

39TH
ANNUAL REPORT
2010- 2011



INDIA GELATINE & CHEMICALS LIMITED



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INDIA GELATINE & CHEMICALS LTD.

BOARD OF DIRECTORS

Chairman

NALIN KARSONDAS VISSANJI

Managing Director (w.e.f. 01.04.2011)

VIREN CHANDRASINH MIRANI

Directors

N.C. MIRANI

M.D. VORA

K.C. DALAL

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 Limited, 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 & Securities Transfer Agent :

Sharepro Services (India) Pvt. Ltd.

13AB Samhita Warehousing Complex,

Second Floor,

Sakinaka Telephone Exchange Lane,

Off Andheri Kurla Road,

Andheri (East),

Mumbai - 400 072

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



FINANCIAL HIGHLIGHTS

₹ in lacs

| Sr.No. | | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010 | 2010-2011 |
|--------|---|-----------|-----------|-----------|-----------|-----------|
| 1 | Shareholders' Funds | 8326 | 8448 | 9073 | 9528 | 9587 |
| 2 | Loan Funds | 245 | 296 | 150 | 91 | 30 |
| 3 | Debt Equity Ratio | 1 : 0.03 | 1 : 0.04 | 1 : 0.02 | 1 : 0.01 | 1 : 0.003 |
| 4 | Sales & Other Income | 6421 | 6178 | 8225 | 8441 | 8912 |
| 5 | Profits (Subject to Depreciation & Tax) | 331 | 614 | 1687 | 1377 | 847 |
| 6 | Net Profit/(Loss) Subject to Tax | (52) | 226 | 1278 | 962 | 423 |
| 7 | Profit/(Loss) after Tax & Before Extra Ordinary Items | (34) | 199 | 845 | 674 | 277 |
| 8 | Net Profit/(Loss) after Extra Ordinary Items | (34) | 199 | 845 | 674 | 277 |
| 9 | Book Value of Share ₹ | 88.57 | 89.87 | 96.52 | 101.36 | 101.99 |
| 10 | Dividend % | -- | 7 | 20 | 20 | 20 |



NOTICE

NOTICE be and is hereby given that the Thirty Ninth Annual General Meeting of the Members of INDIA GELATINE & CHEMICALS LTD. will be held at GICEA, Nirman Bhavan (Gajjar Hall), Near Law Garden, Ahmedabad - 380 006 on Wednesday, the 28th of September, 2011 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, 2011 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. K. C. Dalal, 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 2011-2012 and to fix their remuneration.

By Order of the Board of Directors

Place : Ahmedabad

Date : 26.07.2011

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. The Register of Members and the Share Transfer Books of the Company will remain closed from 21.09.2011 to 28.09.2011 (both days inclusive).
3. 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 205A of the Companies Act, 1956.
4. 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.
5. Pursuant to the provisions of section 205A of the Companies Act, 1956, all Unclaimed Dividend up to the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government, which can be claimed by the Shareholders by submitting application to the Registrar of Companies, Ahmedabad.
6. Pursuant to the provisions of section 205A(5) of the Companies Act, 1956 as amended, dividend for the financial years ended 31st March, 1996 to 2003, which remained unpaid or unclaimed for the period of 7 (seven) years, have been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government. Such dividend stands forfeited by the Government. As per the rules, dividend for the year ended 31st March, 2004, if unclaimed or unpaid up to 30th September, 2011 will be transferred to IEPF.



Members who have not yet encashed the dividend warrant(s) for the Financial Year 2003-2004 and thereafter are requested to make their claims to the Company.

7. 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.
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 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.
11. Members are requested to inform immediately of any change in their address to the Company's Share Transfer Agents.
12. Members are requested to note that pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Share Holding of the Directors proposed to be re-appointed is 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 the Listing Agreement)

| | Name | Mr. K.C. Dalal | Mr. Viren C. Mirani |
|---|--|---|---|
| 1 | Date of Birth | 20.08.1940 | 21.08.1965 |
| 2 | Date of Appointment | 31.03.2001 | 21.07.2000 |
| 3 | Qualification | B. Com, F.C. A | B.Com |
| 4 | Expertise in Specific Functional Area | Practising Chartered Accountant, Partner of C. C. Dalal & Co. Vast Experience in Audit, Taxation & Company Law Matters etc. | Industrialist with Rich Business Experience in General. |
| 5 | Directorship in other Public Ltd. Companies | — | — |
| 6 | Membership of committees in other Public Ltd. Companies | — | — |
| 7 | Share Holding of Directors seeking re-appointment as on 31.03.2011 | — | 187846 Equity Shares |



