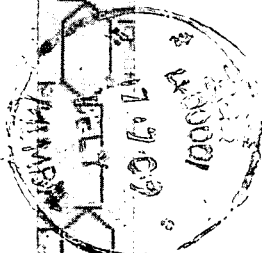


SIXTEENTH ANNUAL REPORT 2008-2009

VG-Caps®



BANGALORE



BOARD OF DIRECTORS : Srirangam Gopalan Chairman
Laxminarayan Moondra Whole-time Director
Satyanarayan Mundra Whole-time Director
C.P. Rangachar Director
Dr. C. M. Gurumurthy Director
V. Subramony Director
V. Balaji Bhat Director
Sunil L. Mundra Managing Director
Sushil Kumar Mundra Director

BANKERS & FINANCIAL : M/s. State Bank of India
Bangalore Commercial Branch
Hudson Circle,
BANGALORE - 560 001.

AUDITORS : M/s Gnanoba & Bhat
Chartered Accountants
45, Annamalai Arcade,
1st Cross, Wilson Garden,
BANGALORE - 560 027.

REGISTERED OFFICE : 102, "Shreshta Bhumi"
No. 87, K. R. Road,
BANGALORE - 560 004.
Tel. No. 080-2667 1571/2667 1573/2667 1581
Fax : 080-2667 1562
E-mail : info@naturalcapsules.com
URL : www.naturalcapsules.com

**REGISTRAR AND
TRANSFER AGENTS** : M/s. Cameo Corporate Services Ltd.
Subramanian Building,
No. 1 Club House Road,
CHENNAI - 600 002.
Tel : 91-044-28460390 (5 Lines)
Fax : 91-044-28460129
Grams : CAMEO
E-mail : cameo@cameoindia.com
Contact Person : Mrs. Kanthimathi Jayakumar
Executive - Shares
ISIN CODE No : INE936B01015

NATURAL CAPSULES LIMITED

NOTICE

Notice is hereby given to all the members of the company that the 16th Annual General Meeting of the company will be held on Thursday, the 30th day of July 2009 at the Bangalore Gayana Samaja, K.R.Road, Basavanagudi, Bangalore - 560 004 at 10.30 A.M. to transact the following business:-

1. To consider and adopt the Audited Accounts for the period ended 31st March 2009, along with Directors' and Auditor's Reports thereon.
2. To declare a dividend.
3. To appoint a Director in the place of Mr.S.Gopalan, the retiring Director, who being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr.V.Balaji Bhat, the retiring Director, who being eligible, offers himself for re-appointment.
5. To Appoint Auditors and to fix their remuneration. M/S Gnanoba & Bhat, Chartered Accountants, Bangalore retire at this AGM and they are eligible for re-appointment.

For and on behalf of the Board,

Place : Bangalore
Date : 30-05-2009

(Sunil L.Mundra)
Managing Director

NOTE:

1. A member who is entitled to attend and vote at the meeting is entitled to appoint a proxy and that proxy need not be a member. A proxy to be effective should reach the Registered office not less than 48 hours before the Meeting.
2. Member register and transfer register will remain closed from 27th July, 2009 to 30th July, 2009 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31/03/2009.
3. Members are requested to bring duly filled in attendance slips at the time of meeting.
4. Proxy form is attached.
5. Explanatory Statement as per Section 173(2) of the Companies Act 1956 :-

Information about other appointees :-

1. Mr S. Gopalan is a top ranking Chemical Engineer with high academic honours and was executive director of IDBI. He has been the Chairman of this company for 15 years and has guided and steered several other companies too to great heights of success with his wide exposure, knowledge and capability. He has been of immense value for the company.
2. Mr V. Balaji Bhat is a Chartered Accountant and has been of high value for the Company. He is Chairman and Director of several other companies.

DIRECTOR'S REPORT

TO THE MEMBERS

Your directors hereby present the Sixteenth Annual Report together with the Audited Accounts of the company for the year ended 31st March 2009.

