |
| 20 | **OTHER MANUFACTURING EXPENSES** | | |
| | Packing Material consumed | 4,162,036 | 7,010,906 |
| | Stores and spares consumed | 20,028,328 | 19,672,451 |
| | Repairs & Maintenance | 9,395,306 | 4,826,156 |
| | Manufacturing Expenses | 10,700,976 | 29,292,354 |
| | Insurance Charges | 2,302,836 | 2,576,998 |
| | Exchange Rate fluctuation (net) | (16,553,818) | - |
| | | 30,035,664 | 63,378,865 |

**VALUE OF STORES, CHEMICALS AND PACKING MATERIALS CONSUMED** (Amount in Rs.)

| | Particulars | Year ended 31.03.2012 | | Year ended 31.03.2011 | |
|---|---|---|---|---|---|
| | | Amount | % of Consumption | Amount | % of Consumption |
| | Imported | - | - | - | - |
| | indigenous | 24,190,364 | 100.00% | 26,683,357 | 100.00% |
| | | 24,190,364 | 100.00% | 26,683,357 | 100.00% |

(Amount in Rs.)

| Sl No. | Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 |
|---|---|---|---|
| 21 | **ADMINISTRATIVE AND SELLING EXPENSES** | | |
| | Rent, Rates & Taxes | **6,675,322** | 3,231,391 |
| | Printing & Stationary | **1,887,778** | 2,199,049 |
| | Postage, Telegrams & Telephones | **1,352,625** | 2,138,016 |
| | Professional Charges | **8,720,030** | 5,450,124 |
| | Travelling & Conveyance | **2,698,065** | 4,297,505 |
| | Auditors' Fees | **188,085** | 213,792 |
| | Vehicle Maintainance | **5,643,822** | 3,102,059 |
| | Vehicle Hire charges | **3,144,566** | 3,521,214 |
| | General Expenses | **5,984,497** | 1,668,290 |
| | Export Expenses | **602,275** | 560,956 |
| | ECGC Premium | **206,900** | 551,942 |
| | Discounts | | 149,216 |
| | Incorporation fee | - | 28,352 |
| | Outward Freight | **7,002,484** | 6,399,721 |
| | Sales Promotion & Advertisement | **194,650** | 559,592 |
| | | **44,301,099** | **34,071,219** |
| 22 | **INTEREST AND FINANCIAL CHARGES** | | |
| | Interest Paid | **168,589,433** | 100,202,511 |
| | Other Financial Charges | **37,206,122** | 34,592,904 |
| | | **205,795,556** | **134,795,415** |

## SCHEDULE -23
## NOTES TO ACCOUNTS

### Significant Accounting Policies & Notes to Accounts

**I Basis of Preparation of Financial Statements:**

a) The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956 as adopted consistently by the Company.

b) The Company follows mercantile system of accounting and recognizes all significant items of income and expenditure on accrual basis.

c) All income & expenditure having material bearing on the financial statements are recognised on an accrual basis.

d) Use of Estimates: The preparation of financial statements in confirmity with generally accepted accounting principles requires management to make assumptions and estimates which it believes are reasonable under the circumstances that affect the reported amounts of assets, liabilities and contingent liabilities on the date of financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Difference between the actual results and estimates are recognised in the year in which the results are known /materialized.

**II Statement of Significant Accounting Policies:**

**A Fixed Assets:**
All fixed assets are stated at Historical Cost less Depreciation except in the case of Land and Site Development whereas it is stated at Cost Plus Development expenditure. The expenses incurred in setting up the project are capitalised and apportioned to the assets procured for that project in proportion to the value of each of the asset.

**B Depreciation:**
The depreciation on fixed assets has been provided on Written Down Value method for Fixed Assets in Diketene Division and common assets at Corporate Office and on Straight Line Method for Assets in Bio-Tech Division in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.Depreciation is not provided on Land. Depreciation on Assets acquired for the project are provided on Commercialisation and depreciation on other assets if put into use is provided accordingly. Further, depreciation on additions during the year is provided on prorata basis as per schedule-VI of the Companies Act,1956.

