

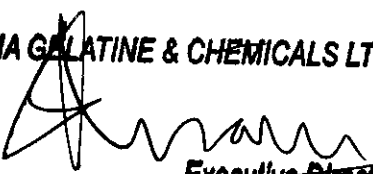


38TH ANNUAL REPORT - 2009 - 2010



INDIA GELATINE & CHEMICALS LIMITED

INDIA GELATINE & CHEMICALS LTD.


Executive Director





CONTENTS

| | | | | | Page No/s. |
|------------------------------------|---|---|---|---|------------|
| Board of Directors | — | — | — | — | 2 |
| Financial Highlights | — | — | — | — | 3 |
| Notice | — | — | — | — | 4-9 |
| Directors' Report | — | — | — | — | 10-13 |
| Management Discussion and Analysis | — | — | — | — | 14 |
| Report on Corporate Governance | — | — | — | — | 15-21 |
| Auditors' Report | — | — | — | — | 22-25 |
| Balance Sheet | — | — | — | — | 26 |
| Profit and Loss Account | — | — | — | — | 27 |
| Schedules and Notes to Accounts | — | — | — | — | 28-43 |
| Balance Sheet Abstract | — | — | — | — | 44-45 |
| Cash Flow Statement | — | — | — | — | 46 |
| Proxy / Attendance Slip | — | — | — | — | 47 |



INDIA GELATINE & CHEMICALS LTD.

BOARD OF DIRECTORS

Chairman

NALIN KARSONDAS VISSANJI

Executive Director

VIREN CHANDRASINH MIRANI

Directors

N.C. MIRANI

M.D. VORA

K.C. DALAL

H. KAWASAKI (up to 25.09.2009)

S.N. PITTIE

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@gmail.com

Bankers

Union Bank of India, Mumbai

HDFC Bank Ltd., Mumbai

Citibank, N. A., 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) 26469514

Registrar & ShareTransfer Agent :

Sharepro Services (India) Pvt. Ltd.

13AB Samhita Warehouseing Complex,

Second Floor,

Sakinaka Telephone Exchange Lane,

Off Andheri Kurla Road,

Andheri (East),

Mumbai - 400 072

Tel : (022) 67720300 Fax : (022) 28591568



FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

| Sr.No. | | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010 |
|--------|---|-----------|-----------|-----------|-----------|-----------|
| 1 | Shareholders' Funds | 8135 | 8326 | 8448 | 9073 | 9528 |
| 2 | Loan Funds | 508 | 245 | 296 | 150 | 91 |
| 3 | Debt Equity Ratio | 1 : 0.06 | 1 : 0.03 | 1 : 0.04 | 1 : 0.02 | 1:0.01 |
| 4 | Sales & Other Income | 6057 | 6421 | 6178 | 8225 | 8441 |
| 5 | Profits (Subject to Depreciation & Tax) | 418 | 331 | 614 | 1687 | 1377 |
| 6 | Net Profit / (Loss) Subject to Tax | 37 | (52) | 226 | 1278 | 962 |
| 7 | Profit / (Loss) after Tax & Before Extra Ordinary Items | 36 | (34) | 199 | 845 | 674 |
| 8 | Net Profit / (Loss) after Extra Ordinary Items | 36 | (34) | 199 | 845 | 674 |
| 9 | Book Value of Share (Rs) | 95.94 | 88.57 | 89.87 | 96.52 | 101.36 |
| 10 | Dividend % | — | — | 7 | 20 | 20 |



INDIA GELATINE & CHEMICALS LTD.

NOTICE

NOTICE be and is hereby given that the Thirty Eighth 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 Tuesday, the 28th September, 2010 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, 2010 and the Profit and Loss Account for the year ended on that date together with the Report of Directors and the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Nalin K. Vissanji, who retires by rotation but being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Nayan C. Mirani, who retires by rotation but being eligible offers himself for re-appointment.
5. To appoint Auditors for the year 2010-2011 and to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modifications the following Resolution as a "Special Resolution".

SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and 310 of the Companies Act, 1956 read with Proviso to Part 1(C), Section II of Schedule XIII thereof as amended from time to time and other applicable provisions, if any, of the Companies Act, 1956 and further subject to the approval of the Central Government, the consent of members be and is hereby accorded to the terms and conditions as contained in Draft Agreement of reappointment of Mr. Viren C. Mirani with an elevated designation as Managing Director of the Company with effect from 1st April, 2011 for a period of 3 years."

"RESOLVED FURTHER THAT a note be and is hereby taken of the terms and conditions including the remuneration payable as contained in the draft agreement of the re-appointment of Mr. Viren C. Mirani, Managing Director as approved by Remuneration Committee and the Board of Directors in their respective meetings held on 11th August 2010."

"RESOLVED FURTHER THAT the Board of directors of the Company be and is hereby authorized to execute the agreement with the Managing Director subject to the approval of the Central Government and to do all such acts, deeds, matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, or doubt that may arise in relation thereto and the Board shall have absolute powers to accept any modification in the terms and conditions as may be approved by the Central Government while according its approval and acceptable to Mr. Viren C. Mirani as the Managing Director and to modify the same in accordance with the said approval of the Central Government and to give effect to the foregoing resolution, or as may be otherwise considered by it to be in the best interest of the Company."

"RESOLVED FURTHER THAT till the approval from the Central Government is received, Mr. Viren C. Mirani, shall be paid a remuneration not exceeding Rs.3,50,000/- p.m. as permitted in Part I B, Section II of Part II of Schedule XIII, duly approved by shareholders by passing Special Resolution and that after obtaining Central Government's approval, he will be paid a remuneration as proposed and approved and made effective from 1st April, 2011"

"RESOLVED FURTHER THAT Mr. Viren C. Mirani, Managing Director will also be entitled for the reimbursement of actual entertainment, traveling, boarding and lodging expenses incurred by him in connection with the Company's business and such other benefits/amenities and other privileges, as any from time to time, is available to other Senior Executives of the Company."

By Order of the Board of Directors

Place : Ahmedabad

Date : 12.08.2010

K.P.VAGADIA
(Company Secretary)

**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. Proxies in order to be valid must be received by the Company, not less than 48 hours before the commencement of the meeting.
2. An Explanatory Statement, as required by Section 173 (2) of the Companies Act, 1956 in respect of Special Business as set out above is annexed hereto.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, 20th September 2010 to Tuesday, 28th September 2010 (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 Act.
5. Members are informed that the company's equity shares are compulsorily traded in demat form for all investors, effective from 1st April, 2002. Members may open Depository Account in their names with a Depository Participant to dematerialize their holdings.
6. Pursuant to the provisions of Section 205C of the Companies Act, 1956, the dividend remaining unclaimed/unpaid for a period of Seven Years from the date it becomes due for payment shall be credited to the investors education and protection fund (Fund) set up by the Central Government. Members who have so far not claimed the dividend are requested to make claim with the company immediately as no claim shall lie against the Fund or the Company in respect of individual amount once credited to the said Fund.
7. 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.
8. Members attending the meeting are requested to bring with them the Attendance Slip attached to the Annual Report duly filled in and signed and handover the same at the entrance of the hall.
9. Members are requested to inform immediately of any change in their address to the Company's Share Transfer Agents.
10. Members are Requested to not that pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, Share Holding of the Non - Executive Directors proposed to be re-appointed/appointed as given below and forms part of the Notice :

Details of Directors seeking reappointment at the forthcoming Annual General Meeting :
(Disclosure pursuant to Clause 49 of Listing Agreement)

| | Name | Mr. Nalin K. Vissanji | Mr. Nayan C. Mirani |
|---|--|--|--|
| 1 | Date of Birth | 14.01.1931 | 08.06.1960 |
| 2 | Date of Appointment | 11.03.1974 | 24.01.1983 |
| 3 | Qualification | B.Sc | B.Com |
| 4 | Expertise in Specific Functional Area | Industrialist 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 | — | — |
| 7 | Share Holding of Directors seeking re-appointment as on 31-03-2010 | 6944 | 145128 |



ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956:

ITEM NO. 6:

Item No.6 of the Notice relates to the re-appointment of Mr. Viren C. Mirani with an elevated designation as that of Managing Director of the Company, whose present tenure will expire on 31st March, 2011. The new terms of appointment of Managing Director will be effective for 3 years from 1st April, 2011 to 31st March, 2014. The new proposed remuneration is higher than the limits fixed by the Central Government under Schedule XIII of the Companies Act, 1956. It is covered by proviso to Part 1(C), Section II of Schedule XII to the Companies act 1956 & will be effective, subject to the approval of the Central Government and members in the 38th Annual General Meeting of the Company.