DIRECTORS' REPORT

The Directors of your Company present their 39th Annual Report with the Audited Statements of Accounts for the year ended 31st March, 2011.

| | 2010-2011 ₹ | 2009-2010 ₹ |
|--|---------------------------|----------------------------|
| FINANCIAL RESULTS | | |
| Profit for the year after deducting all the charges and expenses but before interest, depreciation and taxation (EBIDTA) | 8,63,78,405 | 14,01,84,104 |
| FROM WHICH ARE DEDUCTED | | |
| Interest & Financial Charges | 16,43,603 | 24,83,675 |
| Depreciation | 4,24,40,141 | 4,14,61,030 |
| Taxation | | |
| Current | 1,62,00,000 | 3,20,00,000 |
| Deferred | (44,51,891) | (31,49,792) |
| Short Provision for Earlier Years | 28,28,231 | — |
| | <u>5,86,60,084</u> | <u>7,27,94,913</u> |
| NET PROFIT FOR THE YEAR | 2,77,18,321 | 6,73,89,191 |
| TO WHICH IS ADDED : | | |
| Surplus Brought Forward | 3,62,27,279 | 3,57,60,533 |
| BALANCE AVAILABLE FOR APPROPRIATION | <u>6,39,45,600</u> | <u>10,31,49,724</u> |
| APPROPRIATION FOR | | |
| Proposed Dividend | 1,88,00,000 | 1,88,00,000 |
| Corporate Dividend Tax | 30,49,830 | 31,22,445 |
| General Reserve | 1,00,00,000 | 4,50,00,000 |
| Surplus Carried to next year's account | 3,20,95,770 | 3,62,27,279 |
| | <u>6,39,45,600</u> | <u>10,31,49,724</u> |

Operation :

The turnover of the company increased by about 7.7% over the previous year in spite of the adverse conditions prevailing in the raw material used by the company namely crushed bones. Realisations for all the products were increased as the increases in costs were passed on to the customers.

Gelatine sales were higher as compared to the previous year by 13.67% especially due to higher realisations in the export markets. DCP realisations were higher by 15.40%.

Gelatine demand in the domestic market has begun to show further increase and your company is continuing with its efforts in expanding the customer base. DCP sales remain buoyant again to the increase of poultry products in the domestic area, where poultry feed continues to find advantages in the use of the consistent quality of our DCP.

Pollution control measures are being strengthened by the installation of newer technologies being available for the treatment of the parameters as modified by the Pollution Control Board from time to time. Although the costs towards treatment of effluent are continuously rising, more efficient means are constantly adopted to bring the expenses down without compromising on the effluent standards.



Crushed bones prices moved up by about 28.15% over the previous year and with the pressure on availability of the same, your company is looking towards a well established import possibility. Besides low availability there is also a drastic deterioration in quality thereby also affecting the yield of our final products.

Natural Gas prices are on the way up and this is severely increasing the operational cost. Although in the short term the alternatives are limited, the company is making inroads into measures to reduce the consumption of Natural Gas by investing in more energy efficient equipments. During the year Natural Gas prices increased by 16.37% over the previous year.

Considering the challenges ahead on the higher costs and the timely countermeasures taken by the company to tide with the same, your company hopes to maintain or better the performance going forward.

Dividend ;

Your directors recommend dividend @ 20% i.e. ₹ 2/- per share (previous year 20% i.e. ₹ 2.00 per share) on Equity Shares of ₹ 10/- each of the company for the year ended 31st March, 2011. The proposed dividend (including Corporate Dividend Tax) will absorb ₹ 218.50 lacs.

Taxation :

The Company has made a provision of ₹ 162 lacs and ₹ 28.28 lacs towards current year's and short provision for earlier year's Income Tax & Wealth Tax respectively.

Finance :

The Company continues to get requisite assistance and co-operation from its bankers as and when needed.

Industrial Relations :

Industrial relations continued to remain cordial and satisfactory.

