

Dear Shareholders



NORIMICHI SOGA
President



Ninety four years is indeed a long way, since NITTA Group produced the first batch of Gelatin well back in 1918 and went on to become the Japan's largest Gelatin manufacturer. Throughout this journey, we followed a collaborative business approach and achieved new benchmarks in quality, productivity, customer satisfaction, people practices and at the same time nurtured in all earnestness, the success of its associates. The growth and positioning of Nitta Gelatin India Limited is the best example for this.

Induced by the rising population and standards of living, Gelatin demand is on the increase. Going forward, with the manifold improvement in living standards and diversification of food preferences in tandem with the region's economic rise, Gelatin market is poised to witness further heights in Asia. Along with the above, the main competition in Gelatin market is seen as shifting to Asia. Nitta Gelatin India Limited with its proven flexibility and adaptability in operations, is poised to benefit substantially in such a situation.

Long term sustained growth of any enterprise requires that not only should all stakeholders' interest be well protected, but the environmental impact of operations are reorganized and properly safe guarded. It is matter of pride for all of us that several initiatives are being implemented by the Company aimed at preservation of environment besides community development.

I am happy to reiterate the commitment and dedication of Nitta Gelatin Inc., Japan for each and every endeavour of Nitta Gelatin India Limited. I take this opportunity to thank all stakeholders for their continued support and co-operation.

Norimichi Soga

Nitta Gelatin Inc.

2-22, Futamata, Yao-City, Osaka, 581-0024, Japan



V. SOMASUNDARAN I.A.S
Additional Chief Secretary



The previous year was another landmark year for your Company. During the year, the Company could overcome the adverse effect of spiralling increase in raw material prices, and register significant growth in volumes besides improving the bottom line. The commissioning of the new Limed Ossein Plant at Gujarat by our subsidiary, Reva Proteins Limited should add further future growth trajectory in the years to come.

We are currently passing through a rapidly changing global market scenario and an economic environment that has been through its most tested phase in memory. In such a complex situation, entities which can think and act upon proactively, explore new frontiers innovate and invest in the future alone can continue to be successful. Given the all round strength and value systems in place, I strongly believe that your Company can grow seamlessly in the days to come.

I take this opportunity to reassure that Kerala State Industrial Development Corporation Limited stands committed to the success and glory of Nitta Gelatin India Limited.

With these words, I thank you for the confidence and trust you have placed in the Company.

With best wishes,

V. Somasundaran

Industries Department
Government Secretariat

Thiruvananthapuram 695 001, Kerala

Annual Report 2011-12

BOARD OF DIRECTORS

Chairman : **V. SOMASUNDARAN, IAS**

Directors : **ALKESH KUMAR SHARMA, IAS**
NORIMICHI SOGA
T. YAMAKI
HIROSHI TAKASE
K. RAMAKRISHNAN
A. K. NAIR
K. L. KUMAR
VENU NALLUR

Managing Director : **G. SUSEELAN**

Secretary : G. R. Kurup

Auditors : Varma & Varma
Ernakulam

Bankers : State Bank of India
Canara Bank
State Bank of Travancore
Axis Bank Ltd.
South Indian Bank Ltd.

Legal Advisors : 1) M. Pathrose Mathai
Senior Advocate, Ernakulam
2) B.S. Krishnan
Senior Advocate, Ernakulam

Registrar & Share Transfer Agents : Cameo Corporate Services Ltd.
1, Club House Road, Chennai - 600 002
Tel : 044-28460390; Fax : 044-28460129
E-mail : cameo@cameoindia.com

Registered Office : Post Bag No. 4262
54/1446, Panampilly Nagar P. O.
Kochi - 682 036

Factory : **OSSEIN DIVISION**
Kathikudam P. O., (Via) Koratty
Trichur District - 680308

GELATIN DIVISION
KINFRA Export Promotion
Industrial Parks Ltd.
P. B. No. 3109, Kusumagiri P. O.,
Kakkanad, Kochi - 682 030



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FINANCIAL HIGHLIGHTS (12 Years)

(Rs. in lakhs)

	2000.01	2001.02	2002.03	2003.04	2004.05	2005.06	2006.07	2007.08	2008.09	2009.10	2010.11	2011.12
Total Income	7397.65	8002.33	7969.16	9224.71	9961.69	9966.19	13766.42	14585.97	18645.02	19479.94	20638.94	24694.12
Sales*	6561.04	7161.41	7629.65	8601.25	8841.23	9763.86	13119.55	14638.14	18247.75	18940.60	19650.08	23810.08
Exports (FOB)	4501.28	4698.63	4684.77	5260.42	5424.82	6236.79	7968.00	7950.32	10141.82	9476.42	10092.68	13829.03
Pre-tax Profit/(Loss)	(170.89)	367.83	(467.02)	(645.82)	(217.49)	(365.65)	721.83	728.91	2466.38	3076.36	251.45	653.48
Profit/(Loss) after tax	(198.22)	441.45	(311.05)	(645.82)	(239.72)	(379.65)	592.05	666.07	1501.94	2546.14	189.15	508.08
Earnings per share (Rs.)	(2.36)	5.26	(3.70)	(7.69)	(2.85)	(4.52)	7.05	7.93	17.88	30.31	2.25	6.05
Dividend per share (Rs.)	-	-	-	-	-	-	1.00	1.50	3.00	6.00	4.00	4.00
Reserves & Retained Earnings	7047.87	7373.33	7077.28	6431.46	6191.75	5812.10	6305.88	6776.98	7984.09	9942.52	9739.87	9857.44
Share Capital	840.00	840.00	840.00	840.00	840.00	840.00	840.00	840.00	840.00	840.00	840.00	840.00
Shareholders' Funds	7887.87	8213.33	7917.28	7271.46	7022.83	6630.34	7110.95	7590.66	8824.09	10782.52	10579.87	10697.44
Return on Equity (%)	(2.51)	5.37	(3.93)	(8.88)	(3.41)	(5.73)	8.33	8.77	17.02	23.61	1.79	4.75
Book Value/Share (Rs.)	93.90	97.78	94.25	86.57	83.61	78.93	84.65	90.36	105.05	128.36	125.95	127.35
Gross Block	10610.15	10746.77	10882.23	11028.25	11578.84	11718.26	11632.38	12402.03	13609.38	14336.36	15674.24	16299.51
Net Block	8113.24	7531.66	6955.03	6411.08	6325.73	5777.68	5236.47	5384.24	5756.45	6297.74	6813.56	6867.78

* Sales is net of excise duty on domestic sales and freight & insurance on export sales.

NOTICE TO MEMBERS

NOTICE IS HEREBY GIVEN that the 36th Annual General Meeting of Nitta Gelatin India Limited will be held on Friday, the 6th July 2012, at 10.30 AM, at GRAND Hotel, M.G. Road, Ernakulam, Kochi-682 011 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March 2012 and the Statement of Profit and Loss for the year ended on that date and the Auditors' Report thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. K. Ramakrishnan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Hiroshi Takase, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Auditors and to fix their remuneration and in this connection to pass with or without modification, the following resolution as a Special Resolution

“RESOLVED THAT pursuant to the provisions of Section 224A of the Companies Act, 1956, M/s. Varma & Varma, Chartered Accountants, be and are hereby re-appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on a remuneration that may be fixed by the Board of Directors”.

Note:

The reappointment of auditors is being proposed as a special resolution in accordance with Section 224A of the Companies Act, 1956.

SPECIAL BUSINESS:

6. To consider and if thought fit to pass the following Resolution as an **ORDINARY RESOLUTION:**

“RESOLVED THAT in accordance with provisions of Section 294 and other applicable provisions of Companies Act, 1956, the company hereby approves and accords its consent to the appointment of M/s. Al Resalah Trading Est., C.R # 4030054842, P.O. Box 32934, Jeddah 21438, Kingdom of Saudi Arabia (hereinafter called 'ART') as sole selling Agent for sale of its product GELATIN in the territory of Saudi Arabia for a period of 5 years from

15.02.2012 when an agreement was entered with that company, on such terms and conditions the salient points whereof are detailed in accompanying explanatory statement.

RESOLVED FURTHER that the Board of Directors be authorized to vary the terms and conditions of appointment of ART during the tenure of such appointment on such considerations of prudence and expediency as are warranted from time to time

By Order of the Board

Kochi
11-05-2012

G.R. Kurup
Company Secretary

Notes:

1. **A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on a poll on his behalf and a proxy need not be a member.** The proxy forms duly completed, stamped and signed must be deposited at the Registered Office of the company not less than forty-eight hours before the meeting.
2. The Register of Members and Share Transfer books of the company will remain closed from 27.06.2012 to 06.07.2012 inclusive of both days.
3. The dividend, if declared at the meeting will be paid on or after 20.07.2012 to those shareholders whose names appear on the Register of Members as on record date.
4. Members holding shares in the same name or same order under different ledger folios are requested to apply for clubbing into one folio.
5. Members are requested to notify the Registrar and Share Transfer Agents immediately of their Bank Account Number and name of the Bank and Branch in the case of physical holdings and to their respective Depository Participant in the case of demated shares, so that payment of dividend when made through NECS/Dividend Warrants, can capture the updated particulars and avoid delay/default.
6. The Company has appointed M/s. Cameo Corporate Services Limited, “Subramanian Building”, 1, Club House Road, Chennai-600 002, as the Registrar and Share Transfer Agents of the Company to deal with the physical as well as electronic share registry.
7. Members are requested to notify immediately any change in their address to the Registrar

and Share Transfer Agents at their address as given above in the case of physical holdings and to their respective Depository Participant in case of demated shares.

8. Members are requested to furnish details of their nominee in the nomination form that can be obtained from the company on request.
9. Members desiring any information as regards the accounts are requested to write to the company so as to reach the Registered Office at least 5 days before the date of meeting to enable the management to keep the information ready.
10. Members are requested to note that trading of company's shares through Stock Exchanges are permitted only in electronic/ demat form. Those members who have not yet converted their holdings into the electronic form may please consider opening an account with an authorised Depository Participant and arrange for dematerialisation.
11. Members attending the Annual General Meeting are requested to invariably bring with them the ATTENDANCE SLIP sent along with the Annual Report

EXPLANATORY STATEMENT

Pursuant to Section 173(2) of the Companies Act, 1956 Item No: 6

The company has vide agreement dtd 15.02.2012 appointed M/s. Al Resalah Trading Est. (herein-after called 'ART'),C.R # 4030054842, P.O. Box 32934, Jeddah 21438, Kingdom of Saudi Arabia (hereinafter called 'KSA') as Sole Selling Agents for sale of its product GELATIN in the territory of KSA.

Section 294 of the Companies Act,1956 describes that an appointment of Sole Selling Agent would cease to be valid if it is not approved at the first Annual General Meeting held after such appointment. The following are the material terms and conditions of the appointment:-

- a. The appointment will be for a period of minimum 5 years automatically renewable for similar terms.
- b. ART shall be agent of NGIL in KSA and shall have priority to extend the agency territory to other gulf states if the company decides to have agents in such territories. However ART shall not sell or promote NGIL products in countries other than KSA without prior permission from the company. During the tenure of the agreement, ART shall not represent any other manufacturer for the above product.
- c. The quantity, price, mode of payment, other terms and conditions shall be as prescribed by NGIL.
- d. The agreement shall be terminated by either of the parties by 90 days' notice.

Accordingly, approval of the company is sought for the arrangement. The copy of the sole selling agreement is open for inspection at the registered office of the company during business hours on any working day.

None of the directors is interested in the resolution.

Kochi
11-05-2012

By Order of the Board
G.R. Kurup
Company Secretary

DETAILS OF DIRECTORS SEEKING APPOINTMENT/ REAPPOINTMENT IN THE FORTHCOMING ANNUAL GENERAL MEETING

(in pursuance of Clause 49 of the Listing Agreement with the Stock Exchanges)

Name	K. Ramakrishnan	Hiroshi Takase
Age (Years)	76	57
Nationality	Indian	Japanese
Qualification	MSc., CAIIB	Finance & Accountancy
Expertise	Former Managing Director of State Bank of Travancore and former Deputy Managing Director of State Bank of India. Vast experience in Finance and Banking	Long tenure with Nitta Gelatin Inc., Japan. Presently, General Manager, Finance Division
Other Directorships excluding Foreign Companies	Nil	Nil

DIRECTORS' REPORT

To
The Shareholders,

Your Directors have pleasure in presenting the 36th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2012.

FINANCIAL RESULTS

Particulars	For the year ended 31st March, 2012 (Rs. in Crores)	For the year ended 31st March, 2011 (Rs. in Crores)
Sales (including export incentives and net of Excise Duty & VAT)	245.81	203.65
Other Income	1.13	2.74
TOTAL	246.94	206.39
Gross Profit before Depreciation	15.51	10.94
Deducting therefrom:		
Depreciation	8.97	8.43
Provision for Tax -		
- Current Tax	2.20	0.52
- Deferred Tax	(0.23)	0.41
- MAT Credit	(0.48)	-
- Prior years	(0.03)	(0.31)
Profit after Tax	5.08	1.89
Balance Profit Available for Appropriation	5.08	1.89
The appropriations are:		
Dividend	3.36	3.36
Tax on Dividend	0.54	0.56
Transfer to General Reserve	0.51	0.19
Profit brought forward from Previous Year	7.10	9.32
Balance Profit carried to Balance Sheet	7.77	7.10

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.4/- per share @ 40% of the face value of Rs.10/- per share on the equity capital for the financial year 2011-12, for the approval of the Company in General Meeting. The total outflow on account of dividend inclusive of corporate tax on dividend would be Rs. 3.90 Crores.

PERFORMANCE

The Gross revenue from operations of the Company touched Rs. 250 Crores during the year registering a growth of over 20% as against 4% during the previous year. It has been possible for the company to enhance the sales quantities and unit sales realization to achieve this enviable growth rate. The fluctuation in foreign exchange rates also contributed in attaining the increased turnover.

Ossein prices increased by 25% in rupee terms (previous year 8%) during the year. In the case of Dicalcium Phosphate, the increase was 10% (previous year 15%) and 18% for Gelatin (previous year 3%). Revenue streams from our new products like Collagen Peptide, Gelixer CollagenPep, Nutrisoil, Nutrigold, Chitosan, Meat Meal and Seedaid continued to be healthy during the period.

In spite of the big potential, the Indian meat industry has not achieved its due share for various reasons. Moreover, it could not so far recover from the set-back suffered due to the global recession. In the domestic sector, poultry products are gaining wider acceptance by customers and is growing at 10% to 15% annually. The chicken meat contributes about 37% of the total meat production. On account of factors like popularity, price, easy availability, absence of religious prohibitions, low

cholesterol content etc., poultry meat production is expected to grow at a faster pace. This scenario has led to a reduction in slaughtering of cattle and hence the availability of crushed bone eventually leading to price escalations. As a result of the above, crushed bone prices have further increased by 9% during the year over the previous year causing an incremental cost of around Rs. 7 Crores for the Company. In addition to the above, there were some temporary production interruptions at our Ossein Plant at Koratty, Kerala, due to which we had to source Ossein from the market to balance our requirements causing further pressure on our bottom line. Additionally, the general increase in interest costs and an increase in the cost of utilities especially power and firewood has been a feature of the year. Despite the above, and the turbulences in the global economic scenario, we could achieve an increase in our Profit before tax to Rs. 653.48 Lakhs during 2011-12 as against Rs. 251.45 Lakhs in the previous year.

There was appreciable demand for the products of the Company in the domestic and export markets. Our entire sale of Ossein was on exports and for Gelatin, exports accounted for 61% of total sales to around thirty countries.

Reva Proteins Limited, the 100% subsidiary of the Company has completed the implementation of Limed Ossein Project and the Project has been capitalized on 27.03.2012. In spite of the restrictions on discharge of effluent by the Pollution Control authorities, project has been commissioned as soon as the trials have been stabilised. Pending clearance of effluent discharge by the Pollution Control Board, the Company is taking steps for the maximization of capacity utilization of this plant.

The products of your Company command an enviable market reputation. The regular demand for the products gives credence to your Company's ability to keep growing in the most competitive Gelatin market as we continuously update and respond to the changes in our customer's preferences.

The Kadukutty Panchayat where our Ossein Plant is situated, has not renewed our factory licence for the year commencing from 01.04.2011 on very flimsy grounds. Hence your Company moved the Hon'ble High Court of Kerala seeking renewal of factory licence. The matter is currently pending before the said Court and the unit is in operation. Even though your Company meet the standards prescribed by the authorities, the State Government has directed the Company to implement an action plan to further improve the environment and it is being implemented as per the agreed schedule.

Your Company is confident that these measures will produce the desired results.

The new factory acquired at Aroor is currently being used for the production of our consumer products. However the setting up of a marine based production line in the said premises, taking into consideration the recent product preferences is also under consideration.

AWARDS & ACCOLADES

In 2011-12 also awards and recognitions marked our accomplishments in various fields. We won the Top Export Award from Chemicals & Allied Products Export Promotion Council (CAPEXIL) for Ossein & Gelatin.

The following are the noteworthy Certifications maintained by your Company:

1. European Directorate for the Quality of Medicines & Health (EDQM) Certificate for Gelatin Division.
2. HACCP Certificate for Ossein Division & Gelatin Division for food safety.
3. ISO 14001:2004 for Gelatin Division for Environmental Management System.
4. ISO 9000 for Quality Management System of the Company.
5. NABL Accreditation for in-house Laboratory.

HEALTH, SAFETY AND ENVIRONMENT

Compliance with the relevant regulations coupled with effective management of these areas of vital importance is an integral part of your Company's operating philosophy and we stand committed to continually improve on these objectives. There was considerable focus on improving Health, Safety and Environment during the year by the Company.

1. Health and Safety

The Company is committed to promote health and safety of its employees. The Company has a Safety Committee which meets regularly to review issues impacting plant safety and employee health. Regular health check up of the employee is carried out by a reputed hospital.

2. Environment

Your Company continuously endeavours to improve on environmental management to minimize the adverse environmental impact. Through all our activities, we demonstrate our commitment to protect the environment.

Out of the total plot area of approx. 1,53,900 Sq. Metres, about 10,000 Sq. Metres of land around

the boundary of Gelatin Division and about 38,000 Sq. Metres of land in Ossein Division have been allocated as green area used exclusively for planting trees and it constitute approximately 31% of the total land area comprised in the two divisions.

The Company has in place modern state of the art effluent treatment plants both at Ossein Division and Gelatin Division for treating and discharge of effluent water well within the limits set by the State Pollution Control Board. The emissions from boilers and generator stacks are monitored regularly. A part of the effluent shall be used for bio-gas generation at Ossein Division.

Apart from the above, the Company is currently undertaking a major anti-pollution drive at Ossein Division wherein massive investments are proposed for reducing water consumption, setting up of bio-gas plant using sludge generated from production, additional green belt around the factory compound, odour monitoring system and on-line public display of ph value of water discharged. These steps are expected to go a longway in furthering our resolve to protect the nature and environment.

CORPORATE SOCIAL RESPONSIBILITY

Your Company has upheld its devotion to social cause during the current year as well. K.T. Chandy – Seiichi Nitta Foundation, the charitable trust promoted to support the social initiatives have also contributed significantly towards this cause. During the year under review, so many schemes aimed at the welfare of the people at Kadukutty Panchayat where the Ossein Plant of the Company is situated, has been implemented. Drinking water/lift irrigation schemes, for providing water for drinking and agriculture, were commissioned in different locations in the local Panchayat thereby reducing the scarcity of water to a considerable extent. Training programmes in various subjects for both adults and students, financial assistance and support for BPL people, supply of seeds and manure for local people, subsidy & training for setting up domestic bio-gas plant, supply of study materials for school children etc., were some among the key initiatives towards social obligation.

SUBSIDIARY COMPANIES

1) BAMNI PROTEINS LIMITED

The annual production during the year in this subsidiary company was 2423 MT of Ossein and 5290 MT of Dicalcium Phosphate as against 2407 MT of Ossein and 5295 MT of Dicalcium Phosphate during the previous year. The Company has recorded a net profit of Rs. 13.59 Lakhs after tax as against Rs.

27.52 Lakhs during the previous fiscal. But for the increase in the cost of power and other utilities, the Company's profitability would have been higher.

2) REVA PROTEINS LIMITED

The Lined Ossein Plant owned by M/s. REVA PROTEINS LIMITED has been commissioned on 27.03.2012.

During the financial year ended 31.03.2012, Reva Proteins has registered a Net Loss of Rs. 61.47 Lakhs as against Rs. 31.58 Lakhs during the previous year. There was no income for the Company during the financial year.

In terms of the general circular dated 8th February 2011 issued by Government of India, Ministry of Corporate Affairs, copy of the Balance Sheets, Profit & Loss accounts, reports of the Board of Directors and Auditors of the subsidiary companies have not been attached with the Balance Sheet of the Company. Annual accounts of the subsidiary companies and the related detailed information shall be made available to shareholders of the Company and subsidiary companies seeking such information at any point of time. The annual accounts of the subsidiary companies shall also be available for inspection by any shareholder at the Head Office of the Company and the subsidiary companies concerned. Hard copy of details of accounts of subsidiaries shall be furnished to any shareholder on demand. Further, pursuant to Accounting Standard AS - 21 issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company include the financial information of its subsidiaries.

AUDITORS' REPORT

- I Note No.2.27.2(1) on the accounts referred to in para (3) of the Auditor's Report is explained in detail under para 2.27.2 (i),(ii), (iii) and 2.27.1(i) of the said note and hence no further comments are necessary.
- II Observation of audit vide para 9 (a) of the Annexure to the Auditors' Report - The amount referred to by audit, fully provided for in the accounts, can be remitted only after the execution of a new agreement with Irrigation Department, Govt. of Kerala. The said agreement is currently under finalisation by the Govt.
- III Observation of the audit vide para 9 (b) of the Annexure to the Auditors' Report - The points covered in the above para are explained in detail under 2.27.2 (iii) & (ii) respectively and hence no further comments are necessary.

COLLABORATORS

Your Collaborators continue to extend their unstinted support and co-operation to each and every initiative of the Company. They have been supporting us by providing technical information, training of personnel, deputing trained technician to our Plants and marketing our products.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The information as required 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 is annexed.

