

*31st Annual Report 2002 - 2003*



**INDIA GELATINE & CHEMICALS LIMITED**



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# INDIA GELATINE & CHEMICALS LTD.

## BOARD OF DIRECTORS

### *Chairman*

NALIN KARSONDAS VISSANJI

### *Managing Directors*

NAVinchandra RAMDAS MIRANI

CHANDRASINH HANSRAJ MIRANI - UPTO 14.10.2002

### *Executive Director*

VIREN C. MIRANI

### *Directors*

N. C. MIRANI

D. R. BHARUCHA

M. D. VORA

S. MIYAZAWA - UPTO 12.09.2002

K. C. DALAL

Y. MAEJIMA - UPTO 30.10.2002

T. TANAKA - UPTO 30.10.2002

K. ISHIHARA - FROM 30.10.2002

H. FUJIMOTO - FROM 30.10.2002

### *Financial Controller-cum*

### *Company Secretary*

K.P. VAGADIA

### *Auditors*

MAHENDRA N. SHAH & CO.

Chartered Accountants

E-3, Capital Commercial Centre,

Ashram Road, Ahmedabad - 380 009.

E-mail : mnshahco@wilnetonline.net

**"Bankers :** Sumitomo Mitsui Banking" Corporation, Mumbai

### *Head Office :*

77/78, Mittal Chambers,

228, Nariman Point,

Mumbai - 400 021.

### *Factory :*

Plot No. 1A, GIDC Industrial Estate,

National Highway No. 8,

Vapi - 396 195 (Gujarat)

### *Registered Office :*

703/704, 'SHILP', 7th Floor,

Near Municipal Market,

Sheth C. G. Road, Navrangpura,

Ahmedabad - 380 009.

Tel. : (079) 6466737

### *Registrar & Securities Transfer Agent :*

Sharepro\* Services

Satam Estate, III Floor,

Cardinal Gracious Road,

Chakala, Andheri (E),

Mumbai - 400 099.

Tel. : (022) 2821 5168 Fax : (022) 2837 5646



## FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

Sr.No.		1998-1999	1999-2000	2000-2001	2001-2002	2002-2003
1	Shareholders' Funds	7176	7969	8174	8372	8456
2	Loan Funds	2975	3053	2199	1139	NIL
3	Debt Equity Ratio	1 : 0.42	1 : 0.38	1 : 0.27	1 : 0.14	1:00
4	Sales & Other Income	5403	5411	5934	3952	3524
5	Profits (Subject to Depreciation & Tax)	1377	1413	998	765	475
6	Net Profit (Subject to Tax)	1064	1089	666	422	133
7	Profit after Tax & Before Extra Ordinary Items	964	989	606	360	91
8	Net Profit after Extra Ordinary Items	964	989	313	321	84
9	Book Value of Share (Rs)	84.62	93.97	96.39	98.73	99.72
10	Dividend per Share (Rs)	2.00	2.00	1.20	—	—



## INDIA GELATINE & CHEMICALS LTD.

### NOTICE

NOTICE be and is hereby given that the Thirtyfirst Annual General Meeting of the Members of INDIA GELATINE & CHEMICALS LTD. will be held at GICEA, Nirman Bhavan, (Gajjar Hall), Nr. Law Garden, Ahmedabad – 380 006. on Monday, the 8th of September, 2003 at 11.00 a.m. to transact the following business :

#### ORDINARY BUSINESS :

1. To receive, consider and adopt Audited Balance Sheet as at 31<sup>st</sup> March, 2003 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. K. Ishihara, who retires by rotation but being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. H. Fujimoto, who retires by rotation but being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Viren C. Mirani, who retires by rotation but being eligible offers himself for re-appointment.
5. To appoint Auditors for the year 2003-2004 and to fix their remuneration.

#### SPECIAL BUSINESS :

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

"RESOLVED THAT the consent of the Company be and is hereby granted in terms of Section 293(1) (a) and all other applicable provisions of the Companies Act, 1956 to the Board of Directors to mortgage and/or charge in addition to the mortgages/charges created/to be created by the Company in such form and manner and with such ranking and at such time and on such terms as the Board may determine on all or any of the movable and/or immovable properties of the Company both present and future and/or the whole or any part of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in certain events of default in favour of the Sumitomo Mitsui Banking Corporation, Hongkong Branch (hereinafter referred to as "Bank"), its nominees, agents or representatives in terms of documents making advances to the company and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board & the Bank."