The terms and conditions of re-appointment of Mr. Viren C. Mirani, as the Managing Director of the Company are as under:-

REMUNERATION:

a) Salary

Rs. 5,00,000/- per month.

b) Perquisites

Maximum up to Rs.2,00,000 per month which shall include perquisites of Categories 'A' 'B' and 'C' as below :

CATEGORY 'A'

i) He shall be paid Gas, Electricity, Water etc. of his residence which will be valued as per the Income Tax Rules, 1962.

ii) Medical Reimbursement:

Expenses incurred for self and his family. He shall also be entitled to the benefit of Medical Treatment referred to in Proviso to Section 17(2) of the Income Tax Act, 1961 or to such modifications as may be made therein from time to time.

iii) Leave Travel Concession:

For self and family once in a year incurred in accordance with any rules specified by the Company.

iv) Club Fees:

Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

v) Personal Accident Insurance:

Premium not to exceed Rs. 40,000/- per annum.

vi) Mediclaim Insurance:

Premium not to exceed Rs. 15,000/- per annum or such other modified amount as is exempt under Income Tax Act.

CATEGORY 'B'

i) Contribution to Provident Fund & Other Funds:

Contribution to the Provident Fund, Superannuation or Annuity Fund shall not be included in computation of the ceiling on perquisites and shall be payable to the extent these either singly or put together are not taxable under the Income-tax Act.

ii) Gratuity:

As per the rules not exceeding half a month's salary for each completed year of service, and shall not be included in the computation of ceiling on perquisites as specified above.

iii) Leave Encashment:

The Managing Director shall be entitled to fully paid leave as per the Company's Rules. Encasement of Leave at the end of the tenure is permitted and shall not be included in the computation of the ceiling on perquisites, specified above.

CATEGORY 'C'

i) Provision of a Car and Telephone:

The Company shall provide a Car for use on Company's business and also for personal purposes and telephone at his residence. The Managing Director shall be billed by the Company for personal long distance calls on telephone at the rate of Rs. 750/- per month and perks for the use of car for personal purposes shall be evaluated as per I.T. Rules.



ii) **Other Benefits:**

Such other benefits, amenities and facilities as per the company's rules.

The terms and conditions of the remuneration of the Managing Director, may be varied, altered, increased, enhanced or widened from time to time by the Remuneration Committee and the Board as it may in its discretion deem fit within the above limits and subject to limits laid down in Sections 198, 309 and all other applicable provisions of the Companies Act, 1956 and Rules framed there under and subject to the requisite approvals from Central Government or any other authority, if any, being obtained.

c) **Minimum Remuneration :**

In the event of loss or inadequacy of profits, the Managing Director shall be entitled to receive the above remuneration, perquisites and benefits as Minimum Remuneration.

d) **Commission :**

In the event of there being sufficient and adequate profits worked out as per the provisions of Section 349 of the Companies Act, 1956 and within the limit of 5 % of such net profits, the Managing Director could also be paid a remuneration by way of commission on such net profits as may be decided by the Board and agreed upon by him on ascertainment of the net profits at the close of each year over and above the remuneration referred to in the preceding para and that such remuneration shall be deemed to accrue at the close of the year.

Memorandum of Interest:-

Mr. Viren C. Mirani, is interested in the above resolution to the extent that the remuneration received by him.

Mr. Nayan C. Mirani is concerned or interested in the above resolution as being relative of Mr. Viren C. Mirani, none of the other Directors is concerned or interested in the above resolution.