PERFORMANCE MANAGEMENT PROCESS

With a view to achieve the ambitious growth targets, your Company has put in place a Performance Management Process in earlier years. Under this programme, every key area of operation such as Purchase, Production, Marketing, Process Development, HR and Finance which have a significant impact on the bottom-line are identified and specific targets set by the management to be collectively pursued for attainment by various group of employees selected from all levels. The achievements are constantly evaluated against the targets as well. This has created an atmosphere of collective thinking and team spirit besides sharpening the analytical and problem solving skills of employees.

HUMAN RESOURCE

Your Company provides laudable learning and development opportunities to its employees starting from induction. The Company truly believes that to have a sustainable competitive advantage in the current knowledge economy, learning would be the key catalyst for an organization's survival and success. The Company's extensive training calendar covers all categories of employees. To facilitate an all round development of employees, the calendar comprises of behavioral training, functional training and safety training.

A series of leadership training interventions are being planned to further enhance and develop middle, senior and top management personnel.

PARTICULARS OF EMPLOYEES

None of the employees of the Company are falling under the purview of Section 217(2A) of the Companies Act, 1956.

RESPONSIBILITY STATEMENT OF DIRECTORS

Directors responsibility statement on the Annual Accounts of the Company for the year ended

31.3.2012, pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956.

Your Directors confirm:

- i) That in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- ii) That they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2012 and of the profit of the Company for the year ended 31st March 2012.
- iii) That they have taken proper and sufficient care for the maintenance of adequate accounting records in safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That they have got prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Report on Management Discussion and Analysis is annexed.

CORPORATE GOVERNANCE

Your Directors reaffirm their continued commitment to good corporate governance practices. During the year under review, your Company was in compliance with the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges relating to Corporate Governance.

A separate section on Corporate Governance together with a certificate from your Company's Statutory Auditors forms part of this Annual Report.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared in accordance with the provisions of Accounting Standards 21, 27 and other applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the provisions of the Listing Agreement with the Stock Exchanges and forms part of the Annual Report.

ADDITIONAL DISCLOSURES

Keeping in view the requirements of the Listing Agreements and the Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in respect of Related Party Transactions and Segmental Reporting.

DIRECTORS

Mr. T. Balakrishnan IAS, who was the Chairman of the Company with effect from 17.07.2009 ceased to hold office on 16.02.2012 consequent on the Kerala State Industrial Development Corporation Limited (KSIDC) vide their letter dated 16.02.2012 nominating Mr. V. Somasundaran IAS, Additional Chief Secretary, Industries Department, Government of Kerala, as Chairman and Director of the Company with effect from 16.02.2012. Your Directors extend a warm welcome to Mr. V. Somasundaran IAS, as the Chairman of the Company. Under the visionary leadership of Mr. T. Balakrishnan IAS, the former Chairman, the Company recorded an impressive all round growth in its business besides accomplishing landmark achievements like the launch of consumer products, etc. Your Board placed on record its sincere appreciation for the significant contributions made by Mr. T. Balakrishnan.

Under the provisions of the Articles of Association of the Company and the Companies Act, 1956, Mr. K. Ramakrishnan and Mr. Hiroshi Takase retire by rotation and are eligible for re-appointment. Necessary resolutions in this behalf have been proposed for consideration of the members. Your Directors have pleasure in recommending their re-appointment.

AUDITORS

The Board on the recommendation of the Audit Committee propose that M/s. Varma & Varma, the

retiring auditors, be re-appointed as Auditors of the Company. M/s. Varma & Varma, Chartered Accountants, Cochin, has forwarded their Certificate to the Company stating that the re-appointment if made will be within the limit specified in that behalf in sub-section 1(B) of Section 224 of the Companies Act, 1956. A Special Resolution is being proposed for their re-appointment.

ACKNOWLEDGEMENT

Your Directors place on record its sincere appreciation for the support and assistance extended by the State Government and M/s. Kerala State Industrial Development Corporation Limited. Your Directors also take this opportunity to extend their whole hearted gratitude to M/s. Nitta Gelatin Inc., Japan, for the timely & valuable guidance and inspiration. The Board also acknowledge the enthusiastic co-operation, hard work and dedication of all its employees in accomplishing the objectives of the Company. On this occasion, your Board also thank all the customers, suppliers, bankers and other associates for their unstinted co-operation. Your Directors are also thankful to the esteemed shareholders for their continued patronage and the confidence reposed in the Company and its management.

For and on behalf of the Board

Kochi
11th May 2012

V. SOMASUNDARAN IAS
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

(A) CONSERVATION OF ENERGY

- (a) During the year also, energy conservation measures were continued.
- (b) Additional investments and proposals, wherever necessary are, being implemented for reduction of consumption of energy.

Energy conservation activities carried out at Ossein Division:

1. Installed Capacitors for power factor improvement.
2. Installed VFD for drier blow to reduce power consumption.
3. Powerless fans fixed in lime charging, Ossein drying sections etc., to save on power consumption.

Activities in Gelatin Division:

1. Installed Capacitors for power factor improvement.
2. Installed VFD for Cooling Tower fans to reduce power consumption.
3. Installed Turbine Ventilators in main plant, compressor room and Diesel generator room.
4. Optimisation of Gelatin dryer operation undertaken and completed.

Proposals

1. Installation of thermic fluid system for drying to reduce fuel and power consumption.
2. Installation of energy efficient blowers for Ossein drying.
3. Installation of VFDs.
4. Installation of three ultra filtration modules to increase the ultra filtration capacity to economise on steam consumption.

(B) TECHNOLOGY ABSORPTION AND DEVELOPMENT

The technology for the manufacture of Ossein, Dicalcium Phosphate, Limed Ossein, Gelatin and Collagen Peptide transferred by the overseas collaborators has been fully absorbed and improved upon over the years. The Company is making continuous efforts for improving technology to economise and achieve further savings in utilities and enhancing product quality and productivity.

During the year, the Company has entered into a Technical Assistance Agreement with its promoter company, M/s. Nitta Gelatin Inc., the largest Japanese as well as Asia's leading Gelatin manufacturer. As a result of the above, the Company can avail

of the services of trained experts in Nitta Group in any desired area of Gelatin production whenever required. This is expected to facilitate the sharing of knowledge and expertise amassed over the years by NGI, Japan.

RESEARCH & DEVELOPMENT

The Company has two exclusive Research & Development Centres attached to each of its major production centres. Both these Centres are approved by the Department of Scientific and Industrial Research, Government of India and carries out development of new products besides improvement of existing products and production processes. R&D division is playing a pivotal role not only in the case of new products already launched but also on those on the anvil. In view of the criticality of Crushed Bone quality in the overall cost of production, R&D wing has been entrusted with the responsibility to develop ways and means to minimize the adverse effect of the same.

Specific areas in which R&D is carried out are:-

- Development of production processes to meet specific customer specifications.
- Development of new products, especially line extension of existing products.
- Evaluation and development of new sources for various raw materials.
- Development of new process techniques for cost optimization as well as fuel and energy conservation.
- Reduction in water consumption

R&D wing of the Company do have a team of trained and dedicated personnel to further strengthen its activities.

EXPENDITURE ON R&D

		(Rs. in Lacs)	
		Current year	Previous year
a.	Capital	6.68	62.15
b.	Recurring Expenses	180.19	71.91
	Percentage to turnover	0.76	0.67

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

		(Rs. in Lacs)	
		Current year	Previous year
a.	Earnings	13565.04	9915.13
b.	Outgo	672.83	487.37

FORM-A
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO
CONSERVATION OF ENERGY

	Current Year 2011-12	Previous Year 2010-11
A. POWER AND FUEL CONSUMPTION:		
1. Electricity		
(a) Purchased		
Units (KWH in lacs)	259.00	257.40
Total Amount (Rs. in lacs)	987.00	1030.47
Rate/Unit (Rs.)	3.81	4.00
(b) Own Generation		
(i) Through Diesel Generator Unit		
(KWH in lacs)	0.89	2.05
Unit per litre of Diesel Oil	2.55	2.94
Cost/Unit (Rs)	16.16	12.98
2. Furnace Oil		
Quantity (in KL.)	1030	975
Total Amount (Rs. in lacs)	386.16	291.37
Average rate (Rs. per KL)	37492	29883
3. Firewood		
Quantity (in MT)	47096	45814
Total Amount (Rs. in lacs)	1400.09	1124.08
Average rate (Rs.per MT)	2973	2454
B. CONSUMPTION PER UNIT OF PRODUCTION:		
Product - Ossein		
1. Electricity (KWH) per MT	1806	1710
2. Firewood (MT) per MT	1.16	1.19
Product - Gelatin		
1. Electricity (KWH) per MT	3554	3568
2. Furnace Oil (KL) per MT	0.17	0.12
3. Firewood (MT) per MT	10.52	10.17
Product - Collagen Peptide		
1. Electricity (KWH) per MT	10985	4436
2. Firewood (MT) per MT	4.44	3.73

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

Global Gelatin consumption is forecast to reach 3.96 Lakhs MT by the year 2017 fuelled by ageing population, rising standard of living, focus on health care and increasing demand from end-use industries such as food and beverage, nutraceuticals and pharmaceuticals.

In the case of Pharma Industry, the Indian Pharmaceutical Industry is estimated to worth US \$ 4.50 Billion, growing at about 8 to 9% annually.

Your Company with pioneering expertise in Gelatin manufacture under technical collaboration with M/s. Nitta Gelatin Inc., Japan stands in a pivotal position in the aforesaid state of affairs.

SEGMENT-WISE PERFORMANCE

Exports

Your Company continued its prominence in niche overseas markets. The volume of Gelatin export by the Company has grown up by 24% during the year. Besides, your Company has started the export of new products such as Chitosan, Fish Peptide etc.

Domestic

Your Company further increased its presence in the domestic market by targeting the quality conscious pharmaceutical customers. The Company's Gelatin and Collagen Peptide continues to command a premium in the domestic market. The market for DCP was also encouraging with an improvement in domestic price by around 9%.

Opportunities

Besides its strong presence in the Gelatin market, the Company has already ventured into Collagen Peptide. Collagen again has a vast potential in the pharmaceutical and edible markets both in India and abroad. Besides, a few more new products which are line extensions of the existing ones are on the anvil.

Indian poultry industry is emerging as the world's second largest market growing at a phenomenal rate of 10 to 15% every year. The potential for our product Dicalcium Phosphate, which constitutes almost a quarter of the Company's turnover and catering to poultry industry is quite privileged in view of the above.

Outlook for Gelatin Industry

Bone Gelatin which was more susceptible to Bovine Spongiform Encephelopathy (BSE) concerns has almost recovered out of its pre-BSE image. Bone gelatin is more used in pharmaceutical and nutritional supplements for capsules and less for food. Hence safety of Gelatin has

gained tremendous importance in the place of concern over BSE.

In addition, there has been significant shift in the outlook of the customer with respect to finer aspects of the quality of Gelatin like organoleptic properties which are more subjective in nature.

Attributable to availability and price factors on safe gelatin, it has become a trend among customers to blend between Gelatin made from different raw materials like Bovine Hide, Bovine Bone and Pork Skin. Hence future mandates that suppliers should be capable of supplying Gelatin made from different raw materials.

Gelatin prices are expected to remain firm with continued upward trend in the short term even though the rate of increase has steadied. The tightness in raw material situation for beef hide particularly that originating in Latin America will continue well into 2012 if not beyond.

However, there is escalation in raw material prices and quality problems. Supply will remain tight all through the year leading to delays in supply commitments.

Volatile Euro and Rupee are expected to benefit Indian manufacturers.

INTERNAL CONTROL SYSTEM

The Company has adequate internal control systems in position and has reasonable assurance on authorizing, recording and reporting transactions of its operations in all material respects and in providing protection and safeguard against misuse or loss of the assets of the Company. The Company has in place documented procedures covering all financial and operational functions commensurate with its size and complexities.

Some of the salient features of the internal control system in practice are:-

- (i) Preparation of Annual Budget for operations and service functions and monitoring the same with actual performance at regular intervals.
- (ii) A robust ERP system connecting all the plants, sales offices and head office, enables integrity of data and seamless flow of information.
- (iii) Internal controls have been designed in order to reasonably ensure that assets are safeguarded and transactions are properly authorized whereby the system attains capability for prevention and/or timely detection of material errors and irregularities.
- (iv) All assets are safeguarded and protected against losses, unauthorized usage and disposal and are physically verified at periodic intervals.

- (v) To further strengthen internal control, a firm of Chartered Accountants has been appointed to do the internal audit whose scope of work and work programmes are reviewed by the Audit Committee at regular intervals. The findings of the Internal Auditors are discussed in the Audit Committee with the top Management regularly every quarter and adequate corrective steps are taken to plug any weaknesses pointed out. The Board is of the view that appropriate procedures and controls are operating and monitoring procedures are in place.
- (vi) In line with the requirement of Clause 49 of the Listing Agreement, the Company has put in place a Risk Management Framework and the findings/recommendations are discussed with the Board of Directors/Audit Committee. Risk Management as a formal concept is an integral part of the business process and the recommendations are being implemented.

FINANCIAL PERFORMANCE

The net turnover of your Company witnessed a 20% growth during the year as against 4% during the previous fiscal. The increase in prices, besides the favourable fluctuations in exchange rate and the introduction of new products have ensured this positive change. In the case of Ossein, the export volume was almost steady but the prices increased by 18%. In the case of Dicalcium Phosphate, though the increase in volume was stagnant, the realization improved by 10%. In the case of Gelatin, there was a marginal improvement in production quantity, whereas the prices have risen by around 18% during the year. US Dollar – INR exchange rate which was in the range of Rs. 45.27 in the previous year has increased to Rs. 47.57 in the current year. The prices of Crushed Bone and quality thereof were unfavourable during the year. Crushed Bone prices witnessed an increase of 9% over the previous year which caused an extra expenditure of Rs. 7.05 Crores. The prices of utilities like Firewood and Furnace Oil have also increased during the year causing a drain on our bottom line by around Rs. 3.20 Crores.

Financial charges comprising of interest on working capital loan has more than doubled during the year as compared to the previous year on account of the higher dependence on bank loans for working capital besides the general increase in bank rates of interest all over India. Working capital requirements of the Company solely financed out of own funds in the previous years,

were substituted with working capital borrowings in the context of major capital expansion programmes taken up during the year. The increase in long-term loans and advances is mainly constituted by the long term loan granted to the fully owned subsidiary, M/s. Reva Proteins Limited during the current year also.

Despite the adverse factors mentioned above, your Company could improve the Net Profit before tax from Rs. 2.51 Crores in the previous year to Rs. 6.53 Crores for the year under review.

DEVELOPMENTS IN HUMAN RESOURCES MANAGEMENT

Your Company believes that Human Resources will play a key role in its future growth. Planned efforts are made to develop and retain talent. Learning and development initiatives focus on updating the professional capabilities. Your Company continues to provide growth opportunities to internal talent by assigning them higher responsibilities after adequate training and experience.

Your Company endeavours to maintain a positive work environment and constructive relationship with its employees with a continuing focus on productivity and efficiency.

The total number of permanent employees in your Company as on 31st March 2012 was 412.

RISKS AND CONCERNS

The Management Discussion and Analysis Report containing your Company's objectives, projections, estimates and expectation may constitute certain statements, which are forward looking within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied in the statements. Your Company's operation may inter-alia be affected by the supply and demand situations, input price and availability, changes in Government Regulations, tax laws, foreign exchange rate fluctuations and other factors. The Company cannot guarantee the accuracy of the assumptions and perceived performance of the Company in future.

On Behalf of the Board of Directors,

[G. SUSEELAN]

MANAGING DIRECTOR

[V. SOMASUNDARAN IAS]

CHAIRMAN

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

Corporate Governance ensures high standards of transparency, accountability, ethical operating practices, and professional management thereby enhancing shareholder's value and protecting the interest of the stakeholders such as shareholders, suppliers, buyers, other customers and employees. The company is committed to attain reasonable standards of Corporate Governance by ensuring integrity in financial reporting, disclosure of material information, continuous improvement of internal controls and sound investor relations.

2. BOARD OF DIRECTORS

Composition

The present strength of the Board is ten. The Board has a combination of executive and non-executive Directors who are eminent professionals in their respective fields with wide range of skills and experience. They are drawn from amongst persons with proven track record in business/finance/public enterprises.

Number of Board Meetings held during the year along with the dates of the meetings.

Five (5) Board meetings were held during the year 2011-12 on 10.05.2011, 14.06.2011, 09.08.2011, 02.11.2011 and 13.02.2012.

The composition and attendance at the Board Meetings and Annual General Meeting during the year and the other Directorships/Committee Memberships in other Indian Public Limited Companies as on 31.03.2012 were as follows:

Sl. No.	Name of the Director	Category	Shareholding in the Company	Board Meetings Attended	Attendance in last AGM, Yes or No	Business relationship with NGIL	* Other Directorships	**Committee Membership	
								Member	Chairman
1.	Mr. V. Somasundaran IAS, Nominee of KSIDC and Addl. Chief Secretary, Industries Dept. Govt. of Kerala (Nominated as CHAIRMAN w.e.f.16-02-12)	Non-Executive	Nil	Nil	No	-	5	-	-
1A	Mr. T. Balakrishnan IAS (Ceased to be Chairman and Director of the Company w.e.f. 16.02.2012)	Non-Executive	Nil	5	Yes	-	10	-	-
2.	Mr. Alkesh Kumar Sharma IAS Nominee and MD of KSIDC (Nominated w.e.f. 17.07.2009)	Non-Executive	Nil	5	Yes	-	16	1	-
3.	Mr. N. Soga Nominee of Nitta Gelatin Inc. (Appointed w.e.f.14.05.2005)	Non-Executive	Nil	1	Yes	President, Nitta Gelatin Inc., Japan, Director, Nitta Gelatin NA Inc., USA	-	-	-
4.	Mr. T. Yamaki (Nominee of Nitta Gelatin Inc.) (Appointed w.e.f 11-05-2009)	Non-Executive	Nil	1	Yes	General Manager, Nitta Gelatin Inc, Japan. Bamni Proteins Ltd	1	-	-
5.	Mr. Hiroshi Takase (Nominee of Nitta Gelatin Inc.) (Appointed w.e.f 09-08-2011)	Non-Executive	Nil	1	No	General Manager, Nitta Gelatin Inc, Japan	-	-	-
5A	Mr. K. Inoue (Nominee of Nitta Gelatin Inc.) (Ceased to be director on 09-08-2011)	Non-Executive	Nil	1	No	Accountant, Nitta Gelatin Inc., Japan	-	-	-
6.	Mr. K. Ramakrishnan (Appointed w.e.f. 16.04.1997)	Non-Executive	Nil	2	No	-	-	-	-

7.	Mr. A.K. Nair (Appointed as Director w.e.f. 28.06.2008)	Non-executive	50	5	Yes	Director, Strides Acrolab Ltd., Bangalore	10	4	-
8.	Mr. K. L. Kumar (Appointed w.e.f.8-12-2003)	Non-Executive	Nil	3	Yes	-	-	-	-
9.	Mr. Venu Nallur (Nominee of Kerala State Industrial Development Corporation Ltd. (Appointed as Director w.e.f. 30.07.2004)	Non-Executive	Nil	4	Yes	-	2	-	-
10	Mr. G. Suseelan (Appointed as Managing Director w.e.f.1.04.2008)	Executive	Nil	5	Yes	Chairman, Bamni Proteins Ltd. & Reva Proteins Ltd	2	-	-

* The number of Directorships shown includes Directorships in Private Companies also. As such, it is within the limit prescribed under Section 275 of the Companies Act, 1956.

** Includes only Audit Committee and Shareholders Grievance Committee.

Recommendations complied with

The Board of Directors has an optimum combination of executive and non-executive Directors with more than 50% of the Directors being non-executive Directors. The Company has not paid any commission to the non-executive Directors.

None of the Directors are disqualified under Section 274(1)(g) of the Companies Act, 1956 read with Companies (Disqualification of Directors under Section 274(1)(g) of the Companies Act, 1956) Rules 2003. Necessary disclosures have been made by the directors stating that they do not hold any membership in more than 10 committees or chairmanship of more than 5 committees in terms of clause 49 of the Listing Agreement.

3. AUDIT COMMITTEE

The Company has a qualified and independent Audit Committee of the Board conforming to the requirements as prescribed by SEBI on Corporate Governance as well as consequent amendment to the Listing Agreement with the Stock Exchanges. The Committee consists of 3 non-executive directors namely Mr. K. Ramakrishnan, Mr. Alkesh Kumar Sharma IAS and Mr. K. L. Kumar. Mr. K. Ramakrishnan, former Managing Director of State Bank of Travancore with vast knowledge and experience in accounts and finance, is the Chairman of the Audit Committee. The terms of reference of the Audit Committee sufficiently covers the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with Stock Exchanges and include overseeing of financial reporting process and development of financial information, ensuring the correctness of financial statements, reviewing with management, Internal and External Audi-

tors the adequacy of Internal Control System, reviewing the Company's financial and risk management policies and reviewing the related party transactions.

Five Audit Committee Meetings were held during the year 2011-12, the dates of which are 30.04.2011, 08.05.2011, 09.08.2011, 01.11.2011 and 12.02.2012. The attendance of members are as follows:

Name of Directors	Category	No. of meetings attended
Mr. K. Ramakrishnan	Chairman	2
Mr. Alkesh Kumar Sharma	Member	5
Mr. K.L. Kumar	Chairman /Member	3/2

4. REMUNERATION COMMITTEE

The Remuneration Committee consists of Mr. Alkesh Kumar Sharma IAS, as Chairman, Mr. K. Ramakrishnan and Mr. K.L. Kumar, as members. The terms of reference of the Committee includes remuneration and terms and conditions of appointment of Executive Directors and Senior Management Personnel. During 2011-12, the Remuneration Committee did not hold any meeting.

Remuneration Policy:

Remuneration Policy is directed towards rewarding performance based on review of achievements, which is in consonance with the existing industry practices. The committee meets as often as required.

Details of remuneration for the year 2011-2012**Executive Directors:**

Name	Salary Rs.	PF Rs.	Other Benefits Rs.	Total Rs.
Mr. G. Suseelan	22,20,000	2,66,400	14,65,584	39,51,984

Non Executive-Directors:

Name	Sitting fees Rs.
Mr. T. Balakrishnan IAS	25,000
Mr. Alkesh Kumar Sharma IAS	55,000
Mr. K. Ramakrishnan	20,000
Mr. A.K. Nair	65,000
Mr. K.L. Kumar	65,000
Mr. Venu Nallur	20,000

Name and designation of Compliance Officer

Number of shareholders complaints received so far

Number not solved to the satisfaction of the Shareholders

Number of pending share transfers

: Mr. G. Rajesh Kurup, Company Secretary.

