



Annual Report

2020-2021



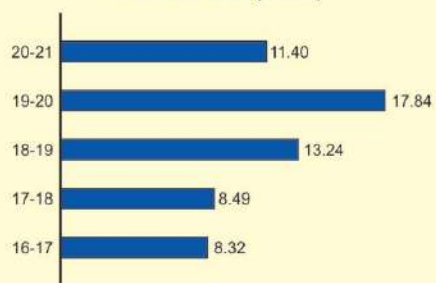
Narmada Gelatines Limited

Key Performance Indicators

Total Revenue (Crores)



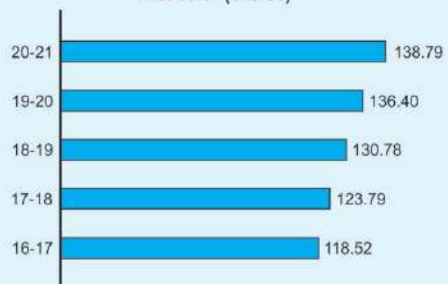
Profit Before Tax (Crores)



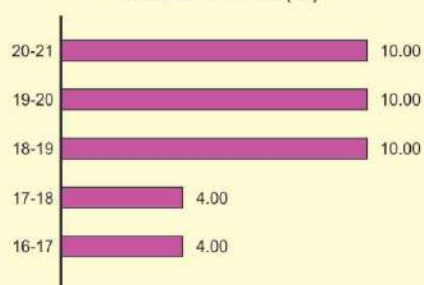
Earning Per Share (Rs)



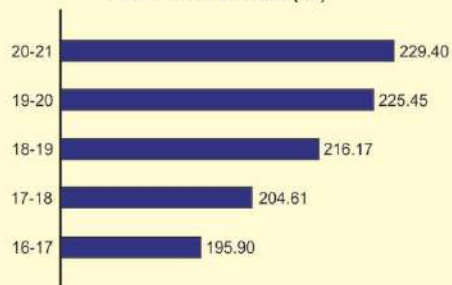
Networth (Crores)



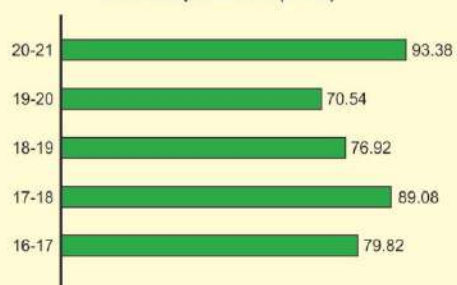
Dividend Per Share (Rs)



Book Value Per Share (Rs)



Market Capitalization (Crore)



Price Earning Ratio



NARMADA GELATINES LIMITED

BOARD OF DIRECTORS

Mr. Justice Gulab Gupta - Chairman*
Mr. Deepak Chaudhuri
Mr. Mohan Chandra Pant
Mr. Ravindra K. Raje
Mrs. Drushti R. Desai
Mr. Ashok K. Kapur – Whole-time Director

BOARD COMMITTEES

Audit Committee

Justice Gulab Gupta - Chairman*
Mr. Deepak Chaudhuri
Mr. Mohan Chandra Pant
Mrs. Drushti R. Desai

Nomination & Remuneration Committee

Mr. Deepak Chaudhuri - Chairman
Justice Gulab Gupta*
Mr. Ravindra K. Raje

Stakeholders' Relationship Committee

Mr. Mohan Chandra Pant - Chairman
Mr. Ravindra K. Raje
Mr. Ashok K. Kapur

Corporate Social Responsibility Committee

Mr. Mohan Chandra Pant - Chairman
Mr. Ashok K. Kapur
Mr. Ravindra K. Raje

Risk Management Committee

Mr. Ravindra K. Raje - Chairman
Mr. Ashok K. Kapur
Mr. Sudhir Srivastava, Factory Manager
Mr. S. Bhattacharya, GM - Operations
Mr. A.K. Pachori, HOD - Maintenance

*upto 07.04.2021

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Mahesh Verma

CHIEF FINANCIAL OFFICER

Ms. Garvita Asati

STATUTORY AUDITORS

Lodha & Co., Mumbai

SECRETARIAL AUDITORS

Dr. Asim Kumar Chattopadhyay

BANKERS

Allahabad Bank
IDBI Bank Ltd.
Union Bank of India
ICICI Bank Ltd.
State Bank of India
HDFC Bank Ltd.