"RESOLVED FUTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorized to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and finalise such documents for creating mortgages/charges, if required, with the Bank as it may deem fit."

By the Order of the Board of Directors

Place : Ahmedabad

Date : 25.07.2003

K. P. Vagadia  
(Company secretary)

#### Details of Directors seeking reappointment at forthcoming Annual General Meeting :

	Mr. K. Ishihara	Mr. H. Fujimoto	Mr. Viren C. Mirani
1) Date of Birth	05.08.1951	06.07.1950	21.08.1965
2) Date of Appointment	30.10.2002	30.10.2002	21.07.2000
3) Qualification	B.Sc.	B.Eco.	B.Com.
4) Expertise in Specific Functional Area	Executive with rich business experience in General	Executive with rich business experience in General	Industrialist with rich business experience in General
5) Directorship in other Public Ltd. Companies	—	—	2
6) Membership of Committees in other Public Ltd. Companies	—	—	1



## INDIA GELATINE & CHEMICALS LTD.

### 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/herself and that such proxy need not be a member.
2. Proxies in order to be valid must be received by the Company, not less than 48 hours before the commencement of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from 02.09.2003 to 08.09.2003 (both days inclusive)
4. Pursuant to section 205A of the Companies Act, 1956, all Unclaimed Dividend upto Financial year Ended 31<sup>st</sup> March, 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet claimed their Dividend Warrants for the said period, are requested to claim the amount from the Registrar of Companies by submitting an application in the prescribed Form.
5. Pursuant to Section 205A(5) of the Companies Act, 1956 as amended, any money transferred to Unpaid Dividend Account of the Company which remain unpaid or unclaimed for a period of 7 (Seven) years from the date of such Transfer to the Unpaid Dividend Account shall be transferred by the Company to the Investor Education and Protection fund established by the Central Government and the Shareholders shall not be able to claim any Unpaid Dividend from the said fund or from the Company thereafter.  
  
Members who have not yet encashed the dividend warrant(s) for the Financial Year 1995-96 and any subsequent Dividend payment(s) are requested to make their claims to the company.
6. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least 7 (Seven) days in advance, so as to enable the Company to keep the information ready.
7. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting, Members are requested to bring their copies of the Annual Report at the Meeting.
8. Members are requested to inform immediately of any change in their address to the Company's Share Transfer Agents.
9. Members can avail of the nomination facility by filing Form No.2B with the Company. Blank forms will be supplied on request.
10. Explanatory Statement u/s. 173(2) is annexed hereto.

### Explanatory Statement u/s 173(2) of the Companies Act, 1956

#### Re : Item No.6

Dear Members,

The Company is planning to incur capital expenditure for Captive Power Plant for which it has been sanctioned term loan in terms of External Commercial Borrowing of US\$.1 Million i.e. approximate Rs.4.50 crores from Sumitomo Mitsui Banking Corporation, Hongkong Branch (Referred to as "Bank")

To secure borrowing from the bank it may also be required to change/mortgage, hypothecate the assets and properties of the Company both present and future as may be required by the Lenders. As the documents that may be required to be executed between the Company and the Lenders or other instruments may contain the power to take over the management of the Company in certain events, it is necessary for the members to pass a resolution u/s 293(1) (a) of the Act before the creation of the mortgage/charge/hypothecation.

The Board of Directors consider the above proposal to raise finance and create charges as in the best interests of the Company.

The Board, therefore, commends the resolution for your approval.

No Director is, in any way, concerned or interested in the resolution.

By the Order of the Board of Directors

Place : Ahmedabad  
Date : 25.07.2003

K. P. Vagadia  
(Company secretary)



**INDIA GELATINE & CHEMICALS LTD.****DIRECTORS' REPORT**

The Directors of your Company have pleasure in presenting their 31st Annual Report with the Audited Statements of Accounts for the year ended 31st March, 2003.

