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32nd Annual Report 2003-2004

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INDIA GELATINE & CHEMICALS LIMITED

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INDIA GELATINE & CHEMICALS LTD.

BOARD OF DIRECTORS

Chairman
NALIN KARSONDAS VISSANJI

Managing Director
NAVINCHANDRA RAMDAS MIRANI

Executive Director
VIREN C. MIRANI

Directors
N. C. MIRANI
D. R. BHARUCHA
M. D. VORA
K. C. DALAL
K. ISHIHARA - UPTO 08-09-2003
M. OGURA - FROM 08-09-2003
H. FUJIMOTO

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@hotmail.com

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) 2646 9514

Registrar & Securities Transfer Agent :
Sharepro Services
Satam Estate, III Floor, Cardinal Gracious Road,
Chakala, Andheri (E), Mumbai 400 099
Tel : (022) 28215168 Fax : (022) 28375646

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FINANCIAL HIGHLIGHTS

(Rs. in lacs)

Sr. No.		1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
1.	Shareholders' Funds	7969	8174	8372	8456	8080
2.	Loan Funds	3053	2199	1139	NIL	437
3.	Debt Equity Ratio	1:0.38	1:0.27	1:0.14	1:00	1:0.05
4.	Sales & Other Income	5411	5934	3952	3524	4551
5.	Profits (Subject to Depreciation & Tax)	1413	998	765	475	428
6.	Net Profit (Subject to Tax)	1089	666	422	133	84
7.	Profit after Tax & before Extra Ordinary Items	989	606	360	91	44
8.	Net profit after Extra Ordinary Items	989	313	321	84	56
9.	Book Value of share(Rs.)	93.97	96.39	98.73	99.72	95.28
10.	Dividend per share (Rs.)	2.00	1.20	–	-	0.50

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INDIA GELATINE & CHEMICALS LTD.

NOTICE

NOTICE be and is hereby given that the Thirtysecond Annual General Meeting of the Members of **INDIA GELATINE & CHEMICALS LTD.** will be held at GICEA, Nirman Bhavan (Gajjar Hall) Nr. Law Garden, Ellisbridge, Ahmedabad – 380 006 on Wednesday, the 1st of September, 2004 at 11.00 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004 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 declare a dividend.
3. To appoint a Director in place of Shri N.R. Mirani, who retires by rotation but being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri D.R. Bharucha, who retires by rotation but being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri M.D. Vora, who retires by rotation but being eligible offers himself for re-appointment.
6. To appoint Auditors for the year 2004-2005 and to fix their remuneration.

By Order of the Board of Directors

Place : Ahmedabad
Date : 14-07-2004

K.P. Vagadia
(Company Secretary)

Details of Directors seeking reappointment at forthcoming Annual General Meeting :

Name	Shri N.R. Mirani	Shri D.R. Bharucha	Shri M.D. Vora
1) Date of Birth	29.01.1935	04.09.1925	24.05.1931
2) Date of Appointment	14.06.1973	22.01.1975	22.01.1975
3) Qualification	B.Com	C.A.	M.A., LLB, DBM
4) Expertise in Specific Functional Area	Industrialist with Rich Business Experience in General	Practising Chartered Accountant, Partner of R S. Bharucha & Co., Vast experience in Audit, Taxation & Company Law matters etc.	Industrialist with Rich Business Experience in General.
5) Directorship in other Public Ltd. Companies	2	1	—
6) Membership of committees in other Public Ltd. Companies	—	—	—

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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 23.08.2004 to 01.09.2004 (both days inclusive)

4. Dividend if declared / approved will be paid to the shareholders holding shares of the Company within 30 days from the date of declaration in terms of section 205-A of the Companies Act, 1956.

5. Members are requested to note that the dividend warrants are payable at par at the designated branches of the bank for an initial period of 3 months only. Thereafter the dividend warrant on revalidation is payable only at limited branches.

6. Pursuant to section 205A of the Companies Act, 1956, all Unclaimed Dividend upto financial year ended 31st March, 1995 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, (Gujarat), opp. Rupal Park, Near Ankur Char Rasta, Naranpura, Ahmedabad 380013 by submitting an application in the prescribed form.

7. 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 (IEPF)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. Accordingly the Company has already transferred dividend for the year ended 31st March, 1996 to IEPF.

   Members who have not yet encashed the dividend warrant(s) for the financial year 1996-97 and thereafter are requested to make their claims to the Company.

8. 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.

9. 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.

10. Members are requested to inform immediately of any change in their address to the Company's Share Transfer Agents.

11. Members can avail of the nomination facility by filing Form No.2B with the Company. Blank forms will be supplied on request.

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INDIA GELATINE & CHEMICALS LTD.

DIRECTORS' REPORT

The Directors of your Company have pleasure in presenting their 32nd Annual Report with the Audited Statements of Accounts for the year ended 31st March, 2004.

		2003-2004 Rs.	2002-2003 Rs.
FINANCIAL RESULTS			
Profit for the year after deducting all the charges and expenses but before depreciation and taxation		4,28,26,000	4,74,53,588
FROM WHICH ARE DEDUCTED			
Depreciation	3,43,19,184		3,41,75,625
Taxation			
Current	40,00,000		42,00,000
Deferred	(12,15,873)		6,97,000
		3,71,03,311	3,90,72,625
Resulting in a Net Profit		57,22,689	83,80,963
Less : Short Provision of earlier Year		1,08,694	—
		56,13,995	83,80,963
TO WHICH ARE ADDED :			
Surplus Brought Forward		1,56,81,884	1,73,00,921
Balance Available for Appropriation		2,12,95,879	2,56,81,884
APPROPRIATION FOR			
Proposed Dividend		42,40,000	—
Corporate Dividend Tax		5,54,115	—
General Reserve		—	1,00,00,000
Surplus Carried to next year's account		1,65,01,764	1,56,81,884
		2,12,95,879	2,56,81,884

OPERATIONS :

During the year operating profits earned by the Company are marginally lower than last year, despite there being significant increase both in turnover and production of all the 3 products manufactured by the Company. Production of both Ossein & Di-Calcium Phosphate (DCP) have increased by about 35% and Gelatine by about 11% over last year.

