

20th

Annual Report

2012-2013



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

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CORPORATE INFORMATION

Board of Directors

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

Company Secretary

Ms. Sunipa Ghosh

Registered Office

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

Corporate Office

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

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

Auditors

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

Manufacturing Facilities

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

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

Bankers

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

Registrars & Share Transfer Agents

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

* Non-Operational

NOTICE

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

ORDINARY BUSINESS:

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

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

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Rajendra Kaimal, who was inducted into the Board as an Additional Director of the Company in accordance to the provisions of Section 260 of the Companies Act, 1956 (the "Act") effective from 30th May, 2013, holding office upto the conclusion of this Annual General Meeting and in respect of whom the Company has received notice under Section 257 of the Act be and is hereby appointed as a Director of the Company"

By Order of the Board
For Avon Organics Limited

Sd/-
Sunipa Ghosh
Company Secretary

Place: Mumbai
Date: 09.08.2013

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

Item No. 5

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

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

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

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

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

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. INSTRUMENT OF PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE MEETING.
2. As per the requirements of Section 154 of the Companies Act, 1956, the Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 18th September, 2013 to Saturday, 21st September, 2013 (both days inclusive).
3. Members are requested to produce the Attendance Slip duly signed as per the specimen signature recorded with the Company/Depository Participant for admission to the meeting hall.
4. Members holding shares in physical form are requested to inform any change, in their registered address to X L Softech Systems Limited, Registrar & Share Transfer Agents of the Company.
- Members holding shares in electronic form are requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts.
5. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 5 of the notice set out is annexed hereto.
6. Member/Proxies should bring in their attendance slip sent herewith duly filled in for attending the meeting.
7. A member desirous of receiving any information on the accounts or operations of the Company is requested to forward his/her queries to the Company at least seven working days prior to the meeting, so that the required information can be made available at the meeting.
8. The shares of the Company are presently listed on the Hyderabad, Bombay and Calcutta Stock Exchanges. However, the same is traded at Bombay Stock Exchange.

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

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

DIRECTORS' REPORT

To
The Members,

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

FINANCIAL RESULTS

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

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

DIVIDEND

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

YEAR IN RETROSPECT

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

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

constituting 31.15% achieved in the previous year.

CAPITAL EXPENDITURE

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

QUALITY SYSTEMS

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

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

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

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

DIRECTORS RESPONSIBILITY STATEMENT

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

- a) In the preparation of the annual accounts for the year ended 31st March, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) Your Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2013 and of the Profit and Loss Account for the year ended on that date;

- c) Your Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the Assets of the company and preventing and detecting fraud and other irregularities; and
- d) The accounts for the year ended 31st March, 2013 have been prepared on a going concern basis.

CORPORATE GOVERNANCE

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

NOTE ON OPERATION OF THE SUBSIDIARY COMPANY IN SINGAPORE

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

CONSOLIDATED FINANCIAL STATEMENT

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

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

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

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

DIRECTORS

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

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

Details of Directors re-appointed during the year

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

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

Details of Director appointed as Additional Director during the year

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

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

PARTICULARS OF EMPLOYEES:

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

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

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

STATUTORY AUDITORS

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

COST AUDITORS

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

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

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo as required to be disclosed under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are set out as an annexure forming part of this Report.

PUBLIC DEPOSITS

During the year under review, the company has neither invited nor received any deposits from the public.

ACKNOWLEDGEMENTS

The Board of Directors take this opportunity to thank the Financial Institutions, Banks, employees, business associates, suppliers, Stock Exchanges, other regulatory authorities and all the stake holders of the Company for valuable sustained support and cooperation in conducting efficient operations of the Company. The Board also places on record the sustained management support received from M/s. Arch Pharmalabs Limited, the Parent Company.

For and on behalf of the Board

Place : Mumbai
Date : 09.08.2013

Sd/-
Ajit Kamath
Chairman & Managing Director

ANNEXURE – 'A' TO THE DIRECTORS' REPORT

Information under Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. Conservation of Energy :

- 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.

C. Foreign Exchange Earnings and Outgo

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

FORM A

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

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

FORM B

A. RESEARCH AND DEVELOPMENT :

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

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

2. Benefits derived from above R & D.

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

3. Future plan of action.

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

4. Expenditure on R & D :

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

B. TECHNOLOGY ABSORPTION :

1. Efforts in brief made towards technology absorption

: Consistent efforts made towards achieving the required quality of Pseudoephedrine Hydrochloride.

2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

: Cost reduction in Pseudoephedrine Hydrochloride.

3. In case of imported technology (import during the last 5 years reckoned from the beginning of the year); following information may be furnished

- | | |
|--------------------------------------|----------------|
| a Technology imported | Nil |
| b Year of import | Not Applicable |
| c Has technology been fully absorbed | Not Applicable |

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

GLOBAL PHARMACEUTICAL MARKET

The year 2013 strongly points to the continuity in the transition status of the global pharmaceutical industry. On one hand, the USFDA has approved the highest number of new chemical entities in 2012 (thirty-nine NCE cleared for marketing in US), however there are numerous challenges remaining to be countered by the companies in terms to maintaining highest quality standards sought by the regulatory agencies. To maintain stability in the industry and in order to meet the population demands and to do continual innovation of new drugs to cure lifestyle diseases, deliverance of innovative products on a consistent basis is absolutely critical to our industry.

During the past couple of years, the pharmaceutical industry has witnessed a sharp rise in the genericisation of several small molecules of blockbuster drugs such as Plavix, Diovan and Lipitor as a result of loss of exclusivity. While, the result of new (and ongoing) research and development activities are yet to show the same flair as their predecessors, we can be assured that such loss of exclusivities certainly enables new players to enter into the market thereby increasing the potential for sales. For innovator companies, in order to compensate for the considerable revenue declines attributable to patent expirations and generic competition, they must keep their R&D ante up the highest level and continue to pursue more and more innovative methods in the field while the generic companies must also step on the pedal to maintain their competitive edge in the market.

Furthermore, the post-patent market landscape continues to evolve and present new challenges for pharmaceutical manufacturers to overcome. For instance, as a result of the additional regulatory hurdles and escalating R&D costs, fiscal austerity measures introduced by governments across many developed countries in the past few years have presented tremendous challenges for both innovator and generic drug makers.

There is rapid growth in the market and research environment in emerging economies such as Brazil, China and India, leading to a gradual migration of

economic and research activities from Europe to these fast-growing markets primarily due to lower costs, availability of considerably cheap manpower and less stringent regulatory environment as compared to the developed nations. In addition to the rapidly improving R&D capabilities of the developing countries, they have already established and proven themselves to be the fastest growing markets for the generics segment.

Throughout the world, value driven products are the order of the day and research based products as well as innovative methodologies are what the industry is progressively focusing on.

INDIAN PHARMACEUTICAL MARKET

The Indian Pharmaceuticals market is a highly fragmented market with a large number of players spread across various segments.

However, clarity in various macro issues concerning the pharmaceutical industry, including the Pharmaceutical Pricing policy, Foreign Direct Investment, recognition of patents, compulsory licensing, and other policy matters will be important factors determining the growth of this sector in the coming years.

Risks and Concerns

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

- High level of inflation implying an increase on costs of various inputs / services which cannot be passed onto the consumer, thereby creating a negative impact on the margins of the Company;
- Competition from other Indian Companies operating in similar segments.
- The fall in the GDP growth rates indicating a macro level slowdown in the economy along with tightened liquidity and rising interest costs may have an adverse impact on the profits of the Company.

- Other key risks related to our business may include loss of key personnel, increased labour costs and uncertainties in terms of regulatory changes.

Finance

Operational & Financial Performance

- The Company has achieved Net Sales and Operational income of Rs. 17,015.04 Lakhs as against Rs.16,703.34 Lakhs during the previous fiscal year, registering an increase in sales by 1.87%. The Company has achieved a Net Profit of Rs.827.44 Lakhs as against Rs.1,006.55 Lakhs during the previous fiscal year.
- The export turnover amounting to Rs.3,716.64 Lakhs constituted 21.84% of the total turnover vis-à-vis Rs.5,202.26 Lakhs, constituting 31.15% achieved during the previous fiscal year.

Fixed Assets:

- During the year under review, Capital work-in-progress amounting to Rs.1,349.07 Lakhs was capitalized and an additional sum of Rs. 492.64 Lakhs was incurred on maintenance capital expenditures.

Internal Control Systems

The Company has adequate internal control systems commensurate with the size of the operations of the Company.

The internal control system has appropriate systems of monitoring procedures for safeguard of the assets and the efficiency of operations, compliance with internal policies and applicable laws and regulations and accurate reporting of the financial transactions.

The Internal Auditors undertake regular audits in the different areas of the Company's operations to check proper implementation of the policies along with the post audit reviews to ensure that their recommendations have been implemented. The findings of the Internal Auditors are reported to the Audit Committee.

Human Resource Development and Industrial Relations

As of 31st March, 2013 the employee strength of the Company stood at 411.

The Company continues to maintain cordial relationship with its employees.

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

We at Avon, strive to ensure that the best Corporate Governance practices are identified, adopted and consistently followed. The Company believes that good governance is the only way to sustainable growth and is committed to reinforcing ethical values and principles at all levels within the Company.

Review of our governance policies and practices is a continuous practice at Avon. The Board of Directors is entrusted with the ultimate responsibility of the management, general affairs, direction and performance of the Company and has been vested with the requisite powers, authorities and duties.