	<b>2002-2003</b> <b>Rs.</b>	<b>2001-2002</b> <b>Rs.</b>
<b>FINANCIAL RESULTS</b>		
Profit for the year after deducting all the charges and expenses but before depreciation and taxation	<b>4,74,53,588</b>	7,64,38,025
<b>FROM WHICH ARE DEDUCTED</b>		
Depreciation	<b>3,41,75,625</b>	3,42,59,940
Taxation		
Current	<b>42,00,000</b>	61,44,786
Deferred	<b>6,97,000</b>	39,05,214
	<b>3,90,72,625</b>	4,43,09,940
Resulting in a Net Profit	<b>83,80,963</b>	3,21,28,085
<b>TO WHICH ARE ADDED :</b>		
Surplus Brought Forward	<b>1,73,00,921</b>	1,51,72,836
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>	<b>2,56,81,884</b>	4,73,00,921
<b>APPROPRIATION TO</b>		
General Reserve	<b>1,00,00,000</b>	3,00,00,000
Surplus Carried to next year's account	<b>1,56,81,884</b>	1,73,00,921
	<b>2,56,81,884</b>	4,73,00,921

**OPERATIONS :**

The current years operating profits are not very satisfactory. The gross profit and net profit both have significantly declined as compared to that of the previous years. Drastic reduction in sale of Ossein is one of the major reasons for reduction in profits due to the closing down of operations of one of our major customers.

However, timely steps taken by the management to concentrate on the production and manufacture of Gelatine, helped the company to maintain its overall turnover. The company has been able to explore new customers in both domestic as well as export markets. Technical upgradation and modification programme undertaken with the assistance of a British firm is in progress and is likely to be completed by the year end. The effect of the same is likely to be reflected in the next year.

As compared to last year there has been a phenomenal and unusual rise in the cost of major inputs by about 23% and in the cost of power and fuel by about 14% and consequently operating performance is adversely affected. Gross Profit of the year has declined by about 38% as compared to the last year.

The Gelatine industry as a whole is passing through difficult times and your company is also no exception to the impact of Bovine Spongiform Encephalopathy (BSE)/ "madcow" disease in Europe/Japan/Canada and Phytosanitary regulations imposed by various foreign countries. Your management is however taking steps on that front by procurement of safer raw material.

The efforts of the management on various issues such as Procurement of Raw Materials, Technical upgradation, Exploring various avenues for the market of Gelatine and overall economy in other operational expenses are likely to result in an improved performance in coming months.

The company has also decided to install its own power generation plant to meet with part of the power requirements at a cost of around Rs.5.50 crores. This will provide a partial shield to the company against rising prices of electricity by GEB.

**DIVIDEND**

Due to inadequate profits during the year your directors are constrained to decide not to declare any dividend for the year.

**TAXATION**

The company has made a provision for the mandatory requirement of "Deferred Tax Liability" for the current year in terms of "Accounting Standard 22 Accounting for Taxes on Income" Accordingly Rs.6.97 lakhs have been charged to the current years Profit and Loss Account. Rs.42 lacs have also been provided for current years Tax.



**INDIA GELATINE & CHEMICALS LTD.****YEAR IN PROSPECT**

The thrust of the company's policy is to concentrate on exploring more & more areas for the marketing of Gelatine. On completion of the Technical upgradation programme, the company hopes to achieve better quality and yield of Gelatine.

Other concurrent measures taken by the management to achieve reduction in costs of various inputs coupled with the installation of captive power plant will make it possible for the company to withstand competition in the market.

**FINANCE**

The Company continued to get requisite assistance and co-operation from the Banks to meet with its day to day financial requirements.

**INDUSTRIAL RELATIONS**

Industrial relations continued to be cordial and satisfactory.

**DIRECTORS**

Shri C.H. Mirani, the Company's promoter Managing Director passed away on 14<sup>th</sup> Oct, 2002. He was one of the main architects and motivating force for the stupendous progress made by your company. His was an awe inspiring personality & with his ever cheerful disposition, he was a friend of all and foe of none. On his departure the company has lost its friend, philosopher & guide. May Almighty rest his soul in eternal peace.

Mr. K.Ishihara, Mr. H. Fujimoto and Mr. V. C. Mirani retire by rotation at the ensuing Annual General Meeting and being eligible, you are requested to re-appoint them.

**DIRECTORS' RESPONSIBILITY STATEMENT :**

As stipulated in Section 217(2AA) of the Companies Act, 1956, your Directors subscribe to the "Directors' Responsibility Statement" and confirm as under :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- ii) that the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for that period;
- iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the directors have prepared the annual accounts on a going concern basis.

**AUDITORS**

Messrs Mahendra N. Shah & Co., Chartered Accountants, the Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, members are requested to re-appoint them for the current year.