REGISTERED OFFICE

CARAVS, Room No. 28
15 Civil Lines, Jabalpur - 482001 (M.P.)

FACTORY

Meerganj, Bheraghat Road
Jabalpur (M.P.)

REGISTRARS & TRANSFER AGENT

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

LISTED WITH

Bombay Stock Exchange Ltd.

DEPOSITORIES

National Securities Depository Limited
Central Depository Services (I) Limited

WEBSITE : www.narmadagelatines.com

CIN : L24111MP1961PLC016023

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BOARD'S REPORT

To the Members,

The Board of Directors are pleased to present the 60th Annual Report of your company Narmada Gelatines Limited (the Company) along with the audited financial statements for the financial year ended 31st March, 2021.

Financial Highlights

	(₹lacs)	
	2020-21	2019-20
Revenue from Operations	13,485.39	13,425.00
Other Income	550.70	555.83
Total Income	14,036.09	13,980.83
Total expenses	12,895.59	12,196.96
Profit before tax	1,140.50	1,783.87
Tax Expense	294.72	495.86
Profit after taxation	845.78	1,288.01
Other Comprehensive Income:		
Re-measurements of net defined benefit plans	(1.09)	2.84
Net Profit for the year	844.69	1290.85

Operating Performance

During the year under review, your company recorded a turnover of ₹134.85 crores as compared to ₹134.25 crores in the previous year and Profit after tax at ₹8.45 crores as compared to ₹12.88 crores in 2019-20. Consequently, Earnings per share got reduced to ₹13.98 as compared to ₹21.29 in 2019-20.

Impact of Covid-19 on the performance

Due to the global outbreak of COVID-19 pandemic, and following the nation-wide lockdown by the Government of India the raw material supply, road transport and supply chain services were affected, which had an impact on the operations of the Company. The Company has gradually resumed its operations since then, in compliance with the guidelines issued by respective authorities. The Company has considered the possible effects that may impact the carrying amounts of investments, inventories, trade receivables, advances etc. In making the assumptions and estimates in relation to the recoverable amounts, the Company has, inter alia, considered subsequent events, internal and external information, and evaluated economic conditions prevailing as at the date of approval of these financial results. The Company expects no significant impairment to the carrying amounts of these assets other than those accounted for. The Company will continue to closely monitor any changes to the future economic conditions and assess its impact, on the operations. Post lockdown, the Company has taken reasonable steps to normalise the operations and efficiencies. However, during the year the Company remains partially affected mainly on account of shortage and quality of major raw material.

Global economic growth is expected to touch 5.5% in 2021 and 4.2% in 2022. This is 0.3 percentage points higher than the forecast made in October 2020.

India's GDP for the year 2020-21 is estimated to contract by 7.7% as per the Economic survey, owing to the adverse effect of Covid on the economy. Manufacturing and services segments are likely to decline by 9.6% and 8.8%, respectively. On the other hand, agriculture segment is likely to grow by 3.4%, providing some support to the economy. However, in the second half of the year signs of up swings were visible due to growth in consumption.

Dividends

Your company is maintaining the dividend payment history and considering the company's financial performance for the 2020-21, the Directors are pleased to recommend a dividend of ₹10.00 per Equity Share (previous year ₹10.00 per Equity Share) for the financial year ended 31st March, 2021. The total outflow on account of the proposed dividend will be ₹604.96 lacs (previous year ₹604.96 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 September, 2021 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).

Share Capital

The Paid-up Equity Share Capital of the Company as on 31st March 2021 was ₹604.96 lacs comprising 60,49,587 equity shares of ₹10/- each. The Company has not issued shares with differential voting rights, employee stock options and sweat equity shares. The Company has paid listing fees for the financial year 2021-22 to the Bombay Stock Exchange Ltd., where its equity shares are listed.