This report discusses and analyses the policies and practices for good governance followed in the Company for the financial year ended 31st March, 2013.

2. BOARD OF DIRECTORS

a. Composition of the Board

The Board comprises optimum number of Non-Executive, Independent Directors. The composition of the Board is as per requirements of Clause 49 of the Listing Agreement, with three Non-Executive Independent Directors on the Board.

Currently, the total strength of the Board is six directors including the recent appointment of Mr. Rajendra Kaimal, Promoter appointed in Non-Executive capacity at the Meeting of the Board of Directors held on 30th May, 2013.

Composition and other Directorship(s) / Committee Membership(s) as on 31st March, 2013

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 28 th September 2012
Mr. Ajit Kamath	Non Executive - Promoter	4	18	1	Yes
Mr. Manoj Jain	Non Executive - Promoter	4	18	1	Yes
Mr. Upkar Singh Kohli	Non Executive-Independent	4	3	NIL	Yes
Mr. Sudhir Ghate	Non Executive - Independent	4	4	5 [Chairman of Audit Committees in 2 companies]	Yes
Mr. Ashit Shah	Non Executive - Independent	4	1	Nil	No

*Including private companies

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

b. Board Meetings and Procedure

The Board of Directors meets at regular intervals to discuss and review business policy and strategy other than regular board agenda. The Board Meetings are scheduled at least 4 times in a year, with notice and detailed agenda being circulated to the Members of the Board, well in advance.

All matters included in the agenda are backed up by comprehensive background information to enable the Board to take informed decisions. 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 2012-13 on the following dates:

30th May, 2012, 13th August, 2012, 14th November, 2012 and 14th February, 2013

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:

Certain Board Committees have been constituted with formal approval of the Board to carry out clearly defined activities, in accordance to applicable rules and regulations. The Board supervises the execution of its responsibilities by the Committees and is responsible for their action. The minutes of the meetings of all Committees are placed before the Board for review.

The following are brief description of the roles and responsibilities of the Board Committees:

A. AUDIT COMMITTEE

(a) Composition, Names of Members and Chairman

The composition of the Audit Committee is in compliance 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, 2013, the constitution of Audit Committee and attendance thereat was as follows:

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

The Committee met 4 times during the year under review on

30th May, 2012, 13th August, 2012, 14th November, 2012 and 14th February, 2013

Ms. Sunipa Ghosh, Company Secretary acted as Secretary to the Audit Committee for the aforementioned meetings.

(b) 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) Recommending and reviewing appointment and removal of internal and external auditors and fixation of audit fees and approval for payment of any other services.

- 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 with the Management, the annual financial statements of the subsidiary companies.
- 6) Reviewing with the management the annual financial statements before submission to the Board, 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;
- 7) Reviewing and setting up of internal control systems in the Company and discussing their efficacy.
- 8) Reviewing the internal audit mechanism existing in the Company and putting forward relevant suggestions for betterment of the internal audit process.
- 9) Reviewing the Company's financial and risk management policies and compliance with internal control systems;
- 10) 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.

B. REMUNERATION COMMITTEE

(a) Brief description of terms of reference

The Remuneration Committee has been constituted to review and recommend managerial remuneration, 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, Independent 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 does not draw any remuneration from the Company.

No sitting fees are paid to Mr. Manoj Jain, Non-Executive Director and Mr. Rajendra Kaimal, Non-Executive Director for attending the Board/Committee meetings, as they are Promoter Directors of Arch Pharmed Labs Limited, the parent company of Avon Organics Limited.

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

C. SHAREHOLDERS' / INVESTOR GRIEVANCE COMMITTEE MEETING

(a) 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 30th May, 2012, 13th August, 2012, 14th November, 2012 and 14th February, 2013

(b) Brief description of terms of reference

The Shareholders'/Investor Grievance Committee attends to and redresses the grievances of the shareholders of the Company, in partnership with the Registrars and Share Transfer Agents of the Company.

The responsibility of the Committee includes the following 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

(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.

Name of the Compliance officer
Designation
Contact Details:
Address

Ms. Sunipa Ghosh
Company Secretary

C/o. Avon Organics Limited
H. No. 8-3-1010/32, Flat No.401,
Sahiti Vijaya Enclave, Srinagar Colony,
Hyderabad - 500 073, Andhra Pradesh
Phone: 040-23731409
Fax: 040-23731370
cs_1@avonorganicsltd.com

E-mail

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

Nature of Correspondence	Received	Replied / Resolved	Pending
1. Non receipt of dividend	6	6	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	1	1	NIL
TOTAL	7	7	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:

Requests for share transfers in physical form are processed by the Company's Registrar & Share Transfer Agent [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.

Share transfers are processed and duly endorsed share certificates 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 depository system handles share transfers in dematerialized form.

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 submitted to the Stock Exchanges, where the Company's equity shares are listed. The audit report is also placed before the Shareholders and Investors Grievances Committee of the Board.

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
2012	Friday, 28 th September, 2012, 10.00 a.m.	Hotel Daspalla, Road no. 37, Jubilee Hills, Hyderabad - 500033	NIL
2011	Friday, 29 th July, 2011, 11.30 a.m.	Registered Office	NIL
2010	Saturday, 25 th September, 2010, 11.30 a.m.	Registered Office	NIL

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 2012-13.

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. Ajit Kamath, Non-Executive Chairman & Managing Director

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

Mr. Ajit Kamath, aged 44 years, holds a Bachelor's degree in Commerce from University of Mumbai. Mr. Kamath is the Chairman & Managing Director of Arch Pharmalabs Limited, our holding company. He has more than 16 years of experience in the pharmaceutical industry. He has been involved and instrumental in planning and formulating the overall business strategy and developing business relations for our Company.

b. Re-appointment of Mr. Manoj Jain, Non-Executive Director

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

Mr. Manoj Jain, aged 44 years, holds a Bachelor's Degree in Commerce. He is a Chartered Accountant by qualification and has more than 16 years of experience in the pharmaceutical industry. He is the Chief Financial Officer and is overall in-charge of the accounting and finance functions of Arch Pharmalabs Limited, our holding company. He is also responsible for the statutory and secretarial affairs and the audit and taxation related activities of our Company. He is also instrumental in the formulation of corporate policy, strategic and perspective planning and external relations for our Company.

a. Confirming appointment of Mr. Rajendra Kaimal appointed as Additional Director during the year

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

Mr. Rajendra Kaimal, aged 40 years, holds a Bachelors Degree in Commerce from the University of Mumbai. He has completed his Masters in Management Studies from Narsee Monjee Institute of Management Studies, Mumbai and is a Cost Accountant from the Institute of Cost and Works Accountants of India. He has over 13 years of experience in the pharmaceutical industry. He is overall in-charge of overseeing the commercial operations of Arch Pharmalabs Limited, our holding company.

6. 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, service of notice / other communication by companies to shareholders can now be made through electronic mode to the registered e-mail addresses of shareholders.

We seek your whole hearted support for this initiative. We would request you to register your e-mail ID with your depositories to get annual reports and other communications through email instead of paper mode.

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.

9. GENERAL SHAREHOLDERS' INFORMATION

- | | |
|--|--|
| 1. Date, Time and Venue of AGM: | Saturday, 21 st September, 2013 at 10 a.m.
Hotel Daspalla, Road No. 37, Jubilee Hills,
Hyderabad - 500 033, Andhra Pradesh. |
| 2. Financial Calendar | 1 st April to 31 st March |
| 3. Board Meetings for Quarterly Results:
(tentative and subject to change) | |
| " Quarter ending June 30, 2013 | - On or before 14 th August, 2013 |
| " Quarter ending September 30, 2013 | - On or before 14 th November, 2013 |
| " Quarter ending December 31, 2013 | - On or before 14 th February, 2014 |
| " Quarter ending March 31, 2014 | - On or before 30 th May, 2014 |
| " Annual General Meeting for the Financial
Year March 31, 2014 | - On or before September 30, 2014 |
| 3. Book Closure dates | Wednesday, 18 th September, 2013 to Saturday,
21 st September, 2013 (both days inclusive) |

5. Listing on the stock exchanges

The Bombay Stock Exchange Limited (BSE)
The Calcutta Stock Exchange Limited (CSE)
The Hyderabad Stock Exchange Limited (HSE)

However, the equity shares of the Company are not traded in HSE and CSE.

6. 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.

7. International Securities Identification Number.

INE881A01015

8. Corporate Identification Number

L24110AP1993PLC016112

9. Stock Code:

BSE

531541

HSE

AVN

CSE

11123

10. Registered Office

Survey No.18, Yawapur Village, Sadasivpet,
Medak Dist., A.P.
Tel : 9949828084;
Fax: 040-23404438

11. Corporate Office

H.No.8-3-1010/32, Flat No.401,
Sahiti Vijaya Enclave, Beside Andhra Bank,
Srinagar Colony, Hyderabad - 500 073

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

Exclusive e-mail Id for investors

cs_1@avonorganics.com

12. Registrars and Share Transfer Agents

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

13. 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.

Bad deliveries are promptly returned to Depository Participants (DPs) under advice to the shareholders.

14. Plant Locations

(i) Survey No.18, Yawapur Village,
Sadasivpet, Medak Dist, A.P.

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

15. Address for Correspondence

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

**16. Dematerialisation of shares
And liquidity:**

Trading in equity shares of the company became mandatory from July, 2001. As on 31st March, 2013, 2,23,55,684 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 on the BSE, Mumbai.