Information required to be disclosed in terms of Notification No. GSR 36(E) dated 16th January, 2002 issued by Government of India under the provisions of Schedule XIII of the Companies Act, 1956.

I) **General Information**

1. Nature of Industry : Manufacturers of Chemical products viz. Ossein, Gelatine and DCP
2. Date of commencement of commercial Production : 08.02.1975
3. In case of new Company expected date of commencement : N.A.
4. Financial Performance :

(Rs. In Lacs)

| Year | Capital | Reserves | Exports (FOB) | Total Sales & Other Income | Profit before Dep. & Tax | Cash Profit after tax | Net Profit (Loss) |
|---------|---------|----------|---------------|----------------------------|--------------------------|-----------------------|-------------------|
| 2007-08 | 940.00 | 7507.80 | 3411.51 | 6177.60 | 614.40 | 586.96 | 198.51 |
| 2008-09 | 940.00 | 8133.15 | 4711.22 | 8224.87 | 1687.49 | 1254.74 | 845.30 |
| 2009-10 | 940.00 | 8587.82 | 4973.62 | 8441.00 | 1377.00 | 1088.50 | 673.89 |

5. **Export Performance & Net Foreign Exchange**

| Year | Export Qty. in M.T. | FOB Value of Qty Sale (Rs. Lacs) |
|---------|---------------------|----------------------------------|
| 2007-08 | 2945.613 | 3411.51 |
| 2008-09 | 3684.950 | 4711.22 |
| 2009-10 | 3448.145 | 4973.62 |



INDIA GELATINE & CHEMICALS LTD.

6. Foreign Investments of Collaborators :

The Company was originally promoted jointly by Takarazuka Gelatine Corporation (Now Konica Gelatine Corporation) and Nichimen Corporation of Japan in 1973. Presently Nichimen Corporation holds 19.90% Shares of the company.

II. Information about the Appointee :

1) Background details:

Mr. Viren C. Mirani is a commerce graduate with 25 years of rich business experience both within & outside India. He possesses excellent business contacts & is very widely traveled. He is instrumental in soliciting technical collaboration for setting up Gelatin Plant in 1997. Under his able stewardship his family business of dealing in cotton & yarn earned a very good reputation & achieved annual turnover in multi crores.

2) Past remuneration : Remuneration during last 3 years

| Remuneration during last 5 years | | |
|----------------------------------|---------|---------------|
| | | (Rs. in Lacs) |
| 2007-08 | 2008-09 | 2009-10 |
| 28.89 | 78.48 | 44.47 |

3) Recognition or awards:

His untiring efforts as Executive Officer for 15 years and as Executive Director for 10 years has contributed substantially for the Company to earn various "Recognitions & Awards" for "Excellence" in Exports by Trade Bodies & Government of India.

The initial share capital of Rs.25 Lakhs reached to Rs. 940 Lakhs by way of bonus & preferential issues and also earned Rs.81 Crores as "Reserves" for the shareholders during last 37 years, over & above payment of dividends.

4) Job Profile/suitability:

The Managing Director looks after overall operations of Manufacturing, Marketing, Technical Operations & over all Administration of the Company. Because of his sharp business acumen and matured experience, he has picked up the knack of running business. The performance of the company amidst crisis in "Gelatine Industry" speak volumes of his adaptability to the job. Since Konica Gelatine Corporation, one of our Collaborators disassociations from the Company in December, 2001, he has been handling quite successfully the most onerous job of marketing Ossein & Gelatine.

5) Proposed Remuneration :

Salary of Rs. 5,00,000/- per month, & Perks not to exceed Rs. 2,00,000/- per month in the event of inadequacy of profits. In the event of sufficient profits he may also be paid a commission not exceeding 5% of the net profits, as may be decided by the Board of Directors.