**C Employees' Benefits:**
Contribution to defined schemes such as Provident Fund, ESI are charged as incurred on accrual basis. The premium paid to LIC Gratuity Fund as per section 4 of the Gratuity Act, 1972 has been charged to Profit & Loss account.

**D Foreign Currency Transactions:**

a. Transactions denominated in foreign currencies are recorded at spot rates / average rates.
b. Monetary items denominated in foreign currencies at the year end are restated at year end rates.
c. Non monetary foreign currency items are carried at cost.
d. In respect of branches, which are integral foreign operations, all transactions are translated at rates prevailing on the date of transaction or that approximates the actual rate on the date of transaction. Branch monetary assets and liabilities are restated at the year end rates.
e. Any income or expense on account of exchange difference either on settlement or on translation is recognised in the Statement of Profit and Loss except in case of long term liabilities, where they relate to acquisition of fixed assets, in which case they are adjusted to the carrying cost of such assets.

**E Inventories**

Inventories are valued as under:

a. Raw Materials, Stores, Consumables, Packing materials and other materials: at cost on Moving average basis
b. Work in process is carried at cost of input RM and estimated cost of manufacturing upto the stage of completion.
c. Finished Goods: at realizable value or cost whichever is lower.

**F Excise Duty, Service Tax and Education Cess:**

Excise Duty is accounted on the basis of payments made in respect of goods cleared. CENVAT, Service Tax and Education Cess on capital goods, raw materials and services as the case may be are accounted on receipt / completion of contracts, job works etc.

**G Revenue Recognition:**

Revenue in respect of sales is recognised as and when goods are supplied and in respect of insurance claims, interest etc., is recognised when it is reasonably certain that the ultimate collection will be made.

**H R & D Expenditure:**

Expenditure for capital items are debited to respective Fixed Assets and depreciation at applicable rates. Revenue expenditure is charged to Profit & Loss Account.

**I Deferred tax:**

Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the the year and reversed in subsequent periods. Deferred Tax assets on accumulated losses and unabsorbed depreciation are recognised only to the extent there is certainity of realisation of such asset in future.

**J Earnings Per Share :**

The basic and diluted Earnings Per Share is calculated by dividing the profit/(loss) after tax by the weighted average number of equity shares outstanding.

**K Impairment of Assets :**

At each Balance Sheet date, the carrying values of the assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where there is an indication that there is a likely impairment loss for a group of assets, the company estimates the recoverable amount of the group of assets as a whole, to determine the value of impairment.

**L Investments:**

Investments are stated at cost. The Company has acquired the shares of subsidiary company during the year and the same is are stated at cost.

**M Borrowing Costs :**

Borrowing Costs attributable to acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset, till the period in which the asset is ready for use. Other borrowing costs are recognised as an expense in the period in which these are incurred.

**N Provisions and Contingent Assets :**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for i) possible obligations, which will be confirmed only by future events not wholly within the control of the company or ii) present obligation arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation can not be made. Contingent assests are not recognised in the financial statements since this may result in the recognition of income that may may never be realised.

## II. Principles of Consolidation

**A** The consolidated financial statements relate to AVON ORGANICS LIMITED ('the company') and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra group transactions in accordance with Accounting Standard (AS) - 21 - "Consolidated Financial Statements".

b) The difference between the cost of investment in the subsidiaries over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as Goodwill or Capital Reserve as the case may be.

c) The difference between the proceeds from disposal of investment in subsidiaries and the carrying amount of its assets less liabilities as of the date of disposal is recognised in th consolidated statement of Profit and Loss account being the profit or loss on disposal of investments in subsidiary.

d) Minority interest's share of net profit of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to share holders of the Company.

e) Minority interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated Balance Sheet separate from liabilities and the equity of the Company's share holders.

f) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumastances and are presented in the same manner as the company's separate financial statements.