: 1

: Nil

: All valid transfer requests received upto 31.03.2012 have been Registered

5. SHAREHOLDERS' GRIEVANCE COMMITTEE

The Board has set up a Shareholders' Grievance Committee to address matters/complaints concerning share transfers/transmission of shares issued by the Company, issue of duplicate Share Certificate, split, consolidation etc. Presently the committee consists of three non-executive Directors, namely Mr. Alkesh Kumar Sharma IAS, as Chairman, Mr. K. Ramakrishnan and Mr. K. L. Kumar, as members. The committee met on 08.05.2011 to consider shareholder grievances pertaining to the financial year 2011-12

6. GENERAL BODY MEETINGS:**a) Date, Time and Location of three preceding Annual General Meetings**

AGM	Financial Year	Day	Date	Time	Location
35th	2011	Tuesday	14.06.2011	10.00 AM	Grand Hotel Ernakulam
34th	2010	Monday	21.06.2010	10.00 AM	Grand Hotel Ernakulam
33rd	2009	Thursday	18.06.2009	10.00 AM	Grand Hotel Ernakulam

b) Special Resolutions have been passed at the last three Annual General Meetings as under:

No. and date of AGM	Nature of Special Resolution
14.06.2011	1. Appointment of auditors and fixation of remuneration
	2. Reappointment of Managing Director and fixation of remuneration
21.06.2010	Appointment of auditors and fixation of remuneration
18.06.2009	Appointment of auditors and fixation of remuneration

7. CODE OF CONDUCT

The Board approved the Code of Conduct applicable to the Board Members and the senior management personnel of the Company at its meeting held on 30.01.2006. The code has been posted on the website of the Company www.gelatin.in. All Board members and senior management personnel have affirmed compliance with the code and a declaration to this effect signed by the CEO is annexed to this report.

8. DISCLOSURES

There have been no materially significant related party transactions with the Company's Promoters, Directors, the Management, their Subsidiaries which may have potential conflict with the interests of the Company. The necessary disclosures regard-

ing the transactions with Related parties are given in the Notes to the Accounts (See Note No. 2.25 of Standalone Financial Statement).

There were no instances of non compliance on any matter relating to the capital markets during the last three years. The Company has complied with all the applicable accounting standards. No personnel of the Company has been denied access to the Audit Committee of the Company (in respect of matters involving alleged misconduct). The company has provided protection to "whistle blowers" from unfair termination and other unfair or prejudicial employment practices. The Company has laid down procedures to inform Board members about the risk assessment and minimisation procedures. These procedures are periodically reviewed to ensure that executive manage-

ment controls risk through means of a properly defined framework.

9. MEANS OF COMMUNICATION

Quarterly results are published in prominent daily newspapers namely the Business Line (English) and Mathrubhumi (Malayalam). Immediately after the approval of the Board, the financial results are transmitted to the Stock Exchanges where the shares of the Company are listed.

Besides other general information, the Company updates regarding product launch and introduction to markets are available in the official website: www.gelatin.in.

10. GENERAL SHAREHOLDERS' INFORMATION

Annual General Meeting, date, time & venue	: 6th July, 2012 at 10.30 A.M at Grand Hotel, M.G. Road, Ernakulam, Kochi - 682 011.
Financial calendar	: 1st April 2011 to 31st March 2012
Dates of book closure	: 27.06.2012 to 06.07.2012 (both days inclusive)
Dividend payment date	: (if declared at the Annual General Meeting) 20.07.2012

The Company's Equity Shares are listed on the following Stock exchanges.

1. Cochin Stock Exchange Ltd. MES Building, Kaloor Kochi - 682 017.
2. Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
Stock Code : 506532 (BSE)

11. Market price data (monthly High and Low) of the Company's Equity shares traded on Mumbai Stock Exchange, in comparison to BSE Sensex during the period April 2011 to March 2012 is given below.

Year	Month	Market price of NGIL shares		BSE Sensex	
		High	Low	High	Low
2011	April	141.00	98.95	19,811.14	18,976.19
	May	137.00	100.05	19,253.87	17,786.13
	June	132.00	103.65	18,873.39	17,314.38
	July	144.85	115.00	19,131.70	18,131.86
	August	118.70	93.00	18,440.07	15,765.53
	September	120.00	105.35	17,211.80	15,801.01
	October	126.35	102.70	17,908.13	15,745.43
	November	115.50	95.10	17,702.26	15,478.69
	December	109.00	80.00	17,003.71	15,135.86
2012	January	108.85	81.00	17,258.97	15,358.02
	February	107.75	90.00	18,523.78	17,061.55
	March	99.7	86.05	18,040.69	16,920.61

12. Registrars and Share Transfer Agents:

With effect from 1st April, 2003 the company has appointed Cameo Corporate Services Limited, "Subramanian Building", 1, Club House Road, Chennai-600 002 as Registrars & Share Transfer Agents to deal with both physical and electronic share registry.

13. Share transfer system

The Share Transfer Committee considers transfers/transmission of shares issued by the Company, issue of duplicate certificates and certificates after split/consolidation/renewal. The Share Transfer Committee comprised of Mr. A. K. Nair, Director as Chairman and Mr. G. Suseelan, Managing Director and Mr. K. L. Kumar, Director as members. During the year, the committee held 5 meetings.

14. Distribution of Shareholding and Shareholders Profile

a) Distribution of Shareholding as at 31st March 2012

No. of Equity Shares held	No. of Share holders	% of Share Holders	No. of Shares held				% of share holding
			Physical	NSDL	CDSL	Total	
1-500	5658	92.11	134265	362550	164853	661668	7.88
501-1000	260	4.23	24200	115417	63420	203037	2.42
1001-10000	210	3.42	30625	276356	202267	509248	6.06
10001 and above	15	0.24	0	6960019	66028	7026047	83.64
Total	6143	100.00	189090	7714342	496568	8400000	100.00

b) Shareholders Profile as on 31st March 2012

Category	No. of shareholders	% of shareholders	No. of shares held	% of shareholding
Resident Indians	5934	96.59	1346791	16.05
Foreign Collaborator	1	0.02	3900300	46.43
Indian Collaborator	1	0.02	2862220	34.07
Domestic Companies	151	2.46	265633	3.16
Financial Institutions	1	0.02	4550	0.05
NRIs	43	0.70	15920	0.19
Overseas Corporate Bodies	0	0.00	0	0.00
Mutual Funds	6	0.10	3180	0.04
Banks	2	0.03	200	0.00
Clearing Member NSDL/CDSL	4	0.06	1206	0.01
Total	6143	100.00	8400000	100.00

15. Dematerialisation of Shares

As at 31st March 2012, there are 8210910 shares, representing 97.75% of the paid-up share capital in dematerialised form. This includes 7714342 shares (91.84%) in NSDL and 496568 shares (5.91%) in CDSL. No shares were re-materialised during the year.

16. Plant Locations :

The Company's plants are located at:

1. Kathikudam P.O., Via. Koratty, Trichur District, Pin- 680 308.
2. Kinfra Export Promotion Industrial Parks Ltd., PB. No.3109, Kusumagiri P.O., Ernakulam District, Pin- 682 030.

17. Address for investor correspondence:

1. Cameo Corporate Services Ltd,
“Subramanian Building”,
1, Club House Road,
Chennai - 600 002
Tel : 044-28460390,
Fax: 044-28460129
Email:cameo@cameoindia.com
2. Nitta Gelatin India Limited,
PB No.4262, 54/1446,
SBT Avenue Panampilly Nagar,
Kochi - 682 036,
Kerala
Tel : 0484 -2317805,
Fax : 0484 -2310568
Email :secretarial@nittagelindia.com

18. Designated e-mail id for investor complaints/grievance redressal- investorcell@nittagelindia.com

Note: Shareholders holding shares in electronic mode should address all correspondence to their respective depository participant. Non-mandatory disclosures are not being included in the report except disclosures relating to Remuneration Committee.

CEO/CFO Certification

Mr. G. Suseelan, Managing Director and Mr. K. Muraleedharan Nair, General Manager (Finance & Accounts) have given CEO/CFO Certificate to the Board. The Board has taken on record the CEO/CFO certificate as per the format given under clause 49(v) at its meeting held on 11.05.2012.

**DECLARATION OF COMPLIANCE OF
CODE OF BUSINESS CONDUCT AND ETHICS**

As per the affirmations received from the Directors and Senior Executives of the Company, the Directors and Senior Executives have complied with the provisions of the Code of Business Conduct and Ethics for the year ended 31st March 2012 applicable to Directors and Senior Executives of the Company.

Sd/-
G. Suseelan
Managing Director.

CERTIFICATE

The Members,
Nitta Gelatin India Limited
Kochi-36

1. We have examined the compliance of conditions of corporate governance by Nitta Gelatin India Limited, Kochi-36 for the year ended 31.03.2012 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges in India.
2. The compliance of conditions of corporate governance is the responsibility of the Company's management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. In our opinion and to the best of our information and according to explanations given to us, we certify that the company has complied with conditions of corporate governance as stipulated in the above mentioned Listing Agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

Place: Kochi
Date : 11/5/2012

For VARMA AND VARMA
(FRN : 004532S)

(VIJAY NARAYAN GOVIND)
Partner
CHARTERED ACCOUNTANTS
Membership No. 203094

NITTA GELATIN INDIA LIMITED
BALANCE SHEET AS AT 31st MARCH, 2012

Particulars	Note No.	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
I. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
a. Share Capital	2.1	84,000,000	84,000,000
b. Reserves and Surplus	2.2	985,744,244	973,987,139
2 Non-current Liabilities			
a. Deferred Tax Liabilities (Net)	2.3	65,411,000	67,724,000
b. Long-term Provisions	2.4	10,886,892	11,478,316
3 Current Liabilities			
a. Short-term Borrowings	2.5	364,033,113	271,660,028
b. Trade Payables	2.6	216,244,847	157,233,390
c. Other Current Liabilities	2.7	13,948,849	11,678,583
d. Short-term Provisions	2.8	57,393,410	55,560,743
Total		1,797,662,355	1,633,322,199
II. ASSETS			
1 Non-current Assets			
a. Fixed Assets	2.9		
i. Tangible Assets		680,855,004	673,453,334
ii. Intangible Assets		5,923,426	7,903,134
iii. Capital Work-in-progress		64,033,033	86,369,935
b. Non-current Investments	2.10	84,640,237	81,490,237
c. Long-term Loans and Advances	2.11	239,742,235	122,969,695
2 Current Assets			
a. Inventories	2.12	432,472,117	401,891,094
b. Trade Receivables	2.13	175,208,544	144,194,527
c. Cash and Cash Equivalents	2.14	13,801,222	9,814,206
d. Short-term Loans and Advances	2.15	49,050,471	61,550,950
e. Other Current Assets	2.16	51,936,066	43,685,087
Total		1,797,662,355	1,633,322,199

Significant Accounting Policies and Notes on Accounts 1&2

For and on behalf of the Board of Directors

As per our separate report of even date attached
For VARMA AND VARMA
(FRN : 004532S)

(VIJAY NARAYAN GOVIND)
Partner
CHARTERED ACCOUNTANTS
Membership No. 203094

V. SOMASUNDARAN IAS
Chairman

K. RAMAKRISHNAN
Director

VENU NALLUR
Director

K. L. KUMAR
Director

G. SUSEELAN
Managing Director

ALKESH KUMAR SHARMA IAS
Director

A.K.NAIR
Director

Place: Kochi
Date: 11.05.2012

G. RAJESH KURUP
Company Secretary

NITTA GELATIN INDIA LIMITED
STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31st MARCH, 2012

Particulars	Note No.	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Income			
I. Revenue from operations (gross)	2.17	2,498,837,733	2,079,305,282
<i>Less</i> : Excise duty		40,743,152	42,845,043
Revenue from operations (net)		2,458,094,581	2,036,460,239
II. Other Income	2.18	11,317,822	27,433,949
III. Total Revenue		2,469,412,403	2,063,894,188
IV. Expenses:			
a. Cost of materials consumed	2.19	1,324,775,821	1,177,051,712
b. Purchases of stock-in-trade		-	5,005,450
c. Changes in inventories of finished goods, work-in-progress and Stock-in-trade	2.20	(1,953,659)	(49,628,777)
d. Employee benefits expense	2.21	154,191,916	127,958,225
e. Finance costs	2.22	60,661,963	27,660,549
f. Depreciation and amortisation expense	2.9	89,742,402	84,319,367
g. Other expenses	2.23	776,645,758	666,382,708
Total Expenses		2,404,064,201	2,038,749,234
V. Profit before tax (III-IV)		65,348,202	25,144,954
VI. Tax expense:			
a. Current tax		22,000,000	5,210,000
<i>Less</i> : Mat Credit Entitlement		(4,816,724)	
b. Tax for earlier years		(329,939)	(3,071,524)
c. Deferred tax		(2,313,000)	4,091,000
VII. Profit for the period (V - VI)		50,807,865	18,915,478
VIII. Earnings per equity share:			
Nominal value of share Rs. 10/- (Rs. 10/-)	2.24		
a. Basic		6.05	2.25
b. Diluted		6.05	2.25

Significant Accounting Policies and Notes on Accounts

1&2

For and on behalf of the Board of Directors

As per our separate report of even date attached

For VARMA AND VARMA
(FRN : 004532S)(VIJAY NARAYAN GOVIND)
PartnerCHARTERED ACCOUNTANTS
Membership No. 203094V. SOMASUNDARAN IAS
ChairmanK. RAMAKRISHNAN
DirectorVENU NALLUR
DirectorK. L. KUMAR
DirectorG. SUSEELAN
Managing DirectorALKESH KUMAR SHARMA IAS
DirectorA.K.NAIR
Director

Place: Kochi

Date: 11.05.2012

G. RAJESH KURUP
Company Secretary

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012

1. Significant Accounting Policies

a Basis of Accounting

The financial statements are prepared under the historical cost convention, on accrual basis of accounting in conformity with the accounting principles generally accepted in India and comply with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006.

b Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known /materialized.

c Revenue Recognition

Sales are recognized on transfer of title of the goods to the customers. Export incentives are recognized on exports on accrual basis, based on the estimated realisable value of such entitlements. Other incomes are recognized on accrual basis except when there are significant uncertainties.

d Fixed Assets

Fixed assets are stated at the cost of acquisition, which includes taxes, duties, freight and other incidental expenses incurred for bringing the assets to the working condition required for their intended use, less depreciation and impairment in value if any, is adjusted.

e Depreciation/ Amortisation

- i. Depreciation on Plant and Machinery (other than Service Equipment) is provided on Straight Line Method. The rates adopted are as prescribed in Schedule XIV of the Companies Act, 1956 read with Circular No. 1/1/86 dt.21.5.86, of the Department of Company Affairs, Govt. of India, except in respect of the following items, which are depreciated at higher rates on the basis of technical evaluation:
 - a. Plant and Machinery of Ossein Unit acquired after 16.12.1993 and having value in excess of Rs.5,000/- in individual case - 11.31%
 - b. Plant and Machinery of Gelatin Division having value in excess of Rs.5000/- in individual case - 6.33%
 - c. Effluent Treatment Plant at Ossein Unit - 19%
 - d. Effluent Treatment Plant at Gelatin Division - 11.31%
- ii. Depreciation on Service Equipment and other items of fixed assets is provided on Written Down Value Method at the rates provided in Schedule XIV of the Companies Act, 1956.
- iii. Lease Premium on Land is depreciated (amortised) over the period of lease.
- iv. Cost of software treated as Intangible Assets is amortised over a period of five years.

f Investments

Non Current Investments are stated at cost. Decline in value, if any, which is not considered temporary in nature, is provided for.

g Inventories

Inventories are valued at lower of cost or net realisable value, item wise. For this purpose, the cost of bought-out inventories comprise of the purchase cost of the items, net of applicable tax/duty credits and cost of bringing such items into the factory on a weighted average basis. The cost of

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

manufactured inventories comprises of the direct cost of production plus appropriate overheads. The net realizable value of bought out inventories is taken at their current replacement value.

h Research & Development

Capital expenditure on Research & Development is capitalized as fixed assets and depreciated in accordance with the depreciation policy of the company. The revenue expenditure on Research & Development is charged to the Statement of Profit and Loss in the year in which it is incurred.

i Employee Benefits

i. Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and recognized in the period in which the employee renders the related service.

ii. Defined Contribution Plans

The company has defined contribution plans for employees comprising of Provident Fund and Employee's State Insurance. The contributions paid/payable to these plans during the year are charged to the Statement of Profit and Loss for the year.

iii. Defined Benefit Plans

Payment of Gratuity to employees is covered by the KCPL Gratuity Trust Scheme based on the Group Gratuity cum Assurance Scheme of the LIC of India, which is a defined benefit scheme and the company makes contributions under the said scheme. The net present value of the obligation for gratuity benefits as determined on independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognized past services cost if any and as reduced by the fair value of plan assets, is recognized in the accounts. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur.

iv. Long Term Employee Benefits

Compensated Absences: The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur.

v. Termination Benefits : Termination benefits are recognized in the Statement of Profit and Loss for the period in which the same accrue.

j Income Tax

Income tax is accounted in accordance with Accounting Standard on Accounting for Taxes on Income (AS-22), which includes current taxes and deferred taxes. Deferred Tax assets/ liabilities representing timing differences between accounting income and taxable income are recognised to the extent considered capable of being reversed in subsequent years. Deferred tax assets are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available, except that deferred tax assets arising due to unabsorbed depreciation and losses are recognised if there is a virtual certainty that sufficient future taxable income will be available to realise the same.

k Foreign Currency Transactions, Forward Contracts and Derivatives

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities outstanding at the Balance Sheet date are translated at

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

the applicable exchange rates prevailing at the year-end. The exchange gain/loss arising during the year are adjusted to the Statement of Profit and Loss.

Premium or discount arising on inception of forward exchange contracts, which are intended to hedge the foreign currency risk of existing assets or liabilities has been amortised as income /expense over the life of the contract and exchange differences on such contracts are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change.

Exchange gain or loss on derivative instruments entered to hedge risks associated with foreign currency fluctuations and on forward exchange contracts, which are intended to hedge the foreign currency risks of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions are determined by marking such contracts outstanding on Balance Sheet date to market, and the resultant loss, if any, is provided in the accounts, while gains are not recognised in accordance with the Announcement on Accounting for Derivatives issued by the Institute of Chartered Accountants of India.

l Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use are capitalised. Other borrowing costs are recognized as expenditure for the period in which they are incurred.

m Grants/ Subsidies

Grants and Subsidies in the nature of Promoters contribution or identifiable with non depreciable assets are credited to capital reserve.

Grants and Subsidies, specifically identifiable with capital assets other than depreciable assets, are credited to the carrying cost of the respective asset.

Grants/Subsidies in the nature of revenue are recognized as income over the period necessary to match them with the related costs which they are intended to compensate.

n Earnings per share

Basic/ diluted earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares/ dilutive potential equity shares outstanding as at the end of the year as the case may be.

o Impairment of Assets

The company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. An asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. Based on such assessment, impairment loss if any is recognized in the Statement of Profit and Loss for the period in which the asset is identified as impaired. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

p Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the company has a present obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the correct management estimates.

Contingent Liabilities are disclosed when the company has a possible obligation or a present obligation and it is probable that a cash flow will not be required to settle the obligation.

Contingent assets are neither recognized nor disclosed in the accounts.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2 Notes on Accounts

2.1 Share Capital:

The Company has only one class of shares referred to as equity shares with a face value of Rs. 10/- each. Each holder of equity share is entitled to one vote per share

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Authorised:		
10,000,000(10,000,000) Equity Shares of Rs. 10/- each	100,000,000	100,000,000
Issued and Subscribed and fully paid:		
8,400,000 (8,400,000) Equity Shares of Rs. 10/- each	84,000,000	84,000,000
	84,000,000	84,000,000

Reconciliation of shares at the beginning and at the end of the financial year

Particulars	As at 31.03.2012		As at 31.03.2011	
	Number	Rupees	Number	Rupees
As at the beginning of the financial year	8,400,000	84,000,000	8,400,000	84,000,000
As at the end of the financial year	8,400,000	84,000,000	8,400,000	84,000,000

Particulars of Shareholders holding more than 5% share in the Company

Particulars	As at 31.03.2012		As at 31.03.2011	
	%	No. of shares	%	No. of shares
Nitta Gelatin Inc., Japan	46.43	3,900,300	46.43	3,900,300
Kerala State Industrial Development Corporation Ltd	34.07	2,862,220	34.07	2,862,220

2.2 Reserves and Surplus

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Security Premium Account	273,000,000	273,000,000
Capital Investment Subsidy	1,500,000	1,500,000
Special Export Reserve (under the Income Tax Act, 1961)	7,900,000	7,900,000
General Reserve		
Opening Balance	620,592,000	618,700,000
Add: Transfer from the Statement of Profit and Loss	5,080,786	1,892,000
Closing Balance	625,672,786	620,592,000
Surplus		
Opening Balance	70,995,139	93,152,201
Net Profit after tax transferred from the Statement of Profit and Loss	50,807,865	18,915,478
Amount available for Appropriation	121,803,004	112,067,679

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
<i>Less:</i> Appropriations		
Transfer to General Reserve	5,080,786	1,892,000
Proposed Dividend [See Note 2.2.1]	33,600,000	33,600,000
Tax on Proposed Dividend	5,450,760	5,580,540
Closing Balance	77,671,458	70,995,139
	985,744,244	973,987,139

2.2.1 Final dividend of Rs.4 per share (Rs.4 per share) proposed by the Board is subject to approval of shareholders in the ensuing Annual General Meeting.

