

ANNUAL REPORT 2003-2004



NARMADA GELATINES LTD.

FORMERLY SHAW WALLACE GELATINES LTD.

(An ISO 9001:2000 Company)

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.
Mumbai

Registered Office

"CARAVS", 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

CB Management Services Pvt. Ltd
P-22, Bondel Road, Kolkata 700019

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 43rd Annual General Meeting of the Company will be held at Hotel Satya Ashoka, Wright Town Jabalpur on Thursday, the 16th day of September, 2004 at 12.00 noon to transact the following business :

A. ORDINARY BUSINESS

1. To approve and adopt the Audited Profit & Loss Account for the year ended 31st March, 2004 and the Balance Sheet as at that date and the Report of Directors' and Auditors' thereon.
2. To appoint Director in place of Mr. L. K. Gupta who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration

B. SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification(s), the following Resolution :

4. As a Special Resolution

"RESOLVED THAT 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 revised remuneration to Mr. A. Kapur with effect from such date and such revision as more specifically set out in the first supplemental agreement proposed to be entered into between the Company and Mr. Kapur, a draft whereof is tabled at the meeting and the same be and is hereby approved.

Registered Office :
CARAVS, Room NO. 27 & 28
15, Civil Lines, Jabalpur - 482001

Date : 27th June, 2004

By Order of Board

P.K.Arora
Company Secretary

Notes :

- a) The Register of Members and the Share Transfer Register will remain closed from 6th September 2004 to 16th September 2004 (both days inclusive).
- b) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, is annexed hereto.
- c) 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.
- 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 folios 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 (5) of the Companies Act, 1956, (the Act), the unclaimed dividend for the year ended 31st March, 1997 and thereafter, which remains unclaimed for seven years will be transferred by the company to the Investor Education and Protection Fund (IEPF) established under Section 205C of the Act. No claim shall, therefore, lie against the Fund or the Company in respect of individual amounts, which shall remain unclaimed during such period. The Company has already transferred the unclaimed dividend for the year ended 31st March, 1996 to IEPF.
- 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.

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

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

Item No. 5

The shareholders at the 42nd Annual General Meeting held on 29th September, 2003 approved the appointment of Mr. Kapur appointed as Whole Time Director with effect from 1st June, 2003 for a period of 3 years on the terms and conditions including remuneration as set out in the draft Agreement tabled at the Meeting which inter alia, authorizes the Board of Directors, to revise the remuneration of Mr. Kapur from time to time within the overall limit prescribed in Schedule XIII to the Companies Act, 1956.

The Remuneration Committee of Board of Directors at its meeting held on 22nd November, 2003 proposed to revise the terms of appointment of Mr. Kapur, as more specifically enumerated in the first Supplemental Agreement proposed to be entered into between the company and Mr. Kapur, subject to the approval of the members in the Annual General Meeting.

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.

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 31.03.2004 (Audited)	Year ended 31.03.2003 (Audited)
1 Net Sales / Income from operations	4824	4626
2 Other Income	134	72
3 Total Expenditure		
(a) (Increase)/Decrease in Stock in Trade	314	137
(b) Consumption of raw materials	2039	1905
(c) Staff Cost	834	720
(d) Power & Fuel	888	865
(e) Other Expenditure	566	577
4 Interest	119	169
5 Depreciation	156	154
6 Gross Profit / (Loss) before Extra Ordinary Item (1+2-3-4-5)	42	171
7 Extra Ordinary Item (Voluntary Retirement Scheme Cost)	3	177
8 Profit / (Loss) after Extra Ordinary Item (6-7)	39	(6)

Export performance and net foreign exchange collaborations: FOB Value of Exports made during 2003-2004 - Rs. 1000.06 lacs as against 861.18 Lacs during 2002-2003. No Foreign Collaboration.

Foreign investment or collaborations, if any :

NA

Information about the appointee :*Background details :*

He is a mechanical engineer having 34years of rich experience in gelatine industry.

Recognition or award :

He is Ex-Chairman of Ossein & 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 activities from operational to commercial. His vast and rich experience of 34years in Gelatine Industry will be immense help to the company.

NARMADA GELATINES LIMITED
(FORMERLY : SHAW WALLACE GELATINES LIMITED)

Remuneration proposed :

Payable per month	Revised		Existing	
	For the Month of June, 2003	From July, 2003	For the Month of June, 2003	From July, 2003
Basic	83820.00	83820.00	82500.00	82500.00
HRA/Company Accommodation	49500.00	41910.00	49500.00	41250.00
Perquisite	72134.00	5610.00	72134.00	5610.00
Medical Allowance	10883.00	11047.00	10883.00	10883.00
Leave Travel Allowance	4154.00	4154.00	4154.00	4154.00
Total (A)	220491.00	146541.00	219171.00	144397.00
Retiral Benefits				
Provident Fund	10058.00	10058.00	9900.00	9900.00
Superation Fund	12573.00	12573.00	12375.00	12375.00
Gratuity	As per IT Act	As per IT Act	As per IT Act	As per IT Act
Total (B)	22631.00	22631.00	22275.00	22275.00

Others :

One time payment of Rs. 95852 to be spread in six installments.