1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under :

	2008-09 (Rs. In lacs)	2007-08 (Rs. In lacs)
Sales & other income	2605.64	2033.01
Profit before Depreciation and interest	745.06	552.67
Depreciation & Preliminary exp	118.19	112.22
Interest	9.84	11.98
Profit/(Loss) before tax	616.33	428.47
Provision for taxation	213.72	140.47
Deferred tax	5.12	22.27
Profit/(Loss) after tax	397.51	265.73
Amount transferred to reserves	9.94	6.48

2. PERFORMANCE & PROSPECTS :

During the year under review, the company's turnover increased by 29% and the company has earned a Net profit (before tax) of Rs.616.33 lacs as against the corresponding net profit of Rs.428.47 lacs in the previous year. The available profit has enabled the company to plough back an amount of Rs. 362.44 lacs for funding the ongoing expansion at Pondicherry. The export turnover of the company has increased by 40% during the year under consideration. Though there is drop in sales realization and rupee appreciation during current year, with the commissioning of additional machineries in phases in the current year, your Director's are hopeful of maintaining the performance.

3. SHARE WARRANTS :

The option on convertible Share Warrants issued to Promoters to the extent of Rs. 144 lacs was not exercised by the Promoters during the year under consideration, due to depressing capital market situation. However the same has not affected the funding of expansion due to ploughing back of the internal accruals.

4. IMPLEMENTATION OF ERP :

During the year under consideration, the company has successfully implemented SAP as the ERP solution, costing around Rs 52 lacs which will optimize the resource utilization of the company.

5. PERFORMANCE CREDIT RATING :

Your Directors are pleased to inform you that the Company has obtained "CRISIL" rating of "SE-1A" indicating HIGHEST PERFORMANCE CAPACITY AND HIGH FINANCIAL STRENGTH.

6. DIVIDEND:

Considering the need for conservation of resources for ongoing expansion, your Directors are pleased to

recommend a dividend of Rs 1.20 per equity share of Rs 10/- each for the year ended 31-3-2009 for the members whose names appear in the register of members as on the date of AGM viz., 30.7.2009.

7. EXPANSION :

During the year under consideration, the company has imported 9 capsule making machines costing Rs 612 lacs which will result in increasing the capacity from 3.6 billion to 7.35 billion capsules per annum. Out of these machines, one machine has already been commissioned. Civil works to accommodate additional machinery are expected to be completed by December 2009 and commissioning of all machinery is expected to be completed by June 2010.

8. DIRECTORS :

Mr.S.Gopalan and Mr V.BalajiBhat, retire at this Annual General Meeting and being eligible, offer themselves for re-appointment.

9. DISCLOSURE OF PARTICULARS AS PER BOARD'S REPORT RULES 1988 :

A. CONSERVATION OF ENERGY

The particular as per form A is attached to this report.

B RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

Company is having an ongoing research and development activity to develop value added products.

C. EXPORTS:

The company has been successfully exporting Gelatine capsules to many countries across the world. During the year under review, export growth was more than that of last year. The trend is likely to be maintained in the coming year in spite of prevailing global recession.

D. FOREIGN EXCHANGE, EARNINGS & OUTGO:

Foreign exchange earning : Rs. 382.72 lacs
Foreign exchange outgo : Rs. 4.90 ..

10. DIRECTOR'S RESPONSIBILITY STATEMENT:

- In the preparation of the annual accounts, the applicable accounting Standards have been followed.
- The directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the period.
- The directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for

preventing and detecting the fraud and other irregularities.

D) The directors have prepared the annual accounts on a going concern basis.

11. AUDITORS :

M/S. Gnanoba & Bhat, Chartered Accountants, Bangalore retire at the ensuing Annual General Meeting and they are eligible for re-appointment.

12. REPORT ON CORPORATE GOVERNANCE :

A separate review on Corporate Governance is given in the Annexure A & B.

