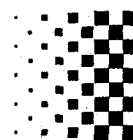


# ANNUAL REPORT 2002 - 2003

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A MEMBER OF SHAW WALLACE GROUP

# **NARMADA GELATINES LTD.**

**FORMERLY SHAW WALLACE GELATINES LTD.**

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**Board of Directors**

P.M. Nene  
H.N. Nanani  
T.S. Shettigar  
Deepak Chaudhuri  
A.K. Kapur ( Whole Time Director)  
B.K. Mazumder (Nominee of IIBI)  
L.K. Gupta

**Secretary & Compliance Officer**

P.K. Arora

**Auditors**

T.R. Chadha & Co.  
Delhi

**Registered Office**

"CARAVAS", Room No. 27 & 28  
15, Civil Lines, Jabalpur (M.P.)

**Factory**

Bheraghat Road  
Jabalpur (M.P.)

**Term Lending Institution**

Industrial Investment Bank of India Ltd.

**Bankers**

Allahabad Bank  
Canara Bank

**Registrars and Share Transfer Agents**

AXC Computers Private Limited  
(Formerly: ABC Computers Private Ltd.)  
C/o National Council of Education, Bengal  
Jadavpur University Campus, 2<sup>nd</sup> & 3<sup>rd</sup> Floor  
Jadavpur, Kolkata - 700 032

**Depositories**

National Securities Depositories Limited  
Central Depositories (India) Limited

**Listed with**

The Calcutta Stock Exchange Association Limited  
Delhi Stock Exchange Association Limited  
The Stock Exchange, Mumbai  
The Stock Exchange, Ahmedabad  
Madhya Pradesh Stock Exchange Ltd.



## NOTICE

Notice is hereby given that the 42nd Annual General Meeting of the Company will be held at Hotel Satya Ashoka, Wright Town Jabalpur on Monday, the 29th day of September, 2003 at 11.00 a.m to transact the following business :

### A. ORDINARY BUSINESS

1. To approve and adopt the Audited Profit & Loss Account for the year ended 31st March, 2003 and the Balance Sheet as at that date and the Report of Directors' and Auditors' thereon.
2. To appoint Director in place of Mr. P.M.Nene who retires by rotation, being eligible offers himself for re-appointment.
3. To appoint Director in place of Mr. A.K.Kapur who retires by rotation, being eligible offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration

### B. SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without modification, the following Resolutions:

#### 5. As a Special Resolution

"RESOLVED THAT subject to the approval of Central Government, if required, the consent of the Company be and is hereby accorded to the appointment of Mr. A.K.Kapur ( Mr. Kapur) as Whole Time Director with effect from 1st June, 2003 for a period of three years.

RESOLVED FURTHER THAT and in terms of resolution passed by the remuneration committee of the Board of Directors and subject to the provisions of Sections 198,269,309,311, and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956 as amended, the consent of the Company be and is hereby accorded to the payment of remuneration as set out in the agreement proposed to be entered into between the Company and Mr. Kapur a draft whereof tabled at the meeting and the same be and is hereby approved.

#### 6. As an Ordinary Resolution

"RESOLVED THAT Mr. Deepak Chaudhuri who was appointed as an additional director under section 260 of the Companies Act, 1956 read with Article 104 of the Article of Association of the Company and in respect of whom the company has received a notice under section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the Article of Association of the Company."

Registered Office :

CARAVAS, Room NO.27 & 28 15,  
Civil Lines, Jabalpur – 482001

27st August, 2003

By Order of Board

P.K. Arora  
Company Secretary

**Notes :**

- a) The Register of Members and the Share Transfer Register will remain closed from 19<sup>th</sup> September to 29<sup>th</sup> September, 2003 (both days inclusive).
- b) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy, however, need not be a member of the company. Proxies in order to be effective must be received at the registered office of the company not less than forty-eight hours before the meeting.
- c) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto.
- d) Members and proxy holders are- requested to bring their copies of Annual Report to the Meeting.
- e) Any Member desirous of obtaining any information on the Accounts of the Company, may please forward such queries in writing to the Secretary at the Registered Office, at least ten days prior to the Meeting.
- f) Members having multiple ledger folio in identical name or joint names in identical order, are requested to intimate to the Company or its Registrars such ledger folio(s) for consolidating such multiple holdings into single account.
- g) Pursuant to the provisions of Section 205A of the Companies Act, 1956, (the Act), the unclaimed dividend for the year ended 31<sup>st</sup> March, 1997 will be transferred to the "Fund established under Section 205C" ("Fund") of the Act, after a period of seven years from the date of transfer of such dividend to the unclaimed/unpaid dividend account. No claim shall, therefore, lie against the Fund or the Company in respect of individual amounts, which shall remain unclaimed during such period.
- h) In terms of the provisions of Section 109A read with 109B of the Companies Act, 1956, a Member may nominate, at any time, in the prescribed manner, a person to whom his/her shares in the Company shall vest in the event of his/her death. The prescribed Nomination Form No. 2B (vide Rules 4CCC and 5D of the Companies (Central Government's General Rules and Forms, 1956) is annexed hereto for the convenience of the Members. This may be sent to the Secretary at the Registered Office, duly completed.