**B** Investments other than in subsidiaries and associates have been accounted as per Accounting Standard (AS) -13 of "Accounting for Investments".

**C** The Subsidiary Companies considered in the Consolidated Financial Statements are :

| Name of the Subsidiary Company | Country of Incorporation | Ownership Interest % |
|---|---|---|
| 1 Regal Pharma Pte. Limited | Singapore | 90% |

**D** The audited financial statements of Foreign subsidiaries have been prepared in accordance with the Generally Accepted Accounting Principles of its Country of Incorporation or International Financial Reporting Standards. The differences in accounting policies of the company and its subsidiaries are not material.

**1. Contingent Liabilities not provided for :**

(Amount in Rs.)

| | Particulars | 2011-12 | 2010-11 |
|---|---|---|---|
| a. | Estimated Amount of Unexecuted Capital Contracts | 22,238,000 | - |
| b. | Letters of Credit | 2,137,135 | 11,896,000 |
| c. | Bank Guarantees | 3,360,000 | 3,000,000 |
| d. | Others | 2,938,000 | 2,938,000 |

**2. Managerial Remuneration:**

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| **Executive Director** | | |
| Salary | 996,815 | 1,260,000 |
| Perquisites | - | - |

3. **Auditors Remuneration:**

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Statutory Audit Fees | 188,085 | 213,792 |
| Tax Audit Fees | 50,000 | - |
| Certification and Consultancy Fees | 50,000 | - |

4. **Foreign Currency / Exchange Transactions:**

(Amount in Rs.)

| | Particulars | 2011-12 | 2010-11 |
|---|---|---|---|
| A. | Value of Imports | | |
| | Raw Materials | 124,864,459 | 155,308,000 |
| B. | Value of Exports - Direct | 1,722,537,399 | 422,365,000 |
| C. | Expenditure in Foreign Currency (Rs.) | | |
| | a. Foreign Travel | - | - |
| | b. Other Services | 140,000 | 704,000 |

5. In view of brought forwared losses provision for Income Tax as per MAT provision u/s 115JB is made.

6. The Company is engaged solely in the business of 'Pharmaceuticals'. The entire operations are governed by the same set of risks and returns and hence the same has been considered as representing a single segment. This treatment is in accordance with the guiding principles enunciated in the Accounting Standard 17 on 'Segment Reporting' as notified under the Companies Act, 1956. However the geographical break up of sales is as under

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| i) Domestic | 1,150,108,051 | 1,198,842,304 |
| ii) Exports | 1,722,537,399 | 422,365,000 |

7. Pursuant to AS-18 the names, relationships and particulars of transactions with Related parties during the year are as under:

**A) List of Related parties:**

| Sl. No. | Particulars | Relationship |
|---|---|---|
| 1 | Mr. Ajit Kamath | Key Management Person |
| 2 | Mr. Manoj Jain | Key Management Person |
| 3 | Mr. V S Soma | Key Management Person |
| 4 | Arch Pharmalabs Ltd | Holding Company |

**B) The following transactions were carried with the related parties in the ordinary course of business during the year**

(Amount in Rs.)

| Sl. No. | Particulars | Details of Transaction | 2011-12 | 2010-11 |
|---|---|---|---|---|
| 1 | Arch Pharmalabs Ltd | Purchase of fixed assets | 203,091 | 4,998,786 |
| 2 | Arch Pharmalabs Ltd | Sale of fixed assets | 270,760 | 555,340 |
| 3 | Arch Pharmalabs Ltd | Purchase | 81,597,558 | 99,040,446 |
| 4 | Arch Pharmalabs Ltd | Sales | 24,742,694 | 49,187,758 |
| 5 | Arch Pharmalabs Ltd | Interest Paid | 17,537,077 | 9,728,239 |
| 6 | Arch Pharmalabs Ltd | Dividend | 14,309,100 | 14,309,100 |
| 7 | Arch Pharmalabs Ltd | Deposites Received | 122,283,793 | 8,755,415 |
| 8 | Mr. V.S.Soma | Services | 996,815 | 1,260,000 |
| | **Balances as on 31st March 2012** | | | |
| | Arch Pharmalabs Ltd | Long Term Liability | 317,140,209 | 194,856,415 |

