

ANNUAL REPORT 2011-2012



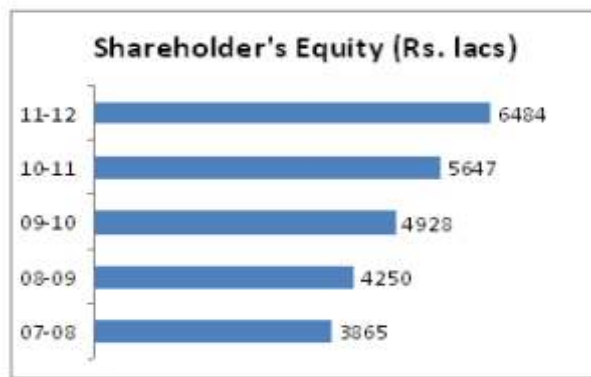
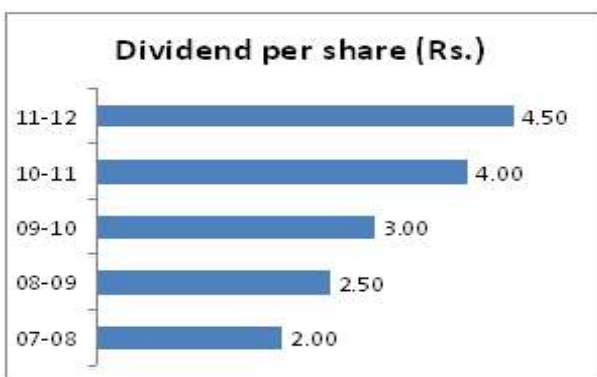
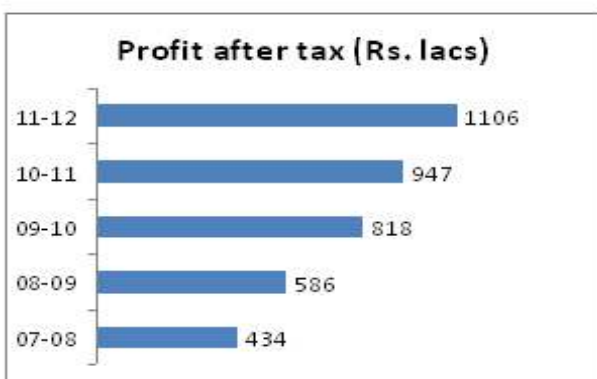
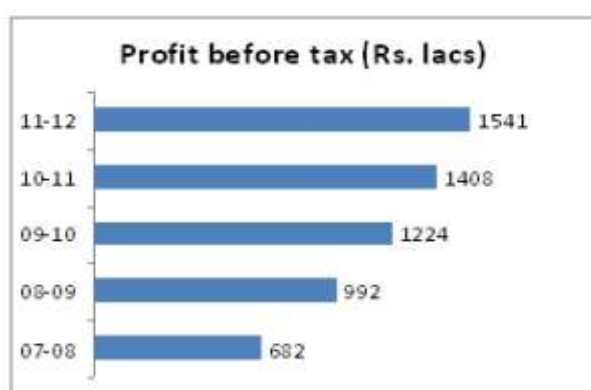
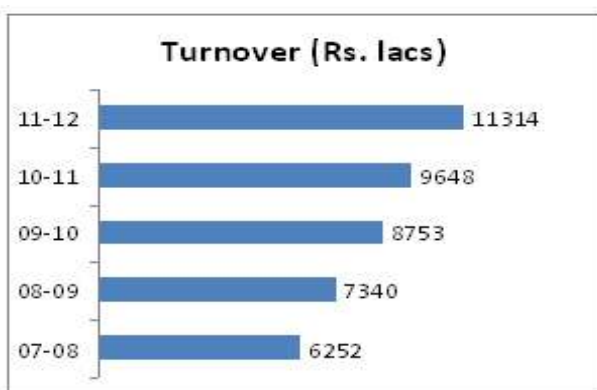
Narmada Gelatines Limited