**INSURANCE**

All the properties of the Company including Building, Plant and Machinery and Stocks have been adequately covered under insurance.

**PARTICULARS OF EMPLOYEES**

There are no employees who are drawing Remuneration of Rs.24,00,000/- p.a. or more during the year or Rs.2,00,000/- p.m. or more if employed for part of the year hence, the information required under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2003, is not furnished.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT :**

Report on Management Discussion and Analysis is annexed herewith.

**CORPORATE GOVERNANCE :**

A report on Corporate Governance alongwith Certificate from the Auditors are annexed.

**PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information required 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, and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2003, is annexed hereto.

**APPRECIATION**

The devoted services of the Workers, Staff and Executives have contributed largely to the efficient management of the affairs of the Company.

**For and on behalf of the Board of Directors**

Place : MUMBAI  
Date : 24.07-2003

**Nalin K. Vissanji**  
CHAIRMAN



# INDIA GELATINE & CHEMICALS LTD.

## ANNEXURE TO DIRECTORS' REPORT

Information under section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo.

### (A) CONSERVATION OF ENERGY

- a) Energy conservation measures taken.  
Energy efficient Air Classifying System is installed for impurity removal from raw material.
- b) Additional investments and proposals.  
Super decanter is installed for better separation of solids from sludge.  
The Company has taken decision to install MW Captive Power Plant, which is Furnace Oil based, at Vapi. This will help company to keep its power cost in control against rising GEB power tariffs.
- c) Impact of measures in (a) and (b) above;  
On implementation of the above, the Company expects saving of about 5% in energy consumption.
- d) Total energy consumption and energy consumption per unit of production.

#### FORM - A

### a. Power and Fuel Consumption

1. Electricity			
(a) Purchased	2002-2003	2001-2002	
Unit (KWH)	28,74,875	64,60,895	
Total Amount (Rs.)	1,70,50,264	3,36,22,492	
Rate/Unit (Rs)	5.93	5.20	
(b) Own Generation			
i) Through Diesel Generator			
Units (KWH)	45,91,184	8,14,396	
Unit per Ltr of Diesel	3.52	3.37	
Oil (KWH)			
Cost/Unit (Rs)	5.15	5.09	
ii) Through Steam Turbine Generator			
Units	Nil	Nil	
Unit per Ltr of Fuel Oil/Gas	Nil	Nil	
Cost/Unit	NA	NA	
2. a) Furnace Oil/LSHs			
Quantity (Ltrs)	32,06,845	27,37,658	
Total Amount (Rs.)	3,32,04,148	2,47,35,365	
Average Rate per litre (Rs.)	10.35	9.04	

### b. Consumption per Unit of Production

	Standards	2002-2003		2001-2002	
Product-Unit	MTs	Ossein	Gelatine	Ossein	Gelatine
Electricity	Unit	1105.37	3352.09	1341.30	4831.13
Furnace Oil	Litre	269.20	1980.14	355.35	2865.55

### (B) TECHNOLOGY ABSORPTION

#### FORM-B

#### I. Research and Development

- i) For quality improvement of Ossein and Gelatine, the main products, Research and Development is carried out by the Company.
- ii) The quality of the products manufactured by the Company has been accepted by our overseas buyers. There is no rejection in the goods exported. However, there is ample scope for further improvement in the quality.

#### II. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

During the year the Company has acquired Technical Know How from a well known British Firm M/s. Chemtech International. It has provided most updated information and technology. Its guidance for quality improvement, standardization and stabilization in quality of Gelatine, will be quite helpful in improving market share.

Technicians of the said firm have made frequent visits to our plants and provided guidance for Technical Development and adaptation. The company is hopeful of deriving immense benefits on implementation of the programme by installation of various equipments suggested by them.

### (C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Export during this year are Rs.1216.47 Lacs as compared to Rs. 2052.75 Lacs last year. Your Company's products are exported to various markets including Japan and U.S.A.

The total remittance in foreign currency on account of Dividend, Travelling, Subscription, Technical Fees, Legal Fees, Import of Capital Goods, Spares etc. amounted to Rs.104.95 Lacs as against 266.37 Lacs during the last year.

For and on Behalf of the Board of Directors

Place : Mumbai  
Date : 24.07.2003

Nalin K. Vissanji  
Chairman