17. 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:

18. Voluntary Guidelines 2009:

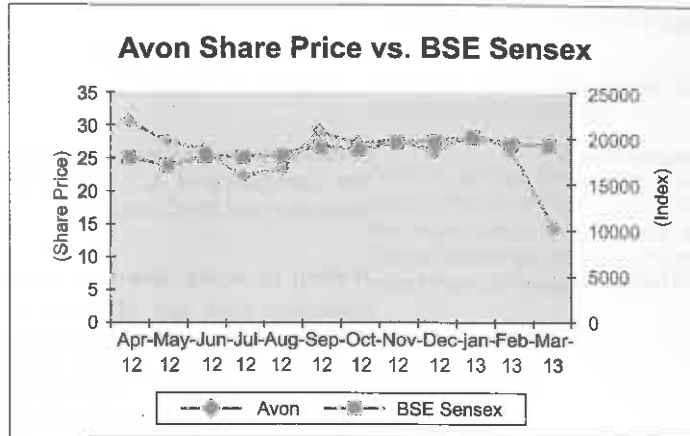
The Ministry of Corporate Affairs has issued a set of Voluntary Guidelines on 'Corporate Governance' and 'Corporate Social Responsibility' in December 2009. Some of the provisions of these guidelines are already in place as mentioned elsewhere in this report.

19. Stock Market data relating to shares listed

Monthly high and low quotations of the equity shares of the Company at BSE for the year 2012-13

Month	Share Price (in Rs.)	
	High	Low
April 2012	32.10	28.10
May 2012	31.25	25.35
June 2012	31.90	24.70
July 2012	26.25	17.30
August 2012	24.35	20.30
September 2012	32.70	21.30
October 2012	29.90	26.50
November 2012	29.80	25.40
December 2012	30.00	24.65
January 2013	30.25	25.00
February 2013	28.00	25.10
March 2013	26.45	13.35

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



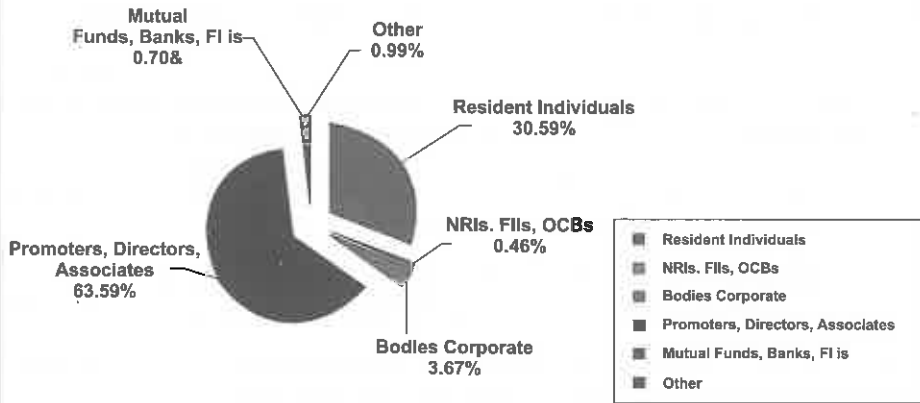
20. Distribution of Shareholding as on 31st March, 2013

No. of Equity shares	Shareholders		No. of Shares	
	Number	% of Holders	Number	% of shares
Upto 5000	5471	95.58	2999850	13.33
5001-10000	135	2.36	1005190	4.48
10001-20000	56	0.98	763340	3.39
20001-30000	23	0.40	571744	2.54
30001-40000	13	0.23	459654	2.04
40001-50000	6	0.10	264144	1.17
50001-100000	14	0.25	921650	4.10
100001 and Above	6	0.10	15514428	68.95
Total	5724	100.00	22500000	100.00

21. Categories of shareholders as on 31st March, 2013

Categories	No of shareholders	% of Shareholders	No. of shares held	% of shares
Resident Individuals	5459	95.37	6881749	30.58
NRI's, FI's, OCB's	42	0.73	102795	0.46
Bodies Corporate	203	3.55	826331	3.67
Promoters, Directors, Associates	1	0.02	14309100	63.60
Mutual funds, Banks, FI's	2	0.03	157600	0.70
Others	17	0.30	222425	0.99
Total	5724	100.00	22500000	100.00

Categories of Shareholders as on 31st March, 2013



CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT

To

The Shareholders,

I hereby declare that all the Board Members and the senior management personnels 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, 2013.

Place : Mumbai
Date : 30.05.2013

Sd/-
Ajit Kamath
Chairman & Managing Director

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 fraudulent, 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 : 30.05.2013

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, 2013 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, 2013 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.**

Place: Mumbai
Date: 30.05.2013

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

AUDITORS' REPORT

To
The Members of **AVON ORGANICS LIMITED**

We have audited the attached Balance Sheet of **AVON ORGANICS LIMITED**, as at **31st March, 2013**, 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 misstatement. 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.

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with Standards on Auditing issued by The Institute of Chartered Accountants of India. Those Standards require that we compile with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedure selected depends on auditor's judgment, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate / to provide a basis for our audit opinion.

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:

In the case of the balance sheet, of the state of affairs of the company as at 31st March 2013.

In the case of the profit and loss account, of the profit for the year ended on that date; and

In the case of the cash flow statement, of the cash flows for the year ended on that date.

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:

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.

- (i) 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.
- (ii) The Balance Sheet, Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account.
- (iii) 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;
- (iv) On the basis of written representations received from the directors as on 31st March 2013 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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

Place: Mumbai
Date: 30.05.2013

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

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 overdue.
- 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: 30.05.2013

BALANCE SHEET AS AT 31.03.2013

(Amount in Rs.)

Particulars	Note	As at 31.03.2013		As at 31.03.2012	
EQUITIES & LIABILITIES					
Shareholders Fund					
Share Capital	1	225,000,000		225,000,000	
Reserves & Surplus	2	546,436,221	771,436,221	463,691,877	688,691,877
Share Application Money pending allotment					
-					
Non-Current Liabilities					
Long Term Borrowing	3	331,421,518		516,949,787	
Long Term Liability	4	317,140,209		317,140,209	
Deferred tax liabilities (Net)		24,457,928	673,019,655	19,261,270	853,351,266
Current Liabilities					
Short Term borrowings	5	728,106,303		473,627,350	
Trade payables	6	315,991,674		339,592,839	
Other current liabilities	7	255,332,860		189,339,810	
Short-term provisions	8	32,510,179	1,331,941,016	30,376,387	1,032,936,386
TOTAL			2,776,396,892		2,574,979,529
ASSETS					
Non Current Assets					
Fixed Assets					
Tangible Assets					
Tangible Assets	9	1,077,660,500		1,001,686,137	
Intangible Assets		-		-	
Capital Work in Progress		29,189,784		134,907,045	
Intangible Assets under development		-	1,106,850,284	-	1,136,593,182
Non-Current Investment					
	10		121,930,256		107,643,256
Long Term Loans and Advances					
	11		51,015		51,015
CURRENT ASSETS					
Current Investments					
Inventories	12	593,107,974		443,465,311	
Trade Receivables	13	729,538,287		655,127,269	
Cash & Cash equivalents	14	21,102,299		78,717,441	
Short terms loans and advances	15	57,698,875		44,148,934	
Other Current Assets	16	146,117,902	1,547,565,337	109,233,120	1,330,692,076
TOTAL			2,776,396,892		2,574,979,529
Significant Accounting Policies Notes on Financial statements	1 to 25				

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 : 30.05.2013

PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2013 :

(Amount in Rs.)

Particulars	Note	For the Year ended 31.03.2013	For the Year ended 31.03.2012
INCOME			
Revenue from Operation	17	1,701,503,814	1,670,333,802
Other Income	18	2,165,156	2,331,158
TOTAL		1,703,668,970	1,672,664,960
EXPENDITURE			
Cost of Materials Consumed	19	1,133,136,482	851,477,366
(Increase)/Decrease in stocks	20	(91,355,121)	67,004,082
Power & Fuel		83,813,576	117,985,112
Payments & benefits to employees	21	122,460,328	130,536,953
Other Manufacturing Expenses	22	67,298,196	46,589,482
Administrative & Selling Expenses	23	28,641,278	41,502,894
Interest & Financial charges	24	172,082,088	195,431,786
Depreciation		99,651,142	108,609,112
TOTAL		1,615,727,969	1,559,136,786
Profit/(loss) before tax		87,941,001	113,528,174
Less: Prior Period Expenses			-
Less : Provision for Taxation		20,000,000	22,200,000
Add: MAT credit		(20,000,000)	(22,200,000)
Less: Short Provision for Tax for earlier Years		-	7,676,311
Less: Deferred Tax		5,196,658	5,196,660
Profit/(loss) after tax		82,744,343	100,655,204
Significant Accounting Policies & Notes to Accounts			
Significant Accounting Policies Notes on Financial statements	1 to 25		

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

Place : Mumbai
Date : 30.05.2013

Sd/-
Sunipa Ghosh
Company Secretary

Notes on Financial Statements for the year ended 31st March 13

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013	As at 31.03.2012
1	SHARE CAPITAL		
	Authorised Share Capital: 25,000,000 Equity Shares of Rs. 10/- each (Previous year 25,000,000 Equity Shares of Rs. 10/- Each)	250,000,000	250,000,000
	Issued, Subscribed and paid-up: 22,500,000 Equity Shares of Rs. 10/- each (Previous year 22,500,000 Equity Shares of Rs. 10/- Each)	225,000,000	225,000,000
		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.)