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

As required under Section 173(2) of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to business mentioned under Item No. 5 and 6.

### Item No. 5

Mr. Kapur is appointed as Whole Time Director by the Board of Directors at its meeting held on 19<sup>th</sup> May, 2003 with effect from 1<sup>st</sup> June, 2003 for a period of 3 years subject to approval of the Members at the General Meeting of the Company. Based on the recommendation of the Remuneration Committee at its meeting held on 23<sup>rd</sup> July, 2003 the appointment will be on the terms and conditions as set out in the draft agreement placed before this meeting and initialed by the chairman for the purpose of identification, with authority to the Board of Directors of the Company to alter, modify, or vary the terms & conditions of the said appointment and/ or agreement with Whole Time Director within the maximum remuneration payable in accordance with Schedule XIII to the Companies Act, 1956 as amended and any other statutory modifications thereto and/ or any guidelines relating to managerial remuneration as may be notified by Central Government from time to time, and as may be agreed to by Board of Directors and Mr. A.K. Kapur, Whole Time Director.

None of the Directors except Mr. A.K. Kapur may be deemed to be concerned or interested in passing of this resolution.

This along with relevant resolution may be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

### Item No. 6

Mr. Deepak Chaudhuri (Mr. Chaudhuri) was appointed as an Additional Director with effect from 27<sup>th</sup> June, 2003 by the Board of Directors. Pursuant to Section 260 of the Companies Act, 1956, Mr. Chaudhuri will hold office up to the date of ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing the candidature of Mr. Chaudhuri for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Mr. Chaudhuri is graduate from India's premier institution St. Stephens College, Delhi University and has subsequently completed a Strategic Management Course from Harvard University Graduate School of Business Management in U.S.A. He has over 27 years of rich experience in Sales and Marketing in India and global markets. He was the Whole Time Director of Shaw Wallace Breweries Ltd. Keeping in view his vast experience and knowledge, it will be in the interest of the Company that Mr. Chaudhuri is appointed as Director of the Company.

### Other Directorship:

1. Buckingham Distilleries & Breweries Ltd.
2. Malabar Breweries Ltd.
3. Sangam Distilleries & Breweries Ltd.
4. Shaw Wallace Agrochemicals Ltd.
5. Shaw Wallace Overseas Ltd.
6. Universal Pesto Chem Industries (I) Pvt. Ltd.

Your Directors, therefore, recommend the resolution for your approval.

Save and except Mr. Chaudhuri none of the Directors are, in any way, concerned or interested in this resolution.

Registered Office :

CARAVAS, Room No. 27. & 28.  
15, Civil Lines, Jabalpur - 482001

By Order of Board

**P.K. Arora**

Company Secretary

27<sup>th</sup> August, 2002

**Information as required under Schedule XIII of the Companies Act, 1956 :**
**General Information:**
*Nature of Industry :*

Manufacture of Gelatine

*Date of Commencement of Commercial Production:*

1961

**Financial Performance based on given indicators :**

Particulars	(Rs./lacs)	
	Year ended 31.03.2003 (Audited)	Year ended 31.03.2002 (Audited)
1 Net Sales / Income from operations	4626	4085
2 Other Income	72	165
3 Total Expenditure		
(a) (Increase)/Decrease in Stock in Trade	137	181
(b) Consumption of raw materials	1905	1553
(c) Staff Cost	720	777
(d) Power & Fuel	865	809
(e) Other Expenditure	577	593
4 Interest	169	168
5 Depreciation	154	152
6 Gross Profit / (Loss) before Extra Ordinary Item (1+2-3-4-5)	171	17
7 Extra Ordinary Item (Voluntary Retirement Scheme Cost)	177	2
8 Profit / (Loss) after Extra Ordinary Item (6-7)	(6)	15

Export performance and net foreign exchange collaborations:

FOB Value of Exports made during

2002-2003 - Rs.861.18 Lacs

No Foreign Collaboration.

Foreign investment or collaborations, if any:

NA

**Information about the appointee:**
*Background details :*

He is a mechanical engineer having 33 years of rich experience in gelatine industry.