2.3 Deferred Tax Liabilities (Net)

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
A. Deferred Tax Liability		
On excess of net book value over Income tax written down value of fixed assets	79,588,000	79,362,000
B. Deferred Tax Assets		
On Provisions	7,205,000	7,583,000
On other disallowances	6,972,000	4,055,000
Deferred Tax Liabilities (Net) (A-B)	65,411,000	67,724,000

2.4 Long-term Provisions

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Provision for Employee Benefits [See Note 2.4.1]	10,886,892	11,478,316
	10,886,892	11,478,316

2.4.1 Disclosures required under Accounting Standard 15 - "Employee Benefits"

a. Defined Contribution Plans

During the year the following amounts have been recognized in the Statement of Profit and Loss on account of defined contribution plans:

Particulars	Current Year Rupees	Previous Year Rupees
Employer's contribution to Provident Fund	8,711,339	7,746,825
Employer's contribution to Employee's State Insurance	1,092,785	1,118,423

b. Defined Benefit Plans - Gratuity: Funded Obligation

i. Actuarial Assumptions	Current Year	Previous Year
Discount Rate (per annum)	8.70%	8.00%
Expected return on plan assets	9.00%	9.00%
Salary escalation rate*	5.00%	5.00%
Mortality rate	LIC (1994-1996) Ultimate	LIC (1994-1996) Ultimate

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

*The assumption of future salary increases takes into account inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.

ii. Reconciliation of present value of obligation	Current Year Rupees	Previous Year Rupees
Present value of obligation at the beginning of the year	27,648,601	22,962,781
Current Service Cost	1,940,944	1,862,000
Interest Cost	1,942,747	1,710,892
Actuarial (gain)/ loss	4,017,071	4,266,178
Benefits Paid	(6,728,531)	(3,153,250)
Present value of obligation at the end of the year	28,820,832	27,648,601

iii. Reconciliation of fair value of plan assets	Current Year Rupees	Previous Year Rupees
Fair value of plan assets at the beginning of the year	26,698,214	25,688,104
Expected return on plan assets	2,235,055	2,259,212
Actuarial (gain)/ loss	54,865	(77,613)
Contributions	3,000,000	1,981,761
Benefits paid	(6,728,531)	(3,153,250)
Assets distributed on settlement (if applicable)	-	-
Fair value of plan assets at the end of the year	25,259,603	26,698,214

iv. Description of Plan Assets	Current Year Rupees	Previous Year Rupees
Insurer Managed Funds (LIC of India)	25,259,603	26,698,214

v. Net (Asset)/ Liability recognized in the Balance Sheet as at year end	2011-12 Rupees	2010-11 Rupees	2009-10 Rupees	2008-09 Rupees	2007-08 Rupees
Present value of obligation at the end of the year	28,820,832	27,648,601	22,962,781	20,879,702	19,029,308
Fair value of plan assets at the end of the year	25,259,603	26,698,214	25,486,228	20,445,335	17,007,992
Net present value of funded obligation recognized as (asset)/ liability in the Balance Sheet	3,561,229	950,387	(2,523,447)	434,367	2,021,316

vi. Expenses recognized in the Statement of Profit and Loss	Current Year Rupees	Previous Year Rupees
Current Service Cost	1,940,944	1,862,000
Interest Cost	1,942,747	1,710,892
Actuarial (gain)/ loss recognized in the period	3,962,207	4,343,791
Past Service Cost (if applicable)	-	-
Expected return on plan assets	(2,235,055)	(2,259,212)
Total expenses recognized in the Statement of Profit and Loss for the year	5,610,843	5,657,471
Actual return on plan assets	2,289,920	2,181,599

The above disclosures are based on information furnished by the independent actuary and relied upon by the auditors.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

c. Long Term Employee Benefits

Compensated absences (Vesting and Non Vesting): Unfunded Obligation

i. Actuarial Assumptions	Current Year	Previous Year
Discount Rate (per annum)	8.70%	8.00%
Salary escalation rate*	5.00%	5.00%
Mortality rate	LIC (1994-1996) Ultimate	LIC (1994-1996) Ultimate

*The assumption of future salary increases takes into account inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.

ii. Reconciliation of present value of obligation	Current Year Rupees	Previous Year Rupees
Present value of obligation at the beginning of the year	12,381,328	13,016,785
Current Service Cost	1,153,218	1,088,565
Interest Cost	874,084	935,828
Actuarial (gain)/ loss	2,543,800	(21,975)
Benefits Paid	(2,910,547)	(2,637,875)
Present value of obligation at the end of the year	14,041,883	12,381,328

iii. Net (Asset)/ Liability recognized in the Balance Sheet as at year end	2011-12 Rupees	2010-11 Rupees	2009-10 Rupees	2008-09 Rupees	2007-08 Rupees
Present value of obligation at the end of the year	14,041,883	12,381,328	13,016,785	12,077,002	9,931,000
Fair value of plan assets at the end of the year	-	-	-	-	-
Net present value of unfunded obligation recognized as (asset)/ liability in the Balance Sheet	14,041,883	12,381,328	13,016,785	12,077,002	9,931,000

iv. Expenses recognized in the Statement of Profit and Loss	Current Year Rupees	Previous Year Rupees
Current Service Cost	1,153,218	1,088,565
Interest Cost	874,084	935,828
Actuarial (gain)/ loss recognized in the period	2,543,800	(21,975)
Past Service Cost (if applicable)	-	-
Total expenses recognized in the Statement of Profit and Loss for the year	4,571,102	2,002,418

The above disclosures are based on information furnished by the independent actuary and relied upon by the auditors.

2.5 Short-term Borrowings

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Working Capital Loan from Banks (Secured)	364,033,113	271,660,028
	364,033,113	271,660,028

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.5.1 Secured by the Hypothecation of entire current assets of the Company namely inventories, debtors, cash & bank balances, other current assets and loans & advances, present & future and by way of pari passu charge on the fixed assets of the Company.

2.5.2 The above loans are repayable on demand.

2.6 Trade Payables

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Trade Payables	216,244,847	157,233,390
	216,244,847	157,233,390

2.6.1 The company has taken steps to identify the suppliers who qualify under the definition of micro and small enterprises, as defined under the Micro, Small and Medium Enterprises Development Act, 2006. Intimations have been received from some of the suppliers regarding their status under the said Act as at 31.03.2012, based on which, principal amount unpaid to such suppliers as at the year end aggregating to Rs. 640,634 (Rs. 192,490) has been included under Trade Payables. In the opinion of the management, the impact of interest, if any, which may be payable in accordance with the provisions of the Act, is not expected to be material.

2.7 Other Current Liabilities

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Unpaid Dividend	1,166,557	927,469
Other Payables -		
- Statutory Dues	5,056,841	2,680,061
- Advance from Customers	3,763,662	331,498
- Creditors for Capital Goods	2,794,330	7,692,973
- Other Recoveries Payable	1,167,459	46,582
	13,948,849	11,678,583

2.8 Short-term Provisions

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Provision for employee benefits [See Note 2.4.1]	6,716,221	1,853,399
Others		
- Proposed Dividend	33,600,000	33,600,000
- Corporate Dividend Tax	5,450,760	5,580,540
- Water Cess	-	7,735,292
- Excise Duty	7,868,898	6,791,512
- Provision for Mark to Market Loss on forward exchange contracts	3,757,531	-
	57,393,410	55,560,743

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2012 (CONTD.)**
Note No 2.9 - FIXED ASSETS & CAPITAL WORK IN PROGRESS

(Amount in Rupees)

Particulars	GROSS BLOCK (At cost)			DEPRECIATION / IMPAIRMENT			NET BLOCK		
	As at 01-04-2011	Additions	Disposals/ Adjustments	As at 31-03-2012	As at 01-04-2011	For the year	Disposal/ adjustments	As at 31-03-2012	As at 31-03-2011
FIXED ASSETS:									
(A) Tangible Assets									
Land and Development	37,099,095 (13,201,912)	- (25,232,939)	- (1,335,756)	37,099,095 (37,099,095)	- -	- -	- -	37,099,095 (37,099,095)	37,099,095 (13,201,912)
Leasehold Land	26,148,286 (26,148,286)	- -	- -	26,148,286 (26,148,286)	3,506,556 (3,216,310)	290,246 (290,246)	- -	22,351,484 (22,641,730)	22,641,730 (22,931,976)
Buildings	231,137,280 (224,156,627)	28,696,981 (6,980,653)	- -	231,137,280 (231,137,280)	141,295,827 (131,791,091)	9,316,195 (9,504,736)	- -	109,222,239 (89,841,453)	89,841,453 (92,365,536)
Plant & Equipment	1,230,429,422 (1,142,039,922)	71,299,536 (88,638,191)	38,367,241 (248,691)	1,263,361,717 (1,230,429,422)	719,102,969 (649,571,718)	75,252,975 (69,727,795)	32,626,868 (196,544)	501,632,641 (511,326,453)	511,326,453 (492,468,204)
Office Equipments	20,262,446 (17,012,260)	451,192 (3,400,526)	13,936 (150,340)	20,699,702 (20,262,446)	12,349,142 (10,577,702)	1,744,304 (1,879,865)	11,045 (108,425)	6,617,301 (7,913,304)	7,913,304 (6,434,558)
Furniture & Fixtures	8,202,433 (7,734,302)	459,919 (468,131)	- -	8,662,352 (8,202,433)	6,749,760 (6,420,941)	336,029 (328,819)	- -	1,576,563 (1,452,673)	1,452,673 (1,313,361)
Vehicles	4,277,241 (3,342,794)	- (3,336,405)	- (2,401,958)	4,277,241 (4,277,241)	1,098,615 (2,284,457)	822,945 (622,785)	- (1,808,627)	2,355,681 (3,178,626)	3,178,626 (1,058,337)
Total Tangible Assets	1,557,556,203	100,907,628	38,381,177	1,620,082,654	884,102,869	87,762,694	32,637,913	680,855,004	673,453,334
Previous Year	1,433,636,103	128,056,845	4,136,745	1,557,556,203	803,862,219	82,354,246	2,113,596	673,453,334	629,773,884
(B) Intangible Assets									
Software	9,868,255	-	-	9,868,255	1,965,121	1,979,708	-	5,923,426	7,903,134
Total Assets (A + B)	1,567,424,458	100,907,628	38,381,177	1,629,950,909	886,067,990	89,742,402	32,637,913	686,778,430	681,356,468
Previous Year	1,433,636,103	137,925,100	4,136,745	1,567,424,458	803,862,219	84,319,367	2,113,596	681,356,468	629,773,884
CAPITAL WORK IN PROGRESS:									
Building and plant under construction :	23,950,527 (49,392)	4,834,279 (23,950,527)	28,696,981 (49,392)	87,825 (23,950,527)	87,825 (23,950,527)	-	-	87,825 (23,950,527)	23,950,527 (49,392)
Plant, Machinery and Equipment under installation	55,061,244 (61,327,314)	26,012,068 (55,160,654)	29,150,731 (61,426,724)	51,922,581 (55,061,244)	51,922,581 (55,061,244)	-	-	51,922,581 (55,061,244)	55,061,244 (61,327,314)
Interest/Finance charges	-	660,857	-	660,857	660,857	-	-	660,857	-
Capital Stores	7,358,164	11,361,770 (7,358,164)	7,358,164	11,361,770 (7,358,164)	11,361,770 (7,358,164)	-	-	11,361,770 (7,358,164)	7,358,164
Total	86,369,935	42,868,974	65,205,876	64,033,033	64,033,033	-	-	64,033,033	86,369,935
Previous Year	61,376,706	86,469,345	61,476,116	86,369,935	86,369,935	-	-	86,369,935	61,376,706

Note : 1. Net block of Plant & Equipment includes Assets Held for Disposal Rs. Nil (Rs. 2,012,343)
2. Depreciation / Impairment as at 31.03.2012 includes Rs Nil (Rs. 6,018,867)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.10 Non-current Investments

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
<u>Investment in Equity Instruments (at Cost) - Long term</u>		
Quoted (Non Trade):		
a. 420 (420) Equity Shares of Rs.10/- each in State Bank of India fully paid up	146,300	146,300
b. 100 (100) Equity Shares of Rs.10/- each in Industrial Finance Corporation of India Limited fully paid up	3,500	3,500
Aggregate amount of quoted investments (A)	149,800	149,800
Aggregate Market Value: Rs 884,085 (Rs. 1,167,783)		
Unquoted (Trade):		
a. In Subsidiary Companies:		
3,500,000 (3,500,000) fully paid up Equity Shares of Rs.10/- each in Bamni Proteins Limited	35,000,437	35,000,437
4,500,000 (4,500,000) fully paid up Equity Shares of Rs.10/- each in Reva Proteins Limited	45,000,000	45,000,000
b. Others:		
2,400 (2,400) fully paid up Equity Shares of Rs.100/- each in Organo Fertilizers (India) Pvt. Limited.	240,000	240,000
60,000 (60,000) fully paid up Equity Shares of Rs.10/- each in Kerala Enviro Infrastructure Limited	600,000	600,000
50,000 (50,000) fully paid up Equity Shares of Rs.10/- each in Cochin Waste 2 Energy Private Limited	500,000	500,000
300,000 (Nil) fully paid up Equity Shares of Rs. 10/- each in Seafood Park (India) Limited	3,150,000	-
288,000 (288,000) fully paid up Equity Shares of Rs.10/- each in K.K Organics (P) Limited	2,880,000	2,880,000
<i>Less:</i> Provision for diminution in value of investments	2,880,000	2,880,000
	-	-
Aggregate amount of unquoted investments (B)	84,490,437	81,340,437
Aggregate provision for diminution in value of investments Rs. 2,880,000 (Rs. 2,880,000)		
Total Investments (A + B)	84,640,237	81,490,237

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

2.11 Long-term Loans and Advances

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Unsecured (Considered Good)		
Capital Advance	2,830,830	11,162,989
Loan to Related Parties		
- Reva Proteins Limited (Subsidiary Company)	220,000,000	100,957,584
- Interest accrued but not due on above	9,035,258	-
Others		
- Vehicle/ Computer loan to employees	524,858	661,921
- Advance for shares	-	3,000,000
- Deposits	7,351,289	7,187,201
Unsecured (Considered Doubtful)		
Sales Tax Deposit	1,100,494	1,100,494
Less: Provision for doubtful deposits	1,100,494	1,100,494
	-	-
	239,742,235	122,969,695

2.12 Inventories

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Raw Materials	119,936,189	110,300,174
<i>Raw Materials in transit</i>	19,651,452	-
Work-in-process	134,876,981	134,585,805
Finished Goods	79,944,192	78,281,709
Stores & Spares	71,111,147	71,794,601
<i>Stores & Spares in transit</i>	84,503	733,481
Loose Tools	161,411	199,273
Others - Packing Materials	6,706,242	5,996,051
	432,472,117	401,891,094

2.12.1 Method of Valuation of Inventories - Refer 1(g) of Significant Accounting Policies.

2.13 Trade Receivables

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Outstanding for a period exceeding 6 months from the date they are due for payment		
Unsecured, Considered Good	8,619,364	3,907,967
Unsecured, Considered Doubtful	874,318	-
	9,493,682	3,907,967
Less: Provision for Doubtful Debts	874,318	-
	8,619,364	3,907,967
Others (Unsecured, Considered Good)	166,589,180	140,286,560
	175,208,544	144,194,527

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.14 Cash and Cash Equivalents

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Balance with Banks		
In Current Accounts	10,979,166	7,208,350
In Deposit Accounts	2,183,674	1,796,976
Cash on hand	638,382	808,880
	13,801,222	9,814,206
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statements	11,617,548	8,017,230

2.14.1 Balance with banks in Current Accounts include earmarked balances for unpaid dividend Rs. 1,166,557 (Rs. 927,469)

2.14.2 Balance with banks in Deposit Accounts include Rs. 2,183,674 (Rs.1,745,223) with a maturity period of less than 12 months, which are held as security against Letter of Credits/ Guarantee

2.15 Short-term Loans and Advances

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
(Unsecured, Considered Good)		
Loans and Advances to Related Parties:		
- Due from Bamni Proteins Limited, Subsidiary Company	9,264,768	13,523,251
- Due from Reva Proteins Limited, Subsidiary Company	1,653,842	-
Others:		
- Advances recoverable in cash or in kind or for value to be received.	24,834,000	27,258,909
- Vehicle/Computer loan to employees	334,680	286,250
- Income Tax [Net]	4,736,163	16,740,717
- Deposits	113,778	117,046
- Balances with Central Excise, Customs etc.	8,113,240	3,624,777
	49,050,471	61,550,950

2.16 Other Current Assets

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Interest Receivable	236,057	330,352
Old Machinery held for Sale	-	5,000,000
Claims Receivable:		
Export Incentive:		
- Duty Drawback [See Note 2.16.1]	24,410,869	16,922,468
Less: Provision for Claims Disputed	(6,858,636)	(7,742,959)
- Duty Entitlement Pass Book [See Note 2.16.2]	30,786,986	27,611,455
Others	3,360,790	1,563,771
	51,936,066	43,685,087

2.16.1 Duty Drawback includes Rs. 6,461,789 (Rs. 6,461,789) being claims taken credit for in prior years not admitted by the Department. During the previous year a single bench of the Honourable High Court of Kerala had decided the matter in favour of the company, which however has been challenged by the Department before the division bench of the Hon. High Court. Though the company is hopeful of a favourable decision, provision created in the accounts in the preceding years has been retained as a matter of abundant caution.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

2.16.2 Represents claims accounted as income amounting to Rs.10,765,824 for the current year and Rs.20,021,162 for the previous year. The Company had also availed Duty Drawback benefit of Rs. 5,424,105 for the corresponding periods. The Dy. Director General of Foreign Trade vide letter dt 03.10.2011 had informed the company that the dual benefit of DEPB as well as Duty Drawback cannot be allowed and advised that either DEPB benefit or Duty Drawback on the export product may be availed. The company has been legally advised that it is entitled to both benefits as per the relevant regulations and the management is of the opinion that claims are fully recoverable, and no provision is considered necessary at this stage.

2.17 Revenue from operations

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Sale of Products		
Gross Sales	2,437,436,768	2,020,223,792
Other Operating Revenues		
Miscellaneous Sales	13,167,253	12,997,787
Export Incentive [See Note 2.16.2]		
- Duty Entitlement Pass Book	21,968,012	38,374,444
- Duty Drawback	19,205,577	3,198,871
Provision / sundry balances written back	-	4,510,388
Other Miscellaneous Income	7,060,123	-
	61,400,965	59,081,490
	2,498,837,733	2,079,305,282
<i>Less: Excise Duty collected on domestic sales</i>	40,743,152	42,845,043
	2,458,094,581	2,036,460,239

2.18 Other Income

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Interest	10,594,150	2,171,898
Dividend Income from Non Current Investments	12,600	8,400
Foreign Exchange Rate Variation (net)	-	16,608,002
Profit on sale of Assets (net)	691,072	7,027,475
Provision/sundry balances written back	-	1,594,845
Other Non operating Income	20,000	23,329
	11,317,822	27,433,949

2.19 Cost of materials consumed

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Opening Stock	110,300,174	63,462,873
Add: Purchases	1,334,411,836	1,223,889,013
	1,444,712,010	1,287,351,886
<i>Less: Closing Stock</i>	119,936,189	110,300,174
	1,324,775,821	1,177,051,712

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.20 Change in Inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Closing Stock		
Finished Goods	79,944,192	78,281,709
Work-in-process	134,876,981	134,585,805
	214,821,173	212,867,514
Less:		
Opening Stock		
Finished Goods	78,281,709	39,020,470
Work-in-process	134,585,805	124,218,267
	212,867,514	163,238,737
	1,953,659	49,628,777

2.21 Employee Benefits Expense

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Salaries & Wages	116,859,785	92,539,039
Contribution to Provident and Other Funds	15,551,628	15,165,202
Workmen and Staff Welfare Expenses	21,780,503	20,253,984
	154,191,916	127,958,225

2.22 Finance Costs

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Interest Expense	60,563,638	27,660,549
Other Borrowing Cost	98,325	-
	60,661,963	27,660,549

2.23 Other Expenses

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Conversion charges	115,761,285	84,683,545
Consumption of Stores, Spares & Consumables	55,307,475	42,075,691
Packing Materials Consumed	28,119,214	26,568,311
Research & Development Expenditure [See Note 2.23.1]	18,019,127	7,190,964
Power, Fuel, Water & Gas	285,725,687	248,737,864
Repairs		
- Building	4,996,001	3,261,634
- Plant & Machinery	55,809,918	61,582,918
- Others	24,425,533	19,052,605
Loading, Transportation and Other charges on products	27,086,283	22,074,616

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Freight on Exports	15,413,345	12,260,524
Insurance	5,154,017	3,531,712
Rent	3,496,316	1,540,282
Rates & Taxes	6,269,511	4,346,068
Postage & Telephone	3,834,421	3,766,481
Printing & Stationery	1,809,613	1,779,331
Travelling & Conveyance	27,144,616	26,539,726
Director's sitting fee	250,000	325,000
Auditor's Remuneration [See Note 2.23.2]	1,059,964	940,222
Advertisement & Publicity	17,402,101	44,196,976
Discount & Commission on Sales	17,171,820	12,034,856
Professional & Consultancy charges	10,088,799	6,996,157
Bank Charges	2,831,373	3,230,862
Miscellaneous Expenses	40,825,275	29,666,363
Foreign Exchange rate variation (Net)	4,886,533	-
Provision for Mark to Market Loss on forward exchange contracts	3,757,531	-
	776,645,758	666,382,708

2.23.1 Details of Research & Development Expenditure

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Capital Expenditure	667,688	6,215,171
Revenue Expenditure		
Salary & Allowances	3,493,930	4,098,279
Other Expenses	14,525,197	3,092,685
	18,686,815	13,406,135

2.23.2 Provision and/or payments in respect of Auditor's Remuneration

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
a. Statutory Audit Fees	450,000	360,000
b. Other Services		
Taxation Matters (Including Tax Audit)	194,500	185,497
Others	378,462	361,000
Reimbursement of Expenses	37,002	33,725
	1,059,964	940,222

2.24 Earnings per equity share

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Profit after taxation	50,807,865	18,915,478
Weighted Average Number of Equity Shares of Rs. 10/- each (fully paid-up)	8,400,000	8,400,000
Earnings per share - Basic & Diluted	6.05	2.25

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.25 Disclosure of transactions with Related Parties as required by Accounting Standard – 18 on Related Party Disclosures as prescribed by Companies (Accounting Standards) Rules, 2006.