Transfer to Reserves

Your Directors do not propose to transfer any amount to General Reserves for the year under review.

Quality initiatives

The Company is committed to the highest levels of quality for its products and customer services. During the financial year 2020-21, the Company retained its ISO certification for Quality Management (ISO 9001:2015), EDQM Certification from European Directorate for the Quality of Medicines and Healthcare, DNV Management System Certification for Food Safety Management System Standard (ISO 22000:2005), KOSHER Certification and Halal Assurance System Certification.

Deposits from public

During the year under review, the Company has not accepted any deposits from public as defined under Chapter V of the Companies Act, 2013. No amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

Particulars of Loans, Guarantees and Investments

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

Corporate Social Responsibility (CSR)

A brief outline of the Corporate Social Responsibility (CSR) policy of the Company and the initiatives undertaken on CSR activities during the year are set out in Annexure-I of this report in the format as prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. Details regarding the CSR Committee are covered in Corporate Governance Report, which forms part of this report. The CSR policy is available on the website of the company www.narmadagelatines.com.

Risk Management

The Risk Management Committee has been entrusted with the responsibility to assist the Board in (a) approving the Company's Risk Management Framework and (b) overseeing strategic, operational, financial, liquidity, security, regulatory, legal, environmental, human recourse, and other risks that have been identified and assessed to ensure that there is a sound Risk Management Policy in place to address such concerns/risks.

The Audit Committee has exercised additional oversight in the area of financial risks and controls. Major risks identified by the business and functions are systematically addressed through mitigating actions. The details of the Risk Management Committee, its terms of reference, key business risks identified and mitigation plans are set out in the Corporate Governance Report.

Vigil Mechanism / Whistle Blower Policy

The Company has a Vigil mechanism / Whistle-blower Policy in place to encourage and facilitate employees to report concerns about unethical behavior, actual/ suspected frauds and violation of Company's Code of Conduct or Ethics. The policy provides for adequate safeguards against victimisation of persons who avail the same and provides for direct access to the chairperson of the Audit Committee. The Audit Committee of the Company oversees the implementation of the Whistle-Blower Policy. The Committee affirms that no complaint has been received under the Whistle-Blower Policy/ Vigil Mechanism and no personnel had been denied access to the Audit Committee.

Information on Whistle-Blower Policy is available on the Company's website www.narmadagelatines.com and in the Corporate Governance Report.

Reporting of Frauds

There were no instances of fraud or suspected frauds reported during the year under review, which required the Statutory Auditors to report to the Audit Committee and / or Board under Section 143(12) of the Act and the rules made thereunder.

Subsidiaries, Joint Ventures and Associate Companies

The Company does not have any subsidiary, joint ventures or associate companies.

Directors' Appointment and Remuneration

The policy of the Company is to have an appropriate number of executive and independent directors on the board. The policy of the Company on directors' appointment and remuneration, etc. as required under Section 178 of the Companies Act, 2013, is available on the website (www.narmadagelatines.com) and in the Corporate Governance Report. The remuneration paid to the directors is as per the terms laid down in the Nomination & Remuneration Policy of the Company.

The Company has a Nomination and Remuneration Committee which makes recommendation to the Board with regard to the appointment of new Directors and Key Managerial Personnel. This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated in terms of the provisions of the Companies Act, 2013 and the Listing Regulations as amended from time to time.

The main objectives of the policy are:

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in senior management and key managerial positions.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies and in the industry.
- To carry out evaluation of the performance of Directors, as well as key managerial and senior management personnel.

- To provide them rewards linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and to create competitive advantage.

Board of directors

Retirement of independent directors

Justice Gulab Gupta, erstwhile non-executive independent director of the Company, left for heavenly abode suddenly on 7th April, 2021. Late Justice Gupta was associated with the Company for more than a decade and the Company immensely benefitted from his vision and leadership. The Board of Directors of the Company express their deep condolences and pay tribute to late Justice Gulab Gupta.

Mr. Mohan C. Pant and Mr. Deepak Chaudhari independent directors, on completion of their tenure, shall retire as members of the board with effect from 21st September, 2021. The Board places on record its appreciation for their invaluable contribution and guidance.