13. Clause 49 of the Listing Agreement :

- a. During the year under report the trading of the company's securities has not been suspended by the Stock Exchanges with which the shares are listed.
- b. The names and addresses of the Stock Exchanges with which the company's Securities are listed are as follows :
 - i) Bangalore Stock Exchange Ltd, 51, Stock Exchange Towers, 1st cross, JC Road, Bangalore 560 027
 - ii) Bombay Stock Exchange Limited, PJ Towers, Dalal street, Mumbai-400 001

- iii) Coimbatore Stock Exchange Ltd, Stock exchange building, CSX Towers, 683-686, Trichy road, Singanallur, Coimbatore-641 005
- c) The annual listing fees of the above Stock Exchanges have been paid

14. ACKNOWLEDGEMENTS:

The Management wishes to place on record its sincere thanks and appreciation to State Bank of India, Specialised Commercial Branch, Bangalore-1, for their financial support and guidance, and its appreciation for the excellent co-operation extended by the staff & workers of the company. Management also wishes to place on record its appreciation for the valuable support extended by various Government agencies at Bangalore and Pondicherry.

For & on behalf of the Board

**S. GOPALAN
CHAIRMAN**

**Place : Bangalore
Date : 30th May, 2009**

ANNEXURE TO DIRECTOR'S REPORT

FORM A (SEE RULE 2)

Form for disclosure of particulars with respect to conservation of energy

POWER & FUEL CONSUMPTION:

		Current Year 2008-09	Previous Year 2007-08
1. Electricity:			
a) Purchased :	Units(KWH)	47,24,716	37,23,960
b) Total amount	(Rs.in lac)	162.28	122.01
c) Rate/Unit	(Rs.)	3.43	3.57
d) Own Generation:			
i) Through diesel generator			
Units	(KWH)	3,15,636	1,87,244
Unit per Ltr.of diesel oil(KWH)		3.17	3.23
Oil cost/Unit	(Rs.)	0.65	0.75
ii) Through Stem turbine/generator		-	-
2. Coal		-	-
3. Furnase oil		-	-
4. Other/Internal generations		-	-

CONSUMPTION PER UNIT OF PRODUCTION:

	EHG Capsules			Veg Capsules		
	Stds. (if any)	Current Year	Previous Year	Stds. (if any)	Current Year	Previous Year
Electricity per lac of Capsules (KWH)	-	118.85	135.82	-	721	625
Furnace oil	-	-	-	-	-	-
Coal	-	-	-	-	-	-
Others	-	-	-	-	-	-

For and behalf of the Board

S.Gopalan
Chairman

ANNEXURE A

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY :

The company's philosophy is to establish a good corporate governance to ensure accountability, transparency and stakeholder protection.

2. BOARD STRENGTH AND REPRESENTATION :

As at 31st March, 2009, the Board consisted of nine members. The composition of and the category of directors on the Board of the Company were as under:

Category	Particulars of the Directors
Promoter Executive Directors	1. Sri Sunil L Mundra-Managing Director 2. Sri Laxminarayan Moondra - Wholetime Director 3. Sri Satyanarayan Mundra- Wholetime Director
Promoter Non Executive Directors	1. Sri Sushil Kumar Mundra-Director
Non Executive Independent Directors	1. Sri S.Gopalan- Chairman 2. Sri C.P.Rangachar - Director 3. Dr C.M.Gurumurthy- Director 4. Sri V.Subramony-Director 5. Sri V.Balaji Bhat-Director

i) Conduct of Board Proceedings :

The day to day business is conducted by the officers and the managers of Company under the direction of the Managing Director and subject to the control of the Board. The Board holds four to five meetings every year to review and discuss the performance of the company, its future plans, strategies and other pertinent issues relating to the company's operations.

The Board performs the following specific functions in addition to the supervision of the business and the management:

- * Review, monitor and approve major financial and business strategies and corporate actions.
- * Assess