8. The disclosure as per Accounting Standard (AS) 15 (Revised) "Employee Benefits" as notified by company (Accounting Standard) Rules, 2006 are as under:

**Defined Contribution Plan Contribution to Defined Contribution Plan, recognised as expense for the year are as under:**

(Amount in Rs.)

| Defined Contribution Plan | As on 31.03.2012 |
|---|---|
| Employer's Contribution to Provident Fund | 2,566,000 |
| Employer's Contribution to Pension Scheme | 2,988,000 |
| Employer's Contribution to ESIC | 1,036,000 |

Gratuity paid by the company is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

**I. Assumptions**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Discount Rate | 8.00% |
| Salary Escalation | 4.00% |

**II. Table showing changes in present value of obligation as on 31.03.2012**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Present value of obligations as at beginning of year | 6,389,287 |
| Interest cost | 511,143 |
| Current service cost | 1,110,861 |
| Benefits paid | (617,689) |
| Actuarial (gain)/ loss on obligations | 1,229,896 |
| Present value of obligations as at end of year | 8,623,498 |

**III. Table showing changes in the fair value of plan assets as on 31.03.2012**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Fair Value of plan assets at beginning of year | 1,759,862 |
| Expected return on plan assets | 153,625 |
| Contributions | 1,126,776 |
| Benefits paid | (617,689) |
| Actuarial gain/( loss) on plan assets | NIL |
| Fair Value of plan assets at the end of year | 2,422,574 |

**IV. Table showing fair value of plan assets as on 31.03.2012**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Fair Value of plan assets at beginning of year | 1,759,862 |
| Actual return on plan assets | 153,625 |
| Contributions | 1,126,776 |
| Benefits paid | (617,689) |
| Fair Value of plan assets at the end of year | 2,422,574 |
| Funded status | (6,200,924) |
| Excess of Actual over estimated return on plan assets (Actual Rate of return = Estimated rate of return as ARD falls on 31st March) | NIL |

**V. Actuarial gain/loss recognised as on 31.03.2012**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Actuarial (gain)/loss on obligations | (1,229,896) |
| Actuarial (gain)/loss for the year-plan asssets | NIL |
| Actuarial (gain)/loss on obligations | 1,229,896 |
| Actuarial (gain)/loss recognised in the year | 1,229,896 |

**VI. The amounts to be recognised in the balance sheet and statements of profit and loss**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Present value of obligations as at the end of year | 8,623,498 |
| Fair Value of plan assets as at the end of the year | 2,422,574 |
| Funded status | (6,200,924) |
| Net assets/(liability) recognised in balance sheet | 6,200,924 |

**VII. Expenses recognized in statement of profit and loss**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Current service cost | 1,110,861 |
| Interest cost | 511,143 |
| Expected return on plan assets | (153,625) |
| Net Actuarial (gain)/ loss recognised in the year | 1,229,896 |
| Expenses recongnised in statement of profit and loss | 2,698,275 |
| Previous year figures are not available and hence the same are not disclosed | |

9. The disclosure as per Accounting Standard (AS) 22 "Taxes on Income" as notified by Companies (Accounting Standard) Rules,2006 are as under:

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Deferred Tax liability (Net) | 5,196,660 | NIL |

8. The disclosure as per Accounting Standard (AS) 15 (Revised) "Employee Benefits" as notified by company (Accounting Standard) Rules, 2006 are as under:

**Defined Contribution Plan Contribution to Defined Contribution Plan, recognised as expense for the year are as under:**

(Amount in Rs.)