FINANCIAL HIGHLIGHTS

	07-08	08-09	09-10	10-11	11-12
Turnover	6252	7340	8753	9648	11314
Profit before tax	682	992	1224	1408	1541
Profit after tax	434	586	818	947	1106
Earnings per Share (Rs.)	10.60	14.47	20.28	23.48	27.43
Dividend per equity share (Rs.)	2.00	2.50	3.00	4.00	4.50*
Shareholder's Equity	3865	4250	4928	5647	6484

*Proposed



**COMPANY INFORMATION****BOARD OF DIRECTORS**

Justice Gulab Gupta

Deepak Chaudhuri

Mohan Chandra Pant

Sanjeev Jain

Ravindra K. Raje

Ashok K. Kapur - Whole Time Director

AUDIT COMMITTEE

Justice Gulab Gupta - Chairman

Deepak Chaudhuri

Mohan Chandra Pant

Ravindra K. Raje

REMUNERATION COMMITTEE

Justice Gulab Gupta - Chairman

Deepak Chaudhuri

Mohan Chandra Pant

INVESTORS' GRIEVANCE COMMITTEE

Mohan Chandra Pant - Chairman

Justice Gulab Gupta

Ashok K. Kapur

COMPANY SECRETARY & COMPLIANCE OFFICER

Mahesh Verma

STATUTORY AUDITORST.R. Chadha & Co.
Mumbai**REGISTERED OFFICE**CARAVS, Room No. 28
15, Civil Lines, Jabalpur (M.P.)**FACTORY**Meerganj, Bheraghat Road
Jabalpur (M.P.)**BANKERS**Allahabad Bank
IDBI Bank Ltd.
Union Bank of India
ICICI Bank Ltd.
State Bank of India
HDFC Bank Ltd.
Axis Bank Ltd.**REGISTRARS AND SHARE TRANSFER AGENTS**CB Management Services Pvt. Ltd.
P-22, Bondel Road,
Kolkata - 700019**DEPOSITORIES**National Securities Depository Limited
Central Depository Services (I) Limited**LISTING**

Bombay Stock Exchange Ltd.



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

Dear Shareholders,

The Directors have pleasure in presenting the 51st Annual Report of your Company and the Audited Accounts for the financial year ended 31st March, 2012.

Particulars	Rs. Lacs	
	Year ended 31st March, 2012	Year ended 31st March, 2011
Profit before Tax	1593.13	1407.66
Provision for Taxation:		
Current Year Tax	459.87	464.09
Deferred Tax	<u>26.81</u> <u>486.68</u>	<u>(3.66)</u> <u>460.43</u>
Profit after Tax	1106.45	947.23
Balance brought forward from last year	<u>2962.86</u>	<u>2298.46</u>
Amount available for appropriation	4069.31	3245.69
Transfer to General Reserve	105.45	94.72
Proposed Dividend on Equity Shares	181.49	161.32
Tax on proposed dividends	<u>29.44</u>	<u>26.79</u>
Balance carried forward	3752.93	2962.86

Economy and Company Overview

Indian economy has had an estimated growth of 6.9% in 2011-12 as compared to 8.4% in 2010-11. The manufacturing sector is likely to show a growth of only 3.9% in GDP during 2011-12 as against the growth of 7.6% in 2010-11. High inflation due to persistently high crude petroleum prices throughout the year played spoilsport, oscillating within a band of 8% to 9%. This led to several rounds of interest rate hikes by the Reserve Bank to curb inflation and prevent overheating of the economy.

On the operational front, the company was able to maintain profit margins amidst rising input costs as a result of comprehensive planning and forecasting strategy for procurement of raw materials. The company managed to mitigate the impact of this increase in costs through proactive dialogue and price negotiation with the customers. Overall, the year was very challenging in terms of input cost inflation and managing it.