Free telephone facility at residence, provided the personal calls shall be billed by the company.

Leaves and Leave encashment as per the rules of the Company.

One Time payment of Rs. 35,000.

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 2004-2005 is expected to be Rs. 304.21 lac against current year's figure of profit of 41.64 lacs.

Registered Office:
CARAVS, Room NO. 27 & 28
15, Civil Lines, Jabalpur - 482001

27th June, 2004

By Order of Board
P.K.Arora
Company Secretary

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors have pleasure in presenting herewith their Report and the Statement of accounts for the year ended 31st March, 2004.

	Rs. Lacs	Year ended 31st March 2004 Rs. Lacs	Rs. Lacs	Year ended 31st March 2003 Rs. Lacs
Profit before Tax		39.11		(5.93)
Provision for Taxation				
Current	56.58		62.16	
Deferred	(59.09)		(67.15)	
		(2.51)		(4.99)
Profit after Tax		41.62		(0.94)
Profit brought forward from Last year		562.43		563.37
Investment allowance reserve no longer required written back		65.00		Nil
Profit available for appropriation		669.05		562.43
Proposed Dividends on 9%				
Cumulative Redeemable Preference Shares		4.79		Nil
Tax on proposed dividends		0.61		Nil
Profit Carried to Balance Sheet		663.65		562.43

Share Capital :

Pursuant to the Scheme of Arrangement between the Company and its shareholders as approved by the Hon'ble High Court at Calcutta by its order dated 6th May, 2003, 7,43,062 Equity Shares of Rs.10/- each have been cancelled and in lieu thereof 14,86,124, 9% Cumulative Redeemable Preference Shares of Rs. 10/- each have been allotted on 22nd November, 2003.

Dividends:

In spite of the modest performance during the year, your directors felt that in view of the cumulative nature of preference shares, the preference shareholders should be paid the fixed dividends of 9% pro-rata from the date of allotment. Therefore the Directors have pleasure in recommending the dividends of 9% pro-rata from the date of allotment on the 9% Cumulative Redeemable Preference Shares.

Industry Structure and Developments :

Gelatine industry in India is characterised by the manufacturers supplying to a limited number of bulk industrial customers. With one manufacturer remaining closed during the year, the mismatch between demand and supply earlier witnessed by the industry has been removed. Around 86% of use of gelatine in our country 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 gelatine is predominantly for edible and entertainment purposes.

Opportunities and Threats :

With India continuing to remain at level II as regards GBR (Geographical BSE Risks), export from the country has improved. The exercise of GBR rating will be again undertaken by the end of this year for all countries and the industry as well as various government bodies are putting all efforts so that India is rated at least at the same level.

The level of awareness about environmental hazards has increased among the general public and the state authorities are introducing stricter pollution control norms. The industry is now required to address the issue of environment with more commitment. The factory of your Company remained closed for five days during the year under review on account of pollution related issues. Prompt action including measures to upgrade the effluent treatment plant at its factory has restored normalcy.

Performance :

While the capacity utilisation of gelatine by your Company was 98% against the industry average of around 76%, sales have registered a growth of 4%.

Outlook :

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, and with balance between demand and supply being struck, a fair price for its major products is being realised.

Risks and Concerns :

Since gelatine is intended for human consumption, checks and controls of the supply chain of basic raw materials are becoming more and more stringent. This is restricting availability of suitable raw materials, leading to increase in prices. However, your Company is continuously trying to improve yield and other production efficiencies to mitigate the impact of this strain.

Outbreak of bird flue in some countries during the year under review had significantly affected demand of Di Calcium Phosphate, an important by-product of gelatine industry. Although spread of the disease has since subsided, the market has not yet fully recovered.

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.

Your Company believes in the well being of its employees. It has always striven to offer them a just and fair compensation and succour in their hours of need.

Fixed Deposits

During the year Rs. 98,75,000/- of Fixed Deposits became due for repayment under the provisions of section 58A of the Companies Act, 1956, and the same was repaid on due dates.

Subsidiary Company :

Global Gelatines Limited, subsidiary of the Company, has applied to the Registrar of Companies, West Bengal for striking off its name under Simplified Exit Scheme.

Directors

Mr T. S. Shettigar retires by rotation. He has expressed his desire to step down from the Board. The Board takes this opportunity to thank Mr. Shettigar and places on record its appreciation for the guidance provided to the company over the years.

Mr. L. K. Gupta retires by rotation and being eligible offers himself for reappointment.

Mr. Gupta is a law graduate and is having 19 years of rich experience in legal field. He is not a director on the Board of any other company.

He retires at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment. The Board recommends his 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 :

- I. That in the preparation of accounts for the financial year ended 31st March 2004, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- II. That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so far as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit and loss of the Company for the year under review;
- III. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;
- IV. That the Directors have prepared the accounts for the financial year ended 31st March, 2004 on a 'going concern' basis.

Auditors

M/s T.R. Chadha & Co., Chartered Accountants retire and are eligible for reappointment

Corporate Governance

The Company has complied with the conditions of Corporate Governance as stipulated under the listing agreement with Stock Exchanges. A Separate section of the corporate Governance, along with a certificate from the Auditors confirming the compliance is annexed and form part of Directors Report.