Sl. No.	Particulars	Number of shares as at 31st March, 2013	%	Number of shares as at 31st March, 2012	%
	Arch Pharmalabs Limited	14,309,100	63.60	14,309,100	63.60

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013		As at 31.03.2012	
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	28,840,477		(45,664,663)	
	Add: Profit for the year	82,744,343		100,655,204	
		111,584,821		54,990,540	
	Less: Apportionments				
	Proposed Dividend on Equity (Previous year Re.1/-)	-		22,500,000	
	Less: Tax on Dividend	-		3,650,063	
			111,584,821		28,840,477
			546,436,221		463,691,877

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013		As at 31.03.2012	
3	LONG TERM BORROWINGS				
		Current	Non Current	Current	Non Current
	Secured				
	Term Loans From Banks	225,317,527	200,000,000	175,887,638	368,888,892
		225,317,527	200,000,000	175,887,638	368,888,892
	Unsecured				
	Deferred Sales Tax Loan from State Govts.	30,015,333	131,421,518	13,452,172	148,060,895
		30,015,333	131,421,518	13,452,172	148,060,895
		255,332,860	331,421,518	189,339,810	516,949,787

Term Loan-Maturity Profile

(Amount in Rs.)

	2013-14	2014-15	2015-16	2016-17	2017-18
Term Loan From Banks	225,317,527	80,000,000	80,000,000	40,000,000	-

Term Loans

The term loans from banks of Rs. 4253.18 lacs (previous year Rs. 5447.77 lacs) are secured by way of first pari passu charge on fixed assets, second pari passu charge on current assets, personal guarantee of promoter director and also by way of corporate guarantee.

Deferred Sales Tax Loan Maturity Profile

(Amount in Rs.)

	2013-14	2014-15	2015-16	2016-17	2017-18
Deferred Sales Tax Loan	30,015,333	16,558,305	20,905,858	19,295,944	19,186,033

Deferred Sales Tax Loan

The Company has been availing interest free Sales Tax deferement loan from States Government Authorities and the balance Outstanding as on 31st March, 2013 was Rs. 1,614.37 lacs (Previous year Rs. 1.615.13 lacs)

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013	As at 31.03.2012
4	LONG TERM LIABILITY Unsecured From Body Corporates	317,140,209	317,140,209
		317,140,209	317,140,209
5	SHORT TERM BORROWINGS Secured Working capital loan From Banks	728,106,303	473,627,350
		728,106,303	473,627,350

Working Capital

The working capital loans from the banks Rs.7281.06 lacs (previous year Rs. 4736.27 lacs) 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.

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013	As at 31.03.2012
6	TRADE PAYABLES Sundry Creditors	315,991,675	339,592,839
		315,991,675	339,592,839

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.

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013	As at 31.03.2012
7	OTHER CURRENT LIABILITIES Current Maturities of long term debt (Refere Note No.3) Sales Tax Deferment Loan (Refere Note No.3)	225,317,527	175,887,638
		30,015,333	13,452,172
		255,332,860	189,339,810
8	SHORT-TERM PROVISIONS Provision for Tax Provision for Excise Duty Proposed Dividend	17,314,553	3,650,063
		15,195,626	4,226,324
		-	22,500,000
		32,510,179	30,376,387

9. FIXED ASSETS
DEPRECIATION AS PER COMPANIES ACT
(Amount in Rs.)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at 01.04.2012	Additions	Deletions	As at 31.03.2013	As at 01.04.2012	Depreciation For the year	On Deletions	As at 31.03.2013	As at 31.03.2012
TANGIBLE ASSETS:									
Land & Site Development	12,531,645	18,797,283	-	31,328,928	-	-	-	31,328,928	12,531,645
Buildings									
Non Factory	6,034,460	12,013,383	-	18,047,842	2,244,730	190,023	-	2,434,753	3,789,730
Factory	169,378,428	1,163,680	-	170,542,107	56,846,780	5,653,807	-	108,041,520	112,531,648
Plant & Machinery	1,427,091,485	150,788,127	8,877,861	1,569,001,751	582,812,152	90,243,477	1,517,626	897,463,748	844,279,333
Lab Equipment	4,629,331	1,329,058	1,260,252	4,698,137	81,043	294,919	109,640	4,431,815	4,548,288
Electrical Installations	49,508,847	79,200	-	49,588,047	35,441,723	1,746,361	-	12,399,963	14,067,124
Furniture	9,246,021	-	-	9,246,021	5,139,869	401,304	-	3,704,848	4,106,152
Office Equipment	5,558,530	-	-	5,558,530	3,021,105	285,970	-	2,251,455	2,537,425
Computers	8,577,533	-	60,721	8,516,812	6,562,070	620,271	26,344	7,175,997	1,995,463
Vehicles	4,393,141	-	-	4,393,141	3,093,812	215,010	-	1,084,319	1,299,329
TOTAL:	1,696,949,421	184,170,731	10,198,834	1,870,921,316	695,263,284	99,651,142	1,653,610	1,077,660,500	1,001,686,137
Previous Year	1,687,658,945	9,680,546	390,070	1,696,949,421	586,773,482	108,609,112	119,310	1,001,686,137	1,100,885,463
Capital Work in Progress								29,189,784	134,907,045

Notes on Financial Statements

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013	As at 31.03.2012
10	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 3,120,100 Shares of SGD 1 Each in Regal Pharma Pte. Ltd.)	121,930,256	107,643,256
		121,930,256	107,643,256
11	LONG TERM LOANS AND ADVANCES		
	Advances to Subsidiary	51,015	51,015
		51,015	51,015
12	INVENTORIES		
	Raw Materials	200,902,789	113,512,379
	Stores, Consumables & Packing Material	24,535,587	64,577,572
	Work-in-progress	223,569,561	219,877,883
	Finished Goods	144,100,039	45,467,293
	Material in transit	-	30,184
		593,107,975	443,465,311
13	TRADE RECEIVABLES		
	(Unsecured and Considered Good)		
	Over six months	113,668,074	7,039,663
	Others	615,870,213	648,087,606
		729,538,287	655,127,269
14	CASH & CASH EQUIVALENTS		
	Cash on hand	605,325	122,089
	Balance with Banks		
	In Current Accounts	1,235,339	52,333,461
	In Deposits Accounts	19,261,635	26,261,892
	(Pledged with bank as margin)		
		21,102,299	78,717,441
	Deposits Accounts		
	Rs.55,45,937/- (P.Y. Rs.1,26,46,112/-) maturity is more than 12 months.		
15	SHORT TERMS LOANS AND ADVANCES		
	(Unsecured and Considered Good)		
	Advance for Suppliers and expenses	32,601,705	17,813,120
	Advances to employees	18,780	155,009
	Other Advances	25,078,391	26,180,806
		57,698,875	44,148,934
16	OTHER CURRENT ASSETS		
	Deposits	10,187,590	10,077,862
	Accrued Interest on Deposits	1,208,395	53,513
	Balance with Govt. Departments	78,458,553	68,089,013
	Prepaid expenses	3,105,696	5,153,628
	Income Tax	53,157,668	25,859,104
		146,117,902	109,233,120

(Amount in Rs.)

Sl. No.	Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
17	REVENUE FROM OPERATIONS		
	Sale of Products	1,788,224,667	1,732,769,249
	Other operating Revenue	14,551,586	12,038,565
		1,802,776,253	1,744,807,814
	Less: Excise duty	101,272,438	74,474,012
		1,701,503,814	1,670,333,802
18	OTHER INCOME		
	Interest Received	1,966,098	2,331,158
	Misc. Income	199,058	-
		2,165,156	2,331,158
	Broad particulars of sales of products		
	API/Intermediate	1,061,049,996	842,819,710
	Contract Manufacturing/Custom synthesis	615,469,593	787,244,009
	Others	24,984,225	40,270,083
		1,701,503,814	1,670,333,802

(Amount in Rs.)

Sl. No.	Particulars	For the year ended 31.03.2013		For the year ended 31.03.2012	
19	COST OF MATERIALS CONSUMED		1,133,136,482		851,477,366
		Amount	% of Consumption	Amount	% of Consumption
	Imported	171,475,823	15.13%	187,148,063	21.98%
	Indigenous	961,660,660	84.87%	664,329,303	78.02%
		1,133,136,482	100.00%	851,477,366	100.00%
	Broad Category Of Material Consumed				
	Chemical and Solvents		1,133,136,482		851,477,366
20	(INCREASE)/DECREASE IN STOCKS				
	Opening Stock				
	Work-in-progress	219,877,883		209,298,505	
	Finished Goods	45,467,293	265,345,176	118,824,428	328,122,934
	Closing Stock				
	Work-in-progress	223,569,561		219,877,883	
	Finished Goods	144,100,039	367,669,600	45,467,293	265,345,176
	Increase/(Decrease) in Excise duty on Finished goods		10,969,302		4,226,324
			(91,355,121)		67,004,082

(Amount in Rs.)