Financial Highlights

Your Company recorded another year of growth, both in revenue and profits. Gross sales increased to Rs. 113.14

crores from Rs 96.48 crores in the previous year registering a growth of 17.3%. Earnings before interest, taxes and depreciation increased to Rs 17.32 crores from 15.81 crores in 2010-11, an increase of 9.6%. Profit after tax was at Rs 11.06 crores for 2011-12 as compared to Rs 9.47 crores in the previous year, up by 16.8%. Consequently, the Earnings per share increased to Rs 27.43 as compared to Rs 23.48 in 2010-11.

The strength of Company's business strategies and competence in execution were demonstrated in its performance during 2011-12, when it not only weathered the storm unleashed by the global economic meltdown and inflationary Indian economy but successfully delivered consistent growth.

Dividends

Your Directors recommend a dividend of Rs. 4.50 per Equity Share (last year Rs. 4/- per Equity Share) for the financial year ended March 31, 2012.

The total outflow on account of the proposed dividend including dividend distribution tax will be Rs. 210.93 lacs, (previous year Rs. 188.11 lacs).



The dividend on equity shares, if approved at the ensuing Annual General Meeting, will be paid to Members whose names appear in the Register of Members as on 14th August, 2012 and to Members whose names appear on that date as Beneficial Owners as furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Transfer to Reserves

It is proposed to transfer an amount of Rs. 105.45 lacs to the General Reserve. An amount of Rs. 790.07 lacs out of the profits for the year under review is proposed to be retained in the Profit and Loss account.

Industry Structure and Developments

The rapid growth of the Pharmaceutical industry in India and across the world has resulted in stable demand for Gelatine in Domestic Market. The demand for exports was also stable due to raw material shortage persisting in South America and other regions.

Opportunities and Threats

The Office International des Epizooties, Paris [OIE], continued the status of India as "Negligible Risk" as far as BSE categorisation is concerned which is a good opportunity for the industry.

The level of awareness about environmental hazards has increased among the general public and the state authorities are upgrading pollution control norms regularly. The industry is now required to address the issue of environment with more commitment. Your company has taken necessary steps to meet these challenges effectively. This also resulted in reduction of production or temporary stoppages in some of our competitor plants.

Capacity Utilization

The capacity utilisation of gelatine production by your Company was 98% against an estimated industry average of around 72%.

Outlook

The company's actions to improve productivity and quality of its products are in process. Barring any unforeseen

circumstances, your company should continue to perform well.

To meet the increased demand, your company has enhanced the annual installed capacity of gelatine plant from 2400 MT to 3000 MT. The enhanced production has come into effect from January 2012.

Risks and Concerns

Continuous increase in fuel and electricity prices is a major concern and this could impact margins.

The upgradation of pollution control norms regularly by the statutory authorities can affect production and result in higher cost of production.

The proposed setting up of new units in near future may also lead to a situation of increased competition and pressure on raw material availability and margins.

Segment-wise or product-wise performance

The company is engaged in the business of manufacture and sale of gelatin and ossein and the by-product di-calcium phosphate which broadly form part of one product group and hence a single business segment. However, based on geographical factors, reportable segment have been identified as exports sales and domestic sales. The segment revenue information is given separately in Notes on Accounts under the disclosure as required under Accounting Standard 17 - Segment Reporting and form part of the Directors' Report.

Internal Control System

The Company has a well placed, proper and adequate internal control system, comprising supervision, checks and balances, policies, procedures and internal audit which ensures that all assets are safeguarded and protected and that the transactions are authorised, recorded and reported correctly. The system is reviewed and updated on an ongoing basis. The Group Internal Audit team continues to support the internal audit function.

The Company's internal control system comprises audit and compliance of observations made by the Internal Auditors.



The Internal Auditors independently evaluate the adequacy of internal controls and concurrently audit the majority of the transactions in value terms. Independence of the audit and compliance is ensured by direct reporting of Internal Audit Division and Internal Auditors to the Audit Committee of the Board.

Fixed Deposits

During the year under review, the Company has not accepted any fixed deposits from the public, and as on March 31, 2012 the Company had no unclaimed deposits or interest thereon due to any depositor.