*Recognition or award :*

He is Ex-Chairman of Ossein &amp; Gelatine Manufactures' Association of India and Director of Gelatine Manufactures Association of Asia Pacific and Ex-Chairman Ossein and Gelatine Penal CAPEXIL.

*Job profile and his suitability :*

Overall in-charge of the Company embracing the whole gamut of operations from operational to commercial. His vast and rich experience of 33 years in Gelatine Industry will be immense help to the company.

**Remuneration proposed :**

Payable per month	For the Month of June,2003	From July,2003
Basic	82500.00	82500.00
HRA/Company Accommodation	49500.00	41250.00
Perquisite	72134.00	5610.00
Medical Allowance	10883.00	10883.00
Leave Travel Allowance	4154.00	4154.00
Total (A)	219171.00	144397.00
Retiral Benefits		
Provident Fund	9900.00	9900.00
Superation Fund	12375.00	12375.00
Gratuity	As per IT Act	As per IT Act
Total (B)	22275.00	22275.00

**Others**

1. One time payment of Rs. 95852 to be spread in six installments.
2. Free telephone facility at residence, provided the personal calls shall be billed by the company.
3. Leaves and Leave encashment as per the rules of the Company.

**Comparative remuneration profile with respect to industry, size of the company, profile of the position and person :**

The remuneration proposed is comparative with respect to industry, size of the company, profile of the position and person

**Other information :****Reasons of loss or inadequacy of profits:**

Ban on Export to EU Countries resulting in increase in competition in domestic market affecting average realization.

Extra-Ordinary expenditure arising out of implementation of Company's Voluntary Retirement Scheme during 2002-2003.

**Steps taken or proposed to be taken for improvement:**

Identifying new markets for exports.

Improvement in yield of production.

**Expected increase in productivity and profits in measurable terms :**

Net Profit after tax during 2003-2004 is expected to be Rs. 248.89 lac against current year's figure of loss of 0.94 lacs.

Registered Office :

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15, Civil Lines, Jabalpur - 482001

By Order of Board

**P.K. Arora**  
Company Secretary

27<sup>th</sup> August, 2002

**DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS**

Your directors have pleasure in presenting herewith their Report and the Statement of accounts for the year ended 31<sup>st</sup> March, 2003.

	Year ended 31st March 2003	Year ended 31st March 2002
	Rs. Lacs	Rs. Lacs
Profit before Tax	(5.93)	14.91
Provision for Taxation		
Current	62.16	13.91
Inferred	(67.15)	(10.38)
	(4.99)	3.53
Profit after Tax	(0.94)	11.38
Profit brought forward from Last year	563.37	551.99
Surplus available for appropriation	562.43	563.37

**Appropriations:**

Recommended Dividend on equity Shares	Nil	Nil
Income Tax on proposed Dividend	Nil	Nil
Balance Carried to Balance Sheet	562.43	563.37

**Share Capital:**

The Scheme of Arrangement between the Company and its shareholders has been approved by the Hon'ble High Court at Calcutta on 6th May, 2003. Pursuant to the scheme for Equity Share holders holding up to 200 shares of Rs. 10/- each, the entire shareholding will automatically be converted into Two redeemable 9% preference shares of Rs. 10/- each unless opting otherwise. For the Equity Share holders holding more than 200 shares of Rs. 10/- each, the 50% of shareholding will automatically be converted into redeemable 9% preference shares in the ratio of 1:2 unless opting otherwise.

**Change of Registered Office:**

The Company Law Board, Eastern Region Bench, Kolkata has passed an order on 20.03.2003 for the shifting of Registered office of the company from the state of West Bengal to the state of Madhya Pradesh.

**Industry Structure and Developments :**

Gelatin industry in India is characterised by the manufacturers supplying to a limited number of bulk industrial customers, thereby creating a situation where supply outstrips demand. Around 86% of use of gelatin is in the pharmaceutical industry and edible use comes a very distant second. In the developed countries, however, the scenario is different where use of gelatin is predominantly for edible and entertainment purposes.

**Opportunities and Threats:**

Outbreak of BSE scare in Europe a few years ago had inflicted a severe jolt on gelatin industry worldwide. The Indian industry had suffered more hardships than its European counterparts because of the blanket ban on entry of Indian gelatin in the European countries. However, India having being assessed by EU Commission in level II as regards GBR (Geographical BSE Risks), the prospects seem to have improved a little. With the manufacturing process of its factory at Jabalpur being registered with CAPEXIL and it having obtained Certificate of Suitability of its gelatin from European Directorate for Quality of Medicine, the opportunities for exports by your company have improved.