Sl. No.	Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
21	PAYMENTS & BENEFITS TO EMPLOYEES		
	Salaries & Wages	112,755,249	112,645,870
	Staff Welfare Expenses	3,351,209	9,395,868
	Contributions to Funds	6,353,870	7,498,400
	Directors Remuneration	-	996,815
		122,460,328	130,536,953
22	OTHER MANUFACTURING EXPENSES		
	Packing Material consumed	3,230,996	4,162,036
	Stores and spares consumed	27,731,361	20,028,328
	Repairs & Maintenance	8,234,984	9,395,306
	Manufacturing Expenses	25,292,644	10,700,976
	Insurance Charges	2,808,211	2,302,836
		67,298,196	46,589,482

VALUE OF STORES, CHEMICAL AND PACKING MATERIAL CONSUMED

(Amount in Rs.)

Sl. No.	Particulars	Year ended 31.03.2013		Year ended 31.03.2012	
		Amount	% of Consumption	Amount	% of Consumption
	Imported	-	-	-	-
	Indigenous	30,962,357	100.00%	24,190,364	100.00%
		30,962,357	100.00%	24,190,364	100.00%

(Amount in Rs.)

Sl. No.	Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
23	ADMINISTRATIVE AND SELLING EXPENSES		
	Rent, Rates & Taxes	2,250,569	6,214,784
	Printing & Stationary	1,046,556	1,887,778
	Postage, Telegrams & Telephones	803,433	1,328,242
	Professional Charges	4,117,565	6,529,702
	Travelling & Conveyance	1,449,208	2,653,133
	Auditors' Fees	150,000	150,000
	Vehicle Maintenance	3,876,951	5,643,822
	Vehicle Hire charges	3,453,610	3,144,566
	General Expenses	6,592,190	5,984,497
	Export Expenses	362,761	602,275
	ECGC Premium	187,302	206,900
	Outward Freight	3,925,257	6,962,545
	Sales Promotion & Advertisement	425,876	194,650
		28,641,278	41,502,894
24	INTEREST AND FINANCIAL CHARGES		
	Interest Paid	151,021,756	168,589,433
	Other Financial Charges	21,060,331	26,842,352
		172,082,088	195,431,786

SCHEDULE -25 - 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 conformity 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 year and reversed in subsequent periods. Deferred Tax assets on accumulated losses and unabsorbed depreciation are recognised only to the extent there is certainty 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 assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

1. Contingent Liabilities not provided for :

(Amount in Rs.)

	Particulars	2012-13	2011-12
a.	Estimated Amount of Unexecuted Capital Contracts	9,426,315	22,238,000
b.	Letters of Credit	-	2,137,135
c.	Bank Guarantees	4,800,000	3,360,000
d.	Others	2,938,000	2,938,000

2. Managerial Remuneration:

(Amount in Rs.)

	Particulars	2012-13	2011-12
	Executive Director		
	Salary	-	996,815
	Perquisites	-	-

3. Auditors Remuneration:

(Amount in Rs.)

	Particulars	2012-13	2011-12
	Statutory Audit Fees	150,000	150,000
	Tax Audit Fees	50,000	50,000
	Certification and Consultancy Fees	50,000	50,000

4. Foreign Currency / Exchange Transactions:

(Amount in Rs.)

	Particulars	2012-13	2011-12
A.	Value of Imports		
	Raw Materials	161,366,976	124,864,459
B.	Value of Exports - Direct	371,663,822	520,225,751
C.	Expenditure in Foreign Currency (Rs.)		
	a. Foreign Travel	-	-
	b. Other Services	-	140,000

5. In view of brought forward 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	2012-13	2011-12
i)	Domestic	1,329,839,992	1,150,108,051
ii)	Exports	371,663,822	520,225,751

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	Arch Pharamalabs Ltd	Holding Company
4	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		2012-13	2011-12
1	Arch Pharamalabs Ltd	Purchase of fixed assets	-	203,091
2	Arch Pharamalabs Ltd	Sales of fixed assets	2,154,992	270,760
3	Arch Pharamalabs Ltd	Purchase	85,201,534	81,597,558
4	Arch Pharamalabs Ltd	Sales	260,519,220	24,742,694
5	Arch Pharamalabs Ltd	Interest Paid	-	17,537,077
6	Arch Pharamalabs Ltd	Dividend	-	14,309,100
7	Arch Pharamalabs Ltd	Deposite Received	-	122,283,793
8	Regal Pharma Pte. Ltd	Loans & Advances	-	51,015
9	Mr. V.S.Soma	Services	-	996,815
10	Regal Pharma Pte. Ltd	Investment in Subsidiary	14,287,000	107,643,256

Balances as on 31st March 2013

Arch Pharamalabs Ltd	Long Term Liability	317,140,209	317,140,209
Regal Pharma Pte. Ltd	Loans & Advances	51,015	51,015
Regal Pharma Pte. Ltd	Investment in Subsidiary	121,930,256	107,643,256

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 31.03.2013	As on 31.03.2012
Employer's Contribution to Provident Fund	5,198,300	5,554,000

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 31.03.2013	As on 31.03.2012
Discount Rate	8.00%	8.00%
Salary Escalation	4.00%	4.00%

II. Table showing changes in present value of obligation as on 31.03.2013

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Present value of obligations as at beginning of year	8,623,498	6,389,287
Interest cost	689,880	511,143
Current service cost	1,224,756	1,110,861
Benefits paid	(765,920)	(617,689)
Actuarial (gain)/ loss on obligations	57,814	1,229,896
Present value of obligations as at end of year	9,830,028	8,623,498

III. Table showing changes in the fair value of plan assets as on 31.03.2013

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Fair Value of plan assets at beginning of year	2,422,574	1,759,862
Expected return on plan assets	159,200	153,625
Contributions	-	1,126,776
Benefits paid	(765,920)	(617,689)
Actuarial gain/(loss) on plan assets	NIL	NIL
Fair Value of plan assets at the end of year	1,815,854	2,422,574

IV. Table showing fair value of plan assets as on 31.03.2013

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Fair Value of plan assets at beginning of year	2,422,574	1,759,862
Actual return on plan assets	159,200	153,625
Contributions	-	1,126,776
Benefits paid	(765,920)	(617,689)
Fair Value of plan assets at the end of year	1,815,854	2,422,574
Funded status	(8,014,174)	(6,200,924)
Excess of Actual over estimated return on plan assets (Actual Rate of return = Estimated rate of return as ARD falls on 31 st March)		NIL

V. Actuarial gain/loss recognised as on 31.03.2013

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Actuarial (gain)/loss on obligations	(57,814)	(1,229,896)
Actuarial (gain)/loss for the year-plan assets	NIL	NIL
Actuarial (gain)/loss on obligations	57,814	1,229,896
Actuarial (gain)/loss recognised in the year	57,814	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 31.03.2013	As on 31.03.2012
Present value of obligations as at the end of year	9,830,028	8,623,498
Fair Value of plan assets as at the end of the year	1,815,854	2,422,574
Funded status	(8,014,174)	(6,200,924)
Net assets/(liability) recognised in balance sheet	(8,014,174)	6,200,924

VII. Expenses recognized in statement of profit and loss

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Current service cost	1,224,756	1,110,861
Interest cost	689,880	511,143
Expected return on plan assets	(159,200)	(153,625)
Net Actuarial (gain)/ loss recognised in the year	57,814	1,229,896
Expenses recognised in statement of profit and loss	1,813,250	2,698,275

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	As on 31.03.2013	As on 31.03.2012
Deferred Tax liability (Net)	5,196,658	5,196,660

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	As on 31.03.2013	As on 31.03.2012
Net profit after tax	82,744,343	108,331,514
Excess/(Short) provision for tax for earlier years	-	7,676,311
Net Profit attributable to Equity shareholders	82,744,343	100,655,204
Weighted Average number of equity shares outstanding during the year (No of Share)	22,500,000	22,500,000
Basic and Diluted Earnings per share	3.68	4.47
Face Value per equity share	10.00	10.00

11. FINANCIAL AND DERIVATIVE INSTRUMENTSForeign currency exposure that are not hedged as on 31st March,2013 on account of:

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Trade Receivables	351,460,254	312,087,691
Borrowings	NIL	NIL
Trade Payables	NIL	NIL

12. Other Notes

- (a) 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) 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
Mem.No. 100407
FRN: 116309W

Sd/-
Ajit Kamath
Chairman & Managing Director

Sd/-
Manoj Jain
Director

Place : Mumbai
Date : 30.05.2013

Sd/-
Sunipa Ghosh
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March 2013

(Amount in Rs.)

Particulars	2012-2013	2011-2012
A. Cash Flow from Operating Activities		
Net Profit before tax and extraordinary items	87,941,001	113,528,174
Adjustments for		
Depreciation	99,651,142	108,609,112
Interest & Financial Charges	172,082,088	195,431,786
Operating Profits before Working Capital Changes	359,674,231	417,569,072
(Increase) / Decrease in Inventories	(149,642,664)	49,793,085
(Increase) / Decrease in Debtors	(74,411,018)	(21,234,589)
(Increase) / Decrease in Loans & Advances	(50,434,723)	93,515,724
Increase / (Decrease) in Current Liabilities	55,525,679	53,486,350
Increase / (Decrease) in Cash Credit Loan	254,478,953	(4,731,179)
Cash Generated from Operations	395,190,458	588,398,462
Income Tax	(11,000,000)	(12,872,971)
Net Cash flow from operating Activities (A)	384,190,458	575,525,492
B. Cash Flow from Investing Activities		
Fixed Assets	(78,453,467)	(144,587,591)
Sale of Fixed Assets	8,545,224	270,760
Investment in Subsidiary	(14,287,000)	(107,640,000)
Net Cash Used in Investing Activities (B)	(84,195,243)	(251,956,831)
C. Cash Flow from Financing Activities		
Decrease in long term borrowings	(185,528,269)	(48,205,535)
Interest & Financial Charges	(172,082,088)	(195,431,786)
Dividend	-	(22,500,000)
Dividend Distribution Tax	-	(3,650,063)
Net Cash inflow from Financing Activities (C)	(357,610,357)	(269,787,383)
Net Increase/(Decrease) in Cash Flow (A+B+C)	(57,615,142)	53,781,277
Opening Balance of Cash and Cash Equivalent	78,717,441	24,936,164
Closing Balance of Cash and Cash Equivalent	21,102,299	78,717,441

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

Place : Mumbai
Date : 30.05.2013

Sd/-
Sunipa Ghosh
Company Secretary

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, 2013. 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, 2013 to the members of the Company.