Appointment of Independent directors

As per Section 149 of the Act, the Board of Directors in its meeting held on 26th May, 2021 on the recommendation of Nomination and Remuneration Committee recommended to the members for the appointment of Mr. Prakash M. Nene (DIN 00164133) and Mr. K. Krishnamoorthy (DIN 02797916) as Non-Executive Independent Directors of the Company w.e.f. 21st September, 2021 for a term of 5 (five) consecutive years. The Company has received a notice from a Member under Section 160 of the Companies Act, 2013, signifying their intention to propose the candidature of Mr. Prakash M. Nene (DIN 00164133) and Mr. K. Krishnamoorthy (DIN 02797916) for the office of Independent Directors of the Company.

A resolution seeking shareholders' approval for their appointment forms a part of the notice convening the annual general meeting to be held on 21st September, 2021.

Reappointment of Directors

In accordance with the provisions of Section 152 of the Companies Act, 2013, and Article 115 of the Articles of Association of the Company, Mr. Ravindra K Rajee (DIN 00112003) retires by rotation at the ensuing Annual General Meeting of the Company and being eligible, has offered himself for re-appointment. In the opinion of the Board of Directors Mr. Rajee possesses requisite qualifications and experience and therefore, your Directors recommend that the proposed resolution relating to the re-appointment of Mr. Ravindra K. Rajee be passed with requisite majority.

The Board of Directors at its meeting held on 26th May, 2021, subject to approval of the shareholders in the general meeting, re-appointed Mr. Ashok K. Kapur, as the Whole-time Director of the Company for a period of 2 (two) years with effect from 1st June, 2021, on terms of remuneration as recommended by the Nomination & Remuneration Committee. A resolution in this regard is set out at Item No. 4 of the Notice of Annual General Meeting, for Members' approval.

In terms of requirement of Listing Regulations, the Board has identified core skills, expertise and competencies of the Directors in the context of the Company's businesses for effective functioning, which are detailed in the Corporate Governance Report.

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 Regulation 36 of the Listing Regulations are given in the section on Corporate Governance in this Annual Report.

Key Managerial Personnel

Pursuant to the provisions of Section 203 of the Act, Mr. Ashok K Kapur, Whole-time Director, Mr. Mahesh Verma (Company Secretary) - Head Finance & Secretarial and Ms. Garvita Asati, Chief Financial Officer are the Key Managerial Personnel of the Company as on 31st March, 2021.

During the year under review, the non-executive directors of the Company had no pecuniary relationship or transactions with the Company, other than sitting fees and reimbursement of expenses incurred by them for the purpose of attending meetings of the Board/Committee of the Company.

Declaration by independent directors

The Company has received necessary declarations under Section 149(7) of the Companies Act, 2013 and Regulation 25(8) of the SEBI Listing Regulations, from the Independent Directors stating that they meet the prescribed criteria for independence. All Independent Directors have affirmed compliance to the code of conduct for Independent Directors as prescribed in Schedule IV to the Companies Act, 2013.

The Company has also received from them declaration to compliance of Rule 6(1) & (2) of the Companies (Appointment and Qualifications of Directors) Rules, 2014, regarding online registration with the 'Indian Institute of Corporate Affairs', for inclusion/ renewal of their names in the data bank of Independent Directors.

With regard to integrity, expertise and experience (including the proficiency) of the Independent Directors appointed/re-appointed during the Financial year 2020-21, the Board of Directors have taken on record the declarations and confirmations submitted by the independent directors and is of the opinion that all the Independent Directors are persons of integrity and possess relevant expertise and experience and their association as Directors will be of immense benefit to the Company.

With regard to proficiency of the Independent Directors, ascertained from the online proficiency self-assessment test conducted by the institute, as notified under Sub-Section (1) of Section 150 of the Act, the Board of Directors has taken on record the declarations submitted by Independent Directors that they are exempt from appearing in the test.

None of the Directors of the Company are related inter-se, in terms of Section 2(77) of the Act including Rules there under.