**Performance:**

While the capacity utilisation of gelatine by your Company has improved to 102% against the industry average of around 83%, sales have registered a growth of 12% which is quite significant in the backdrop of recession prevailing in the industry. However, there is little room for complacency particularly when the pressure on prices is continuing.

**Outlook:**

As the measures taken by your Company over the last few years to surmount various obstacles and difficulties faced by the industry are slowly yielding results, efforts have been stepped up to explore export possibility in untapped markets and a breakthrough is expected to be achieved. The domestic market is also showing signs of regaining stability.

**Risks and Concerns:**

Hydrochloric acid (HCL) is an important input for manufacturing gelatine. Its price is greatly dependent on price of Chlorine in the international / domestic market. As a result, sometimes price of HCL becomes very volatile and the industry has to bear the brunt of it. However, your Company continuously tries to improve yield and other production efficiencies to mitigate the impact of this fluctuation.

Another potential risk factor for gelatine industry stems from the fact that gelatine is derived from animal protein. Any outbreak of animal disease like BSE may affect the prospect of the industry in the long run.

**Internal Control System:**

Your Company has always believed in transparency in systems and controls to be able to remain ahead in the race. Towards this end it conducts internal audit of all the functions and activities by an independent auditor, under the guidance and supervision of the Group Internal Audit department. Any deviation from the norms are brought to the notice of the concerned individual / department for corrective action.

In addition to this, various departments continuously explore possibility of cost savings and if the suggestions put forward by them are found tenable on scrutiny, these are given a fair trial to assess their suitability. If found suitable, these are implemented.

**Human Resources:**

Our people are our biggest strength. Quality norms of our products are so stringent that, without their active participation we will not be able to meet the requirement of our customers. This participation is required at every level of the operation. In order to inculcate a sense of belonging among our employees and to continuously improve efficiency, we regularly conduct training courses, both in-house and external. We also send teams of employees to industries with similar nature of operations to learn from their experience and knowledge.

In order to keep pace with the changing needs of time and bring about /rationalization in manpower, your Company had introduced in the year under review a voluntary retirement scheme for its eligible employees and 67 employees have opted for this. However, judicial re-deployment of the existing employees and introduction of more flexibility in their scope of work have enabled your Company to remain on course of steady growth..

**Debenture Redemption**

During the year the Company has redeemed 12,00,000 - 16% Secured Redeemable Non-convertible Part-B Debentures by paying the third and final installment on due dates.

## Fixed Deposits

During the year the company has accepted fixed deposits of Rs. 1,41,60,000/- without inviting public at large under the provisions of section 58A of the Companies Act, 1956.

## Directors

Mr. S.P. Choudhary retired at the last Annual General Meeting.

Mr A.K. Kapur and Mr. P.M. Nene retire by rotation and being eligible offer themselves for reappointment.

Mr. A.K. Kapur is an Engineer and is a Director of you Company and has rich experience of 33 years, lie is holding Directorship of following other Public Limited Companies

1. Highland Distilleries Ltd.
2. Shaw Wallace Agrochemicals Ltd.
3. Gordon Woodroffe Ltd.
4. Gordon Woodroffe Logistics Ltd.
5. Shaw Wallce& Hedges Ltd.
6. Shaw Wallace Distributors Ltd.
7. Global Gelatines Ltd.
8. Shaw Wallace Financial Services Ltd.
9. Global Hospitality Services (1) Ltd.
10. Shaw Wallace International Ltd.
11. Universal Pesto Chem Industries (T) Ltd.
12. Lee Hedges & Co. Ltd.

Mr. P.M. Nene is B.Tech. (IIT) and MBA from Punjab University and has rich experience of managing large and medium size companies and is on the Board of following other Public Limited Companies

1. Falcon Tyres Ltd.
2. Gordon Woodroffe Logistics Ltd.
3. Gordon Woodroffe Ltd.
4. India Iyre & Rubber Co. (I) Ltd.
5. Maharashtra Distilleries Ltd.
6. Mather & Platt (India) 1 ,td.
7. Mather & Platt Fire Systems Ltd.
8. Mather & Platt pumps Ltd.
9. Morkutir Investments and Trading Co. Ltd.
10. Shaw Wallace & Co. Ltd.
11. Shaw Wallace Breweries Ltd.
12. Shaw Wallace Financial Services Ltd.
13. SKOL Breweries Ltd.

They retire at the forthcoming Annual General Meeting and being eligible offer themselves for re appointment. The Board recommends their reappointment.

## Directors' responsibility Statement

Pursuant to the requirement under section 217(2AA) of the Companies Act,1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

1. That in the preparation of accounts for the financial year ended 31<sup>st</sup> March 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;