A. Related parties and nature of relationship

- | | | |
|-----------------------------------|---|---|
| i. Nitta Gelatin Inc. | - | Enterprise having substantial interest in the Company |
| ii. Nitta Gelatin NA Inc. | - | Subsidiary of Nitta Gelatin Inc |
| iii. Nitta Gelatin, USA | - | Subsidiary of Nitta Gelatin Inc |
| iv. Nitta Gelatin Canada Inc. | - | Subsidiary of Nitta Gelatin Inc |
| v. Bamni Proteins Limited | - | Subsidiary Company |
| vi. Reva Proteins Limited | - | Subsidiary Company |
| vii. K K Organics Private Limited | - | Associate Company |
| viii. Key Managerial Personnel | | |
| i. Mr. G. Suseelan | - | Managing Director |

B. Description of Transactions

Nature of Transaction	Subsidiary Company/ Associate Company	Enterprise having substantial interest in the Company and its Subsidiaries	Key Management Personnel	Total Rupees
<u>Sale and Income</u>				
1 Sale of Goods:				
Nitta Gelatin Inc		814,388,287 (629,010,926)		814,388,287 (629,010,926)
Nitta Gelatin NA Inc		401,270,751 (246,623,386)		401,270,751 (246,623,386)
2 Interest income:				
Reva Proteins Ltd	10,039,176 (1,253,865)			10,039,176 (1,253,865)
<u>Purchase and Expenses</u>				
1 Commission expense:				
Nitta Gelatin Inc				
- For Sale of Gelatin		400,983 (253,587)		400,983 (253,587)
-For Sale of Peptide		38,856 -		38,856 -
2 Conversion charges:				
Bamni Proteins Limited	97,870,110 (84,683,545)			97,870,110 (84,683,545)
Reva Proteins Limited	17,891,175 -			17,891,175 -
3 Rebate/ Discount expense:				
Nitta Gelatin Inc		2,926,904 (2,087,274)		2,926,904 (2,087,274)
Nitta Gelatin NA Inc		5,008,698 (3,935,772)		5,008,698 (3,935,772)

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

Nature of Transaction	Subsidiary Company/ Associate Company	Enterprise having substantial interest in the Company and its Subsidiaries	Key Management Personnel	Total Rupees
4 Technical Assistance Fee: Nitta Gelatin Inc		995,175 -		995,175 -
5 Reimbursement of Expenses (Net): Nitta Gelatin NA Inc		-		-
Nitta Gelatin Inc		(61,526) 642,364 (285,393)		(61,526) 642,364 (285,393)
Nitta Gelatin USA		-		-
Nitta Gelatin Canada Inc		(47,161) -		(47,161) -
6 Payment received for Clinical Study: Nitta Gelatin Inc		(115,944) 874,927 (1,832,131)		(115,944) 874,927 (1,832,131)
7 Remuneration to Managing Director			3,951,984 (3,598,839)	3,951,984 (3,598,839)
<u>Investments</u>				
1 Reva Proteins Limited	45,000,000 (45,000,000)			45,000,000 (45,000,000)
2 Bamni Proteins Limited	35,000,437 (35,000,437)			35,000,437 (35,000,437)
3 K K Organics Private Limited *	2,880,000 (2,880,000)			2,880,000 (2,880,000)

*Provision created for loss in investments Rs. 2,880,000 (Rs. 2,880,000)

<u>Guarantees Given</u>				
1 Reva Proteins Limited	264,400,000 (200,000,000)			264,400,000 (200,000,000)
2 Bamni Proteins Limited	5,000,000 -			5,000,000 -
<u>Dividend Paid</u>				
1 Nitta Gelatin Inc		15,601,200 (23,401,800)		15,601,200 (23,401,800)
<u>Receivables</u>				
1 Nitta Gelatin Inc		26,919,342 (6,155,262)		26,919,342 (6,155,262)
2 Nitta Gelatin NA Inc		10,550,874 (7,146,383)		10,550,874 (7,146,383)
3 Nitta Gelatin Canada Inc		50,867 (115,750)		50,867 (115,750)

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

Nature of Transaction	Subsidiary Company/ Associate Company	Enterprise having substantial interest in the Company and its Subsidiaries	Key Management Personnel	Total Rupees
4 Nitta Gelatin USA		-		-
		(47,161)		(47,161)
5 Bamni Proteins Limited - Trade Advance	9,264,768 (13,523,251)			9,264,768 (13,523,251)
6 Reva Proteins Ltd -Trade Advance	1,653,842 -			1,653,842 -
7 Reva Proteins Ltd -Interest Receivable	9,035,258 -			9,035,258 -
8 Reva Proteins Ltd -Loan*	220,000,000 (100,957,584)			220,000,000 (100,957,584)
Payables				
1 Nitta Gelatin Inc		6,499,819 (2,340,861)		6,499,819 (2,340,861)
2 Nitta Gelatin NA Inc		5,778,714 (5,942,927)		5,778,714 (5,942,927)

* Loans and advances include loan to subsidiary company Reva Proteins Limited, Rs. 220,000,000 (Rs. 100,957,584) [Maximum amount outstanding during the year Rs. 220,000,000 (Rs.100,957,584)] in respect of which no fixed repayment schedule has been prescribed at this stage.

2.26 Segment Information

The company is engaged in the business of manufacture and sale of Gelatin, Ossein, DCP and Collagen Peptide, which form broadly part of one product group and hence constitute a single business segment. However, based on geographical factors, reportable geographic segments have been identified as export sales and domestic sales. The segment wise information pertaining to the reportable geographical segments as above is as follows:

Particulars	Export Rupees	Domestic Rupees	Consolidated Rupees
Segment Revenue (External Sales)	1,398,545,016	998,148,600	2,396,693,616
	(1,021,638,956)	(955,739,793)	(1,977,378,749)
Segment Result	231,403,834	52,838,648	284,242,482
	(172,557,471)	(19,408,225)	(191,965,696)
Unallocated Expenditure (Net)			158,330,642
			(139,160,193)
Interest Expense			60,563,638
			(27,660,549)
Profit before Taxation			65,348,202
			(25,144,954)

Capital employed as also assets and liabilities of the company are not capable of being stated separately segment wise since all the assets and liabilities are held under composite undertaking for both the geographic segments.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.27 The details of Provisions and Contingent Liabilities are as under. (Disclosed in terms of Accounting Standard –29 on Provisions, Contingent Liabilities & Contingent Assets notified by the Companies (Accounting Standards) Rules, 2006)

2.27.1 Provisions

(Amount in Rs.)

Nature of Provision	Balance as at 01.04.2011	Additional Provision during the year	Amounts used/ changed during the year	Unused amounts reversed	Balance as at 31.03.2012
Provision for Central Excise Duty. [See Note 2.27.1(i)]	6,791,512	1,077,386	-	-	7,868,898
	(5,191,879)	(1,599,633)			(6,791,512)
Provision for Water Cess	7,735,292	-	7,735,292	-	-
	(7,077,500)	(657,792)	-	-	(7,735,292)

2.27.1(i) Central Excise authorities have issued show cause notices proposing to withdraw CENVAT credit availed by the company on Hydrochloric Acid used in the manufacture of Ossein consumed for Gelatin production amounting to Rs. 26,265,559 (Rs. 21,985,689), which has been disputed by the company. Though no demand has been raised by the Department, based on legal advice received, the company has created a provision of Rs. 7,868,898 (Rs. 6,791,512) as a matter of abundant caution and the balance amount of Rs. 18,396,661 (Rs 15,194,177) has been disclosed as a contingent liability.

2.27.2 Contingent Liabilities not provided for:

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
1. Claims against the Company not acknowledged as debts:		
a. Income Tax [See Note 2.27.2(i)]	25,227,447	11,203,842
b. Sales Tax [See Note 2.27.2(ii)]	34,224,152	13,581,337
c. Excise Duty [See Note 2.27.1(i)]	18,396,661	15,194,177
d. Water Cess [See Note 2.27.2(iii)]	71,484,400	-
2. Foreign Bills Discounted	181,613,424	151,308,644
3. Counter Guarantee issued in favour of bankers	8,146,152	4,352,152
4. Letter of Credit	-	1,092,683
5. Corporate guarantee issued in favour of Subsidiary Companies		
a. Reva Proteins Limited.	264,400,000	200,000,000
b. Bamni Proteins Limited.	5,000,000	-
	608,492,236	396,732,835

2.27.2(i) Includes Rs 11,815,732 in respect of which the Hon. High Court of Kerala had passed an order which has the effect of enhancing the income tax liability of the company relating to certain prior years. The company has filed an appeal against the said order before the Hon. Supreme Court of India which is pending. Based on the legal opinion received by the company and hav-

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

ing regard to certain favourable decisions of the Hon Supreme Court, there is no likelihood of any additional liability on this account. Further, during the year, the Income Tax Department has made certain disallowances on assessments completed for earlier years having a tax effect of Rs. 13,411,715, which are pending on appeal before the first appellate authority. In the opinion of the management, no provision is considered necessary for the same at this stage.

2.27.2(ii) Includes Rs. 20,642,815 in respect of which the Sales Tax Authorities have issued demand notice proposing additional sales tax for KVAT and CST for an earlier Assessment year on certain technical grounds, which has been disputed by the Company. Sales Tax Authorities have also issued show cause notices proposing to withdraw sales tax exemption allowed to the company in earlier years amounting to Rs. 13,581,337, which has also been disputed by the company. Based on legal advice received, no provision is considered necessary towards the said claims and the amounts involved are disclosed as contingent liability.

2.27.2(iii) Represents demand raised for extracting river water for industrial use during the period from 01.04.1979 to 31.12.2010 as per the G.O. (Rt) No. 805/09/WRD dated 25.07.2009. As per the said G.O., under Kerala Irrigation Water Conservation Act, 2003 and Rules framed in 2005, water cess is leviable for extraction of water for irrigation only, and a proposal for amendment of the Act for levy of cess for extraction of water for other purposes is under active consideration of the Government, pending which an executive order was issued by the Government specifying the terms and conditions for extraction of water from water sources and notifying the fees for extraction of water and the above demand was raised in accordance therewith.

The company has been legally advised that the rule making authority can frame rules under the four corners of the provisions of the Act and also by virtue of specific power conferred to the rule making authority in this regard. The lacuna in the Act cannot be filled by a Government Order and hence the demand made based on the Government Order may not be sustainable in law.

The company has filed a writ petition before the Hon. High Court of Kerala against the proceedings of the Government, which is pending. The company has also filed a representation before the Secretary (Water Resources), Government of Kerala, against the above demand and has agreed to pay the cess prospectively from the date of executing an agreement with the Government in this regard, which is pending consideration of the Government. In the opinion of the management, in view of the legal advice obtained on the sustainability of the claim, no provision is considered necessary for the same at this stage.

2.28 Estimated amount of contracts remaining to be executed on capital account - Rs. 15,943,539 (Rs. 30,378,819)

2.29 In respect of Capital Goods imported at concessional rate of duty under the Export Promotion Capital Goods Scheme, the Company has an export obligation of approximately Rs. 33,680,000 (Rs. 33,069,292) which is required to be fulfilled at different dates until 2020. In the event of non fulfilment of the export obligation, the Company will be liable for the Customs duties and penalties as applicable.

2.30 In the opinion of the Directors, Short Term Loans and Advances and Other Current Assets, have the value at which they are stated in the Balance Sheet, if realised in the ordinary course of business.

2.31 As a part of company's risk management policy, the exchange risks arising from foreign currency fluctuations are partly hedged by forward contracts.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

- a. The following are the forward contracts entered by the company and outstanding as at Balance Sheet date:

Particulars	As at 31.03.2012		As at 31.03.2011	
	\$	Rupees	\$	Rupees
Receivables	4,065,200	206,721,447	1,948,880	93,210,813
Payables	-	-	-	-

- b. Hedged foreign currency exposures as at Balance Sheet date:

Particulars	As at 31.03.2012		As at 31.03.2011	
	\$	Rupees	\$	Rupees
Receivables	360,272	18,254,982	379,598	16,690,767
Payables	-	-	-	-

- c. Un hedged foreign currency exposures as at Balance Sheet date:

Particulars	For the year ended 31.03.2012		For the year ended 31.03.2011	
	Rupees		Rupees	
	FC	Rupees	FC	Rupees
Receivables				
USD	547,231	27,728,200	-	-
EURO	-	-	45,336	2,825,340
AUD	970	50,867	970	44,057
Other Claims				
USD	1,287	65,200	-	-
Payables				
USD	254,514	13,115,089	210,287	9,492,371
CAD	10,513	544,060	-	-
AUD	12,610	677,409	-	-
EURO	10,520	726,406	26,121	1,671,499
Japanese YEN	1,500,000	995,175	-	-

2.32 Turnover and Opening and Closing stock

Particulars	Sales Rupees	Closing Inventory Rupees	Opening Inventory Rupees
Ossein	655,840,418	17,486,284	17,464,402
	(535,574,032)	(17,464,402)	(12,350,603)
Dicalcium Phosphate	558,141,461	5,682,425	657,214
	(502,707,709)	(657,214)	(3,187,454)
Gelatin	1,100,546,498	9,864,842	24,051,177
	(893,293,581)	(24,051,177)	(19,075,340)
Collagen Peptide	70,802,231	41,783,132	32,652,807
	(41,651,028)	(32,652,807)	(2,498,358)
Others	11,363,008	5,127,509	3,456,109
	(4,152,399)	(3,456,109)	(1,908,715)
	2,396,693,616	79,944,192	78,281,709
	(1,977,378,749)	(78,281,709)	(39,020,470)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.33 Particulars of raw materials consumed during the year

Particulars	For the year ended 31.03.2012		For the year ended 31.03.2011	
	Quantity (MT)	Value (Rs.)	Quantity (MT)	Value (Rs.)
Ossein	1,427	154,712,558	2,046	201,025,856
Limed Ossein	260	35,904,520	126	16,246,139
Crushed Bone	40,940	868,460,971	38,466	745,913,113
Hydrochloric Acid	41,704	95,800,937	39,695	116,823,017
Hydrated Lime	6,587	45,225,981	6,388	38,113,060
Others	-	124,670,854	-	58,930,527
		1,324,775,821		1,177,051,712

2.34 Breakup of Consumption

Particulars	For the year ended 31.03.2012		For the year ended 31.03.2011	
	%	Amount (Rs.)	%	Amount (Rs.)
Raw Materials				
Imported	0.86	11,401,479	0.48	5,622,231
Indigenous	99.14	1,313,374,342	99.52	1,171,429,481
Total	100.00	1,324,775,821	100.00	1,177,051,712
Stores & Spares *				
Imported	3.69	3,408,397	1.03	791,057
Indigenous	96.31	89,058,716	98.97	76,272,823
Total	100.00	92,467,113	100.00	77,063,880
*Debited under Stores & Spares Consumed		55,307,475		42,075,691
*Debited under Repairs & Maintenance		37,159,638		34,988,189
		92,467,113		77,063,880

2.35 CIF Value of Imports

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
	Rupees	Rupees
Raw Materials	8,457,300	7,155,199
Packing Materials	2,011,761	979,201
Components, Stores & Spares	7,303,251	2,888,599
Capital Goods	11,143,191	1,782,300
	28,915,503	12,805,299

2.36 Expenditure in foreign currency on account of :

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
	Rupees	Rupees
Professional, Consultation fee and Interest	2,496,935	553,143
Other Matters (including travel)	20,270,441	11,976,866
	22,767,376	12,530,009

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS
FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

2.37 Remittance in foreign currencies on account of dividend (including remittance to NRE Account)

Particulars	For the year ended 31.03.2012	For the year ended 31.03.2011
i No. of non-resident shareholders to whom dividend was remitted	1	1
ii No. of shares held by them	3,900,300	3,900,300
iii Year to which the dividend related	2010-11	2009-10
iv Amount remitted (Rupees)	15,601,200	23,401,800

2.38 Earnings in Foreign Exchange (actually received through banks)

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Export of goods calculated on FOB basis	1,356,470,620	991,513,077
Commission	32,953	-
	1,356,503,573	991,513,077

2.39 Figures have been rounded off to the nearest rupee. Previous year figures, unless otherwise stated, are given within brackets and have been re-grouped and recast wherever necessary to be in conformity with current year's layout.

For and on behalf of the Board of Directors

As per our separate report of even date attached
For VARMA AND VARMA
(FRN : 004532S)

(VIJAY NARAYAN GOVIND)
Partner
CHARTERED ACCOUNTANTS
Membership No. 203094

V. SOMASUNDARAN IAS
Chairman

G. SUSEELAN
Managing Director

K. RAMAKRISHNAN
Director

ALKESH KUMAR SHARMA IAS
Director

VENU NALLUR
Director

A.K.NAIR
Director

K. L. KUMAR
Director

Place: Kochi
Date: 11.05.2012

G. RAJESH KURUP
Company Secretary

NITTA GELATIN INDIA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

	For the Year Ended 31.03.2012 Rupees	For the Year Ended 31.03.2011 Rupees
A. Cash Flows from Operating Activities		
Net Profit before Tax & Extraordinary Items	65,348,202	25,144,954
Adjustments for:		
Depreciation	89,742,402	83,962,027
Impairment Loss on Plant & Machinery	-	357,340
(Profit)/Loss on sale of fixed assets	(691,072)	(7,027,475)
Interest Expenditure	60,563,638	27,660,549
Interest Income	(10,594,150)	(2,171,898)
Dividend Received	(12,600)	(8,400)
Foreign Exchange (Gain)/Loss	4,886,533	(16,608,002)
Provision for Doubtful debts	874,318	-
Provision for Mark to Market (Gain)/Loss	3,757,531	-
Excess provision/sundry balances written back	-	(6,105,233)
	<u>148,526,600</u>	<u>80,058,908</u>
Operating Profit/(Loss) before Working Capital Changes	213,874,802	105,203,862
Adjustments for working capital changes:		
(Increase)/Decrease in Trade and Other Receivables	(41,764,709)	(35,773,676)
(Increase)/Decrease in Inventories	(30,581,023)	(111,664,414)
Increase/(Decrease) in Trade/ other payables	63,554,770	54,663,189
	<u>(8,790,962)</u>	<u>(92,774,901)</u>
Cash generated from Operations	205,083,840	12,428,961
Direct Taxes	(4,978,563)	(18,531,337)
Foreign Exchange Gain/(Loss)	(4,886,533)	16,608,002
Cash Flow Before Extraordinary Items	195,218,744	10,505,626
Extraordinary Items	-	-
Net Cash from/(used) in Operating Activities	195,218,744	10,505,626
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(75,137,210)	(168,989,685)
Sale of Fixed Assets	5,434,335	8,350,624
Sale of Assets held for sale	6,000,000	-
Investment in shares	(3,150,000)	-
Advance for share capital	-	(3,000,000)
Loan to subsidiary company	(119,042,416)	(61,980,179)
Interest Received	1,653,187	2,033,877
Dividend Received	12,600	8,400
Net Cash from/(used) in Investing Activities	(184,229,504)	(223,576,963)

NITTA GELATIN INDIA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

	For the Year Ended 31.03.2012 Rupees	For the Year Ended 31.03.2011 Rupees
C. Cash Flows from Financing Activities		
Dividend Paid	(33,360,912)	(50,000,473)
Corporate Dividend Tax	(5,450,760)	(8,370,810)
Increase/(Decrease) in Short Term Borrowings	92,373,086	269,032,462
Interest Paid	(60,563,638)	(27,660,549)
Net Cash from/(used) in Financing Activities	(7,002,224)	183,000,630
Summary		
Net Cash from/(used) in Operating Activities	195,218,744	10,505,626
Net Cash from/(used) in Investing Activities	(184,229,504)	(223,576,963)
Net Cash from/(used) in Financing Activities	(7,002,224)	183,000,630
Net Increase/(Decrease) in Cash Equivalents	3,987,016	(30,070,707)
Cash and Cash Equivalents at beginning of the year	9,814,206	39,884,913
Cash and Cash Equivalents at the end of the year	13,801,222	9,814,206
	3,987,016	(30,070,707)

Note: Cash and cash equivalents at the end of the year includes Rs.2,183,674 (Rs.1,745,223) under lien and Rs 1,166,557 (Rs. 927,469) deposited in unclaimed dividend account which are not available for use as on the Balance Sheet date.

For and on behalf of the Board of Directors

As per our separate report of even date attached

For VARMA AND VARMA
(FRN : 004532S)

(VIJAY NARAYAN GOVIND)
Partner

CHARTERED ACCOUNTANTS
Membership No. 203094

V. SOMASUNDARAN IAS
Chairman

K. RAMAKRISHNAN
Director

VENU NALLUR
Director

K. L. KUMAR
Director

G. SUSEELAN
Managing Director

ALKESH KUMAR SHARMA IAS
Director

A.K.NAIR
Director

G. RAJESH KURUP
Company Secretary

Place: Kochi
Date: 11.05.2012

AUDITORS' REPORT

The Members,
Nitta Gelatin India Limited
Kochi - 36

We have audited the attached Balance Sheet of Nitta Gelatin India Limited, as at 31st March 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
 - i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - ii. in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii. the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. in our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report

comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

- v. on the basis of written representations received from directors as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012, from being appointed as a director in terms of clause (g) of sub-section 1 of Section 274 of the Companies Act, 1956;
3. Without qualifying our opinion we draw attention to Note No 2.27.2 (1) regarding disputed liability towards Income Tax Rs 252.28 lakhs, Sales Tax and Value Added Tax Rs 342.24 lakhs, Excise Duty Rs 183.97 lakhs and Water Cess Rs 714.84 lakhs, not provided for and disclosed as contingent liability for the reasons stated therein, in respect of which the final liability if any is not ascertainable at this stage.
4. Further to the above, in our opinion and to the best of our information and according to the explanations given to us the said accounts, read together with the significant accounting policies and the notes attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
 - ii. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For VARMA AND VARMA
(FRN : 004532S)

(VIJAY NARAYAN GOVIND)
Partner
CHARTERED ACCOUNTANTS
Membership No. 203094

Place: Kochi
Date: 11.05.2012

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR AUDIT REPORT OF EVEN DATE

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
(b) We are informed that major items of the fixed assets have been physically verified by the management during the year, which, in our opinion is reasonable having regard to the size of the company and the nature of its assets and that no material discrepancies have been noticed on such verification.
(c) The company has not disposed off a substantial part of the fixed assets during the year.
2. (a) We are informed that the physical verification of inventory has been conducted by the management at reasonable intervals having regard to the size of the company and the nature of its business.
(b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management are generally reasonable and adequate in relation to the size of the company and the nature of its business.
(c) In our opinion and according to the information and explanations given to us, the company is maintaining proper records of inventory and discrepancies noticed on physical verification were properly dealt with in the books of account by the management.
3. According to the information and explanations given to us and the records of the company examined by us, the company has not granted or taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for sale of goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal controls.
5. (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contract or arrangements with parties referred to in (a) above, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public during the year and hence the directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under, are not applicable to the Company.
7. In our opinion, the company has an internal audit system, the scope and coverage of which is commensurate with the size of the Company and the nature of its business.
8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011, prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determining whether they are accurate or complete.
9. (a) As per the information and explanations furnished to us and according to our examination of the records of the Company, the company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty, Cess and other statutory dues with the appropriate authorities during the year.
As at the year end, the following amounts of arrears of undisputed statutory dues are outstanding for a period of more than six months:

Nature of dues	Amount (Rs in Lakhs)	Period to which the amount relates (Financial Year)
Water Cess	9.87	2010-11 and 2011-12

(b) According to the information and explanations given to us and the records of the Company examined by us, the following disputed amounts have not been deposited with the authorities as at 31st March 2012 as per details given below.