Board Evaluation

The Nomination & Remuneration Committee and the Board have laid down the manner in which a formal annual evaluation of the performance of the Board, Committees, Chairman and individual directors has to be made. The Board of Directors has carried out an annual evaluation of its own performance, Board committees, and individual directors pursuant to the provisions of the Act, SEBI Listing Regulations and the Guidance Note on Board Evaluation issued by the Securities and Exchange Board of India.

The Board evaluated its own performance as well as the committees performance after seeking inputs from all the directors/members and also on the basis of criteria such as the Board composition and structure, effectiveness of board processes, information and functioning, etc.

In a separate meeting of independent directors, the performance of non-independent directors and the Board as a whole was evaluated, taking into account the views of executive directors and non-executive directors.

The Board and the Nomination and Remuneration Committee reviewed the performance of individual directors on the basis of criteria such as the contribution of the individual director to the Board and Committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.

Performance evaluation of independent directors was done by the entire Board, excluding the independent director being evaluated. The manner in which the evaluation was carried out is covered in the Corporate Governance Report.

Board Meetings

The Board meets at regular intervals to discuss and decide on company's business policies and strategies. In case of special and urgent business, the Board/Committee's approval is taken by passing resolutions through circulation, or by calling Board/Committee meetings at a shorter notice, as permitted by law.

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Board meetings and Annual General Meetings. The agenda for the Board and Committee meetings includes detailed notes on the items to be discussed to enable the Directors to take an informed decision.

During the financial year under review, four Board Meetings and four Audit Committee Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between two Meetings was within the period prescribed under the Companies Act, 2013.

For details of meetings of the Board, please refer to the Corporate Governance Report, which is a part of this report.

Meeting of Independent Directors

As per provisions of Schedule IV to the Companies Act, 2013, the Independent Directors are required to hold at least one meeting in a financial year, without the attendance of Non-independent Directors and members of management. During the financial year 2020-21, the Independent Directors have held one separate meeting on February 11, 2021.

Directors' Responsibility Statement

Pursuant to the requirement of Section 134(5) of the Act, the Board of Directors, to the best of its knowledge and ability, confirm that:

- in the preparation of the annual financial statements for the year ended March 31, 2021, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- appropriate accounting policies have been selected and applied consistently and judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2021 and of the profit of the Company for the year ended on that date;



- c. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. the annual financial statements have been prepared on a going concern basis;
- e. proper internal financial controls have been followed and that such financial controls are adequate and are operating effectively; and
- f. proper systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.

Related Party Transactions

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

Particulars of contracts or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013 in Form AOC-2 are set out in the Note 36 of Notes to Financial Statements forming part of the Annual Report. None of the Directors has any pecuniary relationships or transactions with the Company or vice versa.

Statutory Auditors

Pursuant to the provisions of Section 139 of the Act read with Companies (Audit and Auditors) Rules, 2014, as amended from time to time, M/s Lodha and Company, Mumbai, Chartered Accountants (Firm Registration No.301051E), were appointed as statutory auditors of the Company to hold office for a term of five years i.e. from the conclusion of 56th Annual General Meeting of the Company, till the conclusion of 61st Annual General Meeting to be held in 2022. The Ministry of Corporate Affairs vide its Notification dated 7th May 2018, has dispensed with the requirement of ratification of Auditor's appointment by the shareholders, every year. Hence, the resolution relating to ratification of Auditor's appointment is not included in the Notice of the ensuing Annual General Meeting.

Report of Statutory Auditors

The Statutory Auditors, M/s Lodha and Company, Mumbai, Chartered Accountants, have submitted their Report on the Financial Statements of the Company for the financial year 2020-21, which forms part of this Annual Report. The Notes on Financial Statements referred to in the Auditors' Report for the year 2020-21 are self-explanatory. There are no observations, qualifications, reservations or adverse remarks in the Auditor's Report that call for any explanation.

Secretarial Auditor and their report

Dr. Asim Kumar Chattopadhyay, Company Secretary, was appointed as Secretarial Auditor of the Company for the financial year 2020-21 pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

The Secretarial Audit Report is annexed to this Report as Annexure - II. There are no qualifications, observations or adverse remarks of the Secretarial Auditors in the Report issued by them for the financial year 2020-21 which call for any explanation from the Board of Directors.