6) Comparative Remuneration profile with respect to industry, size of the company profile of the position, & person :

The main product of the industry is sold in overseas market. Export Requirements are always quite stringent. It requires constant "Watch & Vigil". "Norms & Parameters" of purchase & production are quite meticulous. Disciplined approach & compliances required for the staff need constant supervision & continuous accountability. Running this type of industry successfully & earning awards of "Excellence" year for year proves the performance of Executive Director. Remuneration sought to be paid to him is thus reasonable. It is also within the normal range of "Executive Remuneration" paid to young generation these days by performance oriented units. Up till September 2008, Late Shri N. R. Ramani, Ex Managing Director was also contributing in discharging all managerial responsibilities. But after his sad demise Shri Viren C. Mirani alone has shouldered entire responsibilities and working for development of business.

7) Pecuniary Relationship with Company :

The Managing Director's family is also the Promoter of the Company and as such holds substantial financial interest and continuing commercial affinity with the Company. He along with his family Members holds 1.72% Equity Share Capital of the Company. Promoters group as a whole, own around 58.46% in the equity of the Company.



III) OTHER INFORMATION :

1) Reasons for Loss/Inadequate Profits :

Ossien, Company's main product till 2001 was used by the foreign collaborators and buyers for the purpose of Photographic Grade Gelatine. However, with the invention & global demand of Digital Photography Technology, the demand for conventional photographic technology has reduced substantially. On account of the said technological changes foreign buyers have reduced use and therefore off take of Ossien. This has ultimately affected the overall profitability of the Company.

In the year 1997, the Company was also advised to set up Gelatine Plant by foreign Collaborators and accordingly it has set up Gelatine plant at a cost of Rs. 45 crores and started production. However, in the year 2001-02 foreign collaborators have terminated the contract for both buy-back of Ossien as well as technology up gradation. This bringing an end to all the arrangements of Collaborations which were entered into since inception has put the Company in total dark with huge liability of Foreign Currency Loan & substantial investment of Rs. 45 crores in Gelatine Plant.

Gelatine being highly technological product, the Company faced lot of difficulties in stabilising the quality of its product. Moreover, the Company has to try hard to sell Pharmaceutical grade and Technological grade of Gelatine. Company has to face stiff competition from other local players, product is highly price sensitive and overseas customers are extremely quality conscious. All these factors have restricted Company's profitability in last several years.

Gelatine Market had in past global impact in terms of Mad cow disease which has also affected the overall margin of the company.

Thus, all these above developments have forced the Company to report inadequate profits in the years between 2001-02 to 2007-08.

2. Steps taken and proposed to be taken for improvement.

Mr. V. C. Mirani, the Managing Director has taken all possible steps to stabilize the Gelatine product by exploring various markets in Europe as well as South East Asia. He has also taken rigorous steps to promote the sale of Ossein to other foreign buyers and it has resulted into increase in exports during last 3 years as reported above.

3. Expected increase in productivity and profits in measurable terms.

Productivity and profits are likely to further improve well over a period of next 2-3 years. The Company has been able to manufacture Ossien and DCP at around 55 to 60% capacity during last 2 years.

IV. DISCLOSURES

(1) The remuneration package of Mr. Viren C. Mirani, Managing Director -

The details of remuneration are given in the Annexure to the Notice.

- (2)
- | | |
|-------|--|
| (i) | Element of remuneration package |
| (ii) | Details of fixed components and performance linked incentive |
| (iii) | Service contract, Notice period Severance fees etc. |
| (iv) | Stock option details. |

The above details are given along with details of his remuneration in the Annexure to the Notice to the extent they are applicable.

Your directors recommend the resolutions as they consider the same as in the interests of the Company.

The above details may be treated as abstract of terms and conditions of the reappointment of Managing Director Mr. Viren C. Mirani as required in section 302 of the Companies Act.

Mr. Viren C. Mirani, the Director of the Company, is deemed as concerned and interested in the above resolution in so far as it relates to his re-appointment and remuneration payable to him, and Mr. Nayan C. Mirani, the Director, being a relative of Mr. Viren C. Mirani, is interested.

The Draft Agreement to be entered in to with the Managing Director is open for inspection by Members on any working day between 3.00 p.m. to 5.00 p.m. at the Registered Office of the Company.

By Order of the Board of Directors

Place : Mumbai
Date : 12.08.2010

K.P. Vagadia
Company Secretary