Subsidiary Company

The Company does not have any subsidiary company.

Directors

During the year Ms. Kiran Chhabria retired as a Director at the Annual General Meeting held on 19th September 2011.

In accordance with the provisions of the Companies Act, 1956, and Article 115 of the Articles of Association of the Company, Justice Gulab Gupta and Mr. Sanjeev Jain, Directors, retire by rotation at the ensuing Annual General Meeting of the Company.

Justice Gulab Gupta, being eligible, has offered himself for re-appointment. The Board of Directors recommends his re-appointment.

Mr. Sanjeev Jain, being eligible, has offered himself for re-appointment. The Board of Directors recommends his re-appointment.

Attention of Shareholders is invited to the relevant items of the Notice of the Annual General Meeting and the Notes thereto.

Brief resume of the Directors proposed to be appointed / reappointed, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership / chairmanship of committees of the Board, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are given in the section on Corporate Governance elsewhere in the Annual Report.

All the appointments of the Directors of the Company are in compliance with the provisions of Section 274(1)(g) of the Companies Act, 1956.

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 2012, the applicable accounting standards read with requirements set out under Schedule VI to the Companies Act, 1956, 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 judgments 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, 2012 on a 'going concern' basis.

Auditors and Audit Report

M/s T.R. Chadha & Co., Chartered Accountants, Statutory Auditors of the Company, hold office until the conclusion of ensuing Annual General Meeting and are eligible for reappointment.

The Company has received confirmation to the effect that their reappointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the said Act.



The Notes on Accounts referred to in the Auditors Report are self-explanatory and therefore do not call for any further comments.

Transfer of Unpaid and Unclaimed amounts to IEPF

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends and interest on debentures which remained unpaid or unclaimed for a period of 7 years have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.

During the year the Company transferred Rs. 73,570/- to the Investor Education and Protection Fund, being the unclaimed dividend on 9% Cumulative Redeemable Preference Shares for the year 2003-04

Corporate Governance

Your Company is committed to maintain the highest standards of Corporate Governance and adhere to the requirements set out by the Securities and Exchange Board of India's Corporate Governance practices.

Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange forms part of the Annual Report. The Whole - Time Director's declaration regarding compliance with the Company's Code of Business Conduct and Ethics for Directors and Management Personnel forms part of Report on Corporate Governance. The requisite certificate from the Statutory Auditors of the Company confirming compliance with the conditions of Corporate Governance, as stipulated under the aforesaid Clause 49, is annexed to this Report.

Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars relating to energy conservation, technology absorption, foreign exchange earnings and outgo, as required to be disclosed 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 are provided in the Annexure to this Report.

Employees

None of the employee of the Company is in receipt of remuneration exceeding the limit prescribed under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

Industrial Relations / Human Resources

Industrial relations remained cordial. During the year the Company entered into a fresh wage agreement with the Union. Your Directors place on record their sincere appreciation of the significant contributions made and the continued support extended by all employees at all levels to the Company's operations during the year.

Acknowledgement

Your Directors take this opportunity to thank the Central and the State Governments, statutory authorities, bankers, vendors and business associates and the shareholders for their continued interest and valued support.

For and on behalf of the Board

R.K. Raje
Director

A .K. Kapur
Wholetime Director

Place : Jabalpur
28th June, 2012



Annexure to Directors' Report

Particulars required under The Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988

A. RESEARCH & DEVELOPMENT

1. **Specific Area in which R&D carried out by the Company :**
Recovery of Calcium Chloride from effluent.
2. **Benefits derived as a result of above R & D :**
The R&D efforts on the above continue to be pursued .
3. **Future Plan of Action :**
Based on the outcome on the above project, the Company may consider investment for large scale recovery of calcium chloride and sale.
4. **Expenditure on R&D**
Recurring Expenditure - Rs. 30.28 lacs; Capital Expenditure - Rs. 0.09 lacs
Total R&D Expenditure as a % of Total Turnover: 0.28%