Nature of dues	Statute	Amount (Rs in Lakhs)	Period to which the amount relates	Forum where the dispute is pending
Water Cess	--	714.84	1.4.1979 to 31.12.2010	Hon High Court of Kerala
Kerala Value Added Tax	Kerala Value Added Tax Act 2003	53.80	2009-10	Deputy Commissioner of Appeals
Central Sales Tax	Central Sales Tax Act 1956	102.62	2009-10	Deputy Commissioner of Appeals

10. The Company does not have any accumulated losses as at the end of the financial year and the Company has not incurred cash losses in the financial year and in the immediately preceding financial year.

11. In our opinion and according to the information and explanations given to us and the records of the Company examined by us, the Company has not defaulted in repayment of dues to the banks.

12. The Company has not given any loans or advances in the nature of loans on the basis of security by way of pledge of shares, debentures and other securities and hence reporting requirement under clause 4 (xii) is not applicable.

13. The Company is not a chit fund/nidhi/mutual benefit fund/society and hence the reporting requirement under clause 4 (xiii) of the Order is not applicable.

14. The company is not dealing or trading in shares, securities, debentures or other investments and accordingly the reporting requirement under clause 4 (xiv) of the Order is not applicable to the company.

15. According to the information and explanations given to us and the records of the company examined by us, and as stated in Note No. 2.27.2 (5), the company has given corporate

guarantees of Rs 2644 lakhs and Rs 50 lakhs for loans taken by its subsidiaries M/s Reva Proteins Limited and M/s Bamni Proteins Limited respectively. In our opinion, the terms and conditions of the guarantees given by the Company are not prima facie prejudicial to the interests of the Company.

16. According to the information and explanations given to us and the records of the company examined by us, the term loans availed by the company have been applied for the purpose for which the loans were obtained.

17. According to the information and explanations

given to us and the records of the company examined by us, the funds raised on short term basis have not been used for long- term investment.

18. The Company has not made any preferential allotment of shares to parties and companies requiring to be entered in the Register pursuant to Section 301 of the Companies Act, 1956.

19. The company has not issued any debentures during the year and accordingly the reporting requirement under clause 4 (xix) of the Order is not applicable to the company.

20. The company has not raised any money by public issues during the year and accordingly the reporting requirement under clause 4 (xx) of the Order is not applicable to the company.

21. To the best of our knowledge and belief and according to the information and explanations given to us and the records of the company examined by us, no fraud either on or by the company, has been noticed or reported during the year.

For VARMA AND VARMA
(FRN : 004532S)

(VIJAY NARAYAN GOVIND)
Partner

CHARTERED ACCOUNTANTS
Membership No. 203094

Place: Kochi
Date: 11.05.2012

**STATEMENT PURSUANT TO SECTION 212 (1) (e) OF THE COMPANIES ACT, 1956,
RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES**

1	Name of the Company	Bamni Proteins Ltd.	Reva Proteins Ltd.
2	Financial year of the Subsidiary Company ended on	March 31, 2012	March 31, 2012
3	Extent of Holding Company's Interest:		
	i. Shares of the subsidiary held by the Company on the above date	35,00,000 ordinary shares of Rs. 10/- each	45,00,000 ordinary shares of Rs. 10/- each
	ii. Extent of Holding Company's interest	82.35% of the Paid-up Equity Share Capital	100% of the Paid-up Equity Share Capital
4	The net aggregate amount of the Subsidiary Company's profit/ loss so far as it concerns the members of the Holding Company		
	a. Not dealt with in the Holding Company's accounts:		
	i. For the financial year ended 31st March 2012	Profit of Rs. 11,19,471	Loss of Rs. 61,47,409
	ii. For the previous financial years of the Subsidiary Company since it became the Holding Company's subsidiary	Loss of Rs. 1,45,66,876	Loss of Rs. 92,26,540
	b. Dealt with in the Holding Company's accounts:		
	i. For the financial year ended 31st March 2012	Nil	Nil
	ii. For the previous financial years of the Subsidiary Company since it became the Holding Company's subsidiary	Nil	Nil

For and on behalf of the Board of Directors

V. SOMASUNDARAN IAS
Chairman

G. SUSEELAN
Managing Director

K. RAMAKRISHNAN
Director

ALKESH KUMAR SHARMA IAS
Director

VENU NALLUR
Director

A.K.NAIR
Director

K. L. KUMAR
Director

Place: Kochi
Date: 11.05.2012

G. RAJESH KURUP
Company Secretary

NITTA GELATIN INDIA LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2012

Particulars	Note No.	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
I. EQUITY AND LIABILITIES			
1 Shareholders' Funds			
a. Share Capital	2.2	84,000,000	84,000,000
b. Reserves and Surplus	2.3	956,922,410	949,064,722
c. Minority Interest	2.4	4,618,312	4,378,417
2 Non-current Liabilities			
a. Long-term Borrowings	2.5	214,557,168	199,996,390
b. Deferred Tax Liabilities (Net)	2.6	65,411,000	67,724,000
c. Long-term Provisions	2.7	24,201,044	24,161,201
3 Current Liabilities			
a. Short-term Borrowings	2.8	364,033,113	271,660,029
b. Trade Payables	2.9	226,456,773	164,859,048
c. Other Current Liabilities	2.10	45,797,644	18,721,563
d. Short-term Provisions	2.11	59,815,113	58,465,071
Total		2,045,812,577	1,843,030,441
II. ASSETS			
1 Non-current Assets			
a. Fixed Assets	2.12		
i. Tangible Assets		1,212,890,033	783,781,071
ii. Intangible Assets		5,923,426	7,903,134
iii. Capital Work-in-Progress		65,596,134	345,571,691
b. Non-current Investments	2.13	8,179,800	5,029,800
c. Long-term Loans and Advances	2.14	29,016,038	39,883,086
2 Current Assets			
a. Inventories	2.15	436,809,186	406,852,766
b. Trade Receivables	2.16	175,208,544	144,194,527
c. Cash and Cash Equivalents	2.17	15,892,070	12,531,570
d. Short-term Loans and Advances	2.18	44,216,911	53,451,861
e. Other Current Assets	2.19	52,080,435	43,830,935
Total		2,045,812,577	1,843,030,441

Significant Accounting Policies and Notes on Accounts 1&2

For and on behalf of the Board of Directors

As per our separate report of even date attached

For VARMA AND VARMA
(FRN : 004532S)

(VIJAY NARAYAN GOVIND)
Partner

CHARTERED ACCOUNTANTS
Membership No. 203094

V. SOMASUNDARAN IAS
Chairman

K. RAMAKRISHNAN
Director

VENU NALLUR
Director

K. L. KUMAR
Director

G. SUSEELAN
Managing Director

ALKESH KUMAR SHARMA IAS
Director

A.K.NAIR
Director

Place: Kochi
Date: 11.05.2012

G. RAJESH KURUP
Company Secretary

NITTA GELATIN INDIA LIMITED
CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31st MARCH, 2012

Particulars	Note No.	Year ended 31.03.2012 Rupees	Year ended 31.03.2011 Rupees
Income			
I. Revenue from operations (gross)	2.20	2,498,931,436	2,079,666,660
Less : Excise duty		40,743,152	42,845,043
Revenue from operations (net)		2,458,188,284	2,036,821,617
II. Other Income	2.21	12,509,009	27,095,370
III. Total Revenue		2,470,697,293	2,063,916,987
IV. Expenses:			
a. Cost of materials consumed	2.22	1,324,775,821	1,177,051,712
b. Purchases of stock-in-trade		-	5,005,450
c. Changes in inventories of finished goods, work-in-progress and Stock-in-trade	2.23	(1,953,659)	(49,628,777)
d. Employee benefits expense	2.24	186,846,672	158,401,620
e. Finance costs	2.25	61,391,954	28,070,118
f. Depreciation and amortisation expense	2.12	98,133,231	90,443,952
g. Other expenses	2.26	739,456,883	630,299,359
Total Expenses		2,408,650,902	2,039,643,434
V. Profit before tax (III-IV)		62,046,391	24,273,553
VI. Tax expense:			
a. Current tax		22,356,076	5,917,500
Less : Mat Credit Entitlement		(4,816,724)	-
b. Tax for earlier years		(328,303)	(3,078,260)
c. Deferred tax		(2,313,000)	4,091,000
VII. Profit for the period (V - VI)		47,148,342	17,343,313
VIII. Less: Share of Profit of Subsidiary for the year transferred to Minority Interest		239,894	485,632
IX Profit for the period after Minority Interest		46,908,448	16,857,681
X Earnings per equity share:			
Nominal value of share Rs. 10/- (Rs. 10/-)	2.27		
a. Basic		5.58	2.01
b. Diluted		5.58	2.01

Significant Accounting Policies and Notes on Accounts

1&2

For and on behalf of the Board of Directors

As per our separate report of even date attached
For VARMA AND VARMA
(FRN : 004532S)

(VIJAY NARAYAN GOVIND)
Partner

CHARTERED ACCOUNTANTS
Membership No. 203094

V. SOMASUNDARAN IAS
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ALKESH KUMAR SHARMA IAS
Director

A.K.NAIR
Director

G. RAJESH KURUP
Company Secretary

Place: Kochi
Date: 11.05.2012

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012

1. Significant Accounting Policies

a Basis of Preparation

The Consolidated Financial Statements of Nitta Gelatin India Limited (the Company) and its subsidiaries, Bamni Proteins Limited and Reva Proteins Limited, collectively referred to as the 'group' have been prepared in accordance with Accounting Standard - 21 (AS 21), "Consolidated Financial Statements" notified by the Companies (Accounting Standards) Rules, 2006.

b Basis of Accounting

The financial statements are prepared under the historical cost convention, on accrual basis of accounting in conformity with the accounting principles generally accepted in India and comply with the accounting standards notified by the Companies (Accounting Standards) Rules, 2006.

c Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known /materialized.

d Revenue Recognition

Sales are recognized on transfer of title of the goods to the customers. Export incentives are recognized on exports on accrual basis, based on the estimated realisable value of such entitlements. Other incomes are recognized on accrual basis except when there are significant uncertainties.

e Fixed Assets

Fixed assets are stated at the cost of acquisition, which includes taxes, duties, freight and other incidental expenses incurred for bringing the assets to the working condition required for their intended use, less depreciation and impairment in value if any, is adjusted.

f Depreciation/ Amortisation

- i. Depreciation on Plant and Machinery (other than Service Equipment) is provided on Straight Line Method. The rates adopted are as prescribed in Schedule XIV of the Companies Act, 1956 read with Circular No. 1/1/86 dt.21.5.86, of the Department of Company Affairs, Govt. of India, except in respect of the following items, which are depreciated at higher rates on the basis of technical evaluation:
 - a. Plant and Machinery at the subsidiaries and at Ossein Unit of the Company acquired after 16.12.1993 and having value in excess of Rs.5,000/- in individual case - 11.31%
 - b. Plant and Machinery of Gelatin Division having value in excess of Rs.5,000/- in individual case - 6.33%
 - c. Effluent Treatment Plant at the subsidiaries and at Ossein Unit of the Company - 19%
 - d. Effluent Treatment Plant at Gelatin Division - 11.31%.
- ii. Depreciation on Service Equipment and other items of fixed assets is provided on Written Down Value Method at the rates provided in Schedule XIV of the Companies Act, 1956.
- iii. Lease Premium on Land is depreciated (amortised) over the period of lease.
- iv. Cost of software treated as Intangible Assets is amortised over a period of five years.

g Investments

Non Current Investments are stated at cost. Decline in value, if any, which is not considered temporary in nature, is provided for.

h Inventories

Inventories are valued at lower of cost or net realisable value, item wise. For this purpose, the cost of bought-out inventories comprise of the purchase cost of the items, net of applicable tax/duty credits and cost of bringing such items into the factory on a weighted average basis. The cost of manufactured

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

inventories comprises of the direct cost of production plus appropriate overheads. The net realizable value of bought out inventories is taken at their current replacement value.

i Research & Development

Capital expenditure on Research & Development is capitalized as fixed assets and depreciated in accordance with the depreciation policy of the company. The revenue expenditure on Research & Development is charged to the Statement of Profit and Loss in the year in which it is incurred.

j Employee Benefits

i. Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and recognized in the period in which the employee renders the related service.

ii. Defined Contribution Plans

In the case of the company:

The company has defined contribution plans for employees comprising of Provident Fund and Employee's State Insurance. The contributions paid/payable to these plans during the year are charged to the Statement of Profit and Loss for the year.

In the case of Bamni Proteins Limited (Subsidiary):

The company has defined contribution plan for employees, i.e., for Provident Fund. The contributions paid/payable to this plan during the year are charged to the Statement of Profit and Loss for the year.

iii. Defined Benefit Plans

In the case of the company:

Payment of Gratuity to employees is covered by the KCPL Gratuity Trust Scheme based on the Group Gratuity cum Assurance Scheme of the LIC of India, which is a defined benefit scheme and the company makes contributions under the said scheme. The net present value of the obligation for gratuity benefits as determined on independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognized past services cost, if any and as reduced by the fair value of plan assets, is recognized in the accounts. Actuarial gains and losses are recognized in full in the Statement of Profit and Loss for the period in which they occur.

In the case of Bamni Proteins Limited (Subsidiary):

The net present value of the obligation for gratuity benefits as determined on independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognized in the accounts. The actuarial gains and losses are recognized in full in the the Statement of Profit and Loss for the period in which they occur.

iv. Long Term Employee Benefits

Compensated Absences:

The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognized in full in the statement of Profit and Loss for the period in which they occur.

v. Termination Benefits

Termination benefits are recognized in the Statement of Profit and Loss for the period in which the same accrue.

k Income Tax

Income tax is accounted in accordance with Accounting Standard on Accounting for Taxes on Income (AS-22), which includes current taxes and deferred taxes. Deferred Tax assets/ liabilities representing timing differences between accounting income and taxable income are recognised to the extent considered capable of being reversed in subsequent years. Deferred tax assets are recognised only to

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

the extent there is reasonable certainty that sufficient future taxable income will be available, except that deferred tax assets arising due to unabsorbed depreciation and losses are recognised if there is a virtual certainty that sufficient future taxable income will be available to realise the same.

I Foreign Currency Transactions, Forward Contracts and Derivatives

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities outstanding at the Balance Sheet date are translated at the applicable exchange rates prevailing at the year-end. The exchange gain/loss arising during the year are adjusted to the Statement of Profit and Loss.

Premium or discount arising on inception of forward exchange contracts, which are intended to hedge the foreign currency risk of existing assets or liabilities has been amortised as income /expense over the life of the contract and exchange differences on such contracts are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rates change.

Exchange gain or loss on derivative instruments entered to hedge risks associated with foreign currency fluctuations and on forward exchange contracts, which are intended to hedge the foreign currency risks of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions are determined by marking such contracts outstanding on Balance Sheet date to market, and the resultant loss, if any, is provided in the accounts, while gains are not recognised in accordance with the Announcement on Accounting for Derivatives issued by the Institute of Chartered Accountants of India.

m Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use are capitalised. Other borrowing costs are recognized as expenditure for the period in which they are incurred.

n Grants/ Subsidies

Grants and Subsidies in the nature of Promoters contribution or identifiable with non depreciable assets are credited to capital reserve.

Grants and Subsidies, specifically identifiable with capital assets other than depreciable assets, are credited to the carrying cost of the respective asset.

Grants/Subsidies in the nature of revenue are recognized as income over the period necessary to match them with the related costs which they are intended to compensate.

o Earnings per share

Basic/ diluted earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares/ dilutive potential equity shares outstanding as at the end of the year as the case may be.

p Impairment of Assets

The company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. An asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. Based on such assessment, impairment loss if any, is recognized in the Statement of Profit and Loss for the period in which the asset is identified as impaired. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

q Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the company has a present obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the correct management estimates.

Contingent Liabilities are disclosed when the company has a possible obligation or a present obligation and it is probable that a cash flow will not be required to settle the obligation.

Contingent Assets are neither recognized nor disclosed in the accounts.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2 Notes on Accounts

2.1 Nitta Gelatin India Limited has controlling interest in the following entities during the year ended 31.03.2012:

Name of Entity	Country of Incorporation	Controlling Interest
Bamni Proteins Limited	India	82.35% (82.35%)
Reva Proteins Limited	India	100% (100%)

2.2 Share Capital:

The Company has only one class of shares referred to as equity shares with a face value of Rs. 10/- each. Each holder of equity share is entitled to one vote per share

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Authorised:		
10,000,000 (10,000,000) Equity Shares of Rs. 10/- each	100,000,000	100,000,000
Issued and Subscribed and fully paid:		
8,400,000 (8,400,000) Equity Shares of Rs. 10/- each	84,000,000	84,000,000
	84,000,000	84,000,000

Reconciliation of shares at the beginning and at the end of the financial year

Particulars	Number of shares	Amount Rupees
No. of shares as at the beginning of the financial year	8,400,000	84,000,000
No. of shares as at the end of the financial year	8,400,000	84,000,000

Particulars of Shareholders holding more than 5% share in the Company

Particulars	As at 31.03.2012		As at 31.03.2011	
	%	No. of shares	%	No. of shares
Nitta Gelatin Inc, Japan	46.43	3,900,300	46.43	3,900,300
Kerala State Industrial Development Corporation Ltd	34.07	2,862,220	34.07	2,862,220

2.3 Reserves and Surplus

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Security Premium Account	273,000,000	273,000,000
Capital Investment Subsidy	1,500,000	1,500,000
Special Export Reserve (under the Income Tax Act, 1961)	7,900,000	7,900,000
General Reserve		
Opening Balance	620,592,000	618,700,000
Add: Transfer from the Statement of Profit and Loss	5,080,787	1,892,000
Closing Balance	625,672,787	620,592,000
Surplus		
Opening Balance	46,072,722	70,287,581

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Net Profit after tax and Minority Interest transferred from the Statement of Profit and Loss	46,908,448	16,857,681
Amount available for Appropriation	92,981,170	87,145,262
<i>Less: Appropriations</i>		
Transfer to General Reserve	5,080,787	1,892,000
Proposed Dividend	33,600,000	33,600,000
Tax on Proposed Dividend	5,450,760	5,580,540
Closing Balance	48,849,623	46,072,722
	956,922,410	949,064,722

2.3.1 Final dividend of Rs. 4/- per share (Rs. 4/- per share) proposed by Board is subject to approval of shareholders in the ensuing Annual General Meeting.

2.4 Minority Interest

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Share Capital	7,500,000	7,500,000
<i>Less: Accumulated Loss</i>	2,881,688	3,121,583
	4,618,312	4,378,417

2.5 Long Term Borrowings

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Secured:		
Bamni Proteins Ltd.		
- From State Bank of India [See Note 2.5.1]	3,320,000	-
Reva Proteins Ltd.		
- From State Bank of India [See Note 2.5.2]	29,994,422	-
From Financial Institutions		
- Kerala State Industrial Development Corporation [See Note 2.5.3]	181,242,746	199,996,390
	214,557,168	199,996,390

2.5.1 Secured by creating charge on the entire assets of the Company. Repayable in monthly equal instalments of Rs. 120,000 starting from February, 2012. There is no default in repayment of loan and interest during the year.

2.5.2 Secured by first charge on all the movable and immovable assets and by corporate guarantee of holding company M/s. Nitta Gelatin India Limited. Repayable in quarterly instalments of Rs. 3,200,000 each from April, 2013.

2.5.3 The loan from the financial institution is repayable in 32 quarterly instalments of Rs. 6,250,000 each from 11.09.2012. The loan is secured by exclusive first charge over the entire fixed assets of the company including leasehold assets, both present and future; and by corporate guarantee of holding company M/s. Nitta Gelatin India Limited.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.6 Deferred Tax Liabilities (Net)

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
A. Deferred Tax Liability		
On excess of net book value over Income tax written down value of fixed assets	79,588,000	79,362,000
B. Deferred Tax Assets		
On Provisions	7,205,000	7,583,000
On other disallowances	6,972,000	4,055,000
Deferred Tax Liabilities (Net) (A-B)	65,411,000	67,724,000

In the case of subsidiary companies, Deferred Tax Asset (Net) has not been recognized in the accounts, as a matter of prudence in the absence of virtual/reasonable certainty of future taxable profits.