Transfer of Unpaid and Unclaimed amounts to IEPF

Pursuant to the applicable provisions of the Act, read with the IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('the Rules') as amended, all unpaid or unclaimed dividends which were required to be transferred by the Company to the IEPF were transferred to IEPF Authority.

The Company has also transferred shares in respect of which dividend amount remained unpaid/ unclaimed for a consecutive period of seven years or more to IEPF Authority within stipulated time.

Pursuant to the provisions of Section 124 of the Companies Act, 2013, during the financial year, the declared dividends 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, as detailed in the Corporate Governance Report.

The details of unpaid / unclaimed dividend and the shares transferred to IEPF Authority are available on the company's website www.narmadagelatines.com.

Significant and Material Order passed by the Regulators

There are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the Company's operations in future.

Corporate Governance Report

The Report on Corporate Governance as stipulated under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 the Corporate Governance Report. As required by the Listing Regulations the certificate on Corporate Governance for the year ended 31st March, 2021 issued by Dr. Asim Kumar Chattopadhyay, Company Secretary in Practice, is annexed to this Report.

Management Discussion and Analysis

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, detailed review of operation, performance and future outlook of the Company is presented under Management Discussion and Analysis Report in a separate section and forms part of the Annual 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 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of The Companies (Accounts) Rules, 2014 is annexed to this Report as Annexure - III.

Annual Return and Extract of Annual Return

As per provisions of Section 92(3) of the Companies Act, 2013 and rules made thereunder, an Extract of Annual Return in the form MGT-9 for the financial year 2020-21 has been annexed to this report (Annexure-IV). A copy of Annual Return of the Company for the financial year 2019-20 in the form MGT-7 has also been placed on the website of the Company at <https://www.narmadagelatines.com>.

Particulars of Employees

None of the employees of the Company is in receipt of remuneration exceeding the limits prescribed under Section 197(12) of the Companies Act, 2013 read with Rules 5(2) and 5(3) of The Companies (Appointment and Remuneration of



Managerial Personnel) Rules, 2014.

Disclosures pertaining to remuneration and other details in respect of directors and employees of the Company as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this Report as Annexure - V.

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

All the employees in the Company are considered equal. There is no discrimination between individuals at any point on the basis of race, colour, gender, religion, origin, sexual orientation or age. Every individual is expected to treat his/her colleagues with respect and dignity.

The Company has in place a policy for prevention of sexual harassment at workplace. This policy of the Company is in line with the requirements of The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. All employees (permanent, contractual, temporary and trainees) are covered under this policy. An Internal Complaints Committee is in place to redress complaints received regarding sexual harassment. No complaint was received by the Company during the financial year ended 31st March, 2021.

Material changes and commitments affecting the financial position of the Company

There have been no material changes and commitments affecting the financial position of the Company which have

occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

Appreciation

The Directors wish to convey their deep appreciation to all the employees, customers, vendors, investors, and consultants/ advisors of the Company for their sincere and dedicated services as well as their collective contribution to the Company's performance.

The Directors also thank the Central and the State Governments, statutory authorities, bankers, and business associates and all the stakeholders for their continued interest and valued support.

For and on behalf of the Board

Deepak Chaudhari
Chairman

Ashok K. Kapur
Whole-time Director

Place: Jabalpur
Date: 29th June, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Economy Overview

The COVID-19 pandemic has caused major disruptions in the global economy. Uncertainty about the post-pandemic economic landscape and policies has discouraged investment and trade, whereas the disruption in education has potentially slowed human capital accumulation.

The lockdowns and social distancing brought the already slowing global economy to a standstill. Global economic output is estimated to fall by 3.5 percent in 2020 (IMF January 2021 estimates)*.

*Source : Ministry of Finance - Economic Survey 2020-21

Recovery in global growth will largely be a function of how countries contain the pandemic and bounce back from its negative impact. To overcome this, Governments and central banks across the world deployed a range of policy tools to support their economies such as lowering key policy rates, quantitative easing measures, loan guarantees, cash transfers and fiscal stimulus measures.