B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. **Efforts in brief made towards technology absorption, adoption and innovation:**
 - (a) Disposal of lime waste as per environmental norms at lower cost.
 - (b) Increase in capacity of by-product drying at a nominal cost.
2. **Benefits derived as a result of above efforts:**
 - (a) Better environmental conditions.
 - (b) Better output / production.
3. **In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) following information may be furnished :**

<ol style="list-style-type: none">(a) Technology(b) Year of import(c) Has technology been fully absorbed(d) If not fully absorbed, areas where this has not taken place, reasons thereof and future plan of action	}	Not applicable as no technology imported
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4. Foreign Exchange Earnings and Outgo

The F.O.B. value of exports amounted to Rs. 416.16 lacs against Rs 228.07 lacs in the previous year.

The expenditure in foreign exchange comprises import of raw materials Rs. 42.11 lacs, travel for export promotion Rs. 0.38 lacs and other expenditure Rs. 37.36 lacs.

For and on behalf of the Board

R.K. Raje Director	A .K. Kapur Wholetime Director
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Place : Jabalpur
28th June, 2012



REPORT ON CORPORATE SOCIAL RESPONSIBILITY

Social welfare and community development is at the core of the Company's Corporate Social Responsibility (CSR) philosophy and this continues to be a top priority. We believe that an organisation's true worth lies beyond its business, and is best reflected by the service it renders to the community and the Society. The Company has a responsibility to subserve larger societal goals as they have the ability to contribute for the welfare of the society.

The Company's contributions to the community are in the areas of health, education, infrastructure development (drinking water, improving village infrastructure, tree plantation, relief and assistance in the event of a natural disaster) and contributions to other social development organisations. The Company also supports and partners with several NGOs in community development and health initiatives. Some of the social activities carried out by the Company are as under:

Environment

The Company remains fully compliant with various environmental protection, health and safety laws and regulations. The Company has instituted a compliance management system, which ensures full compliance to all applicable legal requirements.

Keeping harmony with nature as a guiding principle, plantation of trees, maintenance of green belts and gardens in and around the manufacturing unit, mangrove plantation in the factory premises, vermi-compost of waste and its use as manure, recycling of treated water in cooling water system and in horticulture activities, etc. are regular activities undertaken by the Company.

The Company and its employees regularly promote and participate in projects for cleanliness of river Narmada through cleaning banks, putting up flex, banners and wall painting messages.

Health

All employees undergo regular periodic medical examinations. The company has a tie-up with local Hospitals wherein employees receive medical treatment as and when required.

The company maintains First Aid facility and a dispensary

within the factory premises.

Social Responsibility and Community Development

The Company arranges for supply of drinking water in the surrounding villages and has for the purpose, arranged for installed drinking water connections.

In addition, the Company provides drinking water at various locations around the factory during the summer season.

Education

Education continues to be one of the focus areas of social development for the Company. The Company provides assistance to schools such as "Parivartan", Asha School and Ekal Vidyalaya. The Ekal Vidyalaya movement aims to help eradicate illiteracy from rural and tribal India.

The Company supports academics and education at all levels, provides scholarships to poor girls of the locality. The company also provides educational support to various poor children through contributions to "Pahel Sanstha" Charitable Institution and Hamara Jabalpur for "Balika Prothsahan Yojana". The Company has also aided the repairs and maintenance of schools located in the near by villages.

Religious and cultural programs

The Company has contributed to various local religious and cultural programmes.

During the traditional Navratri Garba festival, the Company contributed to various programs. Financial assistance and support was given to community festivals.

Community Health Care

The Company conducts regular health check-ups and medical diagnostic camps. Cataract cases are operated free of cost. The Company distributes medicines and spectacles to large number of patients in the neighbouring villages of Jabalpur. The Company arranges for sprinkling of medicines and insecticides in the surrounding villages to prevent diseases and to promote cleanliness.