| Defined Contribution Plan | As on 31.03.2012 |
|---|---|
| Employer's Contribution to Provident Fund | 2,566,000 |
| Employer's Contribution to Pension Scheme | 2,988,000 |
| Employer's Contribution to ESIC | 1,036,000 |

Gratuity paid by the company is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the projected unit credit method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

**I. Assumptions**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Discount Rate | 8.00% |
| Salary Escalation | 4.00% |

**II. Table showing changes in present value of obligation as on 31.03.2012**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Present value of obligations as at beginning of year | 6,389,287 |
| Interest cost | 511,143 |
| Current service cost | 1,110,861 |
| Benefits paid | (617,689) |
| Actuarial (gain)/ loss on obligations | 1,229,896 |
| Present value of obligations as at end of year | 8,623,498 |

**III. Table showing changes in the fair value of plan assets as on 31.03.2012**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Fair Value of plan assets at beginning of year | 1,759,862 |
| Expected return on plan assets | 153,625 |
| Contributions | 1,126,776 |
| Benefits paid | (617,689) |
| Actuarial gain/( loss) on plan assets | NIL |
| Fair Value of plan assets at the end of year | 2,422,574 |

**IV. Table showing fair value of plan assets as on 31.03.2012**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Fair Value of plan assets at beginning of year | 1,759,862 |
| Actual return on plan assets | 153,625 |
| Contributions | 1,126,776 |
| Benefits paid | (617,689) |
| Fair Value of plan assets at the end of year | 2,422,574 |
| Funded status | (6,200,924) |
| Excess of Actual over estimated return on plan assets (Actual Rate of return = Estimated rate of return as ARD falls on 31st March) | NIL |

**V. Actuarial gain/loss recognised as on 31.03.2012**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Actuarial (gain)/loss on obligations | (1,229,896) |
| Actuarial (gain)/loss for the year-plan asssets | NIL |
| Actuarial (gain)/loss on obligations | 1,229,896 |
| Actuarial (gain)/loss recognised in the year | 1,229,896 |

**VI. The amounts to be recognised in the balance sheet and statements of profit and loss**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Present value of obligations as at the end of year | 8,623,498 |
| Fair Value of plan assets as at the end of the year | 2,422,574 |
| Funded status | (6,200,924) |
| Net assets/(liability) recognised in balance sheet | 6,200,924 |

**VII. Expenses recognized in statement of profit and loss**

(Amount in Rs.)

| Particulars | As on 31.03.2012 |
|---|---|
| Current service cost | 1,110,861 |
| Interest cost | 511,143 |
| Expected return on plan assets | (153,625) |
| Net Actuarial (gain)/ loss recognised in the year | 1,229,896 |
| Expenses recongnised in statement of profit and loss | 2,698,275 |
| Previous year figures are not available and hence the same are not disclosed | |

9. The disclosure as per Accounting Standard (AS) 22 "Taxes on Income" as notified by Companies (Accounting Standard) Rules,2006 are as under:

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Deferred Tax liability (Net) | 5,196,660 | NIL |

10. The disclosure as per Accounting Standard (AS) 20 "Earnings per Share" as notified by Companies (Accounting Standard) Rules,2006 are as under:

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Net profit after tax | 158,832,417 | 98,419,404 |
| Excess/(Short) provision for tax for earlier years | 7,676,311 | - |
| Net Profit attributable to Equity shareholders | 151,156,106 | 98,419,404 |
| Weighted Average number of equity shares outstanding during the year | 22500000 | 22500000 |
| Basic and Diluted Earnings per share | 6.72 | 4.37 |
| Face Value per equity share | 10.00 | 10.00 |

11. **FINANCIAL AND DERIVATIVE INSTRUMENTS**

**Foreign currency exposure that are not hedged as on 31st March,2012 on account of:**

(Amount in Rs.)

| Particulars | 2011-12 | 2010-11 |
|---|---|---|
| Trade Receivables | 1,127,442,958 | 414,492,540 |
| Borrowings | NIL | NIL |
| Trade Payble | 806,158,609 | NIL |

12. **Other Notes**

(a) The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

(b) In the opinion of the Board of Directors, other current assets have a value on realisation in the ordinary course of the Company's business, which is at least to the amount at which they are stated in the balance sheet.