2.7 Long-term Provisions

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Provision for Employee Benefits [See Note 2.7.1]	24,201,044	24,161,201
	24,201,044	24,161,201

2.7.1 Disclosures required under Accounting Standard 15 - "Employee Benefits"

a. Defined Contribution Plans

During the year the following amounts have been recognized in the Statement of Profit and Loss on account of defined contribution plans:

Particulars	Company Rupees	Subsidiary Rupees
Employer's contribution to Provident Fund	8,711,339	2,181,257
	(7,746,825)	(2,052,334)
Employer's contribution to Employee's State Insurance	1,092,785	-
	(1,118,423)	-

b. Defined Benefit Plans - Gratuity: Funded Obligation

i. Actuarial Assumptions	Company	Subsidiary
Discount Rate (per annum)	8.70%	8.50%
	(8.00%)	(8.00%)
Expected return on plan assets	9.00%	-
	(9.00%)	-
Salary escalation rate*	5.00%	4.00%
	(5.00%)	(4.00%)
Attrition rate	-	1.00%
	-	(1.00%)
Mortality rate	LIC (1994-1996) Ultimate	

* The assumption of future salary increases takes into account inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

ii. Reconciliation of present value of obligation	Company Rupees	Subsidiary Rupees
Present value of obligation at the beginning of the year	27,648,601 (22,962,781)	12,518,865 (10,889,041)
Current Service Cost	1,940,944 (1,862,000)	527,479 (548,833)
Past Service Cost	- -	- (167,333)
Interest Cost	1,942,747 (1,710,892)	963,042 (767,104)
Actuarial (gain)/ loss	4,017,071 (4,266,178)	236,663 (1,468,528)
Benefits Paid	(6,728,531) ((3,153,250))	(961,677) ((1,321,974))
Present value of obligation at the end of the year	28,820,832 (27,648,601)	13,284,372 (12,518,865)
iii. Reconciliation of fair value of plan assets	Company Rupees	Subsidiary Rupees
Fair value of plan assets at the beginning of the year	26,698,214 (25,688,104)	- -
Expected return on plan assets	2,235,055 (2,259,212)	- -
Actuarial (gain)/ loss	54,865 ((77,613))	- -
Contributions	3,000,000 (1,981,761)	- -
Benefits paid	(6,728,531) ((3,153,250))	- -
Assets distributed on settlement (if applicable)	- -	- -
Fair value of plan assets at the end of the year	25,259,603 (26,698,214)	- -
iv. Description of Plan Assets	Company Rupees	Subsidiary Rupees
Insurer Managed Funds (LIC of India)	25,259,603 (26,698,214)	- -
v. Net (Asset)/ Liability recognized in the Balance Sheet as at year end	Company Rupees	Subsidiary Rupees
Present value of obligation at the end of the year	28,820,832 (27,648,601)	13,284,372 (12,518,865)
Fair value of plan assets at the end of the year	25,259,603 (26,698,214)	- -
Net present value of funded/ unfunded obligation recognized as (asset)/ liability in the Balance Sheet	3,561,229 (950,387)	13,284,372 (12,518,865)

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

vi. Expenses recognized in the Statement of Profit and Loss	Company Rupees	Subsidiary Rupees
Current Service Cost	1,940,944 (1,862,000)	527,479 (548,833)
Interest Cost	1,942,747 (1,710,892)	963,042 (767,104)
Actuarial (gain)/ loss recognized in the period	3,962,207 (4,343,791)	236,663 (1,468,528)
Past Service Cost (if applicable)	- -	- (167,333)
Expected return on plan assets	(2,235,055) ((2,259,212))	- -
Total expenses recognized in the Statement of Profit and Loss for the year	5,610,843 (5,657,471)	1,727,184 (2,951,798)
Actual return on plan assets	2,289,920 (2,181,599)	- -

The above disclosures are based on information furnished by the independent actuary and relied upon by the auditors.

c. Long Term Employee Benefits

Compensated absences (Vesting and Non Vesting): Unfunded Obligation

i. Actuarial Assumptions	Company	Subsidiary
Discount Rate (per annum)	8.70% (8.00%)	8.50% (8.00%)
Salary escalation rate*	5.00% (5.00%)	4.00% (4.00%)
Attrition Rate	5.00% (5.00%)	1.00% (1.00%)
Mortality rate	LIC (1994-1996) Ultimate	

* The assumption of future salary increases takes into account inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market.

ii. Reconciliation of present value of obligation	Company Rupees	Subsidiary Rupees
Present value of obligation at the beginning of the year	12,381,328 (13,016,785)	3,068,350 (2,520,326)
Current Service Cost	1,153,218 (1,088,565)	285,328 (299,007)
Interest Cost	874,084 (935,828)	215,069 (159,397)
Actuarial (gain)/ loss	2,543,800 (21,975)	(357,278) (879,676)
Benefits Paid	(2,910,547) ((2,637,875))	(759,985) ((790,056))
Present value of obligation at the end of the year	14,041,883 (12,381,328)	2,451,484 (3,068,350)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

iii. Net (Asset)/ Liability recognized in the Balance Sheet as at year end	Company Rupees	Subsidiary Rupees
Present value of obligation at the end of the year	14,041,883 (12,381,328)	2,451,484 (3,068,350)
Fair value of plan assets at the end of the year	-	-
Net present value of funded/unfunded obligation recognized as (asset)/ liability in the Balance Sheet	140,141,883 (12,381,328)	2,451,484 (3,068,350)
iv. Expenses recognized in the Statement of Profit and Loss	Company Rupees	Subsidiary Rupees
Current Service Cost	1,153,218 (1,088,565)	285,328 (299,007)
Interest Cost	874,084 (935,828)	215,069 (159,397)
Actuarial (gain)/ loss recognized in the period	2,543,800 (21,975)	(357,278) (879,676)
Past Service Cost (if applicable)	-	-
Total expenses recognized in the Statement of Profit and Loss for the year	4,571,102 (2,002,418)	143,119 (1,338,080)

The above disclosures are based on information furnished by the independent actuary and relied upon by the auditors.

2.8 Short-term Borrowings

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Working Capital Loan from Banks (Secured)	364,033,113	271,660,029
	364,033,113	271,660,029

2.8.1 Secured by the Hypothecation of entire current assets of the Company namely inventories, debtors, cash & bank balances, other current assets and loans & advances, present & future and by way of pari passu charge on the fixed assets of the Company

2.8.2 The above loans are repayable on demand.

2.9 Trade Payables

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Trade Payables	226,456,773	164,859,048
	226,456,773	164,859,048

2.9.1 The group has taken steps to identify the suppliers who qualify under the definition of micro and small enterprises, as defined under the Micro, Small and Medium Enterprises Development Act,

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2006. Intimations have been received from some of the suppliers regarding their status under the said Act as at 31.03.2012, based on which, principal amount unpaid to such suppliers as at the year end aggregating to Rs. 640,634 (Rs. 192,490) has been included under Trade Payables. In the opinion of the management, the impact of interest, if any, which may be payable in accordance with the provisions of the Act, is not expected to be material.

2.10 Other Current Liabilities

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Unpaid Dividend	1,166,557	927,469
Other Payables -		
- Current Maturity of Long term debts	20,190,000	-
- Statutory Dues	6,717,955	3,463,375
- Advance from Customers	3,763,662	331,498
- Creditors for Capital Goods	12,772,011	13,932,639
- Others Recoveries Payable	1,167,459	46,582
- Deposits	20,000	20,000
	45,797,644	18,721,563

2.11 Short-term Provisions

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Provision for employee benefits [See Note 2.7.1]	9,137,924	4,757,727
Others		
- Proposed Dividend	33,600,000	33,600,000
- Corporate Dividend Tax	5,450,760	5,580,540
- Water Cess	-	7,735,292
- Excise Duty	7,868,898	6,791,512
- Provision for Mark to Market Loss on forward exchange contracts	3,757,531	-
	59,815,113	58,465,071

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

Note No 2.12 - FIXED ASSETS & CAPITAL WORK IN PROGRESS

Particulars	GROSS BLOCK (At cost)				DEPRECIATION / IMPAIRMENT			NET BLOCK	
	As at 01-04-2011	Additions	Disposals/ Adjustments	As at 31-03-2012	As at 01-04-2011	For the year	Disposal/ adjustments	As at 31-03-2012	As at 31-03-2011
FIXED ASSETS:									
(A) Tangible Assets									
Land and Development	40,538,821 (16,641,638)	- (25,232,939)	- (1,335,756)	40,538,821 (40,538,821)	- -	- -	- -	40,538,821 (40,538,821)	40,538,821 (16,641,638)
Leasehold Land	87,367,496 (81,676,668)	- (5,690,828)	- -	87,367,496 (87,367,496)	4,362,060 (3,465,565)	908,622 (896,495)	- -	82,096,814 (83,005,436)	83,005,436 (78,211,103)
Buildings	263,959,593 (253,607,980)	149,628,415 (10,351,613)	- -	413,588,008 (263,959,593)	156,769,075 (145,993,840)	10,863,484 (10,775,235)	- -	245,955,449 (107,190,518)	107,190,518 (107,614,140)
Plant & Equipments	1,301,428,210 (1,201,965,455)	380,373,707 (100,011,352)	38,367,241 (548,597)	1,643,434,676 (1,301,428,210)	763,852,395 (691,175,463)	80,793,102 (73,173,382)	32,626,868 (496,450)	831,416,047 (537,575,815)	537,575,815 (510,789,992)
Office Equipments	23,585,939 (19,399,754)	622,511 (4,336,529)	13,936 (150,340)	24,194,514 (23,585,939)	14,225,162 (12,092,409)	2,097,115 (2,241,178)	11,045 (108,425)	7,883,282 (9,360,777)	9,360,777 (7,307,345)
Furniture & Fixtures	9,485,109 (8,545,243)	537,568 (939,866)	- -	10,022,677 (9,485,109)	7,514,642 (7,040,461)	460,058 (474,181)	- -	2,047,977 (1,970,467)	1,970,467 (1,504,782)
Vehicles	5,991,419 (4,011,894)	- (4,381,483)	669,100 (2,401,958)	5,322,319 (5,991,419)	1,852,182 (2,742,449)	1,031,142 (918,360)	512,648 (1,808,627)	2,951,643 (4,139,237)	4,139,237 (1,269,445)
Total Tangible Assets	1,732,356,587 1,585,848,632	531,162,201 150,944,606	39,050,277 4,436,651	2,224,468,511 1,732,356,587	948,575,516 862,510,187	96,153,523 88,478,831	33,150,561 2,413,502	1,212,890,033 783,781,071	783,781,071 723,338,445
Previous Year									
(B) Intangible Assets									
Software	9,868,255 -	- (9,868,255)	- -	9,868,255 (9,868,255)	1,965,121 -	1,979,708 (1,965,121)	- -	5,923,426 (7,903,134)	7,903,134 -
Total Assets (A + B)	1,742,224,842 1,585,848,632	531,162,201 160,812,861	39,050,277 4,436,651	2,234,336,766 1,742,224,842	950,540,637 862,510,187	98,133,231 90,443,952	33,150,561 2,413,502	1,218,813,459 791,684,205	791,684,205 723,338,445
Previous Year									
CAPITAL WORK IN PROGRESS:									
Building under construction:									
- Salaries & Wages	94,215,197 (4,444,845)	28,978,043 (91,555,216)	123,105,415 (1,784,864)	87,825 (94,215,197)	- -	- -	- -	87,825 (94,215,197)	94,215,197 (4,444,845)
Plant, Machinery and Equipment under installation	225,406,758 (66,902,126)	113,108,838 (235,901,401)	285,029,914 (77,396,769)	53,485,682 (225,406,758)	53,485,682 (225,406,758)	- -	- -	53,485,682 (225,406,758)	225,406,758 (66,902,126)
Expenditure during construction period	4,378,426 (283,133)	7,441,389 (4,095,293)	11,819,815 -	- (4,378,426)	- -	- -	- -	- (4,378,426)	4,378,426 (283,133)
- Finance charges	10,311,283 (909,975)	34,927,914 (9,401,308)	44,578,340 -	660,857 (10,311,283)	660,857 (10,311,283)	- -	- -	660,857 (10,311,283)	10,311,283 (909,975)
- Others	3,901,863 (736,111)	36,509,016 (3,165,752)	40,410,879 -	(3,901,863) -	(3,901,863) -	- -	- -	(3,901,863) -	3,901,863 (736,111)
Capital Stores	7,358,164 -	11,361,770 (7,358,164)	7,358,164 -	11,361,770 (7,358,164)	11,361,770 (7,358,164)	- -	- -	11,361,770 (7,358,164)	7,358,164 -
Total	345,571,691 73,276,190	232,326,970 351,477,134	512,302,527 79,181,633	65,596,134 345,571,691	65,596,134 345,571,691	- -	- -	65,596,134 345,571,691	345,571,691 73,276,190
Previous Year									

Note : 1. Net block of Plant & Equipment includes Assets Held for Disposal Rs Nil (Rs. 2,012,343)

2. Depreciation / Impairment as at 31.03.2012 includes Rs Nil (Rs. 6,018,867)

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

2.13 Non-current Investments

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Investment in Equity Instruments (at Cost) - Long term		
Quoted (Non Trade):		
a. 420 (420) Equity Shares of Rs.10/- each in State Bank of India fully paid up	146,300	146,300
b. 100 (100) Equity Shares of Rs.10/- each in Industrial Finance Corporation of India Limited fully paid up	3,500	3,500
Aggregate amount of quoted investments (A)	149,800	149,800
Aggregate Market Value: Rs. 884,085 (Rs. 1,167,783)		
Unquoted (Trade):		
i) 2,400 (2,400) fully paid up Equity Shares of Rs.100/- each in Organo Fertilizers (India) Pvt. Limited.	240,000	240,000
ii) 60,000 (60,000) fully paid up Equity Shares of Rs.10/- each in Kerala Enviro Infrastructure Limited	600,000	600,000
iii) 50,000 (50,000) fully paid up Equity Shares of Rs.10/- each in Cochin Waste 2 Energy Private Limited	500,000	500,000
iv) 300,000 (Nil) fully paid up Equity Shares of Rs. 10/- each in Seafood Park (India) Limited	3,150,000	-
v) 354,000 (354,000) fully paid up Equity Shares of Rs.10/- each in Bharuch Eco-Aqua Infrastructure Limited	3,540,000	3,540,000
vi) 288,000 (288,000) fully paid up Equity Shares of Rs.10/- each in K.K Organics (P) Limited	2,880,000	2,880,000
<i>Less: Provision for diminution in value of investments</i>	2,880,000	2,880,000
	-	-
Aggregate amount of unquoted investments (B)	8,030,000	4,880,000
Aggregate provision for diminution in value of investments Rs. 2,880,000 (Rs. 2,880,000)		
Total Investments (A + B)	8,179,800	5,029,800

2.14 Long-term Loans and Advances

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Unsecured (Considered Good)		
Capital Advance	4,305,530	12,201,353
Others		
- Vehicle/ Computer loan to employees	524,858	661,921
- Advance for shares	-	3,000,000
- Deposits	24,185,650	24,019,812
Unsecured (Considered Doubtful)		
Sales Tax Deposit	1,100,494	1,100,494
<i>Less: Provision for doubtful deposits</i>	1,100,494	1,100,494
	-	-
	29,016,038	39,883,086

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.15 Inventories

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Raw Materials	119,936,189	110,300,174
<i>Raw Materials in transit</i>	19,651,452	-
Work-in-process	134,876,981	134,585,805
Finished Goods	79,944,192	78,281,709
Stores & Spares	75,368,500	76,666,342
<i>Stores & Spares in transit</i>	84,503	733,481
Loose Tools	241,127	289,204
Others - Packing Materials	6,706,242	5,996,051
	436,809,186	406,852,766

2.15.1 Method of Valuation of Inventories - Refer 1(h) of Significant Accounting Policies.

2.16 Trade Receivables

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Outstanding for a period exceeding 6 months from the date they are due for payment		
Unsecured, Considered Good	8,619,364	3,907,967
Unsecured, Considered Doubtful	1,081,778	207,460
	9,701,142	4,115,427
<i>Less: Provision for Doubtful Debts</i>	1,081,778	207,460
	8,619,364	3,907,967
Others (Unsecured, Considered Good)	166,589,180	140,286,560
	175,208,544	144,194,527

2.17 Cash and Cash Equivalents

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Balance with Banks		
In Current Accounts	12,652,605	9,697,834
In Deposit Accounts	2,343,674	1,956,976
Cash on hand	895,791	876,760
	15,892,070	12,531,570
Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statements	13,548,396	10,574,594

2.17.1 Balance with banks in Current Accounts include earmarked balances for unpaid dividend Rs. 1,166,557 (Rs. 927,469).

2.17.2 Balance with banks in Deposit Accounts include Rs. 2,183,674 (Rs.1,745,223) with a maturity period of less than 12 months, which are held as security against Letter of Credits/ Guarantee.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.18 Short-term Loans and Advances

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
(Unsecured, Considered Good)		
Others:		
- Advances recoverable in cash or in kind or for value to be received	25,624,218	27,722,362
- Vehicle/Computer loan to employees	334,680	286,250
- Income Tax [Net]	9,732,589	21,401,820
- Deposits	412,184	416,652
- Balances with Central Excise, Customs etc.	8,113,240	3,624,777
	44,216,911	53,451,861

2.19 Other Current Assets

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
Interest Receivable	380,426	476,200
Old Machinery held for Sale	-	5,000,000
Claims Receivable:		
Export Incentive:		
- Duty Drawback [See Note 2.19.1]	24,410,869	16,922,468
<i>Less: Provision for Claims Disputed</i>	<i>(6,858,636)</i>	<i>(7,742,959)</i>
	17,552,233	9,179,509
- Duty Entitlement Pass Book [See Note 2.19.2]	30,786,986	27,611,455
Others	3,360,790	1,563,771
	52,080,435	43,830,935

2.19.1 Duty Drawback includes Rs. 6,461,789 (Rs. 6,461,789) being claims taken credit for in prior years not admitted by the Department. During the previous year a single bench of the Honourable High Court of Kerala had decided the matter in favour of the company, which however has been challenged by the Department before the division bench of the Hon High Court. Though the company is hopeful of a favourable decision, provision created in the accounts in the preceding years has been retained as a matter of abundant caution.

2.19.2 Represents claims accounted as income of Rs. 10,765,824 for the current year and Rs. 20,021,162 for the previous year. The Company had also availed Duty Drawback benefit of Rs. 5,424,105 for the corresponding periods. The Dy. Director General of Foreign Trade vide letter dt. 03.10.2011 had informed the company that the dual benefit of DEPB as well as Duty Drawback cannot be allowed and advised that either DEPB benefit or Duty Drawback on the export product may be availed. The company has been legally advised that it is entitled to both benefits as per the relevant regulations and the management is of the opinion that claims are fully recoverable, and no provision is considered necessary at this stage.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.20 Revenue from operations

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Sale of Products		
Gross Sales	2,437,436,768	2,020,223,792
Other Operating Revenues		
Miscellaneous Sales	13,260,521	13,328,587
Export Incentive [See Note 2.19.2]		
- Duty Entitlement Pass Book	21,968,012	38,374,444
- Duty Drawback	19,205,577	3,198,871
Provision/sundry balances written back	435	4,540,966
Other Miscellaneous Income	7,060,123	-
	61,494,668	59,442,868
	2,498,931,436	2,079,666,660
<i>Less: Excise Duty collected on domestic sales</i>	40,743,152	42,845,043
	2,458,188,284	2,036,821,617

2.21 Other Income

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Interest	11,802,720	1,598,319
Dividend Income from Non Current Investments	12,600	8,400
Foreign Exchange Rate Variation (net)	-	16,608,002
Profit on sale of Assets (net)	673,689	7,262,475
Provision/sundry balances written back	-	1,594,845
Other Non operating Income	20,000	23,329
	12,509,009	27,095,370

2.22 Cost of materials consumed

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Opening Stock	110,300,174	63,462,873
<i>Add: Purchases</i>	1,334,411,836	1,223,889,013
	1,444,712,010	1,287,351,886
<i>Less: Closing Stock</i>	119,936,189	110,300,174
	1,324,775,821	1,177,051,712

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

2.23 Change in Inventories of finished goods, work-in-progress and stock-in-trade

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Closing Stock		
Finished Goods	79,944,192	78,281,709
Work-in-process	134,876,981	134,585,805
	214,821,173	212,867,514
Less:		
Opening Stock		
Finished Goods	78,281,709	39,020,470
Work-in-process	134,585,805	124,218,267
	212,867,514	163,238,737
	1,953,659	49,628,777

2.24 Employee Benefits Expense

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Salaries & Wages	144,856,878	117,224,931
Contribution to Provident and Other Funds	19,507,220	20,180,512
Workmen and Staff Welfare Expenses	22,482,574	20,996,177
	186,846,672	158,401,620

2.25 Finance Costs

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Interest Expense	61,218,129	28,070,118
Other Borrowing Cost	173,825	-
	61,391,954	28,070,118

2.26 Other Expenses

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Conversion charges	17,891,175	-
Consumption of Stores, Spares & Consumables	59,520,496	45,453,280
Packing Materials Consumed	28,119,214	26,568,311
Research & Development Expenditure [See Note 2.26.1]	18,019,127	7,190,964
Power, Fuel, Water & Gas	326,174,895	280,171,385
Repairs		
- Building	5,550,577	3,877,320
- Plant & Machinery	56,945,762	62,516,011
- Others	25,313,368	19,870,924
Loading, Transportation and Other charges on products	28,738,666	23,816,367
Freight on Exports	15,413,345	12,260,524

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Insurance	5,417,766	3,777,038
Rent	3,646,316	1,659,692
Rates & Taxes	6,933,619	4,746,456
Postage & Telephone	4,623,254	4,078,211
Printing & Stationery	2,194,849	2,032,220
Travelling & Conveyance	30,347,265	29,344,850
Director's sitting fee	256,000	325,000
Auditor's Remuneration [See Note 2.26.2]	1,369,851	1,154,153
Advertisement & Publicity	17,484,549	44,240,776
Discount & Commission on Sales	17,171,820	12,034,856
Professional & Consultancy charges	10,506,260	7,384,685
Bank Charges	2,899,661	3,256,374
Miscellaneous Expenses	46,274,984	34,539,962
Foreign Exchange rate variation (Net)	4,886,533	-
Provision for Mark to Market Loss on forward exchange contracts	3,757,531	-
	739,456,883	630,299,359

2.26.1 Details of Research & Development Expenditure

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Capital Expenditure	667,688	6,215,171
Revenue Expenditure		
Salary & Allowances	3,493,930	4,098,279
Other Expenses	14,525,197	3,092,685
	18,686,815	13,406,135

2.26.2 Provision and/or payments in respect of Auditors' Remuneration

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
a. Statutory Audit Fees	609,270	481,695
b. Other Services		
Taxation Matters (Including Tax Audit)	221,691	209,763
Others	444,375	384,755
Reimbursement of Expenses	94,515	77,940
	1,369,851	1,154,153

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.27 Earnings per equity share

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Profit after taxation	46,908,448	16,857,681
Weighted Average Number of Equity Shares of Rs. 10/- each (fully paid-up)	8,400,000	8,400,000
Earnings per share - Basic & Diluted	5.58	2.01

2.28 Disclosure of transactions with Related Parties as required by Accounting Standard – 18 on Related Party Disclosures as prescribed by Companies (Accounting Standards) Rules, 2006.