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

Place: Mumbai
Date: 30.05.2013

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

**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	31.03.2013	31.03.2012
2	Shares of the subsidiary company held by holding company as on above date		
	(i) Number	3,120,100	2,808,090
	(ii) Extent of holding	100%	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	53,918,049	50,482,828
	ii) for the previous financial years of the subsidiary since it became the holding Company's subsidiary	50,482,828	(183,934)
	b) Not dealt within the holding Company's accounts		
	i) for the financial year of the subsidiary	NIL	5,609,203
	ii) for the previous financial years of the subsidiary since it became the holding Company's subsidiary	NIL	(354)
5	Issued, Subscribed & Paid-up Capital	119,603,618	119,603,618
6	Reserves & Surplus	109,824,682	55,906,633
7	Total Assets	229,428,300	175,510,251
8	Total Liabilities	229,428,300	175,510,251
9	Investments	NIL	NIL
10	Turnover	2,335,070,687	1,202,311,648
11	Profit before Tax	60,778,526	63,177,206
12	Provision for Taxation	6,860,477	7,085,175
13	Profit after Tax	53,918,049	56,092,031
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") consolidated with its subsidiary Regal Pharma Pte Ltd. (collectively referred to as "the Group") for the year ended on 31st March, 2013, 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.1,462,356,483 for the period ended as on 31st March 2013, total turnover of Rs.2,336,555,768 and closing cash and cash equivalents amounting to Rs.390,438 for the period ended 31st March, 2013. 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, 2013; 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 Accountants.

Place: Mumbai
Date: 30.05.2013

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

CONSOLIDATED BALANCE SHEET AS AT 31.03.2013

(Amount in Rs.)

Particulars	Note	As at 31.03.2013		As at 31.03.2012	
EQUITIES & LIABILITIES					
Shareholders Fund					
Share Capital	1	225,000,000		225,000,000	
Reserves & Surplus	2	653,934,264	878,934,264	514,007,381	739,007,381
Minority Interest					
Share Application Money pending allotment		-	-	-	17,551,490
Non-Current Liabilities					
Long Term Borrowing	3	331,421,518		516,949,787	
Long Term Liability	4	317,140,209		317,140,209	
Deferred tax liabilities (Net)		24,457,928	673,019,655	19,261,270	853,351,266
Current Liabilities					
Short Term borrowings	5	1,233,288,861		473,627,350	
Trade payables	6	1,043,686,286		1,145,751,447	
Other current liabilities	7	255,332,860		189,339,810	
Short-term provisions	8	32,510,179	2,564,818,186	37,461,562	1,846,180,169
TOTAL			4,116,772,105		3,456,090,307
ASSETS					
Non Current Assets					
Fixed Assets					
Tangible Assets	9	1,077,660,500		1,001,686,137	
Intangible Assets					
Capital Work in Progress		29,189,784		134,907,045	
Intangible Assets under development			1,106,850,284		1,136,593,182
Non-Current Investment					
	10		-		-
Long Term Loans and Advances					
	11		-		-
CURRENT ASSETS					
Current Investments					
Inventories	12	593,107,975		443,465,311	
Trade Receivables	13	2,047,341,692		1,470,482,535	
Cash & Cash equivalents	14	164,769,538		251,334,039	
Short terms loans and advances	15	58,437,645		44,843,793	
Other Current Assets	16	146,264,970	3,009,921,821	109,371,447	2,319,497,125
TOTAL			4,116,772,105		3,456,090,307
Significant Accounting Policies					
Notes on Financial statements	1 to 25				

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

Place : Mumbai
Date : 30.05.2013

Sd/-
Sunipa Ghosh
Company Secretary

CONSOLIDATED PROFIT AND LOSS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2013

(Amount in Rs.)

Particulars	Note	For the Year ended 31.03.2013	For the Year ended 31.03.2012
INCOME			
Revenue from Operation	17	4,036,574,501	2,872,645,450
Other Income	18	3,650,237	2,331,158
TOTAL		4,040,224,738	2,874,976,608
EXPENDITURE			
Cost of Materials Consumed	19	3,395,954,472	1,994,003,650
(Increase)/Decrease in stocks	20	(91,355,121)	67,004,082
Power & Fuel		83,813,576	117,985,112
Payments & benefits to employees	21	122,460,328	130,536,953
Other Manufacturing Expenses	22	67,298,196	30,035,664
Administrative & Selling Expenses	23	29,612,461	44,301,099
Financial charges	24	184,070,158	205,795,556
Depreciation		99,651,142	108,609,112
TOTAL		3,891,505,211	2,698,271,228
Profit/(loss) before tax		148,719,527	176,705,380
Less: Prior Period Expenses		-	-
Less : Provision for Taxation		26,860,477	29,285,175
Add: MAT credit		(20,000,000)	(22,200,000)
Less: Short Provision for Tax for earlier Years		-	7,676,311
Less: Deffered Tax		5,196,658	5,196,660
Profit/(loss) after tax		136,662,392	156,747,234
Less: Profit on sale of Minority Interest		3,264,491	5,591,128
Amount Available for Appropriations		139,926,883	151,156,106
Significant Accounting Policies & Notes to Accounts			
Significant Accounting Policies			
Notes on Financial statements	1 to 25		

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

Place : Mumbai
Date : 30.05.2013

Sd/-
Sunipa Ghosh
Company Secretary

SCHEDULES CONSOLIDATED FINANCIAL STATEMENTS

Notes on Consolidated Financial Statements for the year ended 31st March 2013

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013	As at 31.03.2012
1	SHARE CAPITAL		
	Authorised Share Capital: 25,000,000 Equity Shares of Rs. 10/- each (Pervious year 25,000,000 Equity Shares of Rs. 10/- Each)	250,000,000	250,000,000
	Issued, Subscribed and paid-up: 22,500,000 Equity Shares of Rs. 10/- each (Pervious year 22,500,000 Equity Shares of Rs. 10/- Each)	225,000,000 225,000,000	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.)

Sl. No.	Particulars	Number of shares as at 31st March, 2013	%	Number of shares as at 31st March, 2012	%
	Arch Pharmalabs Limited	14,309,100	63.60	14,309,100	63.60

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013		As at 31.03.2012	
22	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	79,155,981		(45,850,062)	
	Add: Profit for the year	139,926,883		151,156,106	
		219,082,864		105,306,044	
	Less: Apportionments				
	Proposed Dividend on Equity (Previous year Re.1/-)	-		22,500,000	
	Less: Dividend Distribution Tax	-		3,650,063	
		219,082,864		79,155,981	
		653,934,264		514,007,381	

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013		As at 31.03.2012	
		Current	Non Current	Current	Non Current
3	LONG TERM BORROWINGS				
	Secured				
	Term Loans From Banks	225,317,527	200,000,000	175,887,638	368,888,892
		225,317,527	200,000,000	175,887,638	368,888,892
	Unsecured				
	Deferred Sales Tax Loan from State Govts.	30,015,333	131,421,518	13,452,172	148,060,895
		30,015,333	131,421,518	13,452,172	148,060,895
		255,332,860	331,421,518	189,339,810	516,949,787

Term Loan-Maturity Profile

(Amount in Rs.)

	2013-14	2014-15	2015-16	2016-17	2017-18
Term Loan From Banks	225,317,527	80,000,000	80,000,000	40,000,000	-

SCHEDULES CONSOLIDATED FINANCIAL STATEMENTS

Term Loans

The term loans from banks of Rs. 4253.18 lacs (previous year Rs. 5447.77 lacs) are secured by way of first pari passu charge on fixed assets, second pari passu charge on current assets, personal guarantees of promoter directors and also by way of corporate guarantee.

Deferred Sales Tax Loan Maturity Profile

(Amount in Rs.)

	2013-14	2014-15	2015-16	2016-17	2017-18
Deferred Sales Tax Loan	30,015,333	16,558,305	20,905,858	19,295,944	19,186,033

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, 2013 was Rs. 1,614.37 lacs (Previous year Rs. 1,615.13 lacs)

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013	As at 31.03.2012
4	LONG TERM LIABILITIES		
	Unsecured		
	From Body Corporates	317,140,209	317,140,209
		317,140,209	317,140,209
5	SHORT TERM BORROWINGS		
	Secured		
	Working capital loan From Banks	1,233,288,861	473,627,350
		1,233,288,861	473,627,350

Working Capital

The working capital loans from the banks Rs.12,333.89 lacs (previous year Rs. 4,736.27 lacs) 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.

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013	As at 31.03.2012
6	TRADE PAYABLES		
	Sundry Creditors	1,043,686,286	1,145,751,447
		1,043,686,286	1,145,751,447

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.