(c) During the year, the company has migrated to new ERP system i.e SAP, for which the Company has changed the method of valuation of inventory from FIFO to weighted average. Had such change not been made the value of the inventory as at the year end and the profit for the year would be lower by Rs.13.88 Lakhs

(d) The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with section 212 of the companies Act 1956, subject to fulfilment of conditions stipulated in the circular. The company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption.

As per our report of even date
For **Mukesh Mehta & Associates**
**Chartered Accountants**

For and on behalf of the Board

**Sd/-**
**Proprietor**
**Membership No**
**Mem. No. 100407**
**FRN: 116309W**

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

**Sd/-**
**Manoj Jain**
**Director**

Place: Mumbai
Date : 30.05.2012

**Sd/-**
**Sunipa Ghosh**
**Company Secretary**

## CONSOLIDATED CASH FLOW STATEMENT

(Amount in Rs.)

| Particulars | Year ended 31.03.2012 |
|---|---|
| **A. Cash Flow from Operating Activities** | |
| **Net Profit before tax and extraordinary items** | 176,705,380 |
| Adjustments for | |
| Depreciation | 108,609,112 |
| (Profit) /Loss on Sale of Asset/Investment | - |
| Interest | 205,795,556 |
| **Operating Profits before Working Capital Changes** | 491,110,048 |
| (Increase) / Decrease in Inventories | 49,793,085 |
| (Increase) / Decrease in Debtors | (836,589,856) |
| (Increase) / Decrease in Loans & Advances | 92,682,538 |
| Increase / (Decrease) in Current Liabilities | 866,595,462 |
| Increase /( Decrease) in Cash Credit Loan | (4,731,179) |
| **Cash Generated from Operations** | 658,860,098 |
| Income Tax | (19,958,146) |
| **Net Cash flow from operating Activities (A)** | 638,901,952 |
| **B. Cash Flow from Investing Activities** | |
| Fixed Assets | (144,587,591) |
| Sale of Fixed Assets | 270,760 |
| Investment in Subsidery | - |
| Sale of Investments | - |
| **Net Cash Used in Investing Activities (B)** | (144,316,831) |
| **C. Cash Flow from Financing Activities** | |
| Change in long term borrowings | (48,205,535) |
| Proceed of issue of share from Minority | 11,960,362 |
| Interest Paid | (205,795,556) |
| Payment of Dividend | (22,500,000) |
| Dividend Distribution Tax | (3,650,063) |
| Unsecured Loan | - |
| **Net Cash inflow from Financing Activities (C)** | (268,190,791) |
| **Net Increase in Cash Flow (A+B+C)** | 226,394,330 |
| Opening Balance of Cash and Cash Equivalent | 24,939,708 |
| Closing Balance of Cash and Cash Equivalent | 251,334,039 |

As per our report of even date
For **Mukesh Mehta & Associates**
**Chartered Accountants**

For and on behalf of the Board

**Sd/-**
**Mukesh Mehta**
**Proprietor**
**Mem. No. 100407**
**FRN: 116309W**

**Sd/-**
**Ajit Kamath**
**Chairman & Managing Director**

**Sd/-**
**Manoj Jain**
**Director**

**Sd/-**
**Sunipa Ghosh**
**Company Secretary**

Place: Mumbai
Date : 30.05.2012

Dear Shareholder,

**Sub: Green Initiative in Corporate Governance**

The Ministry of Corporate Affairs has adopted a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. In accordance with the recent circular no. 17/2011 dated 21.04.2011 and circular no. 18/2011 dated 29.04.2011 issued by the Ministry, companies can now send various notices and documents, including annual report, to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

It is a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow shareholders to contribute towards a Greener Environment. This is a wonderful opportunity for every shareholder of Avon Organics Limited to contribute to the ongoing global drive for conservation of natural resources.