A. Related parties and nature of relationship

- i. Nitta Gelatin Inc. - Enterprise having substantial interest in the Company
- ii. Nitta Gelatin NA Inc. - Subsidiary of Nitta Gelatin Inc
- iii. Nitta Gelatin, USA - Subsidiary of Nitta Gelatin Inc
- iv. Nitta Gelatin Canada Inc. - Subsidiary of Nitta Gelatin Inc
- v. K K Organics Private Limited - Associate Company
- vi. Key Managerial Personnel
 - i. Mr. G. Suseelan - Managing Director
Nitta Gelatin India Limited (Holding Company)
 - ii. Mr. C. Srikumar - Managing Director
Bamni Proteins Limited (Subsidiary Company)
 - iii. Mr. B. Shaji Mohan - Managing Director
Reva Proteins Limited (Subsidiary Company)

B. Description of Transactions

Nature of Transaction	Associate Company	Enterprise having substantial interest in the Company and its Subsidiaries	Key Management Personnel	Total Rupees
Sale and Income				
1 Sale of Goods:				
<i>Nitta Gelatin Inc</i>		814,388,287 (629,010,926)		814,388,287 (629,010,926)
<i>Nitta Gelatin NA Inc</i>		401,270,751 (246,623,386)		401,270,751 (246,623,386)
Purchase and Expenses				
1 Commission expense:				
<i>Nitta Gelatin Inc</i>				
- For Sale of Gelatin		400,983 (253,587)		400,983 (253,587)
- For Sale of Peptide		38,856 -		38,856 -

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

Nature of Transaction	Associate Company	Enterprise having substantial interest in the Company and its Subsidiaries	Key Management Personnel	Total Rupees
2 Rebate/ Discount expense: <i>Nitta Gelatin Inc</i>		2,926,904 (2,087,274)		2,926,904 (2,087,274)
<i>Nitta Gelatin NA Inc</i>		5,008,698 (3,935,772)		5,008,698 (3,935,772)
3 Technical Assistance Fee: <i>Nitta Gelatin Inc</i>		995,175 -		995,175 -
4 Reimbursement of Expenses (Net): <i>Nitta Gelatin NA Inc</i>		- (61,526)		- (61,526)
<i>Nitta Gelatin Inc</i>		642,364 (285,393)		642,364 (285,393)
<i>Nitta Gelatin USA</i>		- (47,161)		- (47,161)
<i>Nitta Gelatin Canada Inc</i>		- (115,944)		- (115,944)
5 Payment received for Clinical Study: <i>Nitta Gelatin Inc</i>		874,927 (1,832,131)		874,927 (1,832,131)
6 Remuneration to a. Managing Director Holding Company			3,951,984 (3,598,839)	3,951,984 (3,598,839)
b. Managing Director Subsidiary Company			1,671,711 (2,295,629)	1,671,711 (2,295,629)
Investments				
1 <i>K K Organics Private Limited *</i>	2,880,000 (2,880,000)			2,880,000 (2,880,000)
*Provision created for loss in investments Rs. 2,880,000 (Rs. 2,880,000)				

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

Nature of Transaction	Associate Company	Enterprise having substantial interest in the Company and its Subsidiaries	Key Management Personnel	Total Rupees
Dividend Paid				
1 <i>Nitta Gelatin Inc</i>		15,601,200 (23,401,800)		15,601,200 (23,401,800)
Receivables				
1 <i>Nitta Gelatin Inc</i>		26,919,342 (6,155,262)		26,919,342 (6,155,262)
2 <i>Nitta Gelatin NA Inc</i>		10,550,874 (7,146,383)		10,550,874 (7,146,383)
3 <i>Nitta Gelatin Canada Inc</i>		50,867 (115,750)		50,867 (115,750)
4 <i>Nitta Gelatin USA</i>		- (47,161)		- (47,161)
Payables				
1 <i>Nitta Gelatin Inc</i>		6,499,819 (2,340,861)		6,499,819 (2,340,861)
2 <i>Nitta Gelatin NA Inc</i>		5,778,714 (5,942,927)		5,778,714 (5,942,927)

2.29 Segment Information

In respect of the Company:

The company is engaged in the business of manufacture and sale of Gelatin, Ossein, DCP and Collagen Peptide, which form broadly part of one product group and hence constitute a single business segment. However, based on geographical factors, reportable geographic segments have been identified as export sales and domestic sales. The segment wise information pertaining to the reportable geographical segments as above is as follows:

Particulars	Export Rupees	Domestic Rupees	Consolidated Rupees
Segment Revenue	1,398,545,016	998,148,600	2,396,693,616
(External Sales)	(1,021,638,956)	(955,739,793)	(1,977,378,749)
Segment Result	231,403,834	52,838,648	284,242,482
	(172,557,471)	(19,408,225)	(191,965,696)
Unallocated Expenditure (Net)			158,330,642 (139,160,193)
Interest Expense			60,563,638 (27,660,549)
Profit before Taxation			65,348,202 (25,144,954)

Capital employed as also assets and liabilities of the company are not capable of being stated separately segment wise since all the assets and liabilities are held under composite undertaking for both the geographic segments.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

In respect of the Subsidiary Companies:

They are engaged in the manufacture/job conversion of Ossein and hence have only one business segment.

2.30 The details of Provisions and Contingent Liabilities are as under. (Disclosed in terms of Accounting Standard –29 on Provisions, Contingent Liabilities & Contingent Assets notified by the Companies (Accounting Standards) Rules, 2006)

2.30.1 Provisions

(Amount in Rupees)

Nature of Provision	Balance as at 01.04.2011	Additional Provision during the year	Amounts used/ changed during the year	Unused amounts reversed	Balance as at 31.03.2012
Provision for Central Excise Duty. [See Note 2.30.1(i)]	6,791,512	1,077,386	-	-	7,868,898
	(5,191,879)	(1,599,633)	-	-	(6,791,512)
Provision for Water Cess	7,735,292	-	7,735,292	-	-
	(7,077,500)	(657,792)	-	-	(7,735,292)

2.30.1(i) Central Excise authorities have issued show cause notices proposing to withdraw CENVAT credit availed by the company on Hydrochloric Acid used in the manufacture of Ossein consumed for Gelatin production amounting to Rs 26,265,559 (Rs 21,985,689), which has been disputed by the company. Though no demand has been raised by the department, based on legal advice received, the company has created a provision of Rs 7,868,898 (Rs. 6,791,512) as a matter of abundant caution and the balance amount of Rs. 18,396,661 (Rs 15,194,177) has been disclosed as a contingent liability.

2.30.2 Contingent Liabilities not provided for:

Particulars	As at 31.03.2012 Rupees	As at 31.03.2011 Rupees
1. Claims against the Company not acknowledged as debts:		
a. Income Tax [See Note 2.30.2(i)]	25,227,447	11,203,842
b. Sales Tax [See Note 2.30.2(ii)]	34,224,152	13,581,337
c. Excise Duty [See Note 2.30.1(i)]	18,396,661	15,194,177
d. Water Cess [See Note 2.30.2(iii)]	71,484,400	-
2. Foreign Bills Discounted	181,613,424	151,308,644
3. Counter Guarantee issued in favour of bankers	8,146,152	4,352,152
4. Letter of Credit	-	1,092,683
	339,092,236	196,732,835

2.30.2(i) Includes Rs 11,815,732 in respect of which the Hon. High Court of Kerala had passed an order which has the effect of enhancing the income tax liability of the company relating to certain prior years. The company has filed an appeal against the said order before the Hon. Supreme Court of India which is pending. Based on the legal opinion received by the company and having regard to certain favourable decisions of the Hon. Supreme Court, there is no likelihood of any additional liability on this account. Further, during the year, the Income Tax Department has made certain disallowances on assessments completed for earlier years having a tax ef-

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

fect of Rs 13,411,715, which are pending on appeal before the first appellate authority. In the opinion of the management, no provision is considered necessary for the same at this stage.

2.30.2(ii) Includes Rs 20,642,815 in respect of which the Sales Tax authorities have issued demand notice proposing additional sales tax for KVAT and CST for an earlier assessment year on certain technical grounds, which has been disputed by the Company. Sales Tax authorities have also issued show cause notices proposing to withdraw sales tax exemption allowed to the company in earlier years amounting to Rs. 13,581,337, which has also been disputed by the company. Based on legal advice received, no provision is considered necessary towards the said claims and the amounts involved are disclosed as contingent liability.

2.30.2(iii) Represents demand raised for extracting river water for industrial use during the period from 01.04.1979 to 31.12.2010 raised as per the G.O (Rt) No. 805/09/WRD dated 25.07.2009. As per the said G.O, under Kerala Irrigation Water Conservation Act, 2003 and Rules framed in 2005, water cess is leviable for extraction of water for irrigation only, and a proposal for amendment of the Act for levy of cess for extraction of water for other purposes is under active consideration of the government, pending which an executive order was issued by the government specifying the terms and conditions for extraction of water from water sources and notifying the fees for extraction of water and the above demand was raised in accordance therewith.

The company has been legally advised that the rule making authority can frame rules under the four corners of the provisions of the Act and also by virtue of specific power conferred to the rule making authority in this regard. The lacuna in the Act cannot be filled by a Government Order and hence the demand made based on the Government Order may not be sustainable in law.

The company has filed a writ petition before the Hon High Court of Kerala against the proceedings of the Government, which is pending. The company has also filed a representation before the Secretary (Water Resources), Government of Kerala, against the above demand and has agreed to pay the cess prospectively from the date of executing an agreement with the government in this regard, which is pending consideration of the Government. In the opinion of the management in view of the legal advice obtained on the sustainability of the claim, no provision is considered necessary for the same at this stage.

2.31

- a) Estimated amount of contracts remaining to be executed on capital account -
Company - Rs. 15,943,539 (Rs. 30,378,819)
Subsidiary - Rs. 2,100,543 (Rs. 13,228,000)
- b) In respect of Capital Goods imported at concessional rate of duty under the Export Promotion Capital Goods Scheme, the Company has an export obligation of approximately Rs.33,680,000 (Rs.33,069,292) which is required to be fulfilled at different dates until 2020. In the event of non fulfilment of the export obligation, the Company will be liable for the Customs duties and penalties as applicable.

2.32 In the case of Bamni Proteins Limited (subsidiary company) the taxes provided/paid under Minimum Alternate Tax (MAT), which can be set off against future tax liability, subject to the applicable provisions of the Income Tax Act, 1961, has not been carried forward as a matter of abundant caution.

2.33 In the opinion of the Directors, Short-term Loans and Advances and Other Current Assets, have the value at which they are stated in the Balance Sheet, if realised in the ordinary course of business.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)

2.34 As a part of company's risk management policy, the exchange risks arising from foreign currency fluctuations are partly hedged by forward contracts.

a. The following are the forward contracts entered by the company and outstanding as at Balance Sheet date:

Particulars	As at 31.03.2012		As at 31.03.2011	
	\$	Rupees	\$	Rupees
Receivables	4,065,200	206,721,447	1,948,880	93,210,813
Payables	-	-	-	-

b. Hedged foreign currency exposures as at Balance Sheet date:

Particulars	As at 31.03.2012		As at 31.03.2011	
	\$	Rupees	\$	Rupees
Receivables	360,272	18,254,982	379,598	16,690,767
Payables	-	-	-	-

c Un hedged foreign currency exposures as at Balance Sheet date:

Particulars	For the year ended 31.03.2012		For the year ended 31.03.2011	
	FC	Rupees	FC	Rupees
Receivables				
USD	547,231	27,728,200	-	-
EURO	-	-	45,336	2,825,340
AUD	970	50,867	970	44,057
Other Claims				
USD	1,287	65,200	-	-
Payables				
USD	254,514	13,115,089	210,287	9,492,371
CAD	10,513	544,060	-	-
AUD	12,610	677,409	-	-
EURO	10,520	726,406	26,121	1,671,499
Japanese YEN	1,500,000	995,175	-	-

2.35 Information relating to Subsidiary Companies - Current Year

Particulars	Bamni Proteins Ltd. Rupees	Reva Proteins Ltd. Rupees
Share Capital	42,500,000	45,000,000
Reserves and Surplus	(16,329,574)	(15,373,949)
Total Assets	64,409,099	503,694,991
Total Liabilities	64,409,099	503,694,991
Investments (other than in subsidiaries)	-	3,540,000
Turnover	98,293,250	-
Profit before tax	1,711,043	(6,141,333)
Provision for tax	351,636	6,076
Profit after tax	1,359,407	(6,147,409)
Proposed Dividend	-	-

The above information is being made pursuant to General Circular No. 2/2011 dtd 08.02.2011 of the Ministry of Corporate Affairs.

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2012 (CONTD.)**

2.36 Figures have been rounded off to the nearest rupee. Previous year figures, unless otherwise stated are given within brackets and have been re-grouped and recast wherever necessary to be in conformity with current year's layout.

For and on behalf of the Board of Directors

As per our separate report of even date attached
For VARMA AND VARMA
(FRN : 004532S)

(VIJAY NARAYAN GOVIND)
Partner
CHARTERED ACCOUNTANTS
Membership No. 203094

V. SOMASUNDARAN IAS
Chairman

G. SUSEELAN
Managing Director

K. RAMAKRISHNAN
Director

ALKESH KUMAR SHARMA IAS
Director

VENU NALLUR
Director

A.K.NAIR
Director

K. L. KUMAR
Director

Place: Kochi
Date: 11.05.2012

G. RAJESH KURUP
Company Secretary

NITTA GELATIN INDIA LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
A. Cash Flows from Operating Activities		
Net Profit before Tax & Extraordinary Items	62,046,391	24,273,553
Adjustments for:		
Depreciation	98,133,231	90,086,612
Impairment Loss on Plant & Machinery	-	357,340
(Profit)/Loss on sale of fixed assets	(673,689)	(7,262,475)
Interest Expenditure	61,218,129	28,070,118
Interest Income	(11,802,720)	(1,598,318)
Dividend Received	(12,600)	(8,400)
Foreign Exchange (Gain)/Loss	4,886,533	(16,608,002)
Provision for Doubtful debts	874,318	207,460
Provision for Mark to Market (Gain)/Loss	3,757,531	-
Excess provision / sundry balances written back	-	(6,105,233)
	<u>156,380,733</u>	<u>87,139,102</u>
Operating Profit / (Loss) before Working Capital Changes	218,427,124	111,412,655
Adjustments for working capital changes:		
(Increase)/Decrease in Trade and Other Receivables	(44,696,665)	(43,747,812)
(Increase)/Decrease in Inventories	(29,956,420)	(112,374,381)
Increase/(Decrease) in Trade/ other payables	<u>67,167,480</u>	<u>64,506,497</u>
	<u>(7,485,605)</u>	<u>(91,615,696)</u>
Cash generated from Operations	210,941,519	19,796,959
Direct Taxes	(5,671,598)	(19,216,337)
Foreign Exchange Gain/(Loss)	(4,886,533)	16,608,002
Cash Flow Before Extraordinary Items	<u>200,383,388</u>	<u>17,188,624</u>
Extraordinary Items	-	-
Net Cash from/(used) in Operating Activities	<u>200,383,388</u>	<u>17,188,624</u>
B. Cash Flows from Investing Activities		
Purchase of Fixed Assets	(210,184,390)	(421,844,265)
Sale of Fixed Assets	5,573,404	8,585,430
Sale of Assets held for sale	6,000,000	-
Investment in shares	(3,150,000)	(3,540,000)
Advance for share capital	-	(3,000,000)
Interest Received	1,734,758	1,423,635
Dividend Received	12,600	8,400
Net Cash from/(used) in Investing Activities	<u>(200,013,628)</u>	<u>(418,366,800)</u>
C. Cash Flows from Financing Activities		
Dividend Paid	(33,360,912)	(50,000,473)

NITTA GELATIN INDIA LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

Particulars	For the year ended 31.03.2012 Rupees	For the year ended 31.03.2011 Rupees
Corporate Dividend Tax	(5,450,760)	(8,370,810)
Increase/(Decrease) in Short Term Borrowings	92,373,084	269,032,462
Increase/(Decrease) in Long Term Borrowings	34,750,778	199,996,390
Interest Paid	(85,321,450)	(37,471,425)
Net Cash from/(used) in Financing Activities	2,990,740	373,186,144
Summary		
Net Cash from/(used) in Operating Activities	200,383,388	17,188,624
Net Cash from/(used) in Investing Activities	(200,013,628)	(418,366,800)
Net Cash from/(used) in Financing Activities	2,990,740	373,186,144
Net Increase/(Decrease) in Cash Equivalents	3,360,500	(27,992,032)
Cash and Cash Equivalents at beginning of the year	12,531,570	40,523,602
Cash and Cash Equivalents at the end of the year	15,892,070	12,531,570
	3,360,500	(27,992,032)

Note: Cash and cash equivalents at the end of the year includes Rs.2,343,674 (Rs.1,905,223) under lien and Rs 1,166,557 (Rs. 927,469) deposited in unclaimed dividend account which are not available for use as on the Balance Sheet date.

For and on behalf of the Board of Directors

As per our separate report of even date attached For VARMA AND VARMA (FRN : 004532S) (VIJAY NARAYAN GOVIND) Partner CHARTERED ACCOUNTANTS Membership No. 203094	V. SOMASUNDARAN IAS Chairman K. RAMAKRISHNAN Director VENU NALLUR Director K. L. KUMAR Director	G. SUSEELAN Managing Director ALKESH KUMAR SHARMA IAS Director A.K.NAIR Director G. RAJESH KURUP Company Secretary
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Place: Kochi
Date: 11.05.2012

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Members,
Nitta Gelatin India Limited
Kochi - 36

We have audited the attached Consolidated Balance Sheet of Nitta Gelatin India Limited, Kochi and its Subsidiary Companies (Bamni Proteins Limited and Reva Proteins Limited) as at 31st March 2012, the Consolidated Statement of Profit and Loss and also the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Nitta Gelatin India Limited and its aforesaid subsidiaries included in the Consolidated Financial Statements.

Without qualifying our opinion we draw attention to Note No 2.30.2 (1) regarding disputed liability towards Income Tax Rs 252.28 lakhs, Sales Tax and

Value Added Tax Rs 342.24 lakhs, Excise Duty Rs 183.97 lakhs and Water Cess Rs 714.84 lakhs, not provided for and disclosed as contingent liability for the reasons stated therein, in respect of which the final liability if any is not ascertainable at this stage.

Further to the above, on the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual financial statements of Nitta Gelatin India Limited and its aforesaid subsidiaries, and read together with the significant accounting policies and the notes attached thereto, we are of the opinion that the Consolidated Accounts, give a true and fair view in conformity with the accounting principles generally accepted in India:

- i. in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Nitta Gelatin India Limited and its subsidiaries as at 31st March 2012;
- ii. in the case of the Consolidated Statement of Profit and Loss, of the consolidated results of operation of Nitta Gelatin India Limited and its subsidiaries for the year ended on that date; and
- iii. in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Nitta Gelatin India Limited and its subsidiaries for the year ended on that date.

For VARMA AND VARMA
(FRN : 004532S)

(VIJAY NARAYAN GOVIND)
Partner

CHARTERED ACCOUNTANTS
Membership No. 203094

Place: Kochi - 16
Date : 11/05/2012

1. The Proxy form duly completed must be deposited so as to reach the Registered Office of the company not less than 48 hours before the time for holding the meeting. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Member attending the Annual General Meeting are requested to bring with them the following:
 - a. Copy of the Annual Report and Notice as no copies thereof would be distributed at the meeting.
 - b. The attendance slip duly completed and signed in terms of specimen signature lodged with the company. The company would accept only the attendance slip from a member actually attending the meeting or from the person attending as a duly registered proxy. Attendance slip of members not personally present at the meeting or relating to proxies which are invalid, will not be accepted from any other member/person. Please avoid being accompanied by non members.

ATTENDANCE CARD

NITTA GELATIN INDIA LIMITED

Registered Office : 54/1446, Panampilly Nagar, Kochi - 682 036,

PLEASE HAND OVER THE ADMISSION SLIP

AT THE ENTRANCE OF THE

MEETING HALL, DULY COMPLETED

Name and Address :	
Folio No./DP ID & Client ID	Holding
Member <input style="width: 80px; height: 20px;" type="text"/>	Proxy <input style="width: 80px; height: 20px;" type="text"/>

I hereby record my presence at the THIRTY SIXTH ANNUAL GENERAL MEETING

**SIGNATURE OF THE
SHAREHOLDER / PROXY**

PROXY FORM

NITTA GELATIN INDIA LIMITED

Registered Office : 54/1446, Panampilly Nagar, Kochi - 682 036,

I/We
 .. of being a member /
 members of NITTA GELATIN INDIA LIMITED, hereby appoint.....
of.....
 or failing him.
 of.....
 on my / our behalf at the 36th Annual General Meeting of the Company to be held on Friday, the 6th July, 2012
 at 10.30 AM, at GRAND Hotel, M.G. Road, Ernakulam, Kochi-682 011 and at any adjournment thereof.

Signed this day of

Reg. Folio No.:

No. of Shares held:

Affix
 Revenue
 Stamp
 Signature

The proxy form duly signed across the revenue stamp of Re. one should reach the Registered Office of the Company at least 48 hours before the time of the meeting. A proxy need not be a member.

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HIGHER PROFITS.**

**Foliar
Spray**

NUTRIGOLD™

100% natural growth booster

NUTRIGOLD is NGIL's latest offering to farmers. Developed by Tamil Nadu Agricultural University (TNAU), Coimbatore, it is a rich source of mineral and proteins, making it ideal for cotton, maize, rice, spices, tea, vegetables, pulses and other agricultural / horticultural crops. Nutrigold is an approved input to organic agriculture as per the National Programme for Organic Production Standards of the Govt. of India.

Benefits • 15-20% increase in yield of crops, fruits and vegetables • Healthier plants and improved disease resistance

100% natural plant growth booster manufactured by Nitta Gelatin India Limited



COTTON



FRUITS



RICE



SPICES



TEA



VEGETABLES

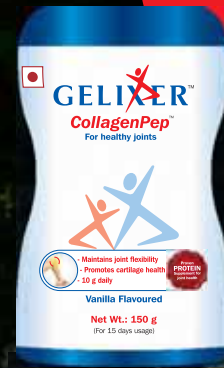


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100% NATURAL SOURCES | FOR BEST RESULTS,
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