Several countries have approved vaccines and are distributing them in a phased manner. Access to medical interventions, effectiveness of monetary policy support, exposure to cross-country spillovers are prominent factors driving the recovery. Thus the pace of recovery will vary. Coordinated effort is required by key economies to bring the pandemic under control. Ensuring access to vaccines at affordable rates and adequate liquidity to weaker economies is the need of the hour.

Inflation remained above the Reserve Bank of India's (RBI) comfort levels for a large part of the year. The government has made significant expenditure to protect the lives of the country's citizens as well as to revive the economy. With the world's largest vaccination drive currently underway in India, there is hope that the pandemic will be brought under control. Several indicators such as demand for power, rail freight, e-way bills, GST collection, steel and cement consumption, among others are trending positively and could lead economic recovery. Financial year 2021-22 is expected to be a better year with growth gradually coming back. A combination of monetary and fiscal reforms and improving health of corporates could drive this recovery. Measures such as lower corporate taxes for new manufacturing units will be the key to make India a preferred manufacturing destination in Asia. A large domestic market, improving ease of doing business, reasonable labour costs and availability of skilled resources are other factors that could help in the drive. Thus India's manufacturing sector could witness sustainable recovery, going forward.

Industry Structure and Developments

The global gelatin market is currently being driven by an increasing demand for functional and convenience foods, growth in end-user industries, rising health awareness and growth in emerging markets. Gelatin has multiple applications across various industries including food & beverage, pharmaceutical, biomedical, personal care, and other technical areas. The food and beverage sector currently represents the largest end-use sector followed by nutraceuticals, pharmaceuticals, cosmetics and others.

The worldwide market for Gelatin is expected to grow at a CAGR of roughly 2.8% over the next five years. However, food security concerns and threat of vegan gelatin substitutes are some of the factors hindering the market growth. Growing regulatory issues, primarily in the food industry and environment, are also challenges for domestic gelatin manufacturers.

Opportunities and Threats, Outlook, Risks and Concerns

Although India depends on China to meet its bulk drug requirement, steps taken by the Indian government to incentivise the production of active pharmaceutical ingredient (APIs) and key starting materials (KSMs) under the 'Make in India' programme will help in reducing this dependence. The promotion of bulk drug parks under this initiative would help India become self-sufficient in drug manufacturing, from KSMs to generic formulations. The COVID-19 pandemic is changing the world order and power structure, compelling leaders across the globe to revisit their business and growth strategies. With its deep expertise in the manufacture of drugs, highly skilled scientists, and low-cost manufacturing, India definitely stands to gain from such a restructuring.

COVID-19 pandemic is expected to positively impact the growth of the empty capsules market globally. As the development of strong immunity plays a vital role in fighting against viral infection, there has been an increasing demand for immunity boosters in the form of natural herbs and nutraceuticals. Apart from the basic hygienic practices, proper dietary and lifestyle behaviors are essential for the prevention and treatment of respiratory viral diseases, such as COVID-19. The COVID-19 pandemic surges the demand for nutraceuticals, which in turn is expected to boost the gelatine market growth.

The lockdown has affected the purchase of our main raw material crushed bone. The slaughter houses are not functioning due to lower exports and lower consumption of meat in the country. Difficulty in sourcing good quality raw material and rise in raw material prices continue as an area of concern.

India continues to be categorised as "Negligible Risk" under BSE categorisation. With increasing level of awareness on environmental hazards, the state authorities are upgrading pollution control norms regularly and the industry is now required to address the issue of environment with more commitment. Your company continues to take all necessary steps to comply with pollution control norms.

Segment-wise or product-wise performance

The Company is engaged in only one segment namely manufacture and sale of gelatine and related products like ossein and di-calcium phosphate (DCP) and as such there are no reportable segments as per Ind AS-108 "Operating Segments."

Internal financial controls and its adequacy

The Company's Internal Financial Control framework is commensurate with the size and the nature of its operations. These have been designed to provide reasonable assurance about recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance of Corporate Policies.

The Company has laid down procedures and policies to guide the operations of the business. The Company has a well-defined delegation of power with authority limits to approve revenue as well as expenditure. Functional heads are responsible to ensure compliance with the policies and procedures laid down by the board of directors.

