



**Nitta Gelatin India Limited**



**37<sup>th</sup> Annual Report 2012-13**  
live life to the fullest



## Dear Shareholders



**NORIMICHI SOGA**  
President



Economic development in the emerging markets, more particularly in the Asian region where per capita income is increasing significantly, is expected to result in increased demand for the company's products in the health food and pharmaceutical markets. Given the above background, your company with a strong footing in Gelatin and Collagen Peptide is poised to reach greater heights in the years to come.

Of course, there are challenges also like the global economic slowdown caused by fiscal problems in Europe, rising prices for raw materials, increase in energy costs etc., and the group as a whole is formulating ways and means to overcome these.

To commemorate the first century of inception in 2018, the Nitta Group has formulated a new corporate slogan "Amaze the World!", as well as three principles to attain it, "Be More Dynamic, Quicker, with Team Play". Following a century of great tradition with a more sparkling one in the horizon, Nitta Group reaffirms its commitment to preserve nature and nurture its improvement in every action. Through proactive insights into the customer and market needs, the group shall work to develop products, applications and services well ahead of customer's expectations.

I am confident that your company, being a prominent member in the Nitta Group, is strong, committed and well-positioned for a bright future.

Best regards,

**Norimichi Soga**

**Nitta Gelatin Inc.**

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



**V. SOMASUNDARAN I.A.S**  
Additional Chief Secretary



I am happy to note that your company's sustained efforts for improving performance have resulted in the top line registering a growth of 26% and PAT, of 207%. This achievement is a testament to the dedication and strength of all our stakeholders.

Apart from efforts for optimizing cost, the company is taking steps to strengthen its manufacturing facilities to create a competitive advantage for its customers and an excellent working environment.

It is also heartening to note that M/s. Nitta Gelatin Inc., Japan has made an equity investment in the subsidiary of the company, M/s. Reva Proteins Ltd. thereby reassuring their commitment and confidence in the company and I am thankful to them for their continued support.

I thank our stakeholders for their continued interest and support.

With best wishes,

**V. Somasundaran**

**Industries Department  
Government of Kerala  
Secretariat  
Thiruvananthapuram 695 001, Kerala**

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

|  |   |
|--|---|
| <b>Name and Address :</b>                                      |   |
|  |   |
| <b>Folio No./DP ID &amp; Client ID</b>                         | <b>Holding</b>  |
| 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 SEVENTH 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 37<sup>th</sup> Annual General Meeting of the Company to be held on Friday, the 5th July, 2013 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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|  |   |
|--|---|
| <b>Name and Address :</b>                                      |   |
|  |   |
| <b>Folio No./DP ID &amp; Client ID</b>                         | <b>Holding</b>  |
| Member <input style="width: 80px; height: 20px;" type="text"/> | Proxy <input style="width: 80px; height: 20px;" type="text"/> |

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 ..... of ..... being a member /  
 members of NITTA GELATIN INDIA LIMITED, hereby appoint.....  
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Affix  
Revenue  
Stamp

Signature

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## Annual Report 2012-13

### BOARD OF DIRECTORS

**Chairman** : **V. SOMASUNDARAN, IAS**

**Directors** : **TOM JOSE, IAS**

**NORIMICHI SOGA**

**T. YAMAKI**

**HIROSHI TAKASE**

**K. RAMAKRISHNAN**

**A. K. NAIR**

**K. L. KUMAR**

**T. P. THOMASKUTTY**

**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

Website : [www.gelatin.in](http://www.gelatin.in)

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### SUBSIDIARY COMPANIES

**BAMNI PROTEINS LTD.** : PO Dudholi - Bamni, Via Ballarpur 442 701, Dist. Chandrapur, Maharashtra, India.

**REVA PROTEINS LTD.** : Plot No. 832, GIDC Industrial Estate, Jhagadia 393 110, Dist. Bharuch, Gujarat, India.

**FINANCIAL HIGHLIGHTS (12 Years)**

|                              | 2001.02        | 2002.03  | 2003.04  | 2004.05  | 2005.06  | 2006.07  | 2007.08  | 2008.09  | 2009.10  | 2010.11  | 2011.12  | 2012.13  |
|------------------------------|----------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|                              | (Rs. in lakhs) |          |          |          |          |          |          |          |          |          |          |          |
| Total Income                 | 8002.33        | 7969.16  | 9224.71  | 9961.69  | 9966.19  | 13766.42 | 14585.97 | 18645.02 | 19479.94 | 20638.94 | 24694.12 | 30897.61 |
| Sales*                       | 7161.41        | 7629.65  | 8601.25  | 8841.23  | 9763.86  | 13119.55 | 14638.14 | 18247.75 | 18940.60 | 19650.08 | 23810.08 | 29714.01 |
| Exports (FOB)                | 4698.63        | 4684.77  | 5260.42  | 5424.82  | 6236.79  | 7968.00  | 7950.32  | 10141.82 | 9476.42  | 10092.68 | 13829.03 | 15620.93 |
| Pre-tax Profit/(Loss)        | 367.83         | (467.02) | (645.82) | (217.49) | (365.65) | 721.83   | 728.91   | 2466.38  | 3076.36  | 251.45   | 653.48   | 2613.01  |
| Profit/(Loss) after tax      | 441.45         | (311.05) | (645.82) | (239.72) | (379.65) | 592.05   | 666.07   | 1501.94  | 2546.14  | 189.15   | 508.08   | 1558.30  |
| Earnings per share (Rs.)     | 5.26           | (3.70)   | (7.69)   | (2.85)   | (4.52)   | 7.05     | 7.93     | 17.88    | 30.31    | 2.25     | 6.05     | 18.55    |
| Dividend per share (Rs.)     | -              | -        | -        | -        | -        | 1.00     | 1.50     | 3.00     | 6.00     | 4.00     | 4.00     | 4.00     |
| Reserves & Retained Earnings | 7373.33        | 7077.28  | 6431.46  | 6191.75  | 5812.10  | 6305.88  | 6776.98  | 7984.09  | 9942.52  | 9739.87  | 9857.44  | 11070.49 |
| 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          | 8213.33        | 7917.28  | 7271.46  | 7022.83  | 6630.34  | 7110.95  | 7590.66  | 8824.09  | 10782.52 | 10579.87 | 10697.44 | 11910.49 |
| Return on Equity (%)         | 5.37           | (3.93)   | (8.88)   | (3.41)   | (5.73)   | 8.33     | 8.77     | 17.02    | 23.61    | 1.79     | 4.75     | 13.08    |
| Book Value/Share (Rs.)       | 97.78          | 94.25    | 86.57    | 83.61    | 78.93    | 84.65    | 90.36    | 105.05   | 128.36   | 125.95   | 127.35   | 141.79   |
| Gross Block                  | 10746.77       | 10882.23 | 11028.25 | 11578.84 | 11718.26 | 11632.38 | 12402.03 | 13609.38 | 14336.36 | 15674.24 | 16299.51 | 17106.60 |
| Net Block                    | 7531.66        | 6955.03  | 6411.08  | 6325.73  | 5777.68  | 5236.47  | 5384.24  | 5756.45  | 6297.74  | 6813.56  | 6867.78  | 6794.23  |

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

## NOTICE TO MEMBERS

NOTICE IS HEREBY GIVEN that the 37<sup>th</sup> Annual General Meeting of Nitta Gelatin India Limited will be held on Friday, the 05<sup>th</sup> July, 2013 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 2013 and the Statement of Profit and Loss for the year ended on that date and the Auditors' Report thereon.
2. To ratify the interim dividend declared by the Board of Directors.
3. To appoint a Director in place of Mr. N.Soga, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. A. K. Nair, 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 with or without modification, as a **SPECIAL RESOLUTION**:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 read with Schedule XIII and other applicable provisions of the Companies Act, 1956 and subject to such approvals as may be required or necessary, the consent and approval of the Company be and is hereby accorded for the terms and conditions of appointment of Mr. G. Suseelan as the Managing Director of the Company under

Article 127(1) of the Articles of Association for a further period of one year w.e.f. 1st April, 2013; and that the terms and conditions shall be as detailed in the Explanatory statement to this notice.

By Order of the Board

Kochi  
29.05.2013

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. Members holding shares in the same name or same order under different ledger folios are requested to apply for clubbing into one folio.
3. 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.
4. 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.
5. Members are requested to notify immediately any change in their addresses 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.
6. Members are requested to furnish details of their nominee in the nomination form that can be obtained from the company on request.
7. 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.

8. 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.
9. 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

As per the terms of Article 127(1) of the Articles of Association of the Company, the Managing Director of the Company shall be appointed as per the Promotional Agreement between the Promoters, Kerala State Industrial Development Corporation Ltd. and Nitta Gelatin Inc., Japan. Accordingly Mr. G. Suseelan was re-appointed as the Managing Director of the company for a period of three years beginning 01.04.2011 upto 31.03.2014 and the terms and conditions of his re-appointment as Managing Director w.e.f 01.4.2010 were approved for a period of three years upto 31.3.2013. The terms and conditions of re-appointment were approved for a period of only three years as per the provisions of Schedule XIII to the Companies Act, 1956 in the context of inadequacy of profits prevailing at that time. Thus while the period of re-appointment is to run a period of three years ending 31.03.2014; the corresponding approval for terms of appointment is running a period only upto 31.03.2013. Hence the terms and conditions of his re-appointment already approved in the 35th General Meeting for a period of three years with effect from 01.04.2010 as detailed below be extended for a further period of one year from 01.04.2013 to 31.03.2014 in order to be co-extensive with the period of appointment. Hence, this resolution .

1. *Basic Pay* - Rs. 170,000/- per month as on 01.04.2010 with an annual increment of Rs. 15,000/-
2. *Housing*
  - a) Company hired accommodation subject to a ceiling 50% of Basic Pay over and above 20% payable, for which deduction of 20% shall be made from Basic Pay.
  - b) If Company does not provide accommodation, HRA @50% of Basic Pay will be paid.

#### 3. *Furnishing, Gas, Electricity and Water*

Reimbursement of actual expenses incurred on Gas, Electricity, Water and furnishing subject to a ceiling of 10% of Basic Pay.

#### 4. *Medical benefits*

Expenses actually incurred for self and family subject to a ceiling of one month's salary. Unavailed medical benefits for the previous years will be allowed to be carried forward.

#### 5. *Personal Accident Insurance*

The annual premium not to exceed Rs.5000/- to the Company.

#### 6. *Leave Travel concession*

Return passage for self and family once in a year by Air by business class to any place subject to a limit of expenses to Rs.150,000/- per person.

#### 7. *Car*

Fee use of Company car with driver for official use. Use of car for personal purposes will be billed for.

#### 8. *Telephone*

Free telephone facility at residence.

#### 9. *Leave and Leave Encashment*

On full pay and allowances not exceeding 30 days for every year of service. At the end of the tenure, unavailed leave will be allowed to be encashed on the basis of last pay drawn. Unavailed leave as on 31.03.2010 will be allowed to be carried forward.

#### 10. *Club Membership*

Membership fee of any two clubs will be reimbursed. No admission or life membership fees will be paid.

#### 11. *Entertainment expenses*

Entertainment expenses actually incurred in the course of business of the Company will be reimbursed subject to a limit fixed by the Board.

#### 12. *Provident Fund*

Company's contribution to the Provident Fund at rates as per Company's rules.

#### 13. *Gratuity*

15 days' salary at the last drawn rates for every completed year of service. Past service in the Company will also be reckoned for the purpose.



**14. Minimum remuneration**

In the event of loss or inadequacy of profits in any financial year the Managing Director shall be paid remuneration by way of salary and perquisites as specified above.

any time by giving notice of not less than three months in writing or three month's salary and allowances in lieu thereof. The Managing Director shall also have the right to relinquish his office at any time before the expiry of his term by giving notice of not less than three months.

**15. Period of appointment**

Till 31.03.2014 as agreed upon between M/s. Nitta Gelatin Inc., Japan and M/s. Kerala State Industrial Development Corporation Limited, Thiruvananthapuram.

Except Mr. G. Suseelan, no other Director is concerned or interested in this resolution.

**16. Termination of term of office**

The Company shall have the right to terminate the term of office of the Managing Director at Kochi 29.05.2013

By Order of the Board,

G.R Kurup  
Company Secretary

**DETAILS OF DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT/APPROVAL OF TERMS & CONDITIONS IN THE FORTHCOMING ANNUAL GENERAL MEETING**  
(in pursuance of Clause 49 of the Listing Agreement with the Stock Exchanges)

| <b>Name</b>                                     | <b>N. Soga</b>  | <b>A. K. Nair</b>  | <b>G. Suseelan</b>  |
|---|---|--|---|
| Age (Years)                                     | 64  | 68   | 62  |
| Nationality                                     | Japanese  | Indian   | Indian  |
| Qualification                                   | Majored in faculty of Textile Science from Kyoto Institute of Technology  | B.Sc., Engineering, MBA  | B.SC., Engineering , MBA  |
| Expertise                                       | 39 years experience in Gelatin business. He has worked as CEO and Director in companies like Nitta Gelatin Holding Inc.,Nitta Casings Inc.,Nitta Gelatin NA Inc., Nitta Gelatin USA Inc., Nitta Gelatin Canada Inc. | 46 years experience as Manager, General Manager, Executive Director and Managing Director in different companies which includes as MD of Kerala State Industrial Development Corporation Ltd., and as MD of Kerala Chemicals and Proteins Ltd.   | 39 years experience out of which 37 years in manufacturing Ossein and Gelatin and has worked in the Company in various capacities. He was appointed as Whole-time Director w.e.f 01.04.2005, and later on became the Managing Director of the company, effective from 01.04.2008. |
| Other Directorships excluding Foreign Companies |   | 1. Strides Arcolab Ltd., Bangalore<br>2.CII Guardian International Ltd., Cochin<br>3.Guardian Controls India Ltd.<br>4.Merchem Ltd., Cochin<br>5.The Alleppey Co.Ltd., Alleppey<br>6.V-Guard Industries Ltd., Cochin<br>7.The Kerala Bailers Pvt. Ltd., Alleppey<br>8.William Goodacre Sons India Pvt. Ltd., Alleppey<br>9.Geojit Credit Pvt. Ltd., Cochin,<br>10.Seabird Seaplane Services Ltd. | 1. Bamni Proteins Ltd<br>2.Reva Proteins Ltd  |

## DIRECTORS' REPORT

To  
The Shareholders,

Your Directors have pleasure in presenting the 37th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2013.

### FINANCIAL RESULTS

|  | (Rs. in Crores)                        |  |
|--|--|--|
| Particulars  | For the year ended<br>31st March, 2013 | For the year ended<br>31st March, 2012 |
| Sales (including export incentives and net of Excise Duty & VAT) | 306.22                                 | 245.81                                 |
| Other Income   | 2.76                                   | 1.13                                   |
| <b>TOTAL</b>   | <b>308.98</b>                          | <b>246.94</b>                          |
| <b>Gross Profit before Depreciation</b>                          | <b>35.87</b>                           | <b>15.51</b>                           |
| Deducting therefrom:   |  |  |
| Depreciation   | 9.74                                   | 8.97                                   |
| Provision for Tax -  |  |  |
| - Current Tax  | 9.37                                   | 2.20                                   |
| - Deferred Tax   | 0.03                                   | (0.23)                                 |
| - MAT Credit   | -                                      | (0.48)                                 |
| - Prior years  | 1.15                                   | (0.03)                                 |
| <b>Profit after Tax</b>  | <b>15.58</b>                           | <b>5.08</b>                            |
| <b>Balance Profit Available for Appropriation</b>                | <b>15.58</b>                           | <b>5.08</b>                            |
| <b>Appropriations:</b>   |  |  |
| Interim Dividend   | 3.36                                   | -                                      |
| Final Dividend   | -                                      | 3.36                                   |
| Tax on Dividend  | 0.57                                   | 0.54                                   |
| Transfer to General Reserve                                      | 1.56                                   | 0.51                                   |
| Profit brought forward from previous year                        | 7.77                                   | 7.10                                   |
| Balance Profit carried to Balance Sheet                          | 17.86                                  | 7.77                                   |

### DIVIDEND

The Board of Directors of the Company in their meeting held on 3rd May, 2013 declared an interim dividend of Rs. 4/- per share @ 40% of the face value of Rs. 10/- per share absorbing a sum of Rs.393.10 Lakhs (including dividend distribution tax of Rs.57.10 Lakhs) which is subject to regularisation by the shareholders in the ensuing Annual General Meeting.

The Board of Directors of the Company do not recommend any further dividend for the year under consideration.

### RESERVES

Reserves as on 31.03.2013 were Security Premium Reserve Rs. 2730.00 Lakhs, Capital Investment Subsidy Rs. 15.00 Lakhs, Special Export Reserve Rs. 79.00 Lakhs, General Reserve Rs. 6412.56 Lakhs, Hedging Reserve Rs.47.85 Lakhs and surplus in Statement of Profit and Loss Rs. 1786.08 Lakhs.

### PERFORMANCE

The company could increase the production/sale of all its major products during the year resulting in its gross turnover registering an increase of 26% (as against 20% during the previous year) to touch

an all time high of Rs. 315 Crores. Both favourable exchange rate movements as well as increase in unit sales realization had played a key support role in accomplishing the said growth in turnover.

Inclusive of the impact of the favourable forex movements during the current year, increase in Gelatin selling price was 30% (previous year 18%) and 11% for Ossein (25% in previous year). In the case of Dicalcium Phosphate, the increase was 13% (previous year 10%) and 11% for Collagen Peptide.

Though the availability of crushed bone was marginally better during the year, quality thereof has not witnessed much improvement. In order to mitigate the adverse impact of such poor quality of crushed bone on the final product quality, the company in consultation with its collaborators has identified a couple of remedial initiatives. Of these, the company has already implemented a few and the remaining are expected to go on stream in the near future. Attributable to the persistent demand from poultry industry, crushed bone is also being used for producing poultry feed ingredients thereby adding to its demand. As a result of the above, crushed bone prices have further increased by 6% during the year against a 9% increase in the previous year. In addition to the above, the production at Ossein division, Koratty has stabilized during the period resulting in a lesser dependence on purchased Ossein/Limed Ossein for our captive requirements leading to better margins. Besides, price of Hydrochloric Acid has also shown a decline of 23% during the review period as against 22% during the previous year compared to the respective prices prevailed in the immediately preceding financial years. Increase in power charges/ restrictions in usage of power at normal rates during the period under review, had caused an incremental cost of Rs.3.76 Crores. Despite the economic turbulences in the global economic climate and more particularly the weakening of Japanese Yen against USD, our efforts for maximizing the shareholder worth has been successful to the extent that the Net Profit before tax has increased to Rs. 2613.01 Lakhs during 2012-13 as against Rs. 653.48 Lakhs in the previous year.

The products of the company continued to witness enviable market demand throughout the year. The continued patronage of our valued customers demonstrates their confidence in our brand. The increase in sales quantities gives credence to your company's ability to keep growing in the most competitive Pharma / Healthcare market as we

continuously update and respond to the changes in customer preferences. In respect of Collagen Peptide, the sales increased by around 47% followed by 10% in Dicalcium Phosphate.

The Kadukutty Panchayat, where our Ossein Plant is situated, has not renewed our factory licence for the year commencing from 01.04.2011 without any valid reasons. Therefore the 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. Simultaneously the company has successfully implemented the action plan formulated by the expert committee and recommended by the Kerala State Government to further improve the environment. The above initiatives have brought to light the care and commitment of the company to nature and environment besides strengthening its image among the local public and civic bodies. Your company is continuing relentless efforts in this direction and is confident that they shall meet with the approval and blessings of all concerned.

#### **DILUTION OF PROMOTER SHAREHOLDING**

The company has initiated the following actions to bring down the promoter shareholding from the existing 80.50% to less than 75% in terms of Rule 19 (2) (b) of the Securities Contracts (Regulation) Act, 1956 and in terms of the Securities Contracts (Regulation) Rules, 1957:-

- (a) Fresh issue of 100,000/- equity shares of face value of Rs. 10/- each in the company to the permanent employees (other than the promoters or belonging to the promoter group) of the company under an Employee Stock Purchase Scheme framed in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
- (b) Bonus issue of 579,160 equity shares in the company in the ratio of 1:3, ie., one new fully paid-up equity share of face value of Rs. 10/- for every three existing equity share of Rs. 10/- each held in the company (other than to members who constitute the promoter and promoter group). The said bonus equity shares shall be issued and allotted to those shareholders whose name appear in the register of members and in the beneficial ownership position held with the depositories as on the record date.

Both the above proposals, have been approved by the members in the Extra Ordinary General

Meeting and the formalities for issue of shares are progressing.

### AWARDS & ACCOLADES

Your company has honoured with several awards during the year under review as well:-

- (i) Corporate Excellence Award for Green initiatives 2012-13 instituted jointly by the Federal Bank Ltd. and Kerala Management Association for Ossein Division.
- (ii) Second runner-up Safety Award under the Medium Category by the Inspectorate of Factories & Boilers, Govt. of Kerala.

The following are the noteworthy Certifications retained by your Company:

- (i) European Directorate for the Quality of Medicines & Health (EDQM) Certificate for Gelatin Division.
- (ii) HACCP Certificate for Ossein Division & Gelatin Division for food safety.
- (iii) ISO 14001:2004 for Gelatin Division for Environmental Management System.
- (iv) ISO 9000 for Quality Management System of the Company.
- (v) NABL Accreditation for in-house Laboratory.

### HEALTH, SAFETY AND ENVIRONMENT

Compliance with relevant regulations and effective management of the systems in place are an integral part of the 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 the health and safety of its employees. The Company has a Safety Committee which meets regularly to review the issues impacting plant safety and employee health. Regular health check up of employees is carried out by a reputed hospital.

The company has made laudable progress in the area of process safety with no major accidents reported during the period. As a testimony to this, Ossein Division of the company is awarded the Second runner-up Safety Award under the Medium category during the year instituted by the Inspectorate of Factories & Boilers, Govt. of Kerala.

#### 2. Environment

Your Company continuously endeavours to improve on environmental management. Through

all our activities, we demonstrate our commitment to protect the environment.

All our plants are having state of the art waste water treatment plants. The quality of treated water from the waste water treatment plant is well within the norms laid down by the pollution control authorities. The emissions from boilers and generator stacks are monitored regularly. A major part of the solids generated at our Ossein plant is now being used for bio-gas generation. Water recycling and water re-use are activities continuously perused and improved upon by the company, with specific targets.

The ambient air quality in our Ossein Plant is being monitored on a continuous basis to conform to the compliance of ambient air quality standards.

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 which constitute approximately 31% of the total land area comprised in the two divisions.

Apart from the above, the Company has undertaken during the year major anti-pollution drive at Ossein Division wherein massive investments were made for reducing water consumption, setting up of biogas plant using sludge generated from production, additional green belt around the factory compound, odour monitoring system, etc.

These steps are expected to go a longway in furthering our resolve to protect the nature and environment.

### CORPORATE SOCIAL RESPONSIBILITY

K. T. Chandy - Seiichi Nitta Foundation, the charitable trust promoted by the company to support our social initiatives have contributed significantly for various welfare schemes aimed mainly at the upliftment of the rural/financially backward communities around our factories. A few noteworthy programmes conducted under the aegis of the foundation mainly in the panchayaths housing our factories are :-

#### 1. Drinking water / Lift irrigation schemes

- a. Chathanchal irrigation and drinking water project - The scheme provided financial assistance of about Rs 8 lakhs for Lift irrigation project which benefitted around 400 families in the locality.
- b. Nilampathinjimugal drinking water scheme- About 150 beneficiaries for this project with a financial outlay of Rs 1. 50 lakhs.

- c. Padathikkara Drinking water scheme - Rs 1.60 lakhs - Financial support for installing motor and pumping line for the benefit of 300 families in the area. The project is under progress.
- d. Financial support for Lift irrigation Project at Cheruvalur & Vynthala with an outlay of Rs 3.80 lakhs and benefits about 350 families in the vicinity.

## 2. Environmental protection

As part of the initiatives to ensure health and hygienic environment in Kadukutty panchayath, the company has promoted the installation of twenty units of domestic bio gas plants including financial support. The second phase covering 20 more plants at an outlay of Rs. 1.50 Lakhs is in progress.