Directors :

Mr. Viren C. Mirani and Mr. K. C. Dalal retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Directors' Responsibility Statement :

As stipulated in section 217(2AA) of the Companies Act, 1956, your Directors adhere 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 the year;
- 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., Firm Registration No: 105775W, Chartered Accountants, the Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

They have furnished a certificate to the effect that the reappointment if made will be in accordance with section 224 (1B) of the Companies Act, 1956.

Insurance :

All the properties of the Company including building, plant & machinery and stocks have been adequately covered under insurance.



INDIA GELATINE & CHEMICALS LTD.

Particulars of Employees :

The information under section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2011 is annexed hereto.

Management Discussion and Analysis Report :

Report on Management Discussion and Analysis is annexed herewith.

Corporate Governance :

A report on Corporate Governance alongwith the certificate from the Auditors is 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, forming part of the Directors' Report is annexed hereto.

Acknowledgement :

The Board of Directors appreciate the devoted services of the workers, staff and executives who have contributed to the efficient management of the affairs of the Company.

Your Directors place on record their gratitude to the State and Central Government, the company's Bankers, Customers, Suppliers and Shareholders for their continued co-operation and support.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 25.07.2011

Nalin K. Vissanji
Chairman

ANNEXURE TO DIRECTORS' REPORT

Information under section 217 (2A) of the Companies Act, 1956 in respect of the Employees who draw remuneration of ₹ 24,00,000/- or more during the year or ₹ 2,00,000/- or more per month, if employed for part of the year.

| Sr. No. | Name | Designation | Remuneration ₹ | Qualification | Age Years | Experience Years | Date of Commencement of employment | Last Employment and Designation |
|---------|---------------------|--------------------|----------------|---------------|-----------|------------------|------------------------------------|---------------------------------|
| 1 | Mr. Viren C. Mirani | Executive Director | 41,43,851 | B.Com | 46 | 26 | 21.07.2000 | — |

Note : Nature of Employment - The above employment is contractual.

Place : Mumbai
Date : 25.07.2011

For and on behalf of the Board of Directors

Nalin K. Vissanji
Chairman



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 & Outgo.

A) CONSERVATION OF ENERGY

a) Measures taken for Conservation of Energy.

- i) New Hot Water Generator installed for conservation of steam.
- ii) New Energy Efficient Boiler installed to improve steam to fuel ratio.
- iii) Pressurized and Condensing Economizers installed in order to preheat boiler feed water by recovering waste heat of boiler.
- iv) Installation of Plate Heat Exchangers at various locations to minimize loss of steam.
- v) Phased replacement of 400 Watt Bulbs with 85 Watt CFL bulbs.
- vi) Water recycling is being implemented up to the maximum possible levels.
- vii) Energy efficient screw chillers installed in place of reciprocating compressor chillers.

b) Additional investments and proposals.

- i) Upgradation of ETP Plant by using energy efficient diffused aerators.
- ii) Installation of Digester to improve outlet parameters of our effluent.
- iii) Improvement in raw material preparation systems to improve quality.
- iv) Improvement in process control parameters by installation of new heat exchangers for better yield and quality.
- v) Installation of energy efficient and larger capacity DCP dryer for reduction in operating hours and gas consumption.

c) Impact of measures in the above.

On implementation of the above, the Company expects better yield and substantial benefit in energy / water consumption.

d) Total energy consumption and energy consumption per unit of production

FORM - A

I Power & Fuel Consumption

| | 2010-11 | 2009-10 |
|------------------------------------|-----------|-------------|
| 1 Electricity | | |
| a) Purchased | | |
| Unit (KWH) | 1351010 | 1612800 |
| Total Amount (₹) | 85,42,654 | 1,03,05,792 |
| Rate / Unit (₹) | 6.32 | 6.39 |
| b) Own Generation | | |
| 1) Through Diesel Generator | N.A. | N.A. |
| Units (KWH) | - | - |
| Unit per Ltr. Of Diesel | - | - |
| Cost / Unit (₹) | - | - |
| 2) Through FO Base Generator | | |
| Units (KWH) | 45780 | 373740 |
| Unit per Ltr. of F.O. | 2.77 | 3.67 |
| Cost / Unit (₹) | 8.22 | 7.56 |
| 3) Through Steam Turbine Generator | N.A. | N.A. |
| 4) Through Gas Base Generator | - | - |
| Units (KWH) | 9644800 | 9126600 |
| Unit per sm ³ of Gas | 3.51 | 3.50 |
| Cost / Unit (₹) | 6.28 | 5.78 |