The Company has appointed M/s P.B. Singh & Associates, Chartered Accountants to oversee and carry out internal audit of its activities. The audit is based on an internal audit plan, which is reviewed each year in consultation with the statutory auditors and approved by the audit committee. The efficacy of the internal checks and control systems are validated by internal auditors. The audit is based on a focused and risk based internal audit plan, which is reviewed and approved each year by the Audit Committee of the Company.

The Audit Committee reviews reports submitted by internal auditors. Suggestions to improve any process are considered by the management and the Audit Committee follows up on corrective actions taken by the management. The Audit Committee also meets the Company's statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems and keeps the Board of Directors informed of its major observations periodically.

The operating management assessed the effectiveness of the Company's internal controls over financial reporting as of 31st March 2021. M/s. Lodha & Co., the Statutory Auditors of the Company audited the financial statements included in this Annual Report and have issued a report on the internal controls over financial reporting (as defined in Section 143 of the Companies Act, 2013).

Based on its evaluation (as provided under Section 177 of the Companies Act, 2013 and Clause 18 of SEBI Listing Regulations), the Audit Committee has concluded that as of 31st March 2021, the Internal Financial Controls were adequate and operating effectively.

Human Resources / Industrial Relations

The Company's human resources agenda continues to remain focused on the development of its employees, building capabilities in the organization and progressive employee relations policies. The Company addressed training and development needs of its workforce in technical and behavioural areas by deploying internal and external faculty. During the year 2018-19 a memorandum of understanding was reached and signed with the employees' union for a period of five years.

The Company recognises the importance of its employees and the pride, passion and drive they possess to take the organisation to new heights. The Company provides employees with numerous opportunities to increase their knowledge, skills and abilities and enables them to grow in their careers. The Company successfully adds value to the employees' talent through result driven training, while encouraging and rewarding excellence.

Industrial relations remained cordial throughout the year. 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.

Financial and operational performance

During fiscal 2020-21, the company recorded Revenue from Operations of 134.85 crore, compared to 134.25 crore in fiscal 2019-20. The business was impacted in the first quarter of the year due to Covid-19 and the consequent lockdown which led to significant loss of production during this period.

Material cost in fiscal 2020-21 increased by 8.5% primarily on account of material shortage due to suppliers' shut down and supply chain effected due to covid-19. Employee cost was steady at 8.5% of revenue from operations. Other expenses were reduce to 5.6% (6.7% Last year) of revenue from operations.

The company's operating profit decrease to 8.5% (13.3% last year) to reach 11.40 crore. The operating margins declined at 4.56% as against 20.4% in the previous year. Profit After Tax (PAT) was 8.45 crore in fiscal 2020-21. Growth in PAT was 9.58%. Diluted EPS for fiscal 2020-21 was at 13.98.

The financial highlights for the year 2020-21 are as follows : (₹ lacs)

	2021	2020	Variance
Revenue from Operations	13,485.39	13,425.00	60.39
Profit before tax	1,140.50	1,783.83	(643.33)
Profit after taxation	844.69	1,290.85	(446.16)

Significant changes in key financial ratios

In accordance with the Listing Regulations, the Company is required to give details of significant changes in the key financial ratios. During the year, the significant changes in financial ratios of the Company, which are more than 25% as compared to the previous year are summarized below:

Financial Ratio	FY 2020-21	FY 2019-20	Change (%)	Reason for change
Operating profit margin (%)	4.55%	9.58%	(52.52)	Margin decreased due to
Net Profit Margin (%)	6.27%	9.59%	(34.67)	increase in raw material cost
Return on Net worth	6.09%	9.46%	(35.50)	

Cautionary Statement

Certain statements made in the Management Discussion and Analysis Report relating to the Company's objectives, projections, outlook, expectations, estimates and others may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations whether expressed or implied. Several factors could make significant difference to the Company's operations. These include raw material availability, import and exports of raw material and finished goods, economic conditions, affecting demand and supply, government regulations, changes in taxation, natural calamities, period of lockdown and Covid-19 over which the Company does not have any direct control.