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Steep rise in the procurement cost of crushed bones, one of the major raw materials consumed by your Company, coupled with a sharp fall in the sale realization of DCP as well as stagnation in the sale values both of Ossein & Gelatine have neutralized the gain realized through increased production. The fall in the sale realization of DCP and sharp increase in prices of crushed bones by themselves affected the margins of the Company by a sum of around Rs.4.35 crores. This has been marginally offset by the reduction in the prices of Hydrochloric acid. Strengthening of Indian rupee against the US dollar also affected the export realizations.

All these factors arrested a corresponding increase in net profits commensurate to the increase in production and turnover.

The Gelatine industry world over is still passing through a difficult situation. The continued impact of "Mad-Cow" disease and corresponding stricter norms applied by international markets have adversely affected the overall demand of Gelatine meant for human consumption. The scare created by the disease still has its effects on the sentiments of consumers in various markets resulting in development of alternative sources of Gelatine. Rapid advances in the field of development of digital photography over conventional products have resulted in overall reduction in the demand for Photographic Gelatine.

The outbreak of "AVIAN INFLUENZA" in East Asian Countries has further resulted in low realization of DCP and its overall offtake.

DIVIDEND :

Even though profits of the Company are not adequate, your directors recommend the payment of dividend @ 5% on the paid up share capital of the Company. The board appreciates the continued support of the shareholders, through this difficult time.

TAXATION :

The Company has made a provision of Rs.40 lacs as current year's tax. Gain arising for the year in Deferred Tax amounting to Rs.12.15 lacs has been adequately dealt with in Profit & Loss Account.

YEAR IN PROSPECT :

The Company's captive power plant has already been commissioned in the middle of May 2004. As a result thereof reduction in cost of power will be achieved during the current year. The technical upgradation programme is under implementation and the Company has been able to stabilize the quality of gelatine. The management has taken a decision to increase the installed capacity from 1320 Mt. To 1600 Mt per annum by adding certain balancing equipments. Further to achieve optimum level of production various technical aspects are currently under study.

Although market conditions remain tough, it is hoped that, other concurrent measures taken by the management to explore additional markets for the export of Ossein & Gelatine and achieve overall reduction in costs of production coupled with the installation of capitive power plant, will make it possible, for the Company to meet growing challenges both in the international and domestic market.

FINANCE :

The Company has availed External Commercial Borrowing (ECB) facility of US$. 1 Million from Sumitomo Mitsui Banking Corporation, Hongkong at a very competitive rate mainly to finance captive power plant. The Company continued to get requisite assistance and co-operation from its bankers as & when needed.

INDUSTRIAL RELATIONS :

Industrial relations continued to be cordial and satisfactory.

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INDIA GELATINE & CHEMICALS LTD.

DIRECTORS :

Shri N.R. Mirani, Shri D.R. Bharucha and Shri M.D. Vora 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 31st March, 2004, 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 31st March, 2004, 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 : 13-07-2004

NALIN K. VISSANJI
CHAIRMAN

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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. Super decanter is installed for better separation of solids from sludge.

b) **Additional investments and proposals :** Installation of 1465 KW Gen set captive power plant based on furnace oil was under advance stage of installation and commissioned in 1st quarter of this year. This will help company to keep its power cost in control against rising GEB power tariffs.
Company had already purchased Energy Efficient Burner for boiler from M/s. Max Weishaupt – GmBH and the same is commissioned in the first quarter of this year.

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

		2003-04	2002-03
a. Power & Fuel Consumption			
1. Electricity			
a)	Purchased		
	Units (KWH)	83,84,800	28,74,875
	Total Amount (Rs.)	4,49,40,824	1,70,50,264
	Rate / Unit (Rs.)	5.36	5.93
b)	Own Generation		
1)	Through Diesel Generator		
	Units (KWH)	10,80,078	45,91,184
	Unit per Ltr. Of Diesel Oil (KWH)	3.61	3.52
	Cost / Unit (Rs.)	6.43	5.15
2)	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 (Kgs.)	34,87,345	32,06,845
	Total Amount (Rs.)	3,51,16,826	3,32,04,148
	Average Rate per Kgs. (Rs.)	10.07	10.35

b. Consumption per unit of production.

	Standards	2003-2004		2002-2003	
Product-Unit	MTs	Ossein	Gelatine	Ossein	Gelatine
Electricity	Unit	1113.14	3437.98	1105.37	3352.09
Furnace Oil	Kgs.	266.25	1847.75	269.20	1980.14

(B) TECHNOLOGY ABSORPTION

FORM 'B'

i. **RESEARCH AND DEVELOPMENT**

i. For quality improvement of the main products viz. Ossein and Gelatine, 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**

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.

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

Export during this year are Rs. 2021.55 lacs as compared to Rs.1178.64 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 Commission, Travelling, Subscription, Technical Fees, Legal Fees, Import of Capital Goods, Spares etc. amounted to Rs. 409.19 lacs as against 104.95 lacs during the last year.

For and on Behalf of the Board of Directors.

Place : MUMBAI
Date : 13-07-2004

NALIN K. VISSANJI
CHAIRMAN

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