

KEYTAKEAWAYS ANNUAL REPORT 2015-16

PERFORMANCE The gross revenue from operations of your Company during the year under review was Rs. 370.86 crores. Though there has been an increase in the unit sales realization in all our products during the year, increase in sales volumes could not be achieved due to various extraneous factors. With all the domestic Gelatin plants in full scale operation during the year and the resultant heavy demand for crushed bone, the quality of supplies could not meet the export quality specifications for Ossein and Limed Ossein. This has led to a reduction in export volumes of Ossein / Limed Ossein by 19% during the year. The demand for Collagen Peptide witnessed a setback in major overseas markets like Korea and Thailand. In the domestic market, the unduly long delay in granting new product approvals by the regulatory authorities has resulted in a poor offtake of Collagen Peptide. Despite the reduction in volumes as explained above, the total sales turnover could be maintained with improvement in unit sales realization on all our products and the higher volume of Gelatin sales achieved during the year.

The increase in price of crushed animal bone, apart from its poor quality as explained above, was not conducive for the business of the Company. Crushed bone prices have increased by 11% during 2015-16 as compared to the previous fiscal.

During the year, the Company has issued 929,412 Optionally Convertible (non-cumulative) Preference Shares of Rs. 170/- each aggregating to Rs. 15,80,00,040/- to M/s. Nitta Gelatin Inc., Japan, one of the promoters carrying a fixed dividend of 5.4029% and redeemable at par at the expiry of seven years from the date of allotment, 28.04.2015 with put and call option at the expiry of five years from the date of allotment.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

SN	Name and Description of main products / services	NIC Code of the Product/ service*	% to total turnover of the company
1	Gelatin	20295	53.33
2	Ossein/Ossein(Limed)	20119	18.31
3	Dicalcium Phosphate	20295	16.11

The growing use of Gelatin in applications such as food & beverage, pharmaceuticals and nutraceuticals is expected to drive the demand for Gelatin in the years to come. Besides the demand for Gelatin is projected to increase particularly in the Asian markets such as China and India, driven by population growth and economic development. Your Company is striving towards enhancing its competitiveness on a global level besides the supply capabilities.

The non-availability of Crushed Bone of required quality was the major hindrance in servicing the overseas orders. Arising from the quality issues of crushed bone, your Company had to scale down its exports. The production of DiCalcium Phosphate, a by-product during the Ossein manufacturing process also was affected adversely due to this scaling down of production. In the case of Collagen Peptide also the volumes were lower during the year. However, there was increase in unit sales realization across all products.

The base raw material for Ossein, Gelatin and Collagen Peptide is crushed animal bone. The price of animal bone is dependent on numerous factors such as variations in meat consumption pattern reflecting global economic conditions as well as changes in supply demand dynamics driven by regulations governing food processing and distribution in response to various animal epidemics and other factors. Such an increase in price of crushed bone can adversely affect the operating results and financial position of both the Gelatin and Collagen Peptide business. The demand for DiCalcium Phosphate is linked to the price of soya meal which experiences high price volatility.