

ANNUAL REPORT 2004 - 2005



NARMADA GELATINES LTD.
FORMERLY SHAW WALLACE GELATINES LTD.

NARMADA GELATINES LIMITED
(Formerly : SHAW WALLACE GELATINES LIMITED)



(An ISO 9001:2000 Company)

Board of Directors

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

Secretary & Compliance Officer

Mahesh Verma

Auditors

T.R. Chadha & Co.
Mumbai

Registered Office

"CARAVS" , Room No. 28
15, Civil Lines, Jabalpur (M.P.)

Factory

Bheraghat Road
Jabalpur (M.P.)

Term Leading Institution

Industrial Investment Bank of India Ltd.

Bankers

Allahabad Bank
Canara Bank
IDBI Bank

Registrars and Share Transfer Agents

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

Depositories

National Securities Depository Limited
Central Depository Services (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.

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NOTICE

Notice is hereby given that the 44th Annual General Meeting of the Company will be held at Hotel Narmada Jaksons, Civil Lines Jabalpur (M.P.) on Monday, the 29th day of August, 2005 at 1.00 PM to transact the following business :

A. ORDINARY BUSINESS

1. To approve and adopt the Audited Profit & Loss Account for the year ended 31st March, 2005 and the Balance Sheet as at that date and the Report of Directors' and Auditors' thereon.
2. To declare dividend on Preference Share.
3. To appoint Director in place of Mr. P. M. Nene who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Director in place of Mr. Deepak Chaudhuri who retires by rotation and being eligible offers himself for re-appointment.
5. 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 Resolutions :-

6 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 revision as more specifically set out in the supplemental 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".

7. As a Special Resolution

"RESOLVED THAT subject to approval of the Securities & Exchange Board of India, Stock Exchange concerned and any other Statutory Authorities concerned and pursuant to the provisions of the Securities & Exchange Board of India (De-listing of Securities) Guidelines 2003 and subject to the completion of necessary formalities as may be imposed while granting such approval in this regard, consent of the Company be and is hereby accorded to de-list the Ordinary shares of the Company from the Stock Exchanges situated at New Delhi, Ahmedabad, and Kolkata.

RESOLVED FURTHER THAT the Board of Directors of the Company or any Committee thereof be and is hereby authorized to do all such acts and take all such steps as may be necessary to de-list the Ordinary Shares of the Company from the aforesaid Stock' Exchanges concerned".

8. As a Ordinary Resolution

"RESOLVED THAT Mr. Ravindra Pal Bhatia who was appointed as an additional director under section 260 of the Companies Act. 1956 read with Article 104 of the Articles of Association of the Company and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956,

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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 Articles of Association of the Company."

Registered Office
 CARAVS, Room No. 28
 15 Civil Lines, Jabalpur - 482 001

By Order of the Board
For Narmada Gelatines Ltd.

Mahesh Verma
 Company Secretary

Date : 28th July, 2005

Notes :

- a) The Register of Members and the Share Transfer Register will remain closed from 19th August 2005 to 29th August 2005 (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 forty-eight hours before the commencement of the meeting .
- d) Members and proxy holders are requested to bring their copies of Annual Report to the Meeting.
- e) Dividend on 9% Cumulative Preference Shares as recommended by the Directors for the financial year ended 31st March, 2005 when declared at the 44th Annual General meeting will be paid on or after 29th August 2005 to those members whose names appear on the Company's Register of members as on 29th August 2005 Record date subject however to the provisions of Section 206A of the Companies Act, 1956. In respect of shares held in electronic mode, Dividend will be paid on the basis of beneficial ownership as per details furnished by NSDL and CDSL for this purpose.
- f) 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.
- g) 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.
- h) 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 remain 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 and debenture interest for the year ended 31st March, 1997 to IEPF.

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- i) 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 share holders are requested to avail this facility and may get the prescribed Nomination Form No. 2B (vide Rules 4CCC and 5D of the Companies (Central Government's General Rules and Forms, 1956) from the Company/Registrar.

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. 6, 7 and 8 :

Item No. 6

The shareholders at the 42nd Annual General Meeting held on 29th September, 2003 approved the appointment of Mr. Ashok Kapur 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 24th January and 10th June, 2005 proposed to revise the terms of appointment of Mr. Kapur, as more specifically enumerated in the 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.

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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)	
	Financial year ended 31.03.2005 (Audited)	Financial year ended 31.03.2004 (Audited)
1. Net Sales / Income from operations	4611	4824
2. Other Income	187	134
3. Total Expenditure		
(a) (Increase)/Decrease in Stock in Trade	(79)	314
(b) Consumption of raw materials	2282	2039
(c) Staff Cost	620	834
(d) Power & Fuel	935	888
(e) Other Expenditure	527	566
4. Interest	69	119
5. Depreciation	127	156
6. Gross Profit / (Loss) before Extra Ordinary Item (1+2-3-4-5)	317	42
7. Extra Ordinary Item/Prior Period Expenses	10	3
8. Profit / (Loss) after Extra Ordinary Item (6-7)	307	39

Export performance and net foreign exchange collaborations : FOB Value of Exports made during 2004-05 Rs. 726.81 Lacs as against Rs. 1000.06 in 2003-04 and Rs. 861.18 Lacs during 2002-03.
No Foreign Collaboration.

Foreign investment or collaborations, if any : NA

Information about the appointee :

Background details : He is a Mechanical Engineer having 35 years of rich experience in Gelatine industry.

Recognition or award : He is Ex-Chariman 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 operations from operational to commercial. His vast and rich experience of 35 years in Gelatine Industry will be immense help to the company.