## 3. Initiatives on organic farming:

A project named 'Harithagramam' has been initiated during the year to promote vegetable cultivation in Kadukutty Grama Panchayath whereby seed, manure etc. are provided for cultivation to about 150 families. In addition, expert advice in agriculture and organic farming, for creating awareness on various agricultural and farming activities are also provided. The project shall cost around Rs. 3 Lakhs and aims at promoting organic farming in the area.

## 4. Activities related to education

The Trust has organised many training programmes for the students of local schools to familiarise on latest trends in Information Technology, spoken english, computer literacy, skill development, on the job training etc. In addition it contemplates financial assistance to two tribal schools in Wayanad district to the advantage of around 200 under privileged children. Foundation also provides financial assistance for noon meal to the students of nearby schools such as Kathikudam UPS, Union Higher secondary school, Mambra and Nair Samajam High School, Valoor. Akshaya noon meal programme was sponsored in Ernakulam District. Distribution of study materials were undertaken during the year in association with other organisations, clubs etc.

## 5. Medical camps

The foundation organized various programmes related to health which included awareness campaigns, medical camps, distribution of medicines through palliative care association and other organizations like Samaritan Santhom Convent, Ambazhakad, free Diabetic detection camp, counseling at Vayojana clubs etc. In

addition it conducted three major medical camps in Kadukutty Panchayath.

## 6. Sports coaching camps and tournaments

In order to promote sports talents among the school students, the Company conducted various coaching camps, athletic competitions, games etc. with active participation of nearby schools and various clubs.

## SUBSIDIARY COMPANIES

### 1) BAMNI PROTEINS LIMITED

The annual production during the year in this subsidiary company was 2472 MT of Ossein and 5280 MT of Dicalcium Phosphate as against 2423 MT of Ossein and 5290 MT of Dicalcium Phosphate during the previous year. The Company has recorded a net profit of Rs. 102.24 Lakhs after tax as against Rs. 13.59 Lakhs during the previous fiscal. But for the increase in cost of power, the Company's profitability would have been even higher.

### 2) REVA PROTEINS LIMITED

Reva Proteins Limited could not be operated to its entire commissioned capacity during the year for want of permission for the discharge of effluent from the Pollution Control Authorities. We have reliably learnt that the deficiency in infrastructure with the Pollution Control Authorities are under augmentation.

During the financial year ended 31.03.2013, Reva Proteins Ltd. have registered a net loss of Rs. 762.49 Lakhs as against Rs. 61.47 Lakhs during the previous financial year period 27.03.2012 to 31.03.2012. The annual production during the year at this subsidiary was 950 MT of Ossein and 852 MT of Dicalcium Phosphate.

Nitta Gelatin Inc, Japan has subscribed to 48 Lakhs equity shares (25.45%) of face value of Rs.10/- each at a price of Rs.25/- per share in this subsidiary during the 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 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

1. Emphasis of Matter on the accounts of the company referred to in the Auditors' Report is explained in detail under para 2.27.2 (i), (ii), 2.27.1 (i) and 2.27.2(iii) of the Notes forming part of accounts for the year and hence no further comments are necessary.
2. 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 the Irrigation Department, Government of Kerala. The said agreement is currently under finalization by the Government.
3. Observation of audit vide para 9 (b) of the Annexure to the Auditors' Report - The points covered in the above para are explained in detail under para 2.27.2 (iii), (i) and (ii) respectively of the Notes forming part of the accounts for the year and hence no further comments are called for.

### COLLABORATORS

Your Collaborators continue to extent their unstinted support and co-operation to each and every initiate of the Company. They have been supporting us by providing technical information, training of personnel, deputing trained technicians 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.

### PARTICULARS OF EMPLOYEES

None of the employees of the Company are coming 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 31.03.2013, 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 2013 and of the profit of the Company for the year ended 31st March 2013.
- 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. Alkesh Kumar Sharma IAS, who was a Director of the Company with effect from 17.07.2009 ceased to hold office on 06.11.2012 consequent on the Kerala State Industrial Development Corporation Limited (KSIDC) vide their letter dated 06.11.2012 nominating Mr. Tom Jose IAS, Managing Director, KSIDC as a Director of the Company. KSIDC has also vide letter dated 03.04.2013 nominated Mr. T. P. Thomaskutty, Executive Director, KSIDC as a Director of the company in the place of Mr. Venu Nallur.

Your Directors extend a warm welcome to Mr. Tom Jose IAS and Mr. T. P. Thomaskutty as members of the Board. The Board also places on record the appreciation for the valuable guidance and support extended by both Mr. Alkesh Kumar Sharma IAS and Mr. Venu Nallur during their tenure as Directors.

Under the provisions of the Articles of Association of the Company and the Companies Act, 1956 Mr. N. Soga and Mr. A. K. Nair retire by rotation and are eligible for re-appointment. Necessary resolution 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 their gratitude for the support, co-operation and encouragement extended by the State Government and M/s. Kerala State Industrial Development Corporation Limited for the operations of the company. Your Directors also take this opportunity to thank M/s. Nitta Gelatin Inc., Japan, for their learned guidance and valuable direction. Your Directors also wish to place on record sincere appreciation for the continuing support and whole-hearted efforts of Vendors, Dealers, Business Associates and Employees in ensuring an excellent all round operational performance. 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  
29th May 2013

V. SOMASUNDARAN IAS  
Chairman

## ANNEXURE TO THE DIRECTORS' REPORT

### (A) CONSERVATION OF ENERGY

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

#### Energy conservation activities carried out at Ossein Division:

1. Biogas plant was commissioned resulting in a saving of 0.90 KL of Furnace Oil per day.
2. Installation of capacitors for power factor improvement are ongoing.
3. Additional powerless fans were fixed in DCP reaction and Ossein drying sections.
4. Energy efficient blowers were installed in Ossein drying section.

#### Activities in Gelatin Division:

1. Installed VFD to reduce power consumption.
2. Air compressor cooling system modified with independent cooling arrangement for better efficiency.
3. Two additional number of UF modules were installed to reduce the load on primary evaporation unit.
4. Installed capacitors for power factor improvement.

#### Proposals

1. Energy efficient blower in DCP manufacturing.
2. Fixation of suitable capacity blower in equalization tank to reduce power consumption.
3. Commissioning of new biogas plant.
4. Design modification of DCP Hot air generator furnace to reduce wood consumption.
5. Reduction of chilling load in dehumidification system by incorporation of additional heat exchangers.
6. Replacement of cooling tower fans with FRP construction blades.

7. Installation of steam pump for recovery of condensate.
8. Addition of capacitors to improve power factor.

### (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 on savings in utilities and improving product quality and productivity. The Company is currently under a Technical Assistance Agreement with the collaborators whereby it can avail the services of trained experts in Nitta Group in any desired area of Gelatin production and also that any noteworthy developments in the area of any of our above products at NGL, Japan or its associates shall be shared with the company. With this, the company is empowered to operate at standards in par with that of the global industry leaders.

### 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 deficiency in the quality of crushed bone.

Apart from product development, your company is channelizing R&D efforts for carving out novel techniques for the disposal of effluent. Towards this, a R&D facility is already put-up in the premises of Bamni Proteins Limited, a subsidiary of the Company at Maharashtra.



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 and new applications for the same.
- 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 Lakhs) |               |
|----|-------------------------|----------------|---------------|
|    |                         | Current year   | Previous year |
| a. | Capital                 | 22.98          | 6.68          |
| b. | Recurring Expenses      | 245.16         | 180.19        |
|    | Percentage to turn-over | 0.88           | 0.76          |

### (C) FOREIGN EXCHANGE EARNINGS AND OUTGO

|    |          | (Rs. in Lakhs) |               |
|----|----------|----------------|---------------|
|    |          | Current year   | Previous year |
| a. | Earnings | 15620.93       | 13829.71      |
| b. | Outgo    | 1629.92        | 672.83        |

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

|   | Current Year<br>2012-13 | Previous Year<br>2011-12 |
|---|-------------------------|--------------------------|
| <b>A. POWER AND FUEL CONSUMPTION:</b>         |                         |                          |
| 1. Electricity                                |                         |                          |
| (a) Purchased                                 |                         |                          |
| Units (KWH in lakhs)                          | 271.03                  | 259.00                   |
| Total Amount (Rs. in lakhs)                   | 1378.66                 | 987.00                   |
| Rate/Unit (Rs.)                               | 5.09                    | 3.81                     |
| (b) Own Generation                            |                         |                          |
| (i) Through Diesel Generator Unit             |                         |                          |
| (KWH in lakhs)                                | 2.15                    | 0.89                     |
| Unit per litre of Diesel Oil                  | 2.55                    | 2.55                     |
| Cost/Unit (Rs)                                | 18.29                   | 16.16                    |
| 2. Furnace Oil                                |                         |                          |
| Quantity (in KL)                              | 1414.00                 | 1030.00                  |
| Total Amount (Rs. in lakhs)                   | 582.29                  | 386.16                   |
| Average rate (Rs. per KL)                     | 41180.49                | 37492.00                 |
| 3. Firewood                                   |                         |                          |
| Quantity (in MT)                              | 48127.32                | 47096.00                 |
| Total Amount (Rs. in lakhs)                   | 1336.41                 | 1400.09                  |
| Average rate (Rs.per MT)                      | 2776.82                 | 2973.00                  |
| <b>B. CONSUMPTION PER UNIT OF PRODUCTION:</b> |                         |                          |
| <b>Product - Ossein</b>                       |                         |                          |
| 1. Electricity (KWH) per MT                   | 1582.00                 | 1806.00                  |
| 2. Firewood (MT) per MT                       | 1.04                    | 1.16                     |
| <b>Product - Gelatin</b>                      |                         |                          |
| 1. Electricity (KWH) per MT                   | 3805.00                 | 3554.00                  |
| 2. Furnace Oil (KL) per MT                    | 0.24                    | 0.17                     |
| 3. Firewood (MT) per MT                       | 9.10                    | 10.52                    |
| <b>Product - Collagen Peptide</b>             |                         |                          |
| 1. Electricity (KWH) per MT                   | 3556.58                 | 10985.00                 |
| 2. Firewood (MT) per MT                       | 5.22                    | 4.44                     |

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### INDUSTRY STRUCTURE AND DEVELOPMENT

The Global Gelatin market is getting increasingly benefitted from the growing demand from pharmaceutical and cosmetic industries fuelled by robust economic development witnessed in emerging economies particularly in Asia. In addition, the fast expanding ageing demography of the global population is boosting the demand from the nutraceutical industry for Gelatin and derivative products such as Collagen Peptide (Gelatin hydrolysates). The global market is expected to witness steady gains driven by stable consumption patterns, rising standards of living and easier access to wellness services. As a combined effect of all the above, global Gelatin consumption is forecast to reach 3.96 lakh MT by the year 2017.

Your company with pioneering expertise in Gelatin manufacture with the collaborator, M/s. Nitta Gelatin Inc., Japan supporting and enriching it in all its growth/improvement initiatives, is geared to gain the best in the above situation.

### SEGMENT-WISE PERFORMANCE

#### Exports

Attributable to factors like increasing domestic demand for Gelatin, conscious shift of sales from the low premium export market to the niche domestic market and the exponential increase in domestic capacity for capsule manufacturing, the company had to channelise more of its production for catering the domestic market resulting in a dip in exports. However, all the high premium export markets were promptly serviced during the year. The relevant export figures are as under:-

|                  | (Qty in MT) |         |
|------------------|-------------|---------|
|                  | 2012-13     | 2011-12 |
| Ossein           | 5215        | 5214    |
| Gelatin          | 1834        | 2201    |
| Collagen Peptide | 92          | 72      |

#### Domestic

During the year your company could make the best use of the robust growth in capsule manufacturing capacity in India. The domestic Gelatin sales have increased by 27% of the previous year. In the case of Collagen Peptide the said increase was high at 77%. The demand for DCP also was quite

attractive during the year under review with unit sales realisation showing an increase of 13% and the volume by 10%.

#### Opportunities

Apart from the continuing potential for Gelatin as mentioned elsewhere in this report, the comparatively lower cost of production in India, categorisation of India as a safe destination for sourcing crushed bone for Gelatin manufacturing and the growth in demand for Gelatin are expected to keep a very good demand for Gelatin in future.

For Collagen Peptide the major markets are Japan, South East Asia and India. Of these, the demand in Japan is steady and maturing. However, South East Asia is witnessing initial stages of a market boom and we are fast getting geared up to capitalise this opportunity. As far as the Indian market is concerned, the main application is for joint health, wherein the number of brands have multiplied and the volumes are expected to grow exponentially.

#### Outlook

The evolution of foods with time has shifted towards prevention of diseases than cure, thereby consumer focusing more on Nutraceuticals i.e. functional food and dietary supplements. Based on this, the nutraceutical industry is expected to grow at a steady CAGR of 6.3% during 2012-2017. The market for Gelatin is primarily driven by growing user industries in nutraceutical, dietary supplements and cosmetics segments. Growing health concerns, ageing population, change in the lifestyle, health consciousness and increase in disposable income in the emerging markets etc. are acting as major factors driving this market. Gelatin being an excipient in the dietary supplement products holds great demand. At the same time, cultural barriers across the world to use Gelatin derived from animals is acting as a major deterrent against the overall market growth.

In addition to the above, the ageing population around the world causing serious issues of osteoporosis and osteoarthritis, are expected to drive Collagen Peptide supplements substantially. The time to establish the concept against well known ingredients might be only the inhibiting factor. Also, the ever increasing demand to stay young is expected to boost Collagen Peptide market due to its ability to revitalise the body when taken as functional foods, beverages and dietary supplements.

Rising feed costs, mainly due to high soya prices, has dampened the poultry industry sentiments. Egg prices are also on the lower side. Accordingly, there has been a marginal dip in DCP prices which is expected to improve with the onset of monsoon in North India.

Our new products, Nutrigold and Secondary Proteins, catering to the agricultural sector are also expected to bring in appreciable margins to the company. As regards Chitosan, we are continuously upgrading the quality to meet international standards. We are also educating the domestic customers on the various applications of Chitosan which will help to augment the domestic demand further.

### 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 / other companies.
- (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 the 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 by 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 turnover of your company registered an increase of 26% during the year under review (as against 20% during the previous year) to touch an all time high of Rs. 315 crores. Both favourable exchange rate movements as well as improvement in unit sales realisation had helped the company in accomplishing this enviable growth in turnover. The average USD/INR exchange rate for the year was 54.08 as against Rs. 47.57 in the previous year. Inclusive of the impact of favourable forex movements during the year as said above, increase in unit selling price of Gelatin was 30% (previous year 18%) and 11% for Ossein (25% previous year). In the case of Dicalcium Phosphate, the increase was 13% (previous year 10%) and 11% for Collagen Peptide.

Crushed bone prices increased by 6% during the year as against 9% in the previous year. However, there was a decline in the price of Hydrochloric acid by 23% during the review period as against 22% during the previous year. Increase in power charges/restrictions for usage of power in Kerala had caused a major negative impact on the performance of the company. Despite the economic turbulences in the global market, challenges in sourcing crushed bone of required quality and the weakening of Japanese Yen against USD, your company could earn a net profit after tax of Rs. 15.58 crores as against 5.08 crores in the previous year.

### DEVELOPMENT IN HUMAN RESOURCE MANAGEMENT

Your company continuously strives to foster a culture of high performance. Identifying and grooming management talent and leadership development at all levels remain the priority. To mention a few of the ongoing key initiatives targeted towards human resource development are:-

- (a) Launch of institutional learning programmes for selected management level personnel.
- (b) Setting up an exclusive in-house training department dedicated for training of personnel alone.
- (c) Apart from utilizing the in-house training facilities, employees are imparted extensive on-the job training at our collaborator's factory in Japan.

As on 31st March, 2013 the total permanent employee strength of the company stood at 369.

#### **CAUTIONARY STATEMENT**

Statements in this Management Discussion and Analysis Report describing the company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations.

Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the company's operations include inter-alia the supply demand situation, input price and availability, changes in Govt. 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)     | (V. SOMASUNDARAN IAS) |
| MANAGING DIRECTOR | 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.

Six (6) Board meetings were held during the year 2012-13 on 11.05.2012, 06.07.2012, 06.08.2012, 29.09.2012, 05.11.2012 and 14.02.2013.

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 31.03.2013 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                         | 6                       | Yes                               | -  | 5                     | -                      | -        |
| 2       | Mr. Tom Jose IAS Nominee and MD KSIDC (appointed w.e.f. 06.11.2012)  | Non-Executive | Nil                         | 1                       | No                                | -  | 9                     | -                      | -        |
| 2A.     | Mr. Alkesh Kumar Sharma IAS Nominee and MD of KSIDC (Ceased to be Director of the Company w.e.f. 06.11.2012)                                 | Non-Executive | Nil                         | 3                       | Yes                               | -  | 13                    | 2                      | -        |
| 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                         | 2                       | Yes                               | General Manager, Nitta Gelatin Inc., Japan.                                | 1                     | -                      | -        |
| 5.      | Mr. Hiroshi Takase (Nominee of Nitta Gelatin Inc.) (Appointed w.e.f. 09-08-2011)   | Non-Executive | Nil                         | 2                       | No                                | General Manager, Nitta Gelatin Inc., Japan                                 | -                     | -                      | -        |
| 6.      | Mr. K. Ramakrishnan (Appointed w.e.f. 16.04.1997)  | Non-Executive | Nil                         | 3                       | Yes                               | -  | -                     | -                      | -        |

|    |  |               |     |   |     |   |   |   |   |
|----|--|---------------|-----|---|-----|---|---|---|---|
| 7. | Mr. A.K. Nair<br>(Appointed as Director w.e.f. 28.06.2008)                           | Non-executive | 50  | 5 | No  | Director, Strides Acrolab Ltd., Bangalore         | 7 | 8 | - |
| 8. | Mr. K. L. Kumar<br>(Appointed w.e.f. 08-12-2003)                                     | Non-Executive | Nil | 2 | Yes | -   | - | - | - |
| 9. | Mr. Venu Nallur<br>(Nominee of Kerala State Industrial Development Corporation Ltd.) | Non-Executive | Nil | 5 | No  | -   | 3 | - | - |
| 10 | Mr. G. Suseelan<br>(Appointed as Managing Director w.e.f. 01.04.2008)                | Executive     | Nil | 6 | 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) and 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 the SEBI on Corporate Governance as well as consequent amendment to the listing agreement with the Stock Exchanges. The Committee consist of 3 non-executive Directors. The committee which initially during the year, consisted of Mr. K. Ramakrishnan, Mr.Alkesh Kumar Sharma and Mr.K.L.Kumar, Directors, was later-on reconstituted with the inclusion of Mr.A.K.Nair, Director in place of Mr. Alkesh Kumar Sharma consequent on the latter ceasing to be a Director with effect from 06.11.2012. 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 Auditors the adequacy of internal control system, reviewing the Company's financial and risk management policies and reviewing the related party transactions.

Four Audit Committee Meetings were held during the year 2012-13, the dates of which are 10.05.2012,

| Name of Directors       | Category         | No. of meetings attended |
|-------------------------|------------------|--------------------------|
| Mr. K. Ramakrishnan     | Chairman         | 2                        |
| Mr. A.K. Nair           | Member           | 2                        |
| Mr. K.L. Kumar          | Chairman /Member | 2/2                      |
| Mr. Alkesh Kumar Sharma | Member           | 2                        |

27.07.2012, 03.11.2012, 11.02.2013 . The attendance of members are as follows:

### 4. REMUNERATION COMMITTEE

The Remuneration Committee during the year, consisted of Mr. Alkesh Kumar Sharma as Chairman and 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 2012-13, the Remuneration Committee held two meetings on 10.05.2012 and 27.07.2012.

## The Remuneration Policy

The 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 2012-13

#### Executive Director

| Name            | Salary (Rs.) | PF (Rs.) | Other Benefits (Rs.) | Total (Rs.) |
|-----------------|--------------|----------|----------------------|-------------|
| Mr. G. Suseelan | 2,400,000    | 288,000  | 1,580,150            | 4,268,150   |

#### Non Executive-Directors:

| Name                        | Sitting fees (Rs.) |
|-----------------------------|--------------------|
| Mr. V. Somasundaran IAS     | 50,000             |
| Mr. Alkesh Kumar Sharma IAS | 50,000             |
| Mr. Tom Jose IAS            | 10,000             |
| Mr. K. Ramakrishnan         | 50,000             |
| Mr. A.K. Nair               | 100,000            |
| Mr. K.L. Kumar              | 70,000             |
| Mr. Venu Nallur             | 45,000             |

Name and designation of Compliance Officer

: Mr.G.Rajesh Kurup, Company Secretary.

Number of shareholders complaints received so far

: Nil

Number not solved to the satisfaction of the shareholders

: Nil

Number of pending share transfers

: All valid transfer requests received upto 31.03.2013 have been registered

## 6. GENERAL BODY MEETINGS:

### a) Date, Time and Location of three preceding Annual General Meetings

| AGM  | Financial Year | Day     | Date       | Time     | Location              |
|------|----------------|---------|------------|----------|-----------------------|
| 36th | 2012           | Friday  | 06.07.2012 | 10.30 AM | Grand Hotel Ernakulam |
| 35th | 2011           | Tuesday | 14.06.2011 | 10.00 AM | Grand Hotel Ernakulam |
| 34th | 2010           | Monday  | 21.06.2010 | 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  |
|---------------------|---|
| 06.07.2012          | 1. Appointment of auditors and fixation of remuneration   |
| 14.06.2011          | 1. Appointment of auditors and fixation of remuneration<br>2. Reappointment of Managing Director and fixation of remuneration |
| 21.06.2010          | 1. 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

## 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. The committee during the year consisted of three non executive Directors, namely, Mr. Alkesh Kumar Sharma, Mr. K. Ramakrishnan and Mr. K. L. Kumar as members; until such time Mr. Alkesh Kumar Sharma ceased to be a member of the committee consequent on his ceasing to be a Board Member. There were neither any outstanding complaints; nor any complaints which were taken up with SEBI for redressal during the year. The Committee met on 11.05.2012 to consider shareholders' grievance pertaining to financial year 2011-12.

: Mr.G.Rajesh Kurup, Company Secretary.

: Nil

: Nil

: All valid transfer requests received upto 31.03.2013 have been registered

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 regarding 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 management 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.