We therefore invite all our shareholders to contribute to the cause by filling up the form given below and send it back to the Registrars & Share Transfer Agents of the Company, XL Softech Systems Limited at the

following address:
XL Softech Systems Limited
3, Sagar Society, Road No. 2,
Banjara Hills, Hyderabad - 500034.
Ph: 040-23545913

We intend to send Annual Reports to all shareholders of the Company by way of email from the next financial year ending on 31.03.2013. However, please note that as a member of the Company you will be entitled to receive all such communication in physical form, upon request.

Best Regards,
**Ajit Kamath**
**Chairman & Managing Director**

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## E-COMMUNICATION REGISTRATION FORM

(In terms of circular no. 17/2011 dated 21.04.2011 issued by the Ministry of Corporate Affairs)

Folio No. / DP ID & Client ID : .....

Name of 1st Registered Shareholder:.....

Name of Joint Shareholder(s):.....

Registered Address : .....

.....

E-mail ID (to be registered) : .....

I/we shareholder(s) of Avon Organics Limited agree to receive communication from the Company in electronic mode.

Please register my above e-mail id in your records for sending communication through e-mail.

Date: ..... Signature :.....

**Note :** Shareholder(s) are requested to keep the Company informed as and when there is any change in the e-mail address.

## AVON ORGANICS LIMITED

Regd Off: Survey No. 18, Yawapur Village, Sadasivpet Mandal, Medak District, A.P.
Corp Off: H. No.8-3-1010/32, Unit-No.401, Vijaya Enclave, Beside Andhra Bank,
Srinagar Colony, Hyderabad-500 073

### PROXY FORM

Regd. Folio No..... No. of shares held.....

I/We.....of.....being a Member/Members of the above named Company hereby appoint.....or failing him .....

.....of..... as my/our proxy to attend and vote for me/us on my/our behalf at the 19th Annual General Meeting of the Company to be held on Friday, 28th September, 2012, at the Hotel Daspalla, Road No. 37, Jubilee Hills, Hyderabad-500 033, Andhra Pradesh at 10 A.M.

Signed:

AFFIX
15 PAISE
REVENUE
STAMP

Date:

Note: Proxy Form must reach the Company's Registered office not less than 48 (Forty Eight) hours before the Meeting.

- - - - - - - - - - - - - - - - - - - - - - - - - - - - Tear Here - - - - - - - - - - - - - - - - - - - - - - - - - - - -

## AVON ORGANICS LIMITED

Regd Off: Survey No. 18, Yawapur Village, Sadasivpet Mandal, Medak District, A.P.
Corp Off: H. No.8-3-1010/32, Unit-No.401, Vijaya Enclave, Beside Andhra Bank,
Srinagar Colony, Hyderabad-500 073

### ATTENDANCE SLIP

Regd. Folio No..... No. of Shares held.....
(To be handed over at the entrance of the Meeting Venue.)

.....
Name of the attending Member (IN BLOCK LETTERS)

.....
Name of the Proxy (IN BLOCK LETTERS) (To be filled in by the Proxy attending instead of the Member)

I hereby record my presence at the 19th Annual General Meeting of the Company held on Friday, 28th September, 2012, at the Hotel Daspalla, Road No. 37, Jubilee Hills, Hyderabad-500 033, Andhra Pradesh at 10 A.M.

Member/Proxy Signature

Note:
1. Interested Joint Members may obtain Attendance slips from the Registered Office of the Company.
2. Member's/Joint Member's Proxies are required to bring the Attendance slips with them. Duplicate slips will not be issued at the venue.

NOTES.

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NOTES.

PRINTED MATTER
BOOK POST

If Undelivered, please return to:

AVON ORGANICS LIMITED
(AN ARCH ENTERPRISE)
H. No.8-3-1010/32, Unit 401, Vijaya Enclave,
Beside Andhra Bank, Srinagar Colony,
Hyderabad-500 073.