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Remuneration proposed :

Payable per month	Current Upto 31/03/2004	Revised w.e.f. 01/04/2004	Revised w.e.f. 01/07/2004	Revised w.e.f. 01/04/2005
Basic	83,820.00	85,820.00	89,011.00	91,151.00
HRA/Company Accommodation	41,910.00	42,910.00	44,506.00	45,576.00
Perquisite	5,610.00	5,610.00	5,610.00	5,610.00
Medical Allowance	11,047.00	11,296.00	11,692.00	11,692.00
Leave Travel Allowance	4,154.00	4,154.00	4,154.00	4,154.00
Total (A)	146,541.00	149,790.00	154,973.00	158,183.00
Retiral Benefits				
Provident Fund	10,058.00	10,298.00	10,681.00	10,938.00
Superannuation Fund	12,573.00	12,873.00	13,352.00	13,673.00
Gratuity	As per IT Act	As per IT Act	As per IT Act	As per IT Act
Total (B)	22,631.00	23,171.00	24,033.00	24,611.00

Other benefits upto 31/03/2004 :

1. One time payment of Rs. 95,852 to be spread in six installments.
2. Free telephone facility at residence, provided the personal calls shall not be billed by the company.
3. Leaves and Leave encashment as per the rules of the Company.
4. One Time payment of Rs. 35,000.

Other benefits revised w.e.f. 01/04/2004 :

1. Free telephone facility at residence, provided the personal calls shall not be billed by the company.
2. Leaves and Leave encashment as per the rules of the Company.
3. One Time payment of Rs. 66,420/- (2003-2004) and Rs. 64,080/- (2004-2005) .

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

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 Rs. 187.35 lac against Rs. 41.62 lacs in 2003-2004

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Item No. 7

The Equity Shares of the Company are presently Listed on the Stock Exchanges at Kolkata, Mumbai, Delhi, Indore and Ahmedabad.

Except on The Stock Exchange, Mumbai the shares of the Company are rarely traded on other Stock Exchanges. The shares of the company are compulsorily traded in electronic mode, which enables the investors to trade in shares of the Company from any where in the Country. Further, de-listing of shares will entails savings in annual listing fees and other administrative costs which are disproportionate to the volume of trade in securities of the company on such Stock Exchanges.

In view of the above, your Directors at the meeting held on 10th June, 2005 decided to voluntarily de-list the shares from the Stock Exchanges situated at Delhi, Kolkata and Ahmedabad, subject to the approval of the shareholders at this Annual General meeting and after completion of necessary formalities in this regards.

However, the shares of the Company will continue to be listed on Stock Exchanges at Mumbai and Indore.

The Directors recommend that the Resolution as set out at item No. 7 be adopted.

None of the Directors of the Company except to the extent of their shareholdings in the Company, is concerned or interested in this Resolution.

Item No. 8

Mr. Ravindra Pal Bhatia (Mr. Bhatia) was appointed as an Additional Director with effect from 10th June, 2005 by the Board of Directors. Pursuant to Section 260 of the Companies Act, 1956, Mr. Bhatia 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. Bhatia for the office of Director under the provisions of Section 257 of the Companies Act, 1956.

Mr. Bhatia is a Mechanical Engineer having rich experience at various level of management. Keeping in view his vast experience and knowledge, it will be in interest of the Company that Mr. Bhatia be appointed as Director of the Company.

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

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

Registered Office
CARAVS, Room No. 28
15 Civil Lines, Jabalpur - 482 001

By Order of the Board
For Narmada Gelatines Ltd.

Mahesh Verma
Company Secretary

Date : 28th July, 2005



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, 2005.

	Year ended 31st March 2005		Year ended 31st March 2004	
	Rs. Lacs	Rs. Lacs	Rs. Lacs	Rs. Lacs
Profit before Tax		306.81		39.11
Provision for Taxation				
Current	71.83		56.58	
Earlier Year	46.62		Nil	
Deferred	<u>1.01</u>		<u>(59.09)</u>	
		119.46		(2.51)
Profit after Tax		187.35		41.62
Profit brought forward from last year		663.65		562.43
Investment allowance reserve no longer required written back		Nil		65.00
Profit available for appropriation		851.00		669.05
Transfer to General Reserves		5.00		Nil
Proposed Dividends on 9%				
Cumulative Preference Shares		13.38		4.79
Tax on proposed dividends		1.88		0.61
Profit carried to Balance Sheet		830.74		663.65

Dividends :

In spite of the modest performance during the year, your directors felt that in view of cumulative nature of preference shares the preference shareholders should be paid the fixed dividends of 9% for the financial year 2004-05. Therefore the Directors have pleasure in recommending the dividends of 9% amounting to Rs. 13.38 lacs excluding dividend tax of Rs. 1.88 lacs 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 purpose. During the year Sterling Biotech acquired Rallies Gelatine plant of 2000 MT capacity per year, thus further consolidating its position as No. 1 producer / exporter of Gelatine in the country.



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Opportunities and Threats :

With India continuing to remain at level II as regards GBR (Geographical BSE Risks), exports 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. Your company has taken necessary steps to meet this challenge effectively.

Performance :

The capacity utilisation of gelatine by your Company was 98% against the industry average of around 79%.

Outlook :

The company has taken steps to improve the productivity and reduce electricity costs during the last year which should yield results for the future. Barring any unforeseen circumstances, the company should perform well in the coming year.

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. The situation is likely to continue in future also.

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.

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 be competitive and improve productivity your company is in the process of rationalisation of manpower, which should be completed during the year.

Fixed Deposits :

During the year Rs. 7,55,000/- 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.