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013	As at 31.03.2012
7	OTHER CURRENT LIABILITIES		
	Current Maturities of long term debt (Refer Note No.3)	225,317,527	175,887,638
	Sales Tax Deferment Loan (Refer Note No.3)	30,015,333	13,452,172
		255,332,860	189,339,810
8	SHORT-TERM PROVISIONS		
	Provision for Tax	17,314,553	10,735,238
	Provision for Excise Duty	15,195,626	4,226,324
	Proposed Dividend	-	22,500,000
	32,510,179	37,461,562	

9. FIXED ASSETS
DEPRECIATION AS PER COMPANIES ACT
(Amount in Rs.)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 01.04.2012	Additions	Deletions	As at 31.03.2013	As at 01.04.2012	Depreciation For the year	On Deletions	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012
TANGIBLE ASSETS:										
Land & Site Development	12,531,645	18,797,283	-	31,328,928	-	-	-	-	31,328,928	12,531,645
Buildings										
Non Factory	6,034,460	12,013,383	-	18,047,842	2,244,730	190,023	-	2,434,753	15,613,089	3,789,730
Factory	169,378,428	1,163,680	-	170,542,107	56,846,780	5,653,807	-	62,500,587	108,041,520	112,531,648
Plant & Machinery	1,427,091,485	150,788,127	8,877,861	1,569,001,751	582,812,152	90,243,477	1,517,626	671,538,003	897,463,748	844,279,333
Lab Equipment	4,629,331	1,329,058	1,260,252	4,698,137	81,043	294,919	109,640	266,322	4,431,815	4,548,288
Electrical Installations	49,508,847	79,200	-	49,588,047	35,441,723	1,746,361	-	37,188,084	12,399,963	14,067,124
Furniture	9,246,021	-	-	9,246,021	5,139,869	401,304	-	5,541,173	3,704,848	4,106,152
Office Equipment	5,558,530	-	-	5,558,530	3,021,105	285,970	-	3,307,075	2,251,455	2,537,425
Computers	8,577,533	-	60,721	8,516,812	6,582,070	620,271	26,344	7,175,997	1,340,815	1,995,463
Vehicles	4,393,141	-	-	4,393,141	3,093,812	215,010	-	3,308,822	1,084,319	1,299,329
TOTAL:	1,696,949,421	184,170,731	10,198,834	1,870,921,316	695,263,284	99,651,142	1,653,610	793,260,816	1,077,660,500	1,001,686,137
Previous Year	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
Capital Work in Progress									29,189,784	134,907,045

SCHEDULES CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

Sl. No.	Particulars	As at 31.03.2013	As at 31.03.2012
10	NON-CURRENT INVESTMENTS		
		-	-
		-	-
11	LONG TERM LOANS AND ADVANCES		
	Advances to Subsidiary	-	-
		-	-
12	INVENTORIES		
	Raw Materials	200,902,789	113,512,379
	Stores, Consumables & Packing Material	24,535,587	64,577,572
	Work-in-progress	223,569,561	219,877,883
	Finished Goods	144,190,039	45,467,293
	Material in transit	-	30,184
		593,107,975	443,465,311
13	TRADE RECEIVABLES		
	(Unsecured and Considered Good)		
	Over six months	113,668,074	7,039,663
	Others	1,933,673,618	1,463,442,872
		2,047,341,692	1,470,482,535
14	CASH & CASH EQUIVALENTS		
	Cash on hand	609,640	126,148
	Balance with Banks:-		
	In Current Accounts	1,621,462	61,245,199
	In Deposits Accounts	162,538,436	189,962,692
	(Pledged with bank as margin)		
		164,769,538	251,334,039
	Deposits Accounts		
	Rs.55,45,937/- (P.Y. Rs.1,26,46,112/-) maturity is more than 12 months.		
15	SHORT TERMS LOANS AND ADVANCES		
	(Unsecured and Considered Good)		
	Advance for Suppliers and expenses	33,340,474	17,813,120
	Advances to employees	18,780	155,009
	Other Advances	25,078,391	26,875,664
		58,437,645	44,843,793
16	OTHER CURRENT ASSETS		
	Deposits	10,334,659	10,216,189
	Accrued Interest on Deposits	1,208,395	53,513
	Balance with Govt. Departments	78,458,553	68,089,013
	Prepaid expenses	3,105,696	5,153,628
	Income Tax	53,157,668	25,859,104
		146,264,970	109,371,447

SCHEDULES CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

Sl. No.	Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
17	REVENUE FROM OPERATIONS		
	Sale of Products	4,123,295,354	2,935,080,897
	Other operating Revenue	14,551,586	12,038,565
		4,137,846,940	2,947,119,462
	Less: Excise duty	101,272,438	74,474,012
		4,036,574,501	2,872,645,450
18	OTHER INCOME		
	Interest Received	3,451,179	2,331,158
	Misc. Income	199,058	-
		3,650,237	2,331,158
	Broad particulars of sales of products		
	API/Intermediate	3,396,120,683	2,045,131,358
	Contract Manufacturing/Custom synthesis	615,469,593	787,244,009
	Others	24,984,225	40,270,083
		4,036,574,501	2,872,645,450

(Amount in Rs.)

Sl. No.	Particulars	For the year ended 31.03.2013		For the year ended 31.03.2012	
19	COST OF MATERIALS CONSUMED		3,395,954,472		1,994,003,650
		Amount	% of Consumption	Amount	% of Consumption
	Imported	171,475,823	5.05%	790,106,271	39.62%
	Indigenous	3,224,478,649	94.95%	1,203,897,379	60.38%
		3,395,954,472	100.00%	1,994,003,650	100.00%
	Broad Category Of Material Consumed				
	Chemical and Solvents		3,395,954,472		1,994,003,650
20	(INCREASE)/DECREASE IN STOCKS				
	Opening Stock				
	Work-in-progress	219,877,883		209,298,505	
	Finished Goods	45,467,293	265,345,176	118,824,428	328,122,934
	Closing Stock				
	Work-in-progress	223,569,561		219,877,883	
	Finished Goods	144,100,039	367,669,600	45,467,293	265,345,176
	Increase/(Decrease) in Excise duty on Finished goods		10,969,302		4,226,324
			(91,355,121)		67,004,082

SCHEDULES CONSOLIDATED FINANCIAL STATEMENTS

(Amount in Rs.)

Sl. No.	Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
21	PAYMENTS & BENEFITS TO EMPLOYEES		
	Salaries & Wages	112,755,249	112,645,870
	Staff Welfare Expenses	3,351,209	9,395,868
	Contributions to Funds	6,353,870	7,498,400
	Directors Remuneration	-	996,815
		122,460,328	130,536,953
22	OTHER MANUFACTURING EXPENSES		
	Packing Material consumed	3,230,996	4,162,036
	Stores and spares consumed	27,731,361	20,028,328
	Repairs & Maintenance	8,234,984	9,395,306
	Manufacturing Expenses	25,292,644	10,700,976
	Insurance Charges	2,808,211	2,302,836
		-	(16,553,818)
		67,298,196	30,035,664

VALUE OF STORES, CHEMICAL AND PACKING MATERIAL CONSUMED

(Amount in Rs.)

Sl. No.	Particulars	Year ended 31.03.2013		Year ended 31.03.2012	
		Amount	% of Consumption	Amount	% of Consumption
	Imported	-	-	-	-
	Indigenous	30,962,357	100.00%	24,190,364	100.00%
		30,962,357	100.00%	24,190,364	100.00%

(Amount in Rs.)

Sl. No.	Particulars	For the year ended 31.03.2013	For the year ended 31.03.2012
23	ADMINISTRATIVE AND SELLING EXPENSES		
	Rent, Rates & Taxes	2,573,276	6,675,322
	Printing & Stationary	1,046,556	1,887,778
	Postage, Telegrams & Telephones	820,426	1,352,625
	Professional Charges	4,152,927	8,720,030
	Travelling & Conveyance	1,449,208	2,698,065
	Auditors' Fees	401,832	188,085
	Vehicle Maintainance	3,876,951	5,643,822
	Vehicle Hire charges	3,453,610	3,144,566
	General Expenses	6,936,479	5,984,497
	Export Expenses	362,761	602,275
	ECGC Premium	187,302	206,900
	Outward Freight	3,925,257	7,002,484
	Sales Promotion & Advertisement	425,876	194,650
		29,612,461	44,301,099
24	INTEREST AND FINANCIAL CHARGES		
	Interest	163,009,826	168,589,433
	Other Financial Charges	21,060,332	37,206,122
		184,070,158	205,795,556

SCHEDULE -25 - 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 conformity 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 year and reversed in subsequent periods. Deferred Tax assets on accumulated losses and unabsorbed depreciation are recognised only to the extent there is certainty 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 assets are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

III. 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 the 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 circumstances 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	100

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	2012-13	2011-12
a. Estimated Amount of Unexecuted Capital Contracts	9,426,315	22,238,000
b. Letters of Credit	-	2,137,135
c. Bank Guarantees	4,800,000	3,360,000
d. Others	2,938,000	2,938,000

2. Managerial Remuneration:

(Amount in Rs.)

Particulars	2012-13	2011-12
Executive Director		
Salary	-	996,815
Perquisites	-	-

3. Auditors Remuneration:

(Amount in Rs.)

Particulars	2012-13	2011-12
Statutory Audit Fees	401,832	188,085
Tax Audit Fees	50,000	50,000
Certification and Consultancy Fees	50,000	50,000
	-	-

4. Foreign Currency / Exchange Transactions:

(Amount in Rs.)