## 10. GENERAL SHAREHOLDERS' INFORMATION

1. Annual General Meeting, : 05th July, 2013 at 10.30 A.M at Grand Hotel, M.G.Road, Ernakulam, date, time & venue Kochi-682 011.
2. Financial calendar : 1st April 2012 to 31st March 2013
3. Dates of book closure : The company in pursuance of Section 154 of the Companies Act, 1956, and Clause 16 of the Listing Agreement closes the Members Register and Share Transfer Book, both for Interim Dividend relating to the year, and the proposed Bonus Issue of Equity Shares. Hence, the Directors deem it not necessary to close the said Books for a third time during the year corresponding to the AGM.
4. Dividend payment date : (if declared at the Annual General Meeting) Not Applicable
5. 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.
6. 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 2012 to March 2013 is given below.

| Year | Month     | Market price of NGIL shares |           | BSE Sensex |          |          |
|------|-----------|-----------------------------|-----------|------------|----------|----------|
|      |           | High (Rs.)                  | Low (Rs.) | High       | Low      |          |
| 2012 | April     | 95.00                       | 80.35     | 17664.10   | 17010.16 |          |
|      | May       | 131.40                      | 80.70     | 17432.33   | 15809.71 |          |
|      | June      | 125.00                      | 111.00    | 17448.48   | 15748.98 |          |
|      | July      | 161.35                      | 110.00    | 17631.19   | 16598.48 |          |
|      | August    | 162.05                      | 138.00    | 17972.54   | 17026.97 |          |
|      | September | 185.00                      | 139.00    | 18869.94   | 17250.80 |          |
|      | October   | 197.00                      | 166.85    | 19137.29   | 18393.42 |          |
|      | November  | 242.00                      | 172.65    | 19372.70   | 18255.69 |          |
|      | December  | 254.85                      | 204.00    | 19612.18   | 19149.03 |          |
|      | 2013      | January                     | 249.00    | 204.00     | 20203.66 | 19508.93 |
|      |           | February                    | 238.80    | 159.00     | 19966.69 | 18793.97 |
|      |           | March                       | 179.95    | 146.05     | 19754.66 | 18568.43 |

## 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 one meeting.

## 14 Distribution of Shareholding and Shareholders Profile

### a) Distribution of shareholding as at 31st March,2013

| 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                     | 5646                 | 92.24              | 130315             | 350279         | 155480        | 636074         | 7.57               |
| 501-1000                  | 253                  | 4.13               | 23600              | 120412         | 50810         | 194822         | 2.32               |
| 1001-10000                | 211                  | 3.45               | 30625              | 334168         | 182081        | 546874         | 6.51               |
| 10001 and above           | 11                   | 0.18               | 0                  | 6898127        | 124103        | 7022230        | 83.60              |
| <b>Total</b>              | <b>6121</b>          | <b>100.00</b>      | <b>184540</b>      | <b>7702986</b> | <b>512474</b> | <b>8400000</b> | <b>100.00</b>      |

### b) Shareholders Profile as on 31st March 2013

| Category                  | No. of Shareholders | % of shareholders | No. of shares held | % of shareholding |
|---------------------------|---------------------|-------------------|--------------------|-------------------|
| Resident Indians          | 5892                | 96.26             | 1472636            | 17.56             |
| Foreign Collaborator      | 1                   | 0.02              | 3900300            | 46.43             |
| Indian Collaborator       | 1                   | 0.02              | 2862220            | 34.07             |
| Domestic Companies        | 155                 | 2.53              | 138143             | 1.64              |
| Financial Institutions    | 1                   | 0.02              | 4550               | 0.05              |
| NRIs                      | 45                  | 0.74              | 15495              | 0.18              |
| Overseas Corporate Bodies | 1                   | 0.02              | 640                | 0.00              |
| Mutual Funds              | 6                   | 0.10              | 3180               | 0.04              |
| Banks                     | 2                   | 0.03              | 200                | 0.00              |
| Clearing Member NSDL/CDSL | 17                  | 0.28              | 2636               | 0.03              |
| <b>Total</b>              | <b>6121</b>         | <b>100.00</b>     | <b>8400000</b>     | <b>100.00</b>     |

## 15. Dematerialisation of Shares

As at 31st March, 2013, there are 8215460 shares, representing 97.80% of the paid-up share capital in dematerialised form. This includes 7702986 shares (91.70%) in NSDL and 512474 shares ( 6.10%) 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,<br>"Subramanian Building",<br>1, Club House Road, Chennai-600 002<br>Tel : 044-28460390<br>Fax : 044-28460129<br>Email:cameo@cameoindia.com | 2. Nitta Gelatin India Limited,<br>PB No.4262, 54/1446, SBT Avenue<br>Panampilly Nagar,Kochi - 682 036, Kerala<br>Tel : 0484 -2317805<br>Fax : 0484-2310568<br>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, Executive Director(Corporate Finance) 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 29.05.2013.

**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 year ended 31st March 2013 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 31.03.2013 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 : 29.05.2013

For VARMA AND VARMA  
(FRN : 004532S)

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

## INDEPENDENT AUDITORS' REPORT

To the Members of Nitta Gelatin India Limited,

### Report on the Financial Statements

We have audited the accompanying financial statements of Nitta Gelatin India Limited ("the Company"), which comprise of the Balance Sheet as at 31st March 2013, and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 (the Act). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view

in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Emphasis of Matter

We draw attention to Note No 2.27.2 (1) regarding disputed liability towards Income Tax - Rs 224.16 lakhs, Value Added Tax/Central Sales Tax - Rs 206.43 lakhs, Excise Duty - Rs 201.04 lakhs and Water Cess - Rs 653.01 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. Our opinion is not qualified in respect of this matter.

### Report on Other Legal & Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Act, we enclose in the Annexure, a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
2. As required under provisions of Section 227(3) of the Act, 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, Statement of Profit and Loss and Cash Flow Statement dealt with by the report are in agreement with the books of account;
  - iv. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
  - v. On the basis of written representations received from the Directors as on March 31, 2013, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2013 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For VARMA AND VARMA  
(FRN : 004532S)

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

Place: Kochi  
Date: 29.05.2013

## **ANNEXURE REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING “REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF OUR INDEPENDENT AUDIT REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF NITTA GELATIN INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH 2013**

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:

| <b>Nature of dues</b> | <b>Amount (Rs in Lakhs )</b> | <b>Period to which the amount relates (Financial Year)</b> |
|-----------------------|------------------------------|--|
| Water Cess            | 16.44                        | 2010-11, 2011-12 and 2012-13                               |

(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 2013 as per details given below.

| <b>Nature of dues</b>  | <b>Statute</b>                  | <b>Amount (Rs in Lakhs)</b> | <b>Period to which the amount relates</b> | <b>Forum where the dispute is pending</b> |
|------------------------|---------------------------------|-----------------------------|---|---|
| Water Cess             | -                               | 714.84                      | 1.4.1979 to 31.12.2010                    | Hon High Court of Kerala                  |
| Income Tax             | Income Tax Act                  | 282.49                      | 2008-09<br>(AY 2009-10)                   | Commissioner Income Tax (Appeals)         |
| 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 2000 lakhs for loans taken by its subsidiaries M/s Reva Proteins Limited. 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: 29.05.2013

**NITTA GELATIN INDIA LIMITED**  
**BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2013**

| Particulars                       | Note No. | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|-----------------------------------|----------|----------------------------|----------------------------|
| <b>I. EQUITY AND LIABILITIES</b>  |          |                            |                            |
| <b>1 Shareholders' Funds</b>      |          |                            |                            |
| a. Share Capital                  | 2.1      | 84,000,000                 | 84,000,000                 |
| b. Reserves and Surplus           | 2.2      | 1,107,049,469              | 985,744,244                |
| <b>2 Non-current liabilities</b>  |          |                            |                            |
| a. Deferred Tax Liabilities (Net) | 2.3      | 65,688,000                 | 65,411,000                 |
| b. Long-term Provisions           | 2.4      | 16,243,397                 | 10,886,892                 |
| <b>3 Current Liabilities</b>      |          |                            |                            |
| a. Short-term Borrowings          | 2.5      | 420,052,949                | 364,033,113                |
| b. Trade Payables                 | 2.6      | 214,450,903                | 216,244,847                |
| c. Other Current Liabilities      | 2.7      | 25,558,842                 | 13,948,849                 |
| d. Short-term Provisions          | 2.8      | 83,247,999                 | 57,393,410                 |
| <b>Total</b>                      |          | <b>2,016,291,559</b>       | <b>1,797,662,355</b>       |
| <b>II. ASSETS</b>                 |          |                            |                            |
| <b>1 Non-current Assets</b>       |          |                            |                            |
| a. Fixed Assets                   | 2.9      |                            |                            |
| i. Tangible Assets                |          | 672,790,838                | 680,855,004                |
| ii. Intangible Assets             |          | 6,632,624                  | 5,923,426                  |
| iii. Capital Work-in-progress     |          | 84,246,888                 | 64,033,033                 |
| b. Non-current Investments        | 2.10     | 323,653,237                | 84,640,237                 |
| c. Long-term Loans and Advances   | 2.11     | 16,890,468                 | 244,478,398                |
| <b>2 Current Assets</b>           |          |                            |                            |
| a. Inventories                    | 2.12     | 533,200,850                | 432,472,117                |
| b. Trade Receivables              | 2.13     | 260,624,423                | 175,208,544                |
| c. Cash and Cash Equivalents      | 2.14     | 13,255,583                 | 13,801,222                 |
| d. Short-term Loans and Advances  | 2.15     | 46,566,985                 | 44,314,308                 |
| e. Other Current Assets           | 2.16     | 58,429,663                 | 51,936,066                 |
| <b>Total</b>                      |          | <b>2,016,291,559</b>       | <b>1,797,662,355</b>       |

Significant Accounting Policies and Notes on Accounts

1&amp;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

TOM JOSE IAS  
Director

K. RAMAKRISHNAN  
Director

K. L. KUMAR  
Director

T.P. THOMASKUTTY  
Director

G. SUSEELAN  
Managing Director

HIROSHI TAKASE  
Director

A.K.NAIR  
Director

Place: Kochi  
Date: 29.05.2013

G. RAJESH KURUP  
Company Secretary



**NITTA GELATIN INDIA LIMITED**  
**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013**

| Particulars   | Note No. | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|---|----------|--|--|
| <b>Income</b>   |          |  |  |
| I. Revenue from operations (gross)  | 2.17     | 3,146,144,332                              | 2,498,837,733                              |
| Less : Excise duty  |          | 83,933,402                                 | 40,743,152                                 |
| Revenue from operations (net)   |          | <b>3,062,210,930</b>                       | <b>2,458,094,581</b>                       |
| II. Other Income  | 2.18     | 27,550,078                                 | 11,317,822                                 |
| III. <b>Total Revenue</b>   |          | <b>3,089,761,008</b>                       | <b>2,469,412,403</b>                       |
| <b>IV. Expenses:</b>  |          |  |  |
| a. Cost of materials consumed   | 2.19     | 1,482,601,008                              | 1,324,775,821                              |
| b. Purchases of stock-in-trade  |          | 18,525,024                                 | -  |
| c. Changes in inventories of finished goods,<br>work-in-progress and Stock-in-trade | 2.20     | (90,783,813)                               | (1,953,659)                                |
| d. Employee benefits expense  | 2.21     | 198,838,815                                | 154,191,916                                |
| e. Finance costs  | 2.22     | 63,582,083                                 | 60,661,963                                 |
| f. Depreciation and amortisation expense  | 2.9      | 97,445,957                                 | 89,742,402                                 |
| g. Other expenses   | 2.23     | 1,058,250,604                              | 776,645,758                                |
| <b>Total Expenses</b>   |          | <b>2,828,459,678</b>                       | <b>2,404,064,201</b>                       |
| V. <b>Profit before tax (III-IV)</b>  |          | <b>261,301,330</b>                         | <b>65,348,202</b>                          |
| <b>VI. Tax expense:</b>   |          |  |  |
| a. Current tax  |          | 93,661,000                                 | 22,000,000                                 |
| Less : Mat Credit Entitlement   |          | -  | (4,816,724)                                |
| b. Tax for earlier years [See Note 2.30]  |          | 11,532,974                                 | (329,939)                                  |
| c. Deferred tax   |          | 277,000                                    | (2,313,000)                                |
| VII. <b>Profit for the period (V - VI)</b>  |          | <b>155,830,356</b>                         | <b>50,807,865</b>                          |
| <b>VIII. Earnings per equity share:</b>   |          |  |  |
| Nominal value of share Rs. 10/- (Rs. 10/-)  | 2.24     |  |  |
| a. Basic  |          | <b>18.55</b>                               | <b>6.05</b>                                |
| b. Diluted  |          | <b>18.55</b>                               | <b>6.05</b>                                |

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

TOM JOSE IAS  
Director

G. SUSEELAN  
Managing Director

K. RAMAKRISHNAN  
Director

HIROSHI TAKASE  
Director

K. L. KUMAR  
Director

A.K.NAIR  
Director

T.P. THOMASKUTTY  
Director

Place: Kochi  
Date: 29.05.2013

G. RAJESH KURUP  
Company Secretary

**NITTA GELATIN INDIA LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013**

|  | For the Year Ended<br>31.03.2013<br>Rupees | For the Year Ended<br>31.03.2012<br>Rupees |
|--|--|--|
| <b>A. Cash Flows from Operating Activities</b>             |  |  |
| Net Profit before Tax & Extraordinary Items                | <b>261,301,330</b>                         | <b>65,348,202</b>                          |
| Adjustments for:   |  |  |
| Depreciation   | 97,445,957                                 | 89,742,402                                 |
| (Profit)/Loss on sale of fixed assets                      | 3,652,564                                  | (691,072)                                  |
| Interest Expenditure                                       | 62,921,226                                 | 60,563,638                                 |
| Interest Income  | (12,679,610)                               | (10,594,150)                               |
| Dividend Received  | -  | (12,600)                                   |
| Foreign Exchange (Gain)/Loss                               | (14,750,468)                               | 4,886,533                                  |
| Provision for Doubtful debts                               | 2,000,000                                  | 874,318                                    |
| Excess provision/ sundry balances written back             | (4,980,928)                                | -  |
| Provision for Mark to Market (Gain)/Loss                   | -  | 3,757,531                                  |
|  | 133,608,741                                | 148,526,600                                |
| Operating Profit / (Loss) before Working Capital Changes   | 394,910,071                                | 213,874,802                                |
| Adjustments for working capital changes:                   |  |  |
| (Increase)/Decrease in Trade and Other Receivables         | (91,344,800)                               | (41,764,709)                               |
| (Increase)/Decrease in Inventories                         | (100,728,733)                              | (30,581,023)                               |
| Increase/(Decrease) in Trade/ other payables               | 18,702,514                                 | 63,554,770                                 |
|  | (173,371,019)                              | (8,790,962)                                |
| <b>Cash generated from Operations</b>                      | <b>221,539,052</b>                         | <b>205,083,840</b>                         |
| Direct Taxes   | (78,316,238)                               | (4,978,563)                                |
| Foreign Exchange Gain/(Loss)                               | 14,750,468                                 | (4,886,533)                                |
| Cash Flow Before Extraordinary Items                       | 157,973,282                                | 195,218,744                                |
| Extraordinary Items  | -  | -  |
| <b>Net Cash from/(used) in Operating Activities</b>        | <b>157,973,282</b>                         | <b>195,218,744</b>                         |
| <b>B. Cash Flows from Investing Activities</b>             |  |  |
| Purchase of Fixed Assets                                   | (116,677,637)                              | (75,137,210)                               |
| Sale of Fixed Assets                                       | 155,573                                    | 5,434,335                                  |
| Sale of Assets held for sale                               | -  | 6,000,000                                  |
| Investment in shares (See Note 2 below)                    | -  | (3,150,000)                                |
| Loan to subsidiary company (net)                           | (9,977,742)                                | (119,042,416)                              |
| Interest Received  | 12,490,781                                 | 1,653,187                                  |
| Dividend Received  | -  | 12,600                                     |
| <b>Net Cash from/(used) in Investing Activities</b>        | <b>(114,009,025)</b>                       | <b>(184,229,504)</b>                       |
| <b>C. Cash Flows from Financing Activities</b>             |  |  |
| Dividend Paid  | (33,325,140)                               | (33,360,912)                               |
| Corporate Dividend Tax                                     | (5,450,760)                                | (5,450,760)                                |
| Increase/(Decrease) in Short Term Borrowings               | 26,959,398                                 | 92,373,086                                 |
| Proceeds/(repayment) of loan from subsidiary company (net) | 29,060,438                                 | -  |
| Interest Paid  | (61,753,832)                               | (60,563,638)                               |
| <b>Net Cash from/(used) in Financing Activities</b>        | <b>(44,509,896)</b>                        | <b>(7,002,224)</b>                         |

|   | For the Year Ended<br>31.03.2013<br>Rupees | For the Year Ended<br>31.03.2012<br>Rupees |
|---|--|--|
| <b>Summary</b>  |  |  |
| <b>Net Cash from/(used) in Operating Activities</b>       | <b>157,973,282</b>                         | <b>195,218,744</b>                         |
| <b>Net Cash from/(used) in Investing Activities</b>       | <b>(114,009,025)</b>                       | <b>(184,229,504)</b>                       |
| <b>Net Cash from/(used) in Financing Activities</b>       | <b>(44,509,896)</b>                        | <b>(7,002,224)</b>                         |
| <b>Net Increase/(Decrease) in Cash Equivalents</b>        | <b>(545,639)</b>                           | <b>3,987,016</b>                           |
| <b>Cash and Cash Equivalents at beginning of the year</b> | <b>13,801,222</b>                          | <b>9,814,206</b>                           |
| <b>Cash and Cash Equivalents at the end of the year</b>   | <b>13,255,583</b>                          | <b>13,801,222</b>                          |
|   | <b>(545,639)</b>                           | <b>3,987,016</b>                           |

**Note:**

1. Cash and cash equivalents at the end of the year includes Rs.2,183,674 (Rs.2,183,674 ) under lien and Rs 1,441,417 (Rs. 1,166,557) deposited in unclaimed dividend account which are not available for use as on the Balance Sheet date.

2. Conversion of term loan granted to the subsidiary company M/s Reva Proteins Limited , Rs 2,29,977,742 together with interest accrued amounting to Rs 9,035,258, into investment in equity shares of the Subsidiary company during the year has not been included in the cash flow statement, being a non cash transaction.

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

TOM JOSE IAS  
Director

G. SUSEELAN  
Managing Director

K. RAMAKRISHNAN  
Director

HIROSHI TAKASE  
Director

K. L. KUMAR  
Director

A.K.NAIR  
Director

T.P. THOMASKUTTY  
Director

Place: Kochi  
Date: 29.05.2013

G. RAJESH KURUP  
Company Secretary

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013

### 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 31<sup>st</sup> MARCH, 2013 (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 other than forward contracts, 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.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

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.

Gain or loss 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.

The portion of the gains or losses on forward contracts determined to be “effective hedges” has been recognized directly in Hedging Reserve Account, whereas the portion relating to “ineffective hedges” has been recognized in the Statement of Profit and Loss. The gains or losses that are recognized directly in the Hedging Reserve Account are subsequently reclassified into the Statement of Profit and Loss in the period during which the asset acquired or liability assumed affects the profit or loss. The profit or loss recognized in Hedging Reserve Account, which is not expected to be recovered in future periods, has been recognized in the Statement of Profit and Loss.

### **I 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 non 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 of 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 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2 Notes on Accounts

#### 2.1 Share Capital:

| Particulars   | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| <b>Authorised:</b>                                    |                            |                            |
| 10,000,000(10,000,000) Equity Shares of Rs. 10/- each | <b>100,000,000</b>         | <b>100,000,000</b>         |
| <b>Issued and Subscribed and fully paid:</b>          |                            |                            |
| 8,400,000 (8,400,000) Equity Shares of Rs. 10/- each  | 84,000,000                 | 84,000,000                 |
|   | <b>84,000,000</b>          | <b>84,000,000</b>          |

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

| Particulars                               | As at 31.03.2013 |            | As at 31.03.2012 |            |
|---|------------------|------------|------------------|------------|
|   | 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 31.03.2013 |               | As at 31.03.2012 |               |
|---|------------------|---------------|------------------|---------------|
|   | %                | 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     |

#### Terms/ Rights attached to Equity Shares

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. The company declares and pays dividends in Indian Rupees. The dividend proposed/ declared by the Board of Directors is subject to approval/regularisation of the shareholders' in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts, in proportion to the number of equity shares held by the shareholders.

#### 2.2 Reserves and Surplus

| Particulars                       | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|-----------------------------------|----------------------------|----------------------------|
| <b>Securities Premium Account</b> | <b>273,000,000</b>         | <b>273,000,000</b>         |
| <b>Capital Investment Subsidy</b> | <b>1,500,000</b>           | <b>1,500,000</b>           |
| <b>Special Export Reserve</b>     | <b>7,900,000</b>           | <b>7,900,000</b>           |
| (under the Income Tax Act, 1961)  |                            |                            |
| <b>General Reserve</b>            |                            |                            |
| Opening Balance                   | 625,672,786                | 620,592,000                |
| Add: Transfer from Surplus        | 15,583,214                 | 5,080,786                  |
| <b>Closing Balance</b>            | <b>641,256,000</b>         | <b>625,672,786</b>         |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| Particulars   | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| <b>Hedging Reserve Account [See Note 2.2.1]</b>                             |                            |                            |
| Opening Balance   | -                          | -                          |
| Add: Net gain recognised on cash flow hedges                                | 7,879,856                  | -                          |
| Less: Net gain reclassified to Statement of Profit and Loss during the year | 3,094,667                  | -                          |
|   | <b>4,785,189</b>           | <b>-</b>                   |
| <b>Surplus</b>  |                            |                            |
| Opening Balance   | 77,671,458                 | 70,995,139                 |
| Net Profit after tax as per Statement of Profit and Loss                    | 155,830,356                | 50,807,865                 |
| <b>Amount available for Appropriation</b>                                   | <b>233,501,814</b>         | <b>121,803,004</b>         |
| Less: Appropriations  |                            |                            |
| Transfer to General Reserve   | 15,583,214                 | 5,080,786                  |
| Proposed Dividend [NIL (Rs. 4 per share)]                                   | -                          | 33,600,000                 |
| Tax on Proposed Dividend  | -                          | 5,450,760                  |
| Interim Dividend [See Note 2.2.2]   | 33,600,000                 | -                          |
| Tax on Interim Dividend   | 5,710,320                  | -                          |
| <b>Closing Balance</b>  | <b>178,608,280</b>         | <b>77,671,458</b>          |
|   | <b>1,107,049,469</b>       | <b>985,744,244</b>         |

**2.2.1** With effect from 1st April 2012, the company has changed the policy for accounting forward contracts intended to hedge the foreign currency risk of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions, in accordance with the principles enunciated in the accounting treatment contained in AS 30 (Financial Instruments: Recognition and Measurement) issued by the Institute of Chartered Accountants of India by recognizing the losses/gains from marking to market such contracts determined to be "effective hedges" in the Hedging Reserve Account (under 'Reserves & Surplus') in the Balance Sheet, as against the earlier policy of charging losses from such contracts to the Statement of Profit and Loss and not recognizing gain therefrom. Accordingly Marked to Market gain of Rs 4,785,189 as on 31.03.2013 is recognized in Hedging Reserve Account. This has no impact on the profit for the year.

**2.2.2** The Board of directors has declared interim dividend of Rs 4 (Nil) per share for the financial year ending 31.03.2013 at their meeting held on 3rd May 2013, which is subject to regularisation of the shareholders in the ensuing Annual General Meeting.

### 2.3 Deferred Tax Liabilities (Net)

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| <b>A. Deferred Tax Liability</b>   |                            |                            |
| On excess of net book value over Income tax written down value of fixed assets | 80,335,000                 | 79,588,000                 |
| Timing differences on assessment of income [See Note 2.30]                     | 8,024,000                  | -                          |
| <b>B. Deferred Tax Assets</b>  |                            |                            |
| On Provisions  | 4,968,000                  | 7,205,000                  |
| On other disallowances [See Note 2.30]   | 17,703,000                 | 6,972,000                  |
| <b>Deferred Tax Liabilities (Net)</b>  | <b>(A-B)</b>               | <b>65,411,000</b>          |
|  | <b>65,688,000</b>          | <b>65,411,000</b>          |



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.4 Long-term Provisions

| Particulars                                      | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| Provision for Employee Benefits [See Note 2.4.1] | 16,243,397                 | 10,886,892                 |
|  | <b>16,243,397</b>          | <b>10,886,892</b>          |

### 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<br>Rupees | Previous Year<br>Rupees |
|--|------------------------|-------------------------|
| Employers contribution to Provident Fund             | 10,758,753             | 8,711,339               |
| Employers contribution to Employee's State Insurance | 895,664                | 1,092,785               |

#### b. Defined Benefit Plans - Gratuity: Funded Obligation

| i. Actuarial Assumptions       | Current Year                | Previous Year               |
|--------------------------------|-----------------------------|-----------------------------|
| Discount Rate (per annum)      | 8.10%                       | 8.70%                       |
| Expected return on plan assets | 9.00%                       | 9.00%                       |
| Salary escalation rate*        | 5.00%                       | 5.00%                       |
| Mortality rate                 | LIC (2006-2008)<br>Ultimate | LIC (1994-1996)<br>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<br>Rupees | Previous Year<br>Rupees |
|--|------------------------|-------------------------|
| Present value of obligation at the beginning of the year | 28,820,832             | 27,648,601              |
| Current Service Cost                                     | 2,658,027              | 1,940,944               |
| Interest Cost  | 2,379,636              | 1,942,747               |
| Actuarial (gain)/ loss                                   | 7,964,631              | 4,017,071               |
| Benefits Paid  | (2,937,399)            | (6,728,531)             |
| Present value of obligation at the end of the year       | 38,885,727             | 28,820,832              |

| iii. Reconciliation of fair value of plan assets       | Current Year<br>Rupees | Previous Year<br>Rupees |
|--|------------------------|-------------------------|
| Fair value of plan assets at the beginning of the year | 25,259,603             | 26,698,214              |
| Expected return on plan assets                         | 2,401,271              | 2,235,055               |
| Actuarial gain/ (loss)                                 | (254,205)              | 54,865                  |
| Contributions  | 5,779,781              | 3,000,000               |
| Benefits paid  | (2,937,399)            | (6,728,531)             |
| Fair value of plan assets at the end of the year       | 30,249,051             | 25,259,603              |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| iv. Description of Plan Assets   |                   |                   | Current Year<br>Rupees | Previous Year<br>Rupees |                   |
|--|-------------------|-------------------|------------------------|-------------------------|-------------------|
| Insurer Managed Funds (LIC of India)   |                   |                   | 30,249,051             | 25,259,603              |                   |
| v. Net (Asset)/ Liability recognized in the Balance Sheet as at year end                     | 2012-13<br>Rupees | 2011-12<br>Rupees | 2010-11<br>Rupees      | 2009-10<br>Rupees       | 2008-09<br>Rupees |
| Present value of obligation at the end of the year   | 38,885,727        | 28,820,832        | 27,648,601             | 22,962,781              | 20,879,702        |
| Fair value of plan assets at the end of the year   | 30,249,051        | 25,259,603        | 26,698,214             | 25,486,228              | 20,445,335        |
| Net present value of funded obligation recognized as (asset)/ liability in the Balance Sheet | 8,636,676         | 3,561,229         | 950,387                | (2,523,447)             | 434,367           |

| vi. Expenses recognized in the Statement of Profit and Loss                |  |  | Current Year<br>Rupees | Previous Year<br>Rupees |  |
|--|--|--|------------------------|-------------------------|--|
| Current Service Cost   |  |  | 2,658,027              | 1,940,944               |  |
| Interest Cost  |  |  | 2,379,636              | 1,942,747               |  |
| Actuarial (gain)/ loss recognized in the period                            |  |  | 8,218,836              | 3,962,207               |  |
| Past Service Cost (if applicable)  |  |  | -                      | -                       |  |
| Expected return on plan assets   |  |  | (2,401,271)            | (2,235,055)             |  |
| Total expenses recognized in the Statement of Profit and Loss for the year |  |  | 10,855,228             | 5,610,843               |  |
| Actual return on plan assets   |  |  | 2,147,066              | 2,289,920               |  |

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  | Current Year                | Previous Year               |
|---------------------------|-----------------------------|-----------------------------|
| Discount Rate (per annum) | 8.10%                       | 8.70%                       |
| Salary escalation rate*   | 5.00%                       | 5.00%                       |
| Mortality rate            | LIC (2006-2008)<br>Ultimate | LIC (1994-1996)<br>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<br>Rupees | Previous Year<br>Rupees |
|--|------------------------|-------------------------|
| Present value of obligation at the beginning of the year | 14,041,883             | 12,381,328              |
| Current Service Cost                                     | 1,494,159              | 1,153,218               |
| Interest Cost  | 1,090,489              | 874,084                 |
| Actuarial (gain)/ loss                                   | 6,992,242              | 2,543,800               |
| Benefits Paid  | (3,015,055)            | (2,910,547)             |
| Present value of obligation at the end of the year       | 20,603,718             | 14,041,883              |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| iii. Net (Asset)/ Liability recognized in the Balance Sheet as at year end                     | 2012-13<br>Rupees | 2011-12<br>Rupees | 2010-11<br>Rupees | 2009-10<br>Rupees | 2008-09<br>Rupees |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Present value of obligation at the end of the year   | 20,603,718        | 14,041,883        | 12,381,328        | 13,016,785        | 12,077,002        |
| 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 | 20,603,718        | 14,041,883        | 12,381,328        | 13,016,785        | 12,077,002        |

| iv. Expenses recognized in the Statement of Profit and Loss                | Current Year<br>Rupees | Previous Year<br>Rupees |
|--|------------------------|-------------------------|
| Current Service Cost   | 1,494,159              | 1,153,218               |
| Interest Cost  | 1,090,489              | 874,084                 |
| Actuarial (gain)/ loss recognized in the period                            | 6,992,242              | 2,543,800               |
| Past Service Cost (if applicable)  | -                      | -                       |
| Total expenses recognized in the Statement of Profit and Loss for the year | 9,576,890              | 4,571,102               |

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 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| Working Capital Loan from Banks (Secured)<br>(See Note 2.5.1 & 2.5.2)                                   | 390,992,511                | 364,033,113                |
| From Others:  |                            |                            |
| Loan from Related Party (Unsecured)<br>- Reva Proteins Limited (Subsidiary Company)<br>(See Note 2.5.2) | 29,060,438                 | -                          |
|   | <b>420,052,949</b>         | <b>364,033,113</b>         |

**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 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|----------------|----------------------------|----------------------------|
| Trade Payables | 214,450,903                | 216,244,847                |
|                | <b>214,450,903</b>         | <b>216,244,847</b>         |

**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 31.03.2013, based on which, principal amount unpaid to such suppliers as at the year end aggregating to Rs. 673,186 (Rs. 640,634) 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 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| Unpaid Dividend                         | 1,441,417                  | 1,166,557                  |
| Interest accrued and due on borrowings  | 1,167,394                  | -                          |
| Other Payables:                         |                            |                            |
| - Statutory Dues [See Note 2.27.2(iii)] | 15,268,129                 | 5,056,841                  |
| - Advance from Customers                | -                          | 3,763,662                  |
| - Creditors for Capital Goods           | 6,256,500                  | 2,794,330                  |
| - Other Recoveries Payable              | 1,425,402                  | 1,167,459                  |
|   | <b>25,558,842</b>          | <b>13,948,849</b>          |

## 2.8 Short-term Provisions

| Particulars   | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| Provision for employee benefits [See Note 2.4.1]                  | 12,996,998                 | 6,716,221                  |
| Others:   |                            |                            |
| - Proposed Dividend   | -                          | 33,600,000                 |
| - Interim Dividend  | 33,600,000                 | -                          |
| - Corporate Dividend Tax  | 5,710,320                  | 5,450,760                  |
| - Excise Duty   | 8,799,108                  | 7,868,898                  |
| - Income Tax (net)  | 22,141,573                 | -                          |
| - Provision for Mark to Market Loss on forward exchange contracts | -                          | 3,757,531                  |
|   | <b>83,247,999</b>          | <b>57,393,410</b>          |

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS  
FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (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<br>01-04-2012              | Additions                  | Disposals/<br>Adjustments  | As at<br>31-03-2013              | As at<br>01-04-2012          | For the year               | Disposal/<br>Adjustments  | As at<br>31-03-2013          | As at<br>31-03-2012          |
| <b>FIXED ASSETS:</b>                              |                                  |                            |                            |                                  |                              |                            |                           |                              |                              |
| <b>(A) Tangible Assets</b>                        |                                  |                            |                            |                                  |                              |                            |                           |                              |                              |
| Land and Development                              | 37,099,095<br>(37,099,095)       | -                          | -                          | 37,099,095<br>(37,099,095)       | -                            | -                          | -                         | 37,099,095<br>(37,099,095)   | 37,099,095<br>(37,099,095)   |
| Leasehold Land                                    | 26,148,286<br>(26,148,286)       | -                          | -                          | 26,148,286<br>(26,148,286)       | 3,796,802<br>(3,506,556)     | 290,246<br>(290,246)       | -                         | 22,061,238<br>(22,351,484)   | 22,351,484<br>(22,641,730)   |
| Buildings   | 259,834,261<br>(231,137,280)     | 7,416,609<br>(28,696,981)  | 2,319,680                  | 264,931,190<br>(259,834,261)     | 150,612,022<br>(141,295,827) | 10,897,015<br>(9,316,195)  | 1,834,459                 | 105,256,612<br>(109,222,239) | 109,222,239<br>(89,841,453)  |
| Plant & Equipment                                 | 1,263,361,717<br>(1,230,429,422) | 76,629,915<br>(71,299,536) | 6,237,182<br>(38,367,241)  | 1,333,754,450<br>(1,263,361,717) | 761,729,076<br>(719,102,969) | 80,735,966<br>(75,252,975) | 3,986,473<br>(32,626,868) | 495,275,881<br>(501,632,641) | 501,632,641<br>(511,326,453) |
| Office Equipments                                 | 20,699,702<br>(20,262,446)       | 3,038,440<br>(451,192)     | 4,060,008<br>(13,936)      | 19,678,134<br>(20,699,702)       | 14,082,401<br>(12,349,142)   | 1,763,063<br>(1,744,304)   | 3,451,333<br>(11,045)     | 7,284,003<br>(6,617,301)     | 6,617,301<br>(7,913,304)     |
| Furniture & Fittings                              | 8,662,352<br>(8,202,433)         | 567,564<br>(459,919)       | 109,385                    | 9,120,531<br>(8,662,352)         | 7,085,789<br>(6,749,760)     | 371,290<br>(336,029)       | 110,038                   | 1,773,490<br>(1,576,563)     | 1,576,563<br>(1,452,673)     |
| Vehicles  | 4,277,241<br>(4,277,241)         | 2,617,817                  | -                          | 6,895,058<br>(4,277,241)         | 1,921,560<br>(1,098,615)     | 932,979<br>(822,945)       | -                         | 4,040,519<br>(2,355,681)     | 2,355,681<br>(3,178,626)     |
| Total Tangible Assets                             | 1,620,082,654                    | 90,270,345                 | 12,726,255                 | 1,697,626,744                    | 939,227,650                  | 94,990,559                 | 9,382,303                 | 672,790,838                  | 680,855,004                  |
| Previous Year                                     | 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                  |
| <b>(B) Intangible Assets</b>                      |                                  |                            |                            |                                  |                              |                            |                           |                              |                              |
| Software  | 9,868,255<br>(9,868,255)         | 3,164,596                  | -                          | 13,032,851<br>(9,868,255)        | 3,944,829<br>(1,965,121)     | 2,455,398<br>(1,979,708)   | -                         | 6,632,624<br>(5,923,426)     | 5,923,426<br>(7,903,134)     |
| Total Assets (A+B)                                | 1,629,950,909                    | 93,434,941                 | 12,726,255                 | 1,710,659,595                    | 943,172,479                  | 97,445,957                 | 9,382,303                 | 679,423,462                  | 686,778,430                  |
| Previous Year                                     | 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                  |
| <b>CAPITAL WORK IN PROGRESS:</b>                  |                                  |                            |                            |                                  |                              |                            |                           |                              |                              |
| Building and Plant under construction             | 87,825<br>(23,950,527)           | 14,112,738<br>(4,834,279)  | 7,416,609<br>(28,696,981)  | 6,783,954<br>(87,825)            | -                            | -                          | -                         | 6,783,954<br>(87,825)        | 87,825<br>(23,950,527)       |
| Plant, Machinery and Equipment under installation | 51,922,581<br>(55,061,244)       | 50,946,926<br>(26,012,068) | 40,897,800<br>(29,150,731) | 61,971,707<br>(51,922,581)       | -                            | -                          | -                         | 61,971,707<br>(51,922,581)   | 51,922,581<br>(55,061,244)   |
| Interest/Finance charges                          | 660,857                          | (660,857)                  | 660,857                    | (660,857)                        | -                            | -                          | -                         | (660,857)                    | 660,857                      |
| Capital Stores                                    | 11,361,770<br>(7,358,164)        | 15,491,227<br>(11,361,770) | 11,361,770<br>(7,358,164)  | 15,491,227<br>(11,361,770)       | -                            | -                          | -                         | 15,491,227<br>(11,361,770)   | 11,361,770<br>(7,358,164)    |
| Total   | 64,033,033                       | 80,550,891                 | 60,337,036                 | 84,246,888                       | -                            | -                          | -                         | 84,246,888                   | 64,033,033                   |
| Previous Year                                     | 86,369,935                       | 42,868,974                 | 65,205,876                 | 64,033,033                       | -                            | -                          | -                         | 64,033,033                   | 86,369,935                   |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.10 Non-current Investments

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| <b>Investment in Equity Instruments (at Cost) - Long term</b>  |                            |                            |
| <b>Quoted ( Non Trade):</b>  |                            |                            |
| 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                      |
| <b>Aggregate amount of quoted investments (A)</b>  | <b>149,800</b>             | <b>149,800</b>             |
| Aggregate Market Value: Rs. 873,165 (Rs. 884,085)  |                            |                            |
| <b>Unquoted (Trade):</b>   |                            |                            |
| <b>a. In Subsidiary Companies:</b>   |                            |                            |
| 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                 |
| 14,060,520 ( 4,500,000 ) fully paid up Equity Shares of Rs.10/- each in Reva Proteins Limited                | 284,013,000                | 45,000,000                 |
| <b>b. Others:</b>  |                            |                            |
| 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 (300,000) fully paid up Equity Shares of Rs. 10/- each in Seafood Park (India) Limited               | 3,150,000                  | 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                  |
| Less: Provision for diminution in value of investments   | 2,880,000                  | 2,880,000                  |
|  | -                          | -                          |
| <b>Aggregate amount of unquoted investments (B)</b>  | <b>323,503,437</b>         | <b>84,490,437</b>          |
| Aggregate provision for diminution in value of investments Rs. 2,880,000 (Rs. 2,880,000)                     |                            |                            |
| <b>Total Investments (A + B)</b>   | <b>323,653,237</b>         | <b>84,640,237</b>          |

### 2.11 Long-term Loans and Advances

| Particulars                                  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| <b>Unsecured (Considered Good)</b>           |                            |                            |
| Capital Advance                              | 8,857,656                  | 2,830,830                  |
| Loan to Related Parties                      |                            |                            |
| - Reva Proteins Limited (Subsidiary Company) | -                          | 220,000,000                |
| - Interest accrued but not due on above      | -                          | 9,035,258                  |

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS  
FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)**

| <b>Particulars</b>                     | <b>As at 31.03.2013<br/>Rupees</b> | <b>As at 31.03.2012<br/>Rupees</b> |
|--|------------------------------------|------------------------------------|
| Income Tax (net)                       | -                                  | 4,736,163                          |
| Others                                 |                                    |                                    |
| - Vehicle/ Computer loan to employees  | 576,433                            | 524,858                            |
| - Deposits                             | 7,456,379                          | 7,351,289                          |
| <b>Unsecured (Considered Doubtful)</b> |                                    |                                    |
| Sales Tax Deposit                      | 1,100,494                          | 1,100,494                          |
| Less: Provision for doubtful deposits  | 1,100,494                          | 1,100,494                          |
|  | -                                  | -                                  |
|  | <b>16,890,468</b>                  | <b>244,478,398</b>                 |

**2.12 Inventories**

| <b>Particulars</b>                    | <b>As at 31.03.2013<br/>Rupees</b> | <b>As at 31.03.2012<br/>Rupees</b> |
|---------------------------------------|------------------------------------|------------------------------------|
| Raw Materials                         | 151,200,521                        | 119,936,189                        |
| <i>Raw Materials in transit</i>       | -                                  | 19,651,452                         |
| Work-in-process                       | 210,038,124                        | 134,876,981                        |
| Finished Goods                        | 95,566,862                         | 79,944,192                         |
| Stores & Spares                       | 69,954,342                         | 71,111,147                         |
| <i>Stores &amp; Spares in transit</i> | -                                  | 84,503                             |
| Loose Tools                           | -                                  | 161,411                            |
| Others - Packing Materials            | 6,441,001                          | 6,706,242                          |
|                                       | <b>533,200,850</b>                 | <b>432,472,117</b>                 |

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

**2.13 Trade Receivables**

| <b>Particulars</b>   | <b>As at 31.03.2013<br/>Rupees</b> | <b>As at 31.03.2012<br/>Rupees</b> |
|--|------------------------------------|------------------------------------|
| Outstanding for a period exceeding 6 months from the date they are due for payment |                                    |                                    |
| Unsecured, Considered Good   | 6,266,359                          | 8,619,364                          |
| Unsecured, Considered Doubtful   | 2,047,732                          | 874,318                            |
|  | 8,314,091                          | 9,493,682                          |
| Less: Provision for Doubtful Debts   | 2,047,732                          | 874,318                            |
|  | 6,266,359                          | 8,619,364                          |
| Others (Unsecured, Considered Good)  | 254,358,064                        | 166,589,180                        |
|  | <b>260,624,423</b>                 | <b>175,208,544</b>                 |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.14 Cash and Cash Equivalents

| Particulars   | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| Balance with Banks  |                            |                            |
| In Current Accounts   | 10,410,337                 | 10,979,166                 |
| In Deposit Accounts   | 2,183,674                  | 2,183,674                  |
| Cash on hand  | 661,572                    | 638,382                    |
|   | <b>13,255,583</b>          | <b>13,801,222</b>          |
| Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statements | 11,071,909                 | 11,617,548                 |

**2.14.1** Balance with banks in Current Accounts include earmarked balances for unpaid dividend Rs. 1,441,417 (Rs. 1,166,557)

**2.14.2** Balance with banks in Deposit Accounts include Rs. 2,183,674 (Rs.2,183,674) 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 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| <b>(Unsecured, Considered Good)</b>                                   |                            |                            |
| Loans and Advances to Related Parties:                                |                            |                            |
| - Due from Bamni Proteins Limited<br>(Subsidiary Company)             | 1,474,785                  | 9,264,768                  |
| - Due from Reva Proteins Limited<br>(Subsidiary Company)              | -                          | 1,653,842                  |
| Others:   |                            |                            |
| - Advances recoverable in cash or in kind or for value to be received | 35,681,156                 | 24,834,000                 |
| - Vehicle/Computer loan to employees                                  | 486,095                    | 334,680                    |
| - Deposits  | 772,848                    | 113,778                    |
| - Balances with Central Excise, Customs etc.                          | 8,152,101                  | 8,113,240                  |
|   | <b>46,566,985</b>          | <b>44,314,308</b>          |

### 2.16 Other Current Assets

| Particulars                               | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| Interest Receivable                       | 424,886                    | 236,057                    |
| Old Machinery held for Sale               | 222,926                    | -                          |
| Export Incentive:                         |                            |                            |
| - Duty Drawback [See Note <b>2.16.1</b> ] | 27,281,212                 | 24,410,869                 |
| Less: Provision for Claims Disputed       | (6,858,636)                | (6,858,636)                |
|   | <b>20,422,576</b>          | <b>17,552,233</b>          |



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| - Duty Entitlement Pass Book [See Note 2.16.2]     | 21,841,032                 | 30,786,986                 |
| - Export incentive - Status Holder Incentive Scrip | 2,017,609                  | -                          |
| Marked to Market Gain recognized                   | 4,943,201                  | -                          |
| Others   | 8,557,433                  | 3,360,790                  |
|  | <b>58,429,663</b>          | <b>51,936,066</b>          |

**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.

**2.16.2** Represents claims accounted as income for earlier years. The Company had also availed Duty Drawback benefit for the corresponding periods amounting to Rs. 4,151,031 (Rs. 5,424,105). 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<br>31.03.2013 | For the year ended<br>31.03.2012 |
|---|----------------------------------|----------------------------------|
| <b><u>Sale of Products</u></b>                |                                  |                                  |
| Gross Sales                                   | 3,081,391,906                    | 2,437,436,768                    |
| <b><u>Other Operating Revenues</u></b>        |                                  |                                  |
| Miscellaneous Sales                           | 28,401,791                       | 13,167,253                       |
| Export Incentive [See Note 2.16.2]            |                                  |                                  |
| - Duty Entitlement Pass Book                  | -                                | 21,968,012                       |
| - Duty Drawback                               | 26,543,684                       | 19,205,577                       |
| Provision / sundry balances written back      | 4,980,928                        | -                                |
| Other Miscellaneous Income                    | 4,826,023                        | 7,060,123                        |
|   | <b>64,752,426</b>                | <b>61,400,965</b>                |
|   | <b>3,146,144,332</b>             | <b>2,498,837,733</b>             |
| Less: Excise Duty collected on domestic sales | 83,933,402                       | 40,743,152                       |
|   | <b>3,062,210,930</b>             | <b>2,458,094,581</b>             |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.18 Other Income

| Particulars                                  | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|--|--|--|
| Interest Income                              | 12,679,610                                 | 10,594,150                                 |
| Dividend Income from Non Current Investments | -  | 12,600                                     |
| Net Gain on foreign currency translation     | 14,750,468                                 | -  |
| Profit on sale of assets (net)               | -  | 691,072                                    |
| Other non operating Income                   | 120,000                                    | 20,000                                     |
|  | <b>27,550,078</b>                          | <b>11,317,822</b>                          |

### 2.19 Cost of materials consumed

| Particulars         | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|---------------------|--|--|
| Opening Stock       | 119,936,189                                | 110,300,174                                |
| Add: Purchases      | 1,513,865,340                              | 1,334,411,836                              |
|                     | <b>1,633,801,529</b>                       | <b>1,444,712,010</b>                       |
| Less: Closing Stock | 151,200,521                                | 119,936,189                                |
|                     | <b>1,482,601,008</b>                       | <b>1,324,775,821</b>                       |

### 2.20 Changes in inventories of finished goods, work-in-progress and stock-in-trade

| Particulars          | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|----------------------|--|--|
| <b>Closing Stock</b> |  |  |
| Finished Goods       | 95,566,862                                 | 79,944,192                                 |
| Work-in-process      | 210,038,124                                | 134,876,981                                |
|                      | <b>305,604,986</b>                         | <b>214,821,173</b>                         |
| <b>Less:</b>         |  |  |
| <b>Opening Stock</b> |  |  |
| Finished Goods       | 79,944,192                                 | 78,281,709                                 |
| Work-in-process      | 134,876,981                                | 134,585,805                                |
|                      | <b>214,821,173</b>                         | <b>212,867,514</b>                         |
|                      | <b>90,783,813</b>                          | <b>1,953,659</b>                           |

### 2.21 Employee benefits expense

| Particulars                               | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|---|--|--|
| Salaries and Wages                        | 146,417,933                                | 116,859,785                                |
| Contribution to Provident and Other Funds | 22,527,995                                 | 15,551,628                                 |

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS  
FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)**

| <b>Particulars</b>   | <b>For the year<br/>ended 31.03.2013<br/>Rupees</b> | <b>For the year<br/>ended 31.03.2012<br/>Rupees</b> |
|--|---|---|
| Workmen and Staff Welfare Expenses                           | 29,892,887  | 21,780,503  |
|  | <b>198,838,815</b>                                  | <b>154,191,916</b>                                  |
| <b>2.22 Finance costs</b>                                    |   |   |
| <b>Particulars</b>   | <b>For the year<br/>ended 31.03.2013<br/>Rupees</b> | <b>For the year<br/>ended 31.03.2012<br/>Rupees</b> |
| Interest Expense   | 62,921,226  | 60,563,638  |
| Other Borrowing Cost   | 660,857   | 98,325  |
|  | <b>63,582,083</b>                                   | <b>60,661,963</b>                                   |
| <b>2.23 Other Expenses</b>                                   |   |   |
| <b>Particulars</b>   | <b>For the year<br/>ended 31.03.2013<br/>Rupees</b> | <b>For the year<br/>ended 31.03.2012<br/>Rupees</b> |
| Conversion charges   | 200,160,584   | 115,761,285   |
| Consumption of Stores, Spares & Consumables                  | 53,181,088  | 55,307,475  |
| Packing materials Consumed                                   | 35,243,404  | 28,119,214  |
| Research & Development Expenditure [See Note <b>2.23.1</b> ] | 24,515,900  | 18,019,127  |
| Power, Fuel, Water & Gas                                     | 356,280,040   | 285,725,687   |
| Repairs  |   |   |
| - Building   | 6,126,458   | 4,996,001   |
| - Plant & Machinery  | 85,461,230  | 55,809,918  |
| - Others   | 33,525,304  | 24,425,533  |
| Loading, Transportation and Other charges on products        | 43,122,736  | 27,086,283  |
| Freight on Exports   | 25,768,638  | 15,413,345  |
| Insurance  | 6,356,411   | 5,154,017   |
| Rent   | 5,411,714   | 3,496,316   |
| Rates & Taxes  | 5,926,807   | 6,269,511   |
| Postage & Telephone  | 4,599,477   | 3,834,421   |
| Printing & Stationery  | 1,737,046   | 1,809,613   |
| Travelling & Conveyance                                      | 32,663,956  | 27,144,616  |
| Director's sitting fee                                       | 375,000   | 250,000   |
| Payments to the Auditor [See Note <b>2.23.2</b> ]            | 1,212,495   | 1,059,964   |
| Advertisement & Publicity                                    | 19,502,649  | 17,402,101  |
| Discount & Commission on Sales                               | 33,682,796  | 17,171,820  |
| Professional & Consultancy charges                           | 18,469,373  | 10,088,799  |
| Bank Charges   | 3,170,299   | 2,831,373   |
| Miscellaneous Expenses                                       | 58,104,635  | 40,825,275  |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| Particulars   | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|---|--|--|
| Loss on sale of assets (Net)                                    | 3,652,564                                  | -  |
| Net loss on foreign currency translation                        | -  | 4,886,533                                  |
| Provision for Mark to Market Loss on forward exchange contracts | -  | 3,757,531                                  |
|   | <b>1,058,250,604</b>                       | <b>776,645,758</b>                         |

### 2.23.1 Details of Research & Development Expenditure

| Particulars           | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|-----------------------|--|--|
| Revenue Expenditure   |  |  |
| - Salary & Allowances | 4,758,289                                  | 3,493,930                                  |
| - Other Expenses      | 19,757,611                                 | 14,525,197                                 |
|                       | 24,515,900                                 | 18,019,127                                 |
| Capital Expenditure   | 2,298,217                                  | 667,688                                    |
|                       | <b>26,814,117</b>                          | <b>18,686,815</b>                          |

### 2.23.2 Payments to the Auditor

| Particulars                                 | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|---|--|--|
| a. Statutory Audit Fees                     | 550,000                                    | 450,000                                    |
| b. Other Services                           |  |  |
| - Taxation Matters<br>(Including Tax Audit) | 110,500                                    | 194,500                                    |
| - Others                                    | 503,000                                    | 378,462                                    |
| - Reimbursement of Expenses                 | 48,995                                     | 37,002                                     |
|   | <b>1,212,495</b>                           | <b>1,059,964</b>                           |

### 2.24 Earnings per equity share

| Particulars  | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|--|--|--|
| Profit after taxation  | 155,830,356                                | 50,807,865                                 |
| Weighted average number of Equity Shares of Rs. 10/-<br>each (fully paid-up) | 8,400,000                                  | 8,400,000                                  |
| Earnings per share - Basic & Diluted   | 18.55                                      | 6.05                                       |

### 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

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS  
FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)**

- |      |                              |   |                                 |
|------|------------------------------|---|---------------------------------|
| iii. | Nitta Gelatin Canada Inc.    | - | Subsidiary of Nitta Gelatin Inc |
| iv.  | Bamni Proteins Limited       | - | Subsidiary Company              |
| v.   | Reva Proteins Limited        | - | Subsidiary Company              |
| vi.  | K K Organics Private Limited | - | Associate Company               |
| vii. | Key Managerial Personnel     |   |                                 |
|      | i. Mr G. Suseelan            | - | Managing Director               |

**B. Description of Transactions**

| <b>Nature of Transaction</b>        | <b>Subsidiary Company/ Associate Company</b> | <b>Enterprise having substantial interest in the Company and its Subsidiaries</b> | <b>Key Management Personnel</b> | <b>Total</b>  |
|-------------------------------------|--|---|---------------------------------|---------------|
| <b><u>Sale and Income</u></b>       |  |   |                                 |               |
| 1 Sale of Goods:                    |  |   |                                 |               |
| Nitta Gelatin Inc.                  |  | 914,518,164   |                                 | 914,518,164   |
|                                     |  | (814,388,287)   |                                 | (814,388,287) |
| Nitta Gelatin NA Inc.               |  | 471,657,921   |                                 | 471,657,921   |
|                                     |  | (401,270,751)   |                                 | (401,270,751) |
| 2 Interest income:                  |  |   |                                 |               |
| Reva Proteins Limited               | 11,900,908                                   |   |                                 | 11,900,908    |
|                                     | (10,039,176)                                 |   |                                 | (10,039,176)  |
| 3 Expenses Recovered (Net):         |  |   |                                 |               |
| Bamni Proteins Limited              | 26,870,921                                   |   |                                 | 26,870,921    |
|                                     | (19,458,317)                                 |   |                                 | (19,458,317)  |
| <b><u>Purchase and Expenses</u></b> |  |   |                                 |               |
| 1 Purchase of stock in trade:       |  |   |                                 |               |
| Nitta Gelatin Inc.                  |  | 18,525,024  |                                 | 18,525,024    |
|                                     |  | -   |                                 | -             |
| 2 Purchase of Fixed Assets:         |  |   |                                 |               |
| Bamni Proteins Limited              | 51,000                                       |   |                                 | 51,000        |
|                                     | -  |   |                                 | -             |
| 3 Interest paid:                    |  |   |                                 |               |
| Reva Proteins Limited               | 1,297,104                                    |   |                                 | 1,297,104     |
|                                     | -  |   |                                 | -             |
| 4 Commission expense:               |  |   |                                 |               |
| Nitta Gelatin Inc.                  |  | 787,780   |                                 | 787,780       |
| - For Sale of Gelatin               |  | (400,983)   |                                 | (400,983)     |
| - For Sale of Peptide               |  | 106,633   |                                 | 106,633       |
|                                     |  | (38,856)  |                                 | (38,856)      |
| 5 Conversion charges:               |  |   |                                 |               |
| Bamni Proteins Limited              | 117,752,758                                  |   |                                 | 117,752,758   |
|                                     | (97,870,110)                                 |   |                                 | (97,870,110)  |
| Reva Proteins Limited               | 82,407,827                                   |   |                                 | 82,407,827    |
|                                     | (17,891,175)                                 |   |                                 | (17,891,175)  |
| 6 Rebate/ Discount expense:         |  |   |                                 |               |
| Nitta Gelatin Inc.                  |  | 3,685,413   |                                 | 3,685,413     |
|                                     |  | (2,926,904)   |                                 | (2,926,904)   |
| Nitta Gelatin NA Inc.               |  | 2,984,597   |                                 | 2,984,597     |
|                                     |  | (5,008,698)   |                                 | (5,008,698)   |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| Nature of Transaction   | Subsidiary<br>Company/ Associate<br>Company | Enterprise having<br>substantial interest in<br>the Company and its<br>Subsidiaries | Key Management<br>Personnel | Total                        |
|---|---|---|-----------------------------|------------------------------|
| 7 Technical Assistance Fee:<br>Nitta Gelatin Inc                                |   | 1,981,350<br>(995,175)  |                             | 1,981,350<br>(995,175)       |
| 8 Reimbursement of<br>Expenses (Net):<br>Nitta Gelatin NA Inc                   |   | 2,926,426<br>-  |                             | 2,926,426<br>-               |
| Nitta Gelatin Inc   |   | 7,704,582<br>(642,364)  |                             | 7,704,582<br>(642,364)       |
| Reva Proteins Limited   | 6,869,211<br>(886,473)                      |   |                             | 6,869,211<br>(886,473)       |
| 9 Payment received for Clinical<br>Study:<br>Nitta Gelatin Inc                  |   | -<br>(874,927)  |                             | -<br>(874,927)               |
| 10 Remuneration to<br>Managing Director   |   |   | 4,268,150<br>(3,951,984)    | 4,268,150<br>(3,951,984)     |
| <b>Investments</b>  |   |   |                             |                              |
| 1 Reva Proteins Limited   | 284,013,000<br>(45,000,000)                 |   |                             | 284,013,000<br>(45,000,000)  |
| 2 Bamni Proteins Limited  | 35,000,437<br>(35,000,437)                  |   |                             | 35,000,437<br>(35,000,437)   |
| 3 K K Organics Private Limited *  | 2,880,000<br>(2,880,000)                    |   |                             | 2,880,000<br>(2,880,000)     |
| <i>*Provision created for loss in investments Rs. 2,880,000 (Rs. 2,880,000)</i> |   |   |                             |                              |
| <b>Guarantees Given</b>   |   |   |                             |                              |
| 1 Reva Proteins Limited   | 200,000,000<br>(264,400,000)                |   |                             | 200,000,000<br>(264,400,000) |
| 2 Bamni Proteins Limited  | -<br>(5,000,000)                            |   |                             | -<br>(5,000,000)             |
| <b>Dividend Paid</b>  |   |   |                             |                              |
| 1 Nitta Gelatin Inc   |   | 15,601,200<br>(15,601,200)  |                             | 15,601,200<br>(15,601,200)   |
| <b>Loans given</b>  |   |   |                             |                              |
| 1 Reva Proteins Limited:  |   |   |                             | -                            |
| - Loan given  | 28,179,457<br>(119,042,416)                 |   |                             | 28,179,457<br>(119,042,416)  |
| - Loan recovered  | 147,221,873<br>-                            |   |                             | 147,221,873<br>-             |
| <b>Loans received</b>   |   |   |                             |                              |
| 1 Reva Proteins Limited:  |   |   |                             | -                            |
| - Loan received   | 40,000,000<br>-                             |   |                             | 40,000,000<br>-              |
| - Loan repaid   | 10,939,562<br>-                             |   |                             | 10,939,562<br>-              |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| Nature of Transaction                            | Subsidiary Company/ Associate Company | Enterprise having substantial interest in the Company and its Subsidiaries | Key Management Personnel | Total                    |
|--|---------------------------------------|--|--------------------------|--------------------------|
| <b>Receivables</b>                               |                                       |  |                          |                          |
| 1 Nitta Gelatin Inc                              |                                       | 67,767,570   |                          | 67,767,570               |
|  |                                       | (20,419,523)   |                          | (20,419,523)             |
| 2 Nitta Gelatin NA Inc                           |                                       | 8,746,643  |                          | 8,746,643                |
|  |                                       | (4,772,160)  |                          | (4,772,160)              |
| 3 Nitta Gelatin Canada Inc                       |                                       | 54,369   |                          | 54,369                   |
|  |                                       | (50,867)   |                          | (50,867)                 |
| 4 Bamni Proteins Limited<br>- Trade Advance      | 1,474,785<br>(9,264,768)              |  |                          | 1,474,785<br>(9,264,768) |
| 5 Reva Proteins Limited:<br>- Trade Advance      | -<br>(1,653,842)                      |  |                          | -<br>(1,653,842)         |
| 6 Reva Proteins Limited:<br>-Interest Receivable | -<br>(9,035,258)                      |  |                          | -<br>(9,035,258)         |
| 7 Reva Proteins Limited:<br>-Loan*               | -<br>(220,000,000)                    |  |                          | -<br>(220,000,000)       |
| <b>Payables</b>                                  |                                       |  |                          |                          |
| 1 Reva Proteins Limited:<br>- Trade Payable      | 3,055,677<br>-                        |  |                          | 3,055,677<br>-           |
| 2 Reva Proteins Limited:<br>- Interest Payable   | 1,167,394<br>-                        |  |                          | 1,167,394<br>-           |
| 3 Reva Proteins Limited:<br>- Loan               | 29,060,438<br>-                       |  |                          | 29,060,438<br>-          |

\* Loans and advances include loan to subsidiary company Reva Proteins Limited, Rs. NIL (Rs.220,000,000) [Maximum amount outstanding during the year Rs. 248,179,457 (Rs.220,000,000)] which has been converted to equity on 01.11.2012

### 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) | 1,588,150,498   | 1,409,308,006   | 2,997,458,504       |
|                                  | (1,398,545,016) | (998,148,600)   | (2,396,693,616)     |
| Segment Result                   | 399,976,356     | 216,459,379     | 616,435,735         |
|                                  | (231,403,834)   | (52,838,648)    | (284,242,482)       |

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

| Particulars                   | Export<br>Rupees | Domestic<br>Rupees | Consolidated<br>Rupees       |
|-------------------------------|------------------|--------------------|------------------------------|
| Unallocated Expenditure (Net) |                  |                    | 291,552,322<br>(158,232,317) |
| Finance Cost                  |                  |                    | 63,582,083<br>(60,661,963)   |
| Profit before Taxation        |                  |                    | 261,301,330<br>(65,348,202)  |

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.

**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

| Nature of Provision   | Balance<br>as at<br>01.04.2012 | Additional<br>Provision<br>during the year | Amounts used/<br>changed during<br>the year | Unused<br>amounts<br>reversed | Balance<br>as at<br>31.03.2013 |
|---|--------------------------------|--|---|-------------------------------|--------------------------------|
| Provision for Central Excise Duty. [See Note <b>2.27.1(i)</b> ] | 7,868,898<br>(6,791,512)       | 930,210<br>(1,077,386)                     | -   | -                             | 8,799,108<br>(7,868,898)       |
| Provision for Water Cess  | -<br>(7,735,292)               | -  | -   | -                             | -<br>-                         |

**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. 28,903,586 (Rs 26,265,559), 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 8,799,108 (Rs.7,868,898) as a matter of abundant caution and the balance amount of Rs. 20,104,478 (Rs 18,396,661) has been disclosed as a contingent liability.

### 2.27.2 Contingent Liabilities not provided for:

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| 1. Claims against the Company not acknowledged as debts: |                            |                            |
| a. Income Tax [See Note <b>2.27.2(i)</b> ]               | 22,415,688                 | 25,227,447                 |
| b. Value Added Tax/ CST [See Note <b>2.27.2(ii)</b> ]    | 20,642,815                 | 34,224,152                 |
| c. Excise Duty [See Note <b>2.27.1(i)</b> ]              | 20,104,478                 | 18,396,661                 |
| d. Water Cess [See Note <b>2.27.2(iii)</b> ]             | 65,301,200                 | 71,484,400                 |



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| 2. Foreign Bills Discounted  | 205,623,547                | 181,613,424                |
| 3. Counter Guarantee issued in favour of bankers   | 7,546,152                  | 8,146,152                  |
| 4. Letter of Credit  | Nil                        | Nil                        |
| 5. Corporate guarantee issued in favour of Subsidiary Companies:   |                            |                            |
| a. Reva Proteins Limited - amount outstanding<br>[Amount of Guarantee - Rs. 200,000,000 (Rs. 264,400,000)] | 181,235,399                | 229,987,168                |
| b. Bamni Proteins Limited - amount outstanding<br>[Amount of Guarantee - Rs. Nil (Rs. 5,000,000)]          | -                          | 4,760,000                  |
|  | <b>522,869,279</b>         | <b>573,839,404</b>         |

**2.27.2(i)** The Income Tax department has made certain disallowances on assessments completed for earlier years, 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)** The Value Added Tax/ CST authorities had raised demands on assessment for an earlier year amounting to Rs. 20,642,815 (Rs. 20,642,815), which had been disputed by the Company on appeal. The appellate authority has remanded the matter back to the assessing officer for fresh consideration. Based on legal advice, no provision is considered necessary towards the said claims and the amount involved is disclosed as contingent liability.

**2.27.2(iii)** During the preceding year, an amount of Rs 71,484,400 was demanded as water cess for extraction of river water for industrial use during the period from 01.04.1979 to 31.12.2010, in accordance with a Government Order issued on 25.07.2009. The company had been legally advised that the demands may not be fully sustainable in law and had filed a writ petition before the Hon' High Court of Kerala against the proceedings, which is pending.

The company had also made a representation to the Secretary (Water Resources), Government of Kerala which is pending consideration of the government. During the year, pursuant to discussions with government authorities, the company has entered into an agreement for payment of such charges for the periods subsequent to 01.01.2011. Further, an amount of Rs 6,183,200 (Rs. NIL) has been provided towards disputed charges for the period from 25.07.2009 to 31.12.2010, being periods subsequent to issue of the Government Order and is disclosed under the head 'Other Current Liabilities'.

In the opinion of the management, having regard to the legal advice, no provision is considered necessary for charges for periods from 01.04.1979 to 24.07.2009 amounting to Rs 65,301,200, being periods prior to the issue of the G.O. which has been disclosed as contingent liability.

**2.28** Estimated amount of contracts remaining to be executed on capital account - Rs. 99,171,177 (Rs. 15,943,539)

**2.29** a. 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. 72,150,000 (Rs. 33,680,000) 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.

b. In respect of Raw materials imported at concessional rate of duty under the Advance Authorisation Scheme, the Company has an export obligation of approximately Rs. 19,250,000 (Rs. NIL) which is required to be fulfilled at different dates until 2015. In the event of non fulfilment of the export obligation, the Company will be liable for the Customs duties and penalties as applicable.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

**2.30** In the income tax assessment of the company, the income tax authorities have made certain disallowances which has resulted in additional demands on assessments completed for certain prior years, which are disputed by the company before appellate authorities. Though the company is hopeful of favourable decisions on such appeals on these matters, as a matter of prudence, a provision of Rs 11,532,974 has been additionally made during the year, towards incremental tax liability of prior years, with necessary adjustments in deferred tax. In the opinion of the management no provision is considered necessary in respect of the balance demands raised by the tax authorities aggregating to Rs 22,415,688, which have been disclosed as contingent liability in the accounts as shown in Note **2.27.2(i)**.

**2.31** 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.

**2.32** As a part of company's risk management policy, the exchange risks arising from foreign currency fluctuations are partly hedged by forward contracts, designated as cash flow hedges.

**2.32.1 (i)** The following are the forward contracts entered by the company and outstanding as at Balance Sheet date, determined to be effective hedges:

| Particulars         | As at 31.03.2013 |             |                     | As at 31.03.2012 |             |
|---------------------|------------------|-------------|---------------------|------------------|-------------|
|                     | \$               | Rupees      | Fair value (Rupees) | \$               | Rupees      |
| Export receivables  | 236,220          | 13,005,991  | 12,847,979          | 360,272          | 17,797,498  |
| Export transactions | 6,163,658        | 350,197,055 | 345,411,866         | 3,704,928        | 188,923,949 |

**2.32.1(ii)** The table below summarises the notional amounts (amounts of contract booked and outstanding) of foreign currency forward contracts into relevant maturity groupings based on the remaining period as at 31.03.2013:

| Particulars   | As at 31.03.2013 |                    |
|---|------------------|--------------------|
|   | Notional \$      | Gain/(Loss) Rupees |
| <b>Export transactions</b>                            |                  |                    |
| Not later than three months                           | 814,138          | 438,668            |
| Later than three months and not later than six months | 2,749,520        | 2,107,521          |
| Later than six months and not later than one year     | 2,600,000        | 2,239,000          |
|   | <b>6,163,658</b> | <b>4,785,189</b>   |

**2.32.2(i)** Hedged foreign currency exposures as at Balance Sheet date:

| Particulars | As at 31.03.2013 |            | As at 31.03.2012 |            |
|-------------|------------------|------------|------------------|------------|
|             | \$               | Rupees     | \$               | Rupees     |
| Receivables | 236,220          | 12,760,577 | 360,272          | 18,254,982 |

**2.32.2 (ii)** Un hedged foreign currency exposures as at Balance Sheet date:

| Particulars        | For the year ended 31.03.2013 |            | For the year ended 31.03.2012 |            |
|--------------------|-------------------------------|------------|-------------------------------|------------|
|                    | FC                            | Rupees     | FC                            | Rupees     |
| <b>Receivables</b> |                               |            |                               |            |
| USD                | 1,358,531                     | 73,381,137 | 547,231                       | 27,728,200 |
| EURO               | 51,800                        | 3,574,718  | -                             | -          |

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS  
FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)**

| Particulars     | For the year ended 31.03.2013 |           | For the year ended 31.03.2012 |            |
|-----------------|-------------------------------|-----------|-------------------------------|------------|
|                 | FC                            | Rupees    | FC                            | Rupees     |
| AUD             | 970                           | 54,368    | 970                           | 50,867     |
| <b>Payables</b> |                               |           |                               |            |
| USD             | 92,582                        | 5,080,879 | 254,514                       | 13,115,089 |
| CAD             | 21,453                        | 1,162,754 | 10,513                        | 544,060    |
| AUD             | -                             | -         | 12,610                        | 677,409    |
| EURO            | -                             | -         | 10,520                        | 726,406    |
| Japanese YEN    | 3,000,000                     | 1,757,700 | 1,500,000                     | 995,175    |

**2.33 Turnover and Opening and Closing stock**

| Particulars         | Sales<br>Rupees        | Closing Inventory<br>Rupees | Opening Inventory<br>Rupees |
|---------------------|------------------------|-----------------------------|-----------------------------|
| Ossein              | 728,232,388            | 26,292,062                  | 17,486,284                  |
|                     | (655,840,418)          | (17,486,284)                | (17,464,402)                |
| Dicalcium Phosphate | 696,010,346            | 1,736,283                   | 5,682,425                   |
|                     | (558,141,461)          | (5,682,425)                 | (657,214)                   |
| Gelatin             | 1,442,266,834          | 7,110,348                   | 9,864,842                   |
|                     | (1,100,546,498)        | (9,864,842)                 | (24,051,177)                |
| Collagen Peptide    | 115,539,689            | 54,126,047                  | 41,783,132                  |
|                     | (70,802,231)           | (41,783,132)                | (32,652,807)                |
| Others              | 15,409,247             | 6,302,122                   | 5,127,509                   |
|                     | (11,363,008)           | (5,127,509)                 | (3,456,109)                 |
|                     | <b>2,997,458,504</b>   | <b>95,566,862</b>           | <b>79,944,192</b>           |
|                     | <b>(2,396,693,616)</b> | <b>(79,944,192)</b>         | <b>(78,281,709)</b>         |

**2.34 Particulars of raw materials consumed during the year**

| Particulars       | For the year ended 31.03.2013 |                      | For the year ended 31.03.2012 |                      |
|-------------------|-------------------------------|----------------------|-------------------------------|----------------------|
|                   | Quantity (MT)                 | Value                | Quantity (MT)                 | Value                |
| Crushed Bone      | 46,191                        | 1,034,567,439        | 40,940                        | 868,460,971          |
| Ossein            | 1,367                         | 168,814,494          | 1,427                         | 154,712,558          |
| Hydrochloric Acid | 48,028                        | 84,809,065           | 43,899                        | 100,980,090          |
| Hydrated Lime     | 7,381                         | 53,164,260           | 6,620                         | 45,450,873           |
| Limed Ossein      | 78                            | 11,767,350           | 260                           | 35,904,520           |
| Others            | -                             | 129,478,400          | -                             | 119,266,809          |
|                   |                               | <b>1,482,601,008</b> |                               | <b>1,324,775,821</b> |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.35 Breakup of Consumption

| Particulars                          | For the year ended 31.03.2013 |                      | For the year ended 31.03.2012 |                      |
|--------------------------------------|-------------------------------|----------------------|-------------------------------|----------------------|
|                                      | %                             | Amount               | %                             | Amount               |
| <b>Raw Materials</b>                 |                               |                      |                               |                      |
| Imported                             | 3.56                          | 52,746,733           | 0.86                          | 11,401,479           |
| Indigenous                           | 96.44                         | 1,429,854,275        | 99.14                         | 1,313,374,342        |
|                                      | <b>100.00</b>                 | <b>1,482,601,008</b> | <b>100.00</b>                 | <b>1,324,775,821</b> |
| <b>Stores &amp; Spares *</b>         |                               |                      |                               |                      |
| Imported                             | 2.90                          | 3,442,934            | 3.69                          | 3,408,397            |
| Indigenous                           | 97.10                         | 115,121,426          | 96.31                         | 89,058,716           |
|                                      | <b>100.00</b>                 | <b>118,564,360</b>   | <b>100.00</b>                 | <b>92,467,113</b>    |
| *Debited under Stores & Spares       |                               |                      |                               |                      |
| Consumed                             |                               | 53,181,088           |                               | 55,307,475           |
| *Debited under Repairs & Maintenance |                               | 65,383,272           |                               | 37,159,638           |
|                                      |                               | <b>118,564,360</b>   |                               | <b>92,467,113</b>    |

### 2.36 CIF Value of Imports

| Particulars                   | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|-------------------------------|----------------------------------|----------------------------------|
| Raw Materials                 | 74,775,421                       | 8,457,300                        |
| Traded Gelatin                | 18,525,024                       | -                                |
| Packing Materials             | 1,100,459                        | 2,011,761                        |
| Components, Stores and Spares | 4,958,148                        | 7,303,251                        |
| Capital Goods                 | 2,928,508                        | 11,143,191                       |
|                               | <b>102,287,560</b>               | <b>28,915,503</b>                |

### 2.37 Expenditure in foreign currency on account of :

| Particulars                      | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|----------------------------------|----------------------------------|----------------------------------|
| Professional, Consultation fee   | 5,406,031                        | 2,496,935                        |
| Other Matters (including travel) | 39,696,674                       | 20,270,441                       |
|                                  | <b>45,102,705</b>                | <b>22,767,376</b>                |

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

| Particulars  | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|--|----------------------------------|----------------------------------|
| i. No. of non-resident share holders 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                            | 2011-12                          | 2010-11                          |
| iv. Amount remitted  | 15,601,200                       | 15,601,200                       |

**2.39 Earnings in Foreign Exchange**

| Particulars                             | For the year ended<br>31.03.2013 | For the year ended<br>31.03.2012 |
|---|----------------------------------|----------------------------------|
| Export of goods calculated on FOB basis | 1,562,093,384                    | 1,382,937,711                    |
| Commission                              | -                                | 32,953                           |
|   | <b>1,562,093,384</b>             | <b>1,382,970,664</b>             |

**2.40** 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

|   |   |  |
|---|---|--|
| <p>As per our separate report of even date attached<br/>For VARMA AND VARMA<br/>(FRN : 004532S)</p> <p>(VIJAY NARAYAN GOVIND)<br/>Partner<br/>CHARTERED ACCOUNTANTS<br/>Membership No. 203094</p> | <p>TOM JOSE IAS<br/>Director</p> <p>K. RAMAKRISHNAN<br/>Director</p> <p>K. L. KUMAR<br/>Director</p> <p>T.P. THOMASKUTTY<br/>Director</p> | <p>G. SUSEELAN<br/>Managing Director</p> <p>HIROSHI TAKASE<br/>Director</p> <p>A.K.NAIR<br/>Director</p> |
|---|---|--|

Place: Kochi  
Date: 29.05.2013

G. RAJESH KURUP  
Company Secretary

**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, 2013                             | March 31, 2013                               |
| 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 | 1,40,60,520 ordinary shares of Rs. 10/- each |
|   | ii. Extent of Holding Company's interest  | 82.35% of the Paid-up Equity Share Capital | 74.55% 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 31 March 2013   | Profit of Rs. 8,419,566                    | Loss of Rs. 56,843,893                       |
|   | ii. For the previous financial years of the Subsidiary Company since it became the Holding Company's subsidiary           | Loss of Rs. 13,447,404                     | Loss of Rs. 11,461,279                       |
|   | b. Dealt with in the Holding Company's accounts:  |  |  |
|   | i. For the financial year ended 31 March 2013   | 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

TOM JOSE IAS  
Director

G. SUSEELAN  
Managing Director

K. RAMAKRISHNAN  
Director

HIROSHI TAKASE  
Director

K. L. KUMAR  
Director

A.K.NAIR  
Director

T.P. THOMASKUTTY  
Director

Place: Kochi  
Date: 29.05.2013

G. RAJESH KURUP  
Company Secretary

## INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To  
The Board of Directors  
Nitta Gelatin India Ltd

### Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated Financial Statements of **Nitta Gelatin India Ltd** ('the Company') and its two subsidiaries (collectively referred as 'the Group') which comprise the Consolidated Balance Sheet as at March 31, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated

financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;
- in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
- in the case of Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

### Emphasis of Matter

We draw attention to Note No 2.30.2 regarding disputed liability towards Income Tax - Rs 224.16 lakhs, Value Added Tax/Central Sales Tax - Rs 206.43 lakhs, Excise Duty - Rs 201.04 lakhs and Water Cess - Rs 653.01 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. Our opinion is not qualified in respect of this matter.

For VARMA AND VARMA  
(FRN : 004532S)

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

Place : Kochi  
Date : 29.05.2013

**NITTA GELATIN INDIA LIMITED AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2013**

| Particulars                       | Note No. | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|-----------------------------------|----------|----------------------------|----------------------------|
| <b>I. EQUITY AND LIABILITIES</b>  |          |                            |                            |
| <b>1 Shareholders' Funds</b>      |          |                            |                            |
| a. Share Capital                  | 2.2      | 84,000,000                 | 84,000,000                 |
| b. Reserves and Surplus           | 2.3      | 1,050,894,999              | 956,922,410                |
| c. Minority Interest              | 2.4      | 85,925,717                 | 4,618,312                  |
| <b>2 Non-current Liabilities</b>  |          |                            |                            |
| a. Long-term borrowings           | 2.5      | 156,235,399                | 214,557,168                |
| b. Deferred Tax Liabilities (Net) | 2.6      | 65,688,000                 | 65,411,000                 |
| c. Long-term provisions           | 2.7      | 32,259,188                 | 24,201,044                 |
| <b>3 Current Liabilities</b>      |          |                            |                            |
| a. Short-term borrowings          | 2.8      | 390,992,511                | 364,033,113                |
| b. Trade payables                 | 2.9      | 223,113,698                | 226,456,773                |
| c. Other current liabilities      | 2.10     | 50,960,835                 | 45,797,644                 |
| d. Short-term provisions          | 2.11     | 79,770,412                 | 59,815,113                 |
| <b>Total</b>                      |          | <b>2,219,840,759</b>       | <b>2,045,812,577</b>       |
| <b>II. ASSETS</b>                 |          |                            |                            |
| <b>1 Non-current Assets</b>       |          |                            |                            |
| a. Fixed Assets                   | 2.12     |                            |                            |
| i. Tangible Assets                |          | 1,160,175,822              | 1,212,890,033              |
| ii. Intangible Assets             |          | 6,632,624                  | 5,923,426                  |
| iii. Capital Work-in-Progress     |          | 85,098,268                 | 65,596,134                 |
| b. Non-current investments        | 2.13     | 8,179,800                  | 8,179,800                  |
| c. Long-term Loans and Advances   | 2.14     | 33,611,460                 | 38,748,627                 |
| <b>2 Current Assets</b>           |          |                            |                            |
| a. Inventories                    | 2.15     | 539,475,965                | 436,809,186                |
| b. Trade Receivables              | 2.16     | 260,624,423                | 175,208,544                |
| c. Cash and Cash Equivalents      | 2.17     | 21,143,820                 | 15,892,070                 |
| d. Short-term Loans and Advances  | 2.18     | 46,189,986                 | 34,484,322                 |
| e. Other Current Assets           | 2.19     | 58,708,591                 | 52,080,435                 |
| <b>Total</b>                      |          | <b>2,219,840,759</b>       | <b>2,045,812,577</b>       |

Significant Accounting Policies and Notes on Accounts

1&amp;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. 203094Place: Kochi  
Date: 29.05.2013TOM JOSE IAS  
DirectorK. RAMAKRISHNAN  
DirectorK. L. KUMAR  
DirectorT.P. THOMASKUTTY  
DirectorG. SUSEELAN  
Managing DirectorHIROSHI TAKASE  
DirectorA.K.NAIR  
DirectorG. RAJESH KURUP  
Company Secretary



**NITTA GELATIN INDIA LIMITED AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013**

| Particulars   | Note No. | Year ended<br>31.03.2013<br>Rupees | Year ended<br>31.03.2012<br>Rupees |
|---|----------|------------------------------------|------------------------------------|
| <b>Income</b>   |          |                                    |                                    |
| I. Revenue from operations (gross)  | 2.20     | 3,146,144,332                      | 2,498,931,436                      |
| <b>Less</b> : Excise duty   |          | 83,933,402                         | 40,743,152                         |
| Revenue from operations (net)   |          | <b>3,062,210,930</b>               | <b>2,458,188,284</b>               |
| II. Other Income  | 2.21     | 17,354,672                         | 12,509,009                         |
| III. <b>Total Revenue</b>   |          | <b>3,079,565,602</b>               | <b>2,470,697,293</b>               |
| IV. Expenses:   |          |                                    |                                    |
| a. Cost of materials consumed   | 2.22     | 1,482,601,008                      | 1,324,775,821                      |
| b. Purchases of stock-in-trade  |          | 18,525,024                         | -                                  |
| c. Changes in inventories of finished goods, work-in-progress and Stock-in-trade                        | 2.23     | (90,783,813)                       | (1,953,659)                        |
| d. Employee benefits expense  | 2.24     | 247,183,585                        | 186,846,672                        |
| e. Finance costs  | 2.25     | 85,227,583                         | 61,391,954                         |
| f. Depreciation and amortisation expense  | 2.12     | 157,147,036                        | 98,133,231                         |
| g. Other expenses   | 2.26     | 981,406,922                        | 739,456,883                        |
| <b>Total Expenses</b>   |          | <b>2,881,307,345</b>               | <b>2,408,650,902</b>               |
| V. <b>Profit before tax (III-IV)</b>  |          | <b>198,258,257</b>                 | <b>62,046,391</b>                  |
| VI. Tax expense:  |          |                                    |                                    |
| a. Current tax  |          | 97,631,000                         | 22,356,076                         |
| <b>Less</b> : Mat Credit Entitlement  |          | (950,000)                          | (4,816,724)                        |
| b. Tax for earlier years  |          | 11,495,132                         | (328,303)                          |
| c. Deferred tax   |          | 277,000                            | (2,313,000)                        |
| VII. <b>Profit for the period (V - VI)</b>  |          | <b>89,805,125</b>                  | <b>47,148,342</b>                  |
| VIII. <b>Less:</b> Share of Profit/(Loss) of Subsidiaries for the year transferred to Minority Interest |          | <b>(17,601,210)</b>                | <b>239,894</b>                     |
| IX <b>Profit for the period after Minority Interest</b>   |          | <b>107,406,335</b>                 | <b>46,908,448</b>                  |
| X <b>Earnings per equity share:</b>   |          |                                    |                                    |
| Nominal value of share Rs. 10/- (Rs. 10/-)  | 2.27     |                                    |                                    |
| a. Basic  |          | <b>12.79</b>                       | <b>5.58</b>                        |
| b. Diluted  |          | <b>12.79</b>                       | <b>5.58</b>                        |

Significant Accounting Policies and Notes on Accounts

1&amp;2

For and on behalf of the Board of Directors

TOM JOSE IAS  
Director

G. SUSEELAN  
Managing Director

As per our separate report of even date attached

For VARMA AND VARMA  
(FRN : 004532S)

K. RAMAKRISHNAN  
Director

HIROSHI TAKASE  
Director

(VIJAY NARAYAN GOVIND)  
Partner

K. L. KUMAR  
Director

A.K.NAIR  
Director

CHARTERED ACCOUNTANTS  
Membership No. 203094

T.P. THOMASKUTTY  
Director

Place: Kochi

Date: 29.05.2013

G. RAJESH KURUP  
Company Secretary

**NITTA GELATIN INDIA LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013**

|  | For the Year Ended<br>31.03.2013<br>Rupees | For the Year Ended<br>31.03.2012<br>Rupees |
|--|--|--|
| <b>A. Cash Flows from Operating Activities</b>             |  |  |
| Net Profit before Tax & Extraordinary Items                | <b>198,258,257</b>                         | <b>62,046,391</b>                          |
| Adjustments for:   |  |  |
| Depreciation   | 157,147,036                                | 98,133,231                                 |
| (Profit)/Loss on sale of fixed assets                      | 694,856                                    | (673,689)                                  |
| Interest Expenditure                                       | 84,566,726                                 | 61,218,129                                 |
| Interest Income  | (1,783,876)                                | (11,802,720)                               |
| Dividend Received  | -  | (12,600)                                   |
| Foreign Exchange (Gain)/Loss                               | (14,750,468)                               | 4,886,533                                  |
| Provision for Doubtful debts                               | 2,000,000                                  | 874,318                                    |
| Excess provision/ sundry balances written back             | (4,980,928)                                | -  |
| Provision for Mark to Market (Gain)/Loss                   | -  | 3,757,531                                  |
|  | <u>222,893,346</u>                         | <u>156,380,733</u>                         |
| Operating Profit / (Loss) before Working Capital Changes   | 421,151,603                                | 218,427,124                                |
| Adjustments for working capital changes:                   |  |  |
| (Increase)/Decrease in Trade and Other Receivables         | (100,684,419)                              | (44,696,665)                               |
| (Increase)/Decrease in Inventories                         | (102,666,779)                              | (29,956,420)                               |
| Increase/(Decrease) in Trade/ other payables               | 17,904,436                                 | 67,167,480                                 |
|  | <u>(185,446,762)</u>                       | <u>(7,485,605)</u>                         |
| <b>Cash generated from Operations</b>                      | <b>235,704,841</b>                         | <b>210,941,519</b>                         |
| Direct Taxes   | (81,274,207)                               | (5,671,598)                                |
| Foreign Exchange Gain/(Loss)                               | 14,750,468                                 | (4,886,533)                                |
| Cash Flow Before Extraordinary Items                       | <u>169,181,102</u>                         | <u>200,383,388</u>                         |
| Extraordinary Items  | -  | -  |
| <b>Net Cash from/(used) in Operating Activities</b>        | <b>169,181,102</b>                         | <b>200,383,388</b>                         |
| <b>B. Cash Flows from Investing Activities</b>             |  |  |
| Purchase of Fixed Assets                                   | (139,581,235)                              | (210,184,390)                              |
| Sale of Fixed Assets                                       | 4,086,392                                  | 5,573,404                                  |
| Sale of Assets held for sale                               | -  | 6,000,000                                  |
| Investment in shares                                       | -  | (3,150,000)                                |
| Interest Received  | 1,460,488                                  | 1,734,758                                  |
| Dividend Received  | -  | 12,600                                     |
| <b>Net Cash from/(used) in Investing Activities</b>        | <b>(134,034,355)</b>                       | <b>(200,013,628)</b>                       |
| <b>C. Cash Flows from Financing Activities</b>             |  |  |
| Dividend Paid  | (33,325,140)                               | (33,360,912)                               |
| Corporate Dividend Tax                                     | (5,450,760)                                | (5,450,760)                                |
| Proceeds from issue of shares from Minority                | 48,000,000                                 | -  |
| Securities premium received on issue of shares to Minority | 72,000,000                                 | -  |
| Increase/(Decrease) in Short Term Borrowings               | 26,959,398                                 | 92,373,084                                 |
| Increase/(Decrease) in Long Term Borrowings                | (53,511,769)                               | 34,750,778                                 |
| Interest Paid  | (84,566,726)                               | (85,321,450)                               |
| <b>Net Cash from/(used) in Financing Activities</b>        | <b>(29,894,997)</b>                        | <b>2,990,740</b>                           |

**NITTA GELATIN INDIA LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2013**

|   | For the Year Ended<br>31.03.2013<br>Rupees | For the Year Ended<br>31.03.2012<br>Rupees |
|---|--|--|
| <b>Summary</b>  |  |  |
| <b>Net Cash from/(used) in Operating Activities</b>       | <b>169,181,102</b>                         | <b>200,383,388</b>                         |
| <b>Net Cash from/(used) in Investing Activities</b>       | <b>(134,034,355)</b>                       | <b>(200,013,628)</b>                       |
| <b>Net Cash from/(used) in Financing Activities</b>       | <b>(29,894,997)</b>                        | <b>2,990,740</b>                           |
| <b>Net Increase/(Decrease) in Cash Equivalents</b>        | <b>5,251,750</b>                           | <b>3,360,500</b>                           |
| <b>Cash and Cash Equivalents at beginning of the year</b> | <b>15,892,070</b>                          | <b>12,531,570</b>                          |
| <b>Cash and Cash Equivalents at the end of the year</b>   | <b>21,143,820</b>                          | <b>15,892,070</b>                          |
|   | <b>5,251,750</b>                           | <b>3,360,500</b>                           |

Note: Cash and cash equivalents at the end of the year includes Rs. 2,679,817(Rs.2,283,674) under lien and Rs 1,441,417 (Rs.1,166,557) 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

TOM JOSE IAS  
 Director

G. SUSEELAN  
 Managing Director

K. RAMAKRISHNAN  
 Director

HIROSHI TAKASE  
 Director

K. L. KUMAR  
 Director

A.K.NAIR  
 Director

T.P. THOMASKUTTY  
 Director

Place: Kochi  
 Date: 29.05.2013

G. RAJESH KURUP  
 Company Secretary

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013

### 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.5000/- 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

## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)**

credits and cost of bringing such items into the factory on a weighted average basis. The cost of 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.

### **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 the Subsidiaries:*

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 the subsidiaries:*

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. Actuarial gains and losses are recognised 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.

### **k Income Tax**

Income tax is accounted in accordance with Accounting Standard on Accounting for Taxes on

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

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.

### **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 other than forward contracts, 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.

Gain or loss 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.

The portion of the gains or losses on forward contracts determined to be “effective hedges” has been recognized directly in Hedging Reserve Account, whereas the portion relating to “ineffective hedges” has been recognized in the Statement of Profit and Loss. The gains or losses that are recognized directly in the Hedging Reserve Account are subsequently reclassified into the Statement of Profit and Loss in the period during which the asset acquired or liability assumed affects the profit or loss. The profit or loss recognized in Hedging Reserve Account, which is not expected to be recovered in future periods, has been recognized in the Statement of Profit and Loss.

### **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 non-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

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

recoverable value. Based on such assessment, impairment loss if any is recognized in the Statement of Profit and Loss of 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.

### 2 Notes on Accounts

2.1 Nitta Gelatin India Limited has controlling interest in the following entities during the year ended 31.03.2013:

| Name of Entity         | Country of Incorporation | Controlling Interest |
|------------------------|--------------------------|----------------------|
| Bamni Proteins Limited | India                    | 82.35% (82.35%)      |
| Reva Proteins Limited  | India                    | 74.55% (100 %)       |

### 2.2 Share Capital:

| Particulars   | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| <b>Authorised:</b>                                    |                            |                            |
| 10,000,000(10,000,000) Equity Shares of Rs. 10/- each | <b>100,000,000</b>         | <b>100,000,000</b>         |
| <b>Issued and Subscribed and fully paid:</b>          |                            |                            |
| 8,400,000 (8,400,000) Equity Shares of Rs. 10/- each  | 84,000,000                 | 84,000,000                 |
|   | <b>84,000,000</b>          | <b>84,000,000</b>          |

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

| Particulars                               | As at 31.03.2013 |                  | As at 31.03.2012 |                  |
|---|------------------|------------------|------------------|------------------|
|   | Number of shares | Amount in Rupees | Number of shares | Amount in 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 31.03.2013 |               | As at 31.03.2012 |               |
|---|------------------|---------------|------------------|---------------|
|   | %                | 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     |

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

### Terms/ Rights attached to Equity Shares

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. The company declares and pays dividends in Indian Rupees. The dividend proposed/declared by the Board of Directors is subject to approval/regularisation of the shareholders' in the ensuing Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts, in proportion to the number of equity shares held by the shareholders.

### 2.3 Reserves and Surplus

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| <b>Securities Premium Account</b>  | <b>273,000,000</b>         | <b>273,000,000</b>         |
| Add: Securities premium on consolidation   | 17,178,715                 | -                          |
|  | <b>290,178,715</b>         | <b>273,000,000</b>         |
| <b>Capital Investment Subsidy</b>  | <b>1,500,000</b>           | <b>1,500,000</b>           |
| <b>Special Export Reserve<br/>(under the Income Tax Act, 1961)</b>                                   | <b>7,900,000</b>           | <b>7,900,000</b>           |
| <b>General Reserve</b>   |                            |                            |
| Opening Balance  | 625,672,786                | 620,592,000                |
| Add: Transfer from Surplus   | 15,583,214                 | 5,080,786                  |
| <b>Closing Balance</b>   | <b>641,256,000</b>         | <b>625,672,786</b>         |
| <b>Hedging Reserve Account [See Note 2.3.1]</b>  |                            |                            |
| Opening Balance  | -                          | -                          |
| Add: Net gain recognised on cash flow hedges   | 7,879,857                  | -                          |
| Less: Net gain reclassified to Statement of Profit and Loss during the year                          | 3,094,668                  | -                          |
|  | <b>4,785,189</b>           | -                          |
| <b>Surplus</b>   |                            |                            |
| Opening Balance  | 48,849,624                 | 46,072,722                 |
| Add: Share of loss of subsidiary transferred to Minority Interest                                    | 3,912,670                  | -                          |
|  | 52,762,294                 | 46,072,722                 |
| Add: Profit for the period after Minority Interest transferred from the Statement of Profit and Loss | 107,406,335                | 46,908,448                 |
| <b>Amount available for Appropriation</b>  | <b>160,168,629</b>         | <b>92,981,170</b>          |
| Less: Appropriations   |                            |                            |
| Transfer to General Reserve  | 15,583,214                 | 5,080,786                  |
| Final Dividend [NIL (Rs. 4 per share)]   | -                          | 33,600,000                 |
| Tax on Final Dividend  | -                          | 5,450,760                  |
| Interim Dividend [See Note 2.3.2]  | 33,600,000                 | -                          |
| Tax on Interim Dividend  | 5,710,320                  | -                          |
| <b>Closing Balance</b>   | <b>105,275,095</b>         | <b>48,849,624</b>          |
|  | <b>1,050,894,999</b>       | <b>956,922,410</b>         |



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

- 2.3.1** With effect from 1st April 2012, the company has changed the policy for accounting forward contracts intended to hedge the foreign currency risk of future transactions in respect of which firm commitments are made or which are highly probable forecast transactions, in accordance with the principles enunciated in the accounting treatment contained in AS 30 (Financial Instruments: Recognition and Measurement) issued by the Institute of Chartered Accountants of India by recognizing the losses/gains from marking to market such contracts determined to be “effective hedges” in the Hedging Reserve Account (under ‘Reserves & Surplus’) in the Balance Sheet, as against the earlier policy of charging losses from such contracts to the Statement of Profit and Loss and not recognizing gain therefrom. Accordingly Marked to Market gain of Rs 4,785,189 as on 31.03.2013 is recognized in Hedging Reserve Account. This has no impact on the profit for the year.
- 2.3.2** The Board of directors has declared interim dividend of Rs 4 (Nil) per share for the financial year ending 31.03.2013 at their meeting held on 3rd May 2013, which is subject to regularisation of the shareholders in the ensuing Annual General Meeting.

### 2.4 Minority Interest

| Particulars   | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| Share Capital   | 55,500,000                 | 7,500,000                  |
| Add: Share of Securities premium  | 54,821,285                 | -                          |
| Add: Share of accumulated reserves<br>(See Note 2.4.1)                            | (6,794,358)                | (3,121,582)                |
|   | 103,526,927                | 4,378,418                  |
| Less: Profit/(Loss) for the year transferred from Statement<br>of Profit and Loss | (17,601,210)               | 239,894                    |
|   | <b>85,925,717</b>          | <b>4,618,312</b>           |

- 2.4.1** Share of accumulated reserves of minority includes loss of Rs 39,12,670 (Nil) being share in the opening Reserves and Surplus of the subsidiary company, consequent to change in the holding in the current year.

### 2.5 Long-term Borrowings

| Particulars   | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| <b>Secured:</b>   |                            |                            |
| Bamni Proteins Limited  |                            |                            |
| - From State Bank of India [See Note 2.5.1]                           | -                          | 3,320,000                  |
| Reva Proteins Limited   |                            |                            |
| - From State Bank of India [See Note 2.5.2]                           | -                          | 29,994,422                 |
| - From Financial Institutions : Secured                               |                            |                            |
| - Kerala State Industrial Development Corporation<br>[See Note 2.5.3] | 156,235,399                | 181,242,746                |
|   | <b>156,235,399</b>         | <b>214,557,168</b>         |

- 2.5.1** The loan was secured by hypothecation of entire fixed assets of the Company and corporate guarantee by M/s. Nitta Gelatin India Limited. The loan is repayable in 42 monthly installments of Rs. 1,20,000 each. The loan has been fully repaid during the year.
- 2.5.2** The loan was secured by first charge on all the movable and immovable assets and by corporate guarantee by M/s. Nitta Gelatin India Limited. The loan has been fully repaid during the year.
- 2.5.3** The loan from the financial institution is repayable in 32 quarterly installments of Rs 6,250,000 each from 11.09.2012. The loan is secured by exclusive first charge over the entire fixed assets of

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

the company including leasehold assets, both present and future; and by corporate guarantee of Holding Company, M/s. Nitta Gelatin India Limited.

### 2.6 Deferred Tax Liabilities (Net)

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| <b>A. Deferred Tax Liability</b>   |                            |                            |
| On excess of net book value over Income tax written down value of fixed assets | 80,335,000                 | 79,588,000                 |
| Timing differences on assessment of income<br>[See Note 2.33]                  | 8,024,000                  | -                          |
| <b>B. Deferred Tax Assets</b>  |                            |                            |
| On Provisions  | 4,968,000                  | 7,205,000                  |
| On other disallowances [See Note 2.33]   | 17,703,000                 | 6,972,000                  |
| <b>Deferred Tax Liabilities (Net) (A-B)</b>                                    | <b>65,688,000</b>          | <b>65,411,000</b>          |

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 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| Provision for Employee Benefits [See Note 2.7.1] | 32,259,188                 | 24,201,044                 |
|  | 32,259,188                 | 24,201,044                 |

#### 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<br>Rupees  | Subsidiaries<br>Rupees |
|--|--------------------|------------------------|
| Employers contribution to Provident Fund             | 10,758,753         | 2,910,297              |
|  | (8,711,339)        | (2,181,257)            |
| Employers contribution to Employee's State Insurance | 895,664            | -                      |
|  | <b>(1,092,785)</b> | <b>-</b>               |

##### b. Defined Benefit Plans - Gratuity: Funded Obligation

| i. Actuarial Assumptions       | Company<br>Rupees                                      | Subsidiaries<br>Rupees                                 |
|--------------------------------|--|--|
| Discount Rate (per annum)      | 8.10%  | 8.00%  |
|                                | (8.70%)  | (8.50%)  |
| Expected return on plan assets | 9.00%  | -  |
|                                | (9.00%)  | -  |
| Salary escalation rate*        | 5.00%  | 4.00%-5.00%  |
|                                | (5.00%)  | (4.00%)  |
| Mortality rate                 | LIC (2006-2008) Ultimate<br>(LIC (1994-1996) Ultimate) | LIC (1994-1996) Ultimate<br>(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 31<sup>st</sup> MARCH, 2013 (CONTD.)

| <b>ii. Reconciliation of present value of obligation</b>  | <b>Company<br/>Rupees</b> | <b>Subsidiaries<br/>Rupees</b> |
|---|---------------------------|--------------------------------|
| Present value of obligation at the beginning of the year  | 28,820,832                | 13,284,372                     |
|   | (27,648,601)              | (12,518,865)                   |
| Current Service Cost  | 2,658,027                 | 675,528                        |
|   | (1,940,944)               | (527,479)                      |
| Interest Cost   | 2,379,636                 | 1,050,771                      |
|   | (1,942,747)               | (963,042)                      |
| Actuarial (gain)/ loss  | 7,964,631                 | 1,534,720                      |
|   | (4,017,071)               | (236,663)                      |
| Benefits Paid   | (2,937,399)               | (1,926,538)                    |
|   | ((67,28,531))             | ((961,677))                    |
| Present value of obligation at the end of the year  | 38,885,727                | 14,618,853                     |
|   | (28,820,832)              | (13,284,372)                   |
| <b>iii. Reconciliation of fair value of plan assets</b>   | <b>Company<br/>Rupees</b> | <b>Subsidiaries<br/>Rupees</b> |
| Fair value of plan assets at the beginning of the year  | 25,259,603                | -                              |
|   | (26,698,214)              | -                              |
| Expected return on plan assets  | 2,401,271                 | -                              |
|   | (2,235,055)               | -                              |
| Actuarial gain/ (loss)  | (254,205)                 | -                              |
| (54,865)  |                           | -                              |
| Contributions   | 5,779,781                 | -                              |
|   | (3,000,000)               | -                              |
| Benefits paid   | (2,937,399)               | -                              |
|   | ((67,28,531))             | -                              |
| Fair value of plan assets at the end of the year  | 30,249,051                | -                              |
|   | (25,259,603)              | -                              |
| <b>iv. Description of Plan Assets</b>   | <b>Company<br/>Rupees</b> | <b>Subsidiaries<br/>Rupees</b> |
| Insurer Managed Funds (LIC of India)  | 30,249,051                | -                              |
|   | (25,259,603)              | -                              |
| <b>v. Net (Asset)/ Liability recognized in the Balance Sheet as at year end</b>                           | <b>Company<br/>Rupees</b> | <b>Subsidiaries<br/>Rupees</b> |
| Present value of obligation at the end of the year  | 38,885,727                | 14,618,853                     |
|   | (28,820,832)              | (13,284,372)                   |
| Fair value of plan assets at the end of the year  | 30,249,051                | -                              |
|   | (25,259,603)              | -                              |
| Net present value of funded/ unfunded obligation<br>recognized as (asset)/ liability in the Balance Sheet | 8,636,676                 | 14,618,853                     |
|   | (3,561,229)               | (13,284,372)                   |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| vi. Expenses recognized in the Statement of Profit and Loss                | Company Rupees | Subsidiaries Rupees |
|--|----------------|---------------------|
| Current Service Cost   | 2,658,027      | 675,528             |
|  | (1,940,944)    | (527,479)           |
| Interest Cost  | 2,379,636      | 1,050,771           |
|  | (1,942,747)    | (963,042)           |
| Actuarial (gain)/ loss recognized in the period                            | 8,218,836      | 1,534,720           |
|  | (3,962,207)    | (236,663)           |
| Past Service Cost (if applicable)  | -              | -                   |
|  | -              | -                   |
| Expected return on plan assets   | (2,401,271)    | -                   |
|  | ((22,35,055))  | -                   |
| Total expenses recognized in the Statement of Profit and Loss for the year | 10,855,228     | 3,261,019           |
|  | (5,610,843)    | (1,727,184)         |
| Actual return on plan assets   | 2,147,066      | -                   |
|  | (2,289,920)    | -                   |

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 Rupees                | Subsidiaries Rupees           |
|---------------------------|-------------------------------|-------------------------------|
| Discount Rate (per annum) | 8.10%                         | 8.00%                         |
|                           | (8.70%)                       | (8.50%)                       |
| Salary escalation rate*   | 5.00%                         | 4.00%-5.00%                   |
|                           | (5.00%)                       | (4.00%)                       |
| Mortality rate            | LIC (2006-2008)<br>Ultimate   | LIC (1994-1996)<br>Ultimate   |
|                           | (LIC (1994-1996)<br>Ultimate) | (LIC (1994-1996)<br>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 | Subsidiaries Rupees |
|--|----------------|---------------------|
| Present value of obligation at the beginning of the year | 14,041,883     | 2,451,484           |
|  | (12,381,328)   | (3,068,350)         |
| Current Service Cost                                     | 1,494,159      | 236,694             |
|  | (1,153,218)    | (285,328)           |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

|  |               |              |
|--|---------------|--------------|
| Interest Cost                                      | 1,090,489     | 184,401      |
|  | (874,084)     | (215,069)    |
| Actuarial (gain)/ loss                             | 6,992,242     | 622,630      |
|  | (2,543,800)   | ((3,57,278)) |
| Benefits Paid                                      | (3,015,055)   | (603,621)    |
|  | ((29,10,547)) | ((7,59,985)) |
| Present value of obligation at the end of the year | 20,603,718    | 2,891,588    |
|  | (14,041,883)  | (2,451,484)  |

| <b>iii. Net (Asset)/ Liability recognized in the Balance Sheet as at year end</b>              | <b>Company Rupees</b> | <b>Subsidiaries Rupees</b> |
|--|-----------------------|----------------------------|
| Present value of obligation at the end of the year   | 20,603,718            | 2,891,588                  |
|  | (14,041,883)          | (2,451,484)                |
| 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 | 20,603,718            | 2,891,588                  |
|  | (14,041,883)          | (2,451,484)                |

| <b>iv. Expenses recognized in the Statement of Profit and Loss</b>         | <b>Company Rupees</b> | <b>Subsidiaries Rupees</b> |
|--|-----------------------|----------------------------|
| Current Service Cost   | 1,494,159             | 236,694                    |
|  | (1,153,218)           | (285,328)                  |
| Interest Cost  | 1,090,489             | 184,401                    |
|  | (874,084)             | (215,069)                  |
| Actuarial (gain)/ loss recognized in the period                            | 6,992,242             | 622,630                    |
|  | (2,543,800)           | ((3,57,278))               |
| Past Service Cost (if applicable)  | -                     | -                          |
|  | -                     | -                          |
| Total expenses recognized in the Statement of Profit and Loss for the year | 9,576,890             | 1,043,725                  |
|  | (4,571,102)           | (143,119)                  |

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

### 2.8 Short-term Borrowings

| <b>Particulars</b>  | <b>As at 31.03.2013 Rupees</b> | <b>As at 31.03.2012 Rupees</b> |
|---|--------------------------------|--------------------------------|
| Working Capital Loan from Banks (Secured)<br>(See Note 2.8.1 & 2.8.2) | 390,992,511                    | 364,033,113                    |
|   | <b>390,992,511</b>             | <b>364,033,113</b>             |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

**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 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|----------------|----------------------------|----------------------------|
| Trade Payables | 223,113,698                | 226,456,773                |
|                | <b>223,113,698</b>         | <b>226,456,773</b>         |

**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, 2006. Intimations have been received from some of the suppliers regarding their status under the said Act as at 31.03.2013, based on which, principal amount unpaid to such suppliers as at the year end aggregating to Rs. 673,186 (Rs. 640,634) 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 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| Unpaid Dividend                         | 1,441,417                  | 1,166,557                  |
| Other Payables -                        |                            |                            |
| - Current Maturity of Long term debts   | 25,000,000                 | 20,190,000                 |
| - Statutory Dues [See Note 2.30.2(iii)] | 15,895,709                 | 6,717,955                  |
| - Advance from Customers                | -                          | 3,763,662                  |
| - Creditors for Capital Goods           | 7,168,307                  | 12,772,011                 |
| - Other Recoveries Payable              | 1,425,402                  | 1,167,459                  |
| - Deposits                              | 30,000                     | 20,000                     |
|   | <b>50,960,835</b>          | <b>45,797,644</b>          |

### 2.11 Short-term Provisions

| Particulars   | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| Provision for employee benefits [See Note 2.7.1]                  | 14,491,648                 | 9,137,924                  |
| Others  |                            |                            |
| - Proposed Dividend   | -                          | 33,600,000                 |
| - Interim Dividend  | 33,600,000                 | -                          |
| - Corporate Dividend Tax  | 5,710,320                  | 5,450,760                  |
| - Excise Duty   | 8,799,108                  | 7,868,898                  |
| - Income Tax (net)  | 17,169,336                 | -                          |
| - Provision for Mark to Market Loss on forward exchange contracts | -                          | 3,757,531                  |
|   | <b>79,770,412</b>          | <b>59,815,113</b>          |

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED  
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2013 (CONTD.)**  
**Note No 2.12 - FIXED ASSETS & CAPITAL WORK IN PROGRESS**

| Particulars                                       | GROSS BLOCK (At cost) |               |                           | DEPRECIATION/IMPAIRMENT |                     |              | NET BLOCK                |                     |                     |
|---|-----------------------|---------------|---------------------------|-------------------------|---------------------|--------------|--------------------------|---------------------|---------------------|
|   | As at<br>01-04-2012   | Additions     | Disposals/<br>Adjustments | As at<br>31-03-2013     | As at<br>01-04-2012 | For the year | Disposal/<br>Adjustments | As at<br>31-03-2013 | As at<br>31-03-2012 |
| <b>FIXED ASSETS:</b>                              |                       |               |                           |                         |                     |              |                          |                     |                     |
| <b>(A) Tangible Assets</b>                        |                       |               |                           |                         |                     |              |                          |                     |                     |
| Land and Development                              | 40,538,821            | -             | 513,745                   | 40,025,076              | -                   | -            | -                        | 40,025,076          | 40,538,821          |
|   | (40,538,821)          | -             | -                         | (40,538,821)            | -                   | -            | -                        | (40,538,821)        | (40,538,821)        |
| Leasehold Land                                    | 87,367,496            | -             | -                         | 87,367,496              | 5,270,682           | 908,622      | -                        | 81,188,192          | 82,096,814          |
|   | (87,367,496)          | -             | -                         | (87,367,496)            | (4,362,060)         | (908,622)    | -                        | (82,096,814)        | (83,005,436)        |
| Buildings   | 413,588,008           | 13,065,060    | 2,319,680                 | 424,333,388             | 167,632,559         | 24,183,821   | 1,834,459                | 234,351,467         | 245,955,449         |
|   | (263,959,593)         | (149,628,415) | -                         | (413,588,008)           | (156,769,075)       | (10,863,484) | -                        | (245,955,449)       | (107,190,518)       |
| Plant & Equipment                                 | 1,643,434,676         | 86,668,418    | 7,412,067                 | 1,722,691,027           | 812,018,629         | 125,908,814  | 4,702,446                | 789,466,030         | 831,416,047         |
|   | (1,301,428,210)       | (380,373,707) | (38,367,241)              | (1,643,434,676)         | (763,852,395)       | (80,793,102) | (32,626,868)             | (831,416,047)       | (537,575,815)       |
| Office Equipments                                 | 24,194,514            | 3,286,045     | 4,060,008                 | 23,420,551              | 16,311,232          | 2,074,583    | 3,451,333                | 8,486,069           | 7,883,282           |
|   | (23,585,939)          | (622,511)     | (13,936)                  | (24,194,514)            | (14,225,162)        | (2,097,115)  | (11,045)                 | (7,883,282)         | (9,360,777)         |
| Furniture & Fittings                              | 10,022,677            | 657,150       | 146,262                   | 10,533,565              | 7,974,700           | 528,524      | 146,461                  | 2,176,802           | 2,047,977           |
|   | (9,485,109)           | (537,568)     | -                         | (10,022,677)            | (7,514,642)         | (460,058)    | -                        | (2,047,977)         | (1,970,467)         |
| Vehicles  | 5,322,319             | 2,617,817     | -                         | 7,940,136               | 2,370,676           | 1,087,274    | -                        | 4,482,186           | 2,951,643           |
|   | (5,991,419)           | -             | (669,100)                 | (5,322,319)             | (1,852,182)         | (1,031,142)  | (512,648)                | (2,951,643)         | (4,139,237)         |
| Total Tangible Assets                             | 2,224,468,511         | 106,294,490   | 14,451,762                | 2,316,311,239           | 1,011,578,478       | 154,691,638  | 10,134,699               | 1,160,175,822       | 1,212,890,033       |
| Previous Year                                     | 1,732,356,587         | 531,162,201   | 39,050,277                | 2,224,468,511           | 948,575,516         | 96,153,523   | 33,150,561               | 1,212,890,033       | 783,781,071         |
| <b>(B) Intangible Assets</b>                      |                       |               |                           |                         |                     |              |                          |                     |                     |
| Software  | 9,868,255             | 3,164,596     | -                         | 13,032,851              | 3,944,829           | 2,455,398    | -                        | 6,632,624           | 5,923,426           |
|   | (9,868,255)           | -             | -                         | (9,868,255)             | (1,965,121)         | (1,979,708)  | -                        | (5,923,426)         | (7,903,134)         |
| Total Assets (A+B)                                | 2,234,336,766         | 109,459,086   | 14,451,762                | 2,329,344,090           | 1,015,523,307       | 157,147,036  | 10,134,699               | 1,166,808,446       | 1,218,813,459       |
| Previous Year                                     | 1,742,224,842         | 531,162,201   | 39,050,277                | 2,234,336,766           | 950,540,637         | 98,133,231   | 33,150,561               | 1,218,813,459       | 791,684,205         |
| <b>CAPITAL WORK IN PROGRESS:</b>                  |                       |               |                           |                         |                     |              |                          |                     |                     |
| Building under construction                       | 87,825                | 14,112,738    | 7,416,609                 | 6,783,954               | -                   | -            | -                        | 6,783,954           | 87,825              |
|   | (94,215,197)          | (28,978,043)  | (123,105,415)             | (87,825)                | -                   | -            | -                        | (87,825)            | (94,215,197)        |
| Plant, Machinery and Equipment under installation | 53,485,682            | 51,478,768    | 42,141,363                | 62,823,087              | -                   | -            | -                        | 62,823,087          | 53,485,682          |
|   | (225,406,758)         | (113,108,838) | (285,029,914)             | (53,485,682)            | -                   | -            | -                        | (53,485,682)        | (225,406,758)       |
| Expenditure during construction period            | -                     | -             | -                         | -                       | -                   | -            | -                        | -                   | -                   |
| - Salaries & Wages                                | (4,378,426)           | (7,441,389)   | (11,819,815)              | -                       | -                   | -            | -                        | (4,378,426)         | -                   |
| - Finance charges                                 | 660,857               | -             | 660,857                   | -                       | -                   | -            | -                        | 660,857             | -                   |
| - Others  | (10,311,283)          | (34,927,914)  | (44,578,340)              | (660,857)               | -                   | -            | -                        | (660,857)           | (10,311,283)        |
| Capital Stores                                    | (3,901,863)           | (36,509,016)  | (40,410,879)              | -                       | -                   | -            | -                        | -                   | (3,901,863)         |
|   | 11,361,770            | 15,491,227    | 11,361,770                | 15,491,227              | -                   | -            | -                        | 15,491,227          | 11,361,770          |
|   | (7,358,164)           | (11,361,770)  | (7,358,164)               | (11,361,770)            | -                   | -            | -                        | (11,361,770)        | (7,358,164)         |
| Total   | 65,596,134            | 81,082,733    | 61,580,599                | 85,098,268              | -                   | -            | -                        | 85,098,268          | 65,596,134          |
| Previous Year                                     | 345,571,691           | 232,326,970   | 512,302,527               | 65,596,134              | -                   | -            | -                        | 65,596,134          | 345,571,691         |

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

### 2.13 Non-current Investments

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| <b>Investment in Equity Instruments (at Cost) - Long term</b>  |                            |                            |
| <b>Quoted ( Non Trade):</b>  |                            |                            |
| 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                      |
| <b>Aggregate amount of quoted investments (A)</b>  | 149,800                    | 149,800                    |
| Aggregate Market Value: Rs 873,165 (Rs. 884,085)   |                            |                            |
| <b>Unquoted (Trade):</b>   |                            |                            |
| <b>b. Others:</b>  |                            |                            |
| 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 (300,000) fully paid up Equity Shares of Rs. 10/- each in Seafood Park (India) Limited           | 3,150,000                  | 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                  |
| Less: Provision for diminution in value of investments   | 2,880,000                  | 2,880,000                  |
|  | -                          | -                          |
| <b>Aggregate amount of unquoted investments (B)</b>  | 8,030,000                  | 8,030,000                  |
| Aggregate provision for diminution in value of investments Rs. 2,880,000 (Rs. 2,880,000)                     |                            |                            |
| <b>Total Investments (A + B)</b>   | <b>8,179,800</b>           | <b>8,179,800</b>           |

### 2.14 Long-term Loans and Advances

| Particulars                            | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| <b>Unsecured (Considered Good)</b>     |                            |                            |
| Capital Advance                        | 8,857,656                  | 4,305,530                  |
| Income Tax (net)                       | -                          | 9,732,589                  |
| Others                                 |                            |                            |
| - Vehicle/ Computer loan to employees  | 576,433                    | 524,858                    |
| - Deposits                             | 24,177,371                 | 24,185,650                 |
| <b>Unsecured (Considered Doubtful)</b> |                            |                            |
| Sales Tax Deposit                      | 1,100,494                  | 1,100,494                  |
| Less: Provision for doubtful deposits  | (1,100,494)                | (1,100,494)                |
|  | -                          | -                          |
|  | <b>33,611,460</b>          | <b>38,748,627</b>          |



## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.15 Inventories

| Particulars                           | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---------------------------------------|----------------------------|----------------------------|
| Raw Materials                         | 151,200,521                | 119,936,189                |
| <i>Raw Materials in transit</i>       | -                          | 19,651,452                 |
| Work-in-process                       | 210,038,124                | 134,876,981                |
| Finished Goods                        | 95,566,862                 | 79,944,192                 |
| Stores & Spares                       | 76,046,913                 | 75,309,206                 |
| <i>Stores &amp; Spares in transit</i> | -                          | 84,503                     |
| Loose Tools                           | 182,544                    | 300,421                    |
| Others - Packing Materials            | 6,441,001                  | 6,706,242                  |
|                                       | <b>539,475,965</b>         | <b>436,809,186</b>         |

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

### 2.16 Trade Receivables

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| Outstanding for a period exceeding 6 months from the date they are due for payment |                            |                            |
| Unsecured, Considered Good   | 6,266,359                  | 8,619,364                  |
| Unsecured, Considered Doubtful   | 2,255,192                  | 1,081,778                  |
|  | 8,521,551                  | 9,701,142                  |
| Less: Provision for Doubtful Debts   | 2,255,192                  | 1,081,778                  |
|  | 6,266,359                  | 8,619,364                  |
| Others (Unsecured, Considered Good)  | 254,358,064                | 166,589,180                |
|  | <b>260,624,423</b>         | <b>175,208,544</b>         |

### 2.17 Cash and Cash Equivalents

| Particulars   | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|---|----------------------------|----------------------------|
| Balance with Banks  |                            |                            |
| In Current Accounts   | 13,767,469                 | 12,652,605                 |
| In Deposit Accounts   | 6,501,801                  | 2,343,674                  |
| Cash on hand  | 874,550                    | 895,791                    |
|   | <b>21,143,820</b>          | <b>15,892,070</b>          |
| Of the above, the balances that meet the definition of cash and cash equivalents as per AS 3 Cash Flow Statements | 18,464,003                 | 13,548,396                 |

**2.17.1** Balance with banks in Current Accounts include earmarked balances for unpaid dividend Rs. 14,41,417 (Rs. 11,66,557)

**2.17.2** Balance with banks in Deposit Accounts include Rs. 26,79,817 (Rs.22,83,674) 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 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.18 Short-term Loans and Advances

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| <b>(Unsecured, Considered Good)</b>                                    |                            |                            |
| Others:  |                            |                            |
| - Advances recoverable in cash or in kind or for value to be received. | 36,688,967                 | 25,624,218                 |
| - Vehicle/Computer loan to employees                                   | 486,095                    | 334,680                    |
| - Deposits   | 862,823                    | 412,184                    |
| - Balances with Central Excise, Customs etc.                           | 8,152,101                  | 8,113,240                  |
|  | <b>46,189,986</b>          | <b>34,484,322</b>          |

### 2.19 Other Current Assets

| Particulars  | As at 31.03.2013<br>Rupees | As at 31.03.2012<br>Rupees |
|--|----------------------------|----------------------------|
| Interest Receivable                                    | 703,814                    | 380,426                    |
| Old Machinery held for Sale                            | 222,926                    | -                          |
| Export Incentive:                                      |                            |                            |
| - Duty Drawback [See Note <b>2.19.1</b> ]              | 27,281,212                 | 24,410,869                 |
| Less: Provision for Claims Disputed                    | (6,858,636)                | (6,858,636)                |
|  | 20,422,576                 | 17,552,233                 |
| - Duty Entitlement Pass Book [See Note <b>2.19.2</b> ] | 21,841,032                 | 30,786,986                 |
| - Export incentive - Status Holder Incentive Scrip     | 2,017,609                  | -                          |
| Marked to Market Gain recognized                       | 4,943,201                  | -                          |
| Others   | 8,557,433                  | 3,360,790                  |
| <b>Total</b>   | <b>58,708,591</b>          | <b>52,080,435</b>          |

**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 for earlier years. The Company had also availed Duty Drawback benefit for the corresponding periods amounting to Rs 4,151,031 (Rs. 5,424,105). 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 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.20 Revenue from operations

| Particulars  | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|--|--|--|
| <b>Sale of Products</b>                              |  |  |
| Gross Sales  | 3,081,391,906                              | 2,437,436,768                              |
| <b>Other Operating Revenues</b>                      |  |  |
| Miscellaneous Sales                                  | 28,401,791                                 | 13,260,521                                 |
| Export Incentive [See Note 2.19.2]                   |  |  |
| - Duty Entitlement Pass Book                         | -  | 21,968,012                                 |
| - Duty Drawback                                      | 26,543,684                                 | 19,205,577                                 |
| Provision / sundry balances written back             | 4,980,928                                  | 435  |
| Other Miscellaneous Income                           | 4,826,023                                  | 7,060,123                                  |
|  | 64,752,426                                 | 61,494,668                                 |
|  | <b>3,146,144,332</b>                       | <b>2,498,931,436</b>                       |
| <i>Less: Excise Duty collected on domestic sales</i> | 83,933,402                                 | 40,743,152                                 |
|  | <b>3,062,210,930</b>                       | <b>2,458,188,284</b>                       |

### 2.21 Other Income

| Particulars                                  | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|--|--|--|
| Interest Income                              | 1,783,876                                  | 11,802,720                                 |
| Dividend Income from Non Current Investments | -  | 12,600                                     |
| Net Gain on foreign currency translation     | 14,750,468                                 | -  |
| Profit on sale of assets (net)               | -  | 673,689                                    |
| Provision/sundry balances written back       | -  | -  |
| Other non operating Income                   | 820,328                                    | 20,000                                     |
|  | <b>17,354,672</b>                          | <b>12,509,009</b>                          |

### 2.22 Cost of materials consumed

| Particulars                | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|----------------------------|--|--|
| Opening Stock              | 119,936,189                                | 110,300,174                                |
| <i>Add: Purchases</i>      | 1,513,865,340                              | 1,334,411,836                              |
|                            | <b>1,633,801,529</b>                       | <b>1,444,712,010</b>                       |
| <i>Less: Closing Stock</i> | 151,200,521                                | 119,936,189                                |
|                            | <b>1,482,601,008</b>                       | <b>1,324,775,821</b>                       |

### 2.23 Changes in inventories of finished goods, work-in-progress and stock-in-trade

| Particulars          | For the year ended<br>31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|----------------------|--|--|
| <b>Closing Stock</b> |  |  |
| Finished Goods       | 95,566,862                                 | 79,944,192                                 |
| Work-in-process      | 210,038,124                                | 134,876,981                                |
|                      | <b>305,604,986</b>                         | <b>214,821,173</b>                         |
| <i>Less:</i>         |  |  |
| <b>Opening Stock</b> |  |  |
| Finished Goods       | 79,944,192                                 | 78,281,709                                 |
| Work-in-process      | 134,876,981                                | 134,585,805                                |
|                      | <b>214,821,173</b>                         | <b>212,867,514</b>                         |
|                      | <b>90,783,813</b>                          | <b>1,953,659</b>                           |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.24 Employee benefits expense

| Particulars                               | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|---|--|--|
| Salaries and Wages                        | 189,520,733                                | 146,608,903                                |
| Contribution to Provident and Other Funds | 25,449,200                                 | 17,755,195                                 |
| Workmen and Staff Welfare Expenses        | 32,213,652                                 | 22,482,574                                 |
|   | <b>247,183,585</b>                         | <b>186,846,672</b>                         |

### 2.25 Finance costs

| Particulars          | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|----------------------|--|--|
| Interest Expense     | 84,566,726                                 | 61,218,129                                 |
| Other Borrowing Cost | 660,857                                    | 173,825                                    |
|                      | <b>85,227,583</b>                          | <b>61,391,954</b>                          |

### 2.26 Other Expenses

| Particulars   | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|---|--|--|
| Conversion charges  | -  | 17,891,175                                 |
| Consumption of Stores, Spares & Consumables                     | 58,497,998                                 | 59,520,496                                 |
| Packing materials Consumed                                      | 35,243,404                                 | 28,119,214                                 |
| Research & Development Expenditure [See Note 2.26.1]            | 24,515,900                                 | 18,019,127                                 |
| Power, Fuel, Water & Gas  | 427,306,456                                | 326,174,895                                |
| Repairs   |  |  |
| - Building  | 7,841,919                                  | 5,550,577                                  |
| - Plant & Machinery   | 92,476,731                                 | 57,237,227                                 |
| - Others  | 36,949,873                                 | 25,021,903                                 |
| Loading, Transportation and Other charges on products           | 45,203,158                                 | 28,738,666                                 |
| Freight on Exports  | 25,768,638                                 | 15,413,345                                 |
| Insurance   | 7,086,939                                  | 5,417,766                                  |
| Rent  | 7,364,581                                  | 3,646,316                                  |
| Rates & Taxes   | 8,497,919                                  | 6,933,619                                  |
| Postage & Telephone   | 5,380,249                                  | 4,623,254                                  |
| Printing & Stationery   | 2,154,589                                  | 2,194,849                                  |
| Travelling & Conveyance   | 39,456,960                                 | 30,347,265                                 |
| Director's sitting fee  | 378,000                                    | 256,000                                    |
| Payments to the Auditor [See Note 2.26.2]                       | 1,665,420                                  | 1,369,851                                  |
| Advertisement & Publicity                                       | 19,555,431                                 | 17,484,549                                 |
| Discount & Commission on Sales                                  | 33,682,796                                 | 17,171,820                                 |
| Professional & Consultancy charges                              | 19,810,692                                 | 10,506,260                                 |
| Bank Charges  | 3,210,189                                  | 2,899,661                                  |
| Miscellaneous Expenses  | 78,664,224                                 | 46,274,984                                 |
| Loss on sale of assets (Net)                                    | 694,856                                    | -  |
| Net loss on foreign currency translation                        | -  | 4,886,533                                  |
| Provision for Mark to Market Loss on forward exchange contracts | -  | 3,757,531                                  |
|   | <b>981,406,922</b>                         | <b>739,456,883</b>                         |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.26.1 Details of Research & Development Expenditure

| Particulars         | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|---------------------|--|--|
| Revenue Expenditure |  |  |
| Salary & Allowances | 4,758,289                                  | 3,493,930                                  |
| Other Expenses      | 19,757,611                                 | 14,525,197                                 |
|                     | <b>24,515,900</b>                          | <b>18,019,127</b>                          |
| Capital Expenditure | 2,298,217                                  | 667,688                                    |
|                     | <b>26,814,117</b>                          | <b>18,686,815</b>                          |

### 2.26.2 Payments to the Auditor

| Particulars                            | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|--|--|--|
| a. Statutory Audit Fees                | 830,900                                    | 609,270                                    |
| b. Other Services                      |  |  |
| Taxation Matters (Including Tax Audit) | 140,410                                    | 221,691                                    |
| Others                                 | 561,902                                    | 444,375                                    |
| Reimbursement of Expenses              | 132,208                                    | 94,515                                     |
|  | <b>1,665,420</b>                           | <b>1,369,851</b>                           |

### 2.27 Earnings per equity share

| Particulars  | For the year<br>ended 31.03.2013<br>Rupees | For the year<br>ended 31.03.2012<br>Rupees |
|--|--|--|
| Profit after taxation  | 107,406,335                                | 46,908,448                                 |
| Weighted average number of Equity Shares of<br>Rs. 10/- each (fully paid-up) | 8,400,000                                  | 8,400,000                                  |
| <b>Earnings per share - Basic &amp; Diluted</b>                              | <b>12.79</b>                               | <b>5.58</b>                                |

### 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. Enterprise having substantial interest in the Company and its Subsidiaries

- a. Nitta Gelatin Inc. - Enterprise having substantial interest in the Company
- b. Nitta Gelatin NA Inc. - Subsidiary of Nitta Gelatin Inc
- c. Nitta Gelatin Canada Inc. - Subsidiary of Nitta Gelatin Inc

##### ii. Associate Company

- a. K K Organics Private Limited - Associate Company of Holding Company

##### iii. Key Managerial Personnel

- a. Mr. G. Suseelan - Managing Director, Nitta Gelatin India Limited (Holding Company)
- b. Mr. C. Sri Kumar - Managing Director, Bamni Proteins Limited (Subsidiary Company)
- c. Mr. B. Shaji Mohan - Managing Director, Reva Proteins Limited (Subsidiary Company)

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

### B. Description of Transactions

| Nature of Transaction                  | Subsidiary<br>Company/ Associate<br>Company | Enterprise having<br>substantial interest in<br>the Company and its<br>Subsidiaries | Key Management<br>Personnel | Total                        |
|--|---|---|-----------------------------|------------------------------|
| <b>Sale and Income</b>                 |   |   |                             |                              |
| 1 Sale of Goods:                       |   |   |                             |                              |
| <i>Nitta Gelatin Inc.</i>              |   | 914,518,164<br>(814,388,287)  |                             | 914,518,164<br>(814,388,287) |
| <i>Nitta Gelatin NA Inc.</i>           |   | 471,657,921<br>(401,270,751)  |                             | 471,657,921<br>(401,270,751) |
| <b>Purchase and Expenses</b>           |   |   |                             |                              |
| 1 Purchase of stock in trade:          |   |   |                             |                              |
| <i>Nitta Gelatin Inc.</i>              |   | 18,525,024<br>-   |                             | 18,525,024<br>-              |
| 2 Commission expense:                  |   |   |                             |                              |
| Nitta Gelatin Inc.                     |   |   |                             |                              |
| - For Sale of Gelatin                  |   | 787,780<br>(400,983)  |                             | 787,780<br>(400,983)         |
| - For Sale of Peptide                  |   | 106,633<br>(38,856)   |                             | 106,633<br>(38,856)          |
| 3 Rebate/ Discount expense:            |   |   |                             |                              |
| <i>Nitta Gelatin Inc.</i>              |   | 3,685,413<br>(2,926,904)  |                             | 3,685,413<br>(2,926,904)     |
| <i>Nitta Gelatin NA Inc.</i>           |   | 2,984,597<br>(5,008,698)  |                             | 2,984,597<br>(5,008,698)     |
| 4 Technical Assistance Fee:            |   |   |                             |                              |
| <i>Nitta Gelatin Inc.</i>              |   | 1,981,350<br>(995,175)  |                             | 1,981,350<br>(995,175)       |
| 5 Reimbursement of Expenses (Net):     |   |   |                             |                              |
| <i>Nitta Gelatin NA Inc.</i>           |   | 2,926,426<br>-  |                             | 2,926,426<br>-               |
| <i>Nitta Gelatin Inc.</i>              |   | 7,704,582<br>(642,364)  |                             | 7,704,582<br>(642,364)       |
| 6 Payment received for Clinical Study: |   |   |                             |                              |
| Nitta Gelatin Inc.                     |   | -   |                             | -                            |
|  |   | (874,927)   |                             | (874,927)                    |
| 7 Remuneration to Managing Director    |   |   |                             |                              |
| a. Managing Director - Holding Company |   |   | 4,268,150<br>(3,951,984)    | 4,268,150<br>(3,951,984)     |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| Nature of Transaction   | Subsidiary Company/ Associate Company | Enterprise having substantial interest in the Company and its Subsidiaries | Key Management Personnel                   | Total                                      |
|---|---------------------------------------|--|--|--|
| b Managing Director - Subsidiary Companies<br>Bamni Proteins Limited<br><br>Reva Proteins Limited |                                       |  | 1,172,073<br>(1,239,884)<br>-<br>(431,827) | 1,172,073<br>(1,239,884)<br>-<br>(431,827) |
| <b>Investments</b><br><br>1 <i>K K Organics Private Limited *</i>                                 | 2,880,000<br>(2,880,000)              |  |  | 2,880,000<br>(2,880,000)                   |
| <i>*Provision created for loss in investments Rs. 2,880,000 (Rs. 2,880,000)</i>                   |                                       |  |  |  |
| <b>Proceeds from Issue of Equity Shares</b>   |                                       |  |  |  |
| 1 <i>Nitta Gelatin Inc. In Reva Proteins Ltd. (subsidiary)</i>                                    |                                       | 120,000,000<br>-   |  | 120,000,000<br>-                           |
| <b>Dividend Paid</b>  |                                       |  |  |  |
| 1 <i>Nitta Gelatin Inc.</i>   |                                       | 15,601,200<br>(15,601,200)   |  | 15,601,200<br>(15,601,200)                 |
| <b>Receivables</b>  |                                       |  |  |  |
| 1 <i>Nitta Gelatin Inc.</i>   |                                       | 67,767,570<br>(20,419,523)   |  | 67,767,570<br>(20,419,523)                 |
| 2 <i>Nitta Gelatin NA Inc.</i>  |                                       | 8,746,643<br>(4,772,160)   |  | 8,746,643<br>(4,772,160)                   |
| 3 <i>Nitta Gelatin Canada Inc.</i>  |                                       | 54,369<br>(50,867)   |  | 54,369<br>(50,867)                         |
| 4 <i>Nitta Gelatin USA</i>  |                                       | -<br>-   |  | -<br>-                                     |

### 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 (External Sales) | 1,588,150,498<br>(1,398,545,016) | 1,409,308,006<br>(998,148,600) | 2,997,458,504<br>(2,396,693,616) |
| Segment Result                   | 399,976,356<br>(231,403,834)     | 216,459,379<br>(52,838,648)    | 616,435,735<br>(284,242,482)     |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

| Particulars                   | Export Rupees | Domestic Rupees | Consolidated Rupees |
|-------------------------------|---------------|-----------------|---------------------|
| Unallocated Expenditure (Net) |               |                 | 291,552,322         |
|                               |               |                 | (158,232,317)       |
| Finance Cost                  |               |                 | 63,582,083          |
|                               |               |                 | (60,661,963)        |
| Profit before Taxation        |               |                 | 261,301,330         |
|                               |               |                 | (65,348,202)        |

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.

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

| Nature of Provision   | Balance as at 01.04.2012 | Additional Provision during the year | Amounts used/ changed during the year | Unused amounts reversed | Balance as at 31.03.2013 |
|---|--------------------------|--------------------------------------|---------------------------------------|-------------------------|--------------------------|
| Provision for Central Excise Duty. [See Note <b>2.30.1(i)</b> ] | 7,868,898<br>(6,791,512) | 930,210<br>(1,077,386)               | -                                     | -                       | 8,799,108<br>(7,868,898) |
| Provision for Water Cess  | -                        | -                                    | -                                     | -                       | -                        |
|   | (7,735,292)              | -                                    | (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. 28,903,586 (Rs 26,265,559), 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 8,799,108 (Rs.7,868,898) as a matter of abundant caution and the balance amount of Rs. 20,104,478 (Rs 18,396,661) has been disclosed as a contingent liability.

**2.30.2** Contingent Liabilities not provided for:

| Particulars   | As at 31.03.2013 Rupees | As at 31.03.2012 Rupees |
|---|-------------------------|-------------------------|
| 1. Claims against the Company not acknowledged as debts:            |                         |                         |
| a. Income Tax [See Note <b>2.30.2(i)</b> ]                          | 22,415,688              | 25,227,447              |
| b. Value Added Tax/ Central Sales Tax [See Note <b>2.30.2(ii)</b> ] | 20,642,815              | 34,224,152              |
| c. Excise Duty [See Note <b>2.30.1(i)</b> ]                         | 20,104,478              | 18,396,661              |
| d. Water Cess [See Note <b>2.30.2(iii)</b> ]                        | 65,301,200              | 71,484,400              |
| 2. Foreign Bills Discounted   | 205,623,547             | 181,613,424             |
| 3. Counter Guarantee issued in favour of bankers                    | 8,146,152               | 8,306,152               |
| <b>Total</b>  | <b>342,233,880</b>      | <b>339,252,236</b>      |



## **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)**

- 2.30.2(i)** The Income Tax department has made certain disallowances on assessments completed for earlier years, 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)** The Value Added Tax/ Central Sales Tax authorities had raised demands on assessment for an earlier year amounting to Rs. 20,642,815 (Rs. 20,642,815), which had been disputed by the Company on appeal. The appellate authority has remanded the matter back to the assessing officer for fresh consideration. Based on legal advice, no provision is considered necessary towards the said claims and the amount involved is disclosed as contingent liability.
- 2.30.2(iii)** During the preceding year, an amount of Rs 71,484,400 was demanded as water cess for extraction of river water for industrial use during the period from 01.04.1979 to 31.12.2010, in accordance with a Government Order issued on 25.07.2009. The company had been legally advised that the demands may not be fully sustainable in law and had filed a writ petition before the Hon' High Court of Kerala against the proceedings, which is pending.

The company had also made a representation to the Secretary (Water Resources), Government of Kerala which is pending consideration of the government. During the year, pursuant to discussions with government authorities, the company has entered into an agreement for payment of such charges for the periods subsequent to 01.01.2011. Further, an amount of Rs 6,183,200 (Rs. NIL) has been provided towards disputed charges for the period from 25.07.2009 to 31.12.2010, being periods subsequent to issue of the Government Order and is disclosed under the head Current Liabilities.

In the opinion of the management, having regard to the legal advice, no provision is considered necessary for charges for periods from 01.04.1979 to 24.07.2009 amounting to Rs 65,301,200, being periods prior to the issue of the G.O. which has been disclosed as contingent liability.

- 2.31** Estimated amount of contracts remaining to be executed on capital account:
- Company - Rs. 99,171,177 (Rs. 15,943,539 )
  - Bamni Proteins Limited (Subsidiary) - Nil (Rs 537,000)
  - Reva Proteins Limited (Subsidiary) - Nil (Rs. 1,563,543)
- 2.32** a. 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. 72,150,000 (Rs. 33,680,000) 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.
- b. In respect of Raw materials imported at concessional rate of duty under the Advance Authorisation Scheme, the Company has an export obligation of approximately Rs. 19,250,000 (Rs. NIL) which is required to be fulfilled at different dates until 2015. In the event of non fulfilment of the export obligation, the Company will be liable for the Customs duties and penalties as applicable.
- 2.33** In the income tax assessment of the company, the income tax authorities have made certain disallowances which has resulted in additional demands on assessments completed for certain prior years, which are disputed by the company before appellate authorities. Though the company is hopeful of favourable decisions on such appeals on these matters, as a matter of prudence, a provision of Rs 11,532,974 has been additionally made during the year, towards incremental tax liability of prior years, with necessary adjustments in deferred tax. In the opinion of the management no provision is considered necessary in respect of the balance demands raised by the tax authorities aggregating to Rs 22,415,688, which have been disclosed as contingent liability in the accounts as shown in Note 2.30.2(i).
- 2.34** In the case of Bamni Proteins Limited,
- In terms of the Accounting Standard on Accounting for Taxes on Income (AS 22) deferred tax asset (net) has not been recognised in the accounts, as a matter of prudence, in the absence of virtual / reasonable certainty of future taxable profits.

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

b. In case of the 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.

- 2.35** 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.
- 2.36** As a part of company's risk management policy, the exchange risks arising from foreign currency fluctuations are partly hedged by forward contracts, designated as cash flow hedges.
- 2.36.1** (i) The following are the forward contracts entered by the company and outstanding as at Balance Sheet date, determined to be effective hedges:

| Particulars         | As at 31.03.2013 |             |                     | As at 31.03.2012 |             |
|---------------------|------------------|-------------|---------------------|------------------|-------------|
|                     | \$               | Rupees      | Fair value (Rupees) | \$               | Rupees      |
| Export receivables  | 236,220          | 13,005,991  | 12,847,979          | 360,272          | 17,797,498  |
| Export transactions | 6,163,658        | 350,197,055 | 345,411,866         | 3,704,928        | 188,923,949 |

- 2.36.1** (ii) The table below summarises the notional amounts (amounts of contract booked and outstanding) of foreign currency forward contracts into relevant maturity groupings based on the remaining period as at 31.03.2013:

| Particulars   | As at 31.03.2013 |                    |
|---|------------------|--------------------|
|   | Notional \$      | Gain/(Loss) Rupees |
| <b>Export transactions</b>                            |                  |                    |
| Not later than three months                           | 814,138          | 438,668            |
| Later than three months and not later than six months | 2,749,520        | 2,107,521          |
| Later than six months and not later than one year     | 2,600,000        | 2,239,000          |
| <b>Total</b>  | <b>6,163,658</b> | <b>4,785,189</b>   |

- 2.36.2** (i) Hedged foreign currency exposures as at Balance Sheet date:

| Particulars | As at 31.03.2013 |            | As at 31.03.2012 |            |
|-------------|------------------|------------|------------------|------------|
|             | \$               | Rupees     | \$               | Rupees     |
| Receivables | 236,220          | 12,760,577 | 360,272          | 18,254,982 |

- 2.36.2** (ii) Un hedged foreign currency exposures as at Balance Sheet date:

| Particulars        | As at 31.03.2013 |            | As at 31.03.2012 |            |
|--------------------|------------------|------------|------------------|------------|
|                    | FC               | Rupees     | FC               | Rupees     |
| <b>Receivables</b> |                  |            |                  |            |
| USD                | 1,358,531        | 73,381,137 | 547,231          | 27,728,200 |
| EURO               | 51,800           | 3,574,718  | -                | -          |
| AUD                | 970              | 54,368     | 970              | 50,867     |
| <b>Payables</b>    |                  |            |                  |            |
| USD                | 92,582           | 5,080,879  | 254,514          | 13,115,089 |
| CAD                | 21,453           | 1,162,754  | 10,513           | 544,060    |
| AUD                | -                | -          | 12,610           | 677,409    |
| EURO               | -                | -          | 10,520           | 726,406    |
| Japanese YEN       | 3,000,000        | 1,757,700  | 1,500,000        | 995,175    |

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON CONSOLIDATED ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> MARCH, 2013 (CONTD.)

### 2.37 Information relating to Subsidiary Companies

| Particulars                              | Bamni Proteins Limited<br>Rupees | Reva Proteins Limited<br>Rupees |
|--|----------------------------------|---------------------------------|
| Share Capital                            | 42,500,000                       | 188,605,200                     |
| Reserves and Surplus                     | (6,105,450)                      | 123,784,497                     |
| Total Assets                             | 63,819,433                       | 498,473,298                     |
| Total Liabilities                        | 63,819,433                       | 498,473,298                     |
| Investments (other than in subsidiaries) | -                                | 3,540,000                       |
| Turnover                                 | 121,559,223                      | 85,020,588                      |
| Profit before tax                        | 13,206,282                       | (76,249,354)                    |
| Provision for tax                        | 2,982,158                        | -                               |
| Profit after tax                         | 10,224,124                       | (76,249,354)                    |
| 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.

**2.38** 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

TOM JOSE IAS  
 Director

G. SUSEELAN  
 Managing Director

K. RAMAKRISHNAN  
 Director

HIROSHI TAKASE  
 Director

K. L. KUMAR  
 Director

A.K.NAIR  
 Director

T.P. THOMASKUTTY  
 Director

Place: Kochi  
 Date: 29.05.2013

G. RAJESH KURUP  
 Company Secretary



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**NITTA GELATIN INDIA LIMITED**  
**54/1446, Panampilly Nagar**  
**Kochi – 682 036**

**FORM A:**

**Unqualified / Matter of Emphasis Report**

**Stock Code : 506532 (BSE)**

**Format of covering letter of the annual audit report to be filed with the  
stock exchanges**

|   |  |  |
|---|--|--|
| 1 | Name of the Company                            | <b>Nitta Gelatin India Limited</b>   |
| 2 | Annual financial statements for the year ended | <b>31<sup>st</sup> March, 2013</b>   |
| 3 | Type of Audit observation                      | <p>Un-qualified / Matter of Emphasis</p> <p>In the independent Auditors' Report dtd. 29.05.2013, under the heading <b>Emphasis of Matter</b> the auditors have reported as under:-</p> <p>"We draw attention to Note No 2.27.2 (1) regarding disputed liability towards Income tax – Rs. 224.16 lakhs, Value Added Tax / Central Sales Tax – Rs. 206.43 lakhs, Excise Duty – Rs. 201.04 lakhs and Water Cess – Rs. 653.01 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. Our opinion is not qualified in respect of this matter".</p> <p>Emphasis of Matter referred to above is explained in detail under para 2.27.2(i), (ii), 2.27.1(i) and 2.27.2(iii) of the Notes forming part of the accounts for the year.</p> <p>This has also been specifically stated in the Directors' Report as well.</p> |



|   |                          |   |
|---|--------------------------|---|
| 4 | Frequency of Observation | Similar observations have been made by the auditors as a Matter of Emphasis (without qualifying their opinion) since the financial year ended 31 <sup>st</sup> March, 2013. |
|---|--------------------------|---|

For VARMA & VARMA  
(FRN 004532S)

*Vijay Narayan Govind*  
(VIJAY NARAYAN GOVIND)  
Partner  
CHARTERED ACCOUNTANTS  
Membership No. 203094

*G. Suseelan*  
G. Suseelan  
Managing Director

*K. Muraleedharan Nair*  
K. Muraleedharan Nair  
Executive Director (CF)

*K. Ramakrishnan*  
K. Ramakrishnan, Director  
Chairman, Audit Committee

Cochin  
July 5, 2013