Particulars	2012-13	2011-12
A. Value of Imports		
Raw Materials	2,424,184,966	124,864,459
B. Value of Exports - Direct	2,706,734,509	1,722,537,399
C. Expenditure in Foreign Currency (Rs.)		
a. Foreign Travel	-	-
b. Other Services	-	140,000

5. In view of brought forward 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	2012-13	2011-12
i) Domestic	1,329,839,992	1,150,108,051
ii) Exports	2,706,734,509	1,722,537,399

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	Arch Pharamalabs Ltd	Holding Company
4	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		2012-13	2011-12
1	Arch Pharamalabs Ltd	Purchase of fixed assets	-	203,091
2	Arch Pharamalabs Ltd	Sales of fixed assets	2,154,992	270,760
3	Arch Pharamalabs Ltd	Purchase	85,201,534	81,597,558
4	Arch Pharamalabs Ltd	Sales	260,519,220	24,742,694
5	Arch Pharamalabs Ltd	Interest Paid	-	17,537,077
6	Arch Pharamalabs Ltd	Dividend	-	14,309,100
7	Arch Pharamalabs Ltd	Deposite Received	-	122,283,793
8	Mr. V.S.Soma	Services	-	996,815
	Balances as on 31st March 2013			
	Arch Pharamalabs Ltd	Long Term Liability	317,140,209	317,140,209

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 31.03.2013	As on 31.03.2012
Employer's Contribution to Provident Fund	5,198,300	5,554,000

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 31.03.2013	As on 31.03.2012
Discount Rate	8.00%	8.00%
Salary Escalation	4.00%	4.00%

II. Table showing changes in present value of obligation as on 31.03.2013

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Present value of obligations as at beginning of year	8,623,498	6,389,287
Interest cost	689,880	511,143
Current service cost	1,224,756	1,110,861
Benefits paid	(765,920)	(617,689)
Actuarial (gain)/ loss on obligations	57,814	1,229,896
Present value of obligations as at end of year	9,830,028	8,623,498

III. Table showing changes in the fair value of plan assets as on 31.03.2013

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Fair Value of plan assets at beginning of year	2,422,574	1,759,862
Expected return on plan assets	159,200	153,625
Contributions	-	1,126,776
Benefits paid	(765,920)	(617,689)
Actuarial gain/(loss) on plan assets	NIL	NIL
Fair Value of plan assets at the end of year	1,815,854	2,422,574

IV. Table showing fair value of plan assets as on 31.03.2013

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Fair Value of plan assets at beginning of year	2,422,574	1,759,862
Actual return on plan assets	159,200	153,625
Contributions	-	1,126,776
Benefits paid	(765,920)	(617,689)
Fair Value of plan assets at the end of year	1,815,854	2,422,574
Funded status	(8,014,174)	(6,200,924)
Excess of Actual over estimated return on plan assets (Actual Rate of return = Estimated rate of return as ARD falls on 31 st March)		NIL

V. Actuarial gain/loss recognised as on 31.03.2013

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Actuarial (gain)/loss on obligations	(57,814)	(1,229,896)
Actuarial (gain)/loss for the year-plan assets	NIL	NIL
Actuarial (gain)/loss on obligations	57,814	1,229,896
Actuarial (gain)/loss recognised in the year	57,814	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 31.03.2013	As on 31.03.2012
Present value of obligations as at the end of year	9,830,028	8,623,498
Fair Value of plan assets as at the end of the year	1,815,854	2,422,574
Funded status	(8,014,174)	(6,200,924)
Net assets/(liability) recognised in balance sheet	(8,014,174)	6,200,924

VII. Expenses recognised in statement of profit and loss

(Amount in Rs.)

Particulars	As on 31.03.2013	As on 31.03.2012
Current service cost	1,224,756	1,110,861
Interest cost	689,880	511,143
Expected return on plan assets	(159,200)	(153,625)
Net Actuarial (gain)/ loss recognised in the year	57,814	1,229,896
Expenses recognised in statement of profit and loss	1,813,250	2,698,275

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	2012-13	2011-12
Deferred Tax liability (Net)	5,196,658	5,196,660

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	2012-13	2011-12
Net profit after tax	139,926,883	158,832,417
Excess/(Short) provision for tax for earlier years	-	7,676,311
Net Profit attributable to Equity shareholders	139,926,883	151,156,106
Weighted Average number of equity shares outstanding during the year	22,500,000	22,500,000
Basic and Diluted Earnings per share	6.22	6.72
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, 2013 on account of:

(Amount in Rs.)

Particulars	2012-13	2011-12
Trade Receivables	1,669,263,658	1,127,442,958
Borrowings	NIL	NIL
Trade Payables	720,817,883	806,158,609

12. Other Notes

- (a) 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) 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
Mem.No. 100407
FRN: 116309W

Sd/-
Ajit Kamath
Chairman & Managing Director

Sd/-
Manoj Jain
Director

Place : Mumbai
Date : 30.05.2013

Sd/-
Sunipa Ghosh
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March 2013

(Amount in Rs.)

Particulars	2012-2013	2011-2012
A. Cash Flow from Operating Activities		
Net Profit before tax and extraordinary items	148,719,527	176,705,380
Adjustments for Depreciation	99,651,142	108,609,112
Profit /(Loss) on Sale of Asset/Investment	-	-
Interest & Financial Charges	184,070,158	205,795,556
Operating Profits before Working Capital Changes	432,440,827	491,110,048
(Increase) / Decrease in Inventories	(149,642,664)	49,793,085
(Increase) / Decrease in Debtors	(576,859,157)	(836,589,856)
(Increase) / Decrease in Loans & Advances	(50,487,375)	92,682,538
Increase / (Decrease) in Current Liabilities	(30,023,494)	866,595,462
Increase / (Decrease) in Cash Credit Loan	759,661,511	(4,731,179)
Cash Generated from Operations	385,089,648	658,860,098
Income Tax	(17,860,477)	(19,958,146)
Net Cash flow from operating Activities (A)	367,229,171	638,901,952
B. Cash Flow from Investing Activities		
Fixed Assets	(78,453,467)	(144,587,591)
Sale of Fixed Assets	8,545,224	270,760
Investment in Subsidiary	-	-
Sale of Investments	-	-
Net Cash Used in Investing Activities (B)	(69,908,243)	(144,316,831)
C. Cash Flow from Financing Activities		
Change in long term borrowings	(185,528,269)	(48,205,535)
Proceed of issue of share from Minority		11,960,362
Profit on sale of Minority Interest	(14,287,001)	
Interest Paid	(184,070,158)	(205,795,556)
Payment of Dividend	-	(22,500,000)
Dividend Distribution Tax	-	(3,650,063)
Unsecured Loan	-	-
Net Cash inflow from Financing Activities (C)	(383,885,428)	(268,190,791)
Net Increase in Cash Flow (A+B+C)	(86,564,500)	226,394,330
Opening Balance of Cash and Cash Equivalent	251,334,039	24,939,708
Closing Balance of Cash and Cash Equivalent	164,769,539	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

Place : Mumbai
Date : 30.05.2013

Sd/-
Sunipa Ghosh
Company Secretary

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.

This is a wonderful opportunity for every shareholder of Avon Organics Limited to contribute to the ongoing global drive for conservation of natural resources by reducing paper consumption to a great extent.

We have been requesting our shareholders to share their email ids with since the past two financial years. However, due to a lukewarm response to this request and with very few registered email ids, the Management has decided to send physical Annual Reports to all shareholders this year .

We urge all our shareholders once again, to contribute to the cause by sharing their email ids. Shareholders holding shares in dematerialized form are requested to update their contact details with the depository participants with whom they maintain their demat accounts. Shareholders with shares in physical form are requested to fill up the form given below and send it back to the Registrars & Share Transfer Agents of the Company, XL Softech Limited at the following address:

XL Softech Limited (Unit: Avon Organics Limited)
3, Sagar Society, Road No. 2,
Banjara Hills, Hyderabad - 500034.
Ph: 040-23545913

We expect a better response from shareholders this year and intend to send e-Annual Reports to all shareholders of the Company, whose email-ids will be available with us by way of email from the next financial year. Such shareholders requiring Annual Report in physical form will be provided with such Annual Reports only on specific requests.

Best Regards,
Sd/-
Sunipa Ghosh
Company Secretary

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, Flat No.401, Sahiti 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
20th Annual General Meeting of the Company to be held on Saturday, 21st September, 2013, at Hotel
Daspalla, Road No. 37, Jubilee Hills, Hyderabad - 500 033, Andhra Pradesh at 10A.M.

Signed:

Date:



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



AVON ORGANICS LIMITED

Regd Off: Survey No. 18, Yawapur Village, Sadasivpet Mandal, Medak District, A.P.
Corp Off: H. No.8-3-1010/32, Flat No.401, Sahiti 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 20th Annual General Meeting of the Company held on Saturday, 21st September, 2013, at Hotel Daspalla, Road No. 37, Jubilee Hills, Hyderabad - 500 033, Andhra Pradesh at 10A.M.

Note:

Member/Proxy Signature

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.

Printed Matter
Book Post

If Undelivered, please return to:



AVON ORGANICS LIMITED

(AN ARCH ENTERPRISE)

H.No.8-3-1010/32, Unit 401, Sahiti Vijaya Enclave,
Beside Andhra Bank, Srinagar Colony,
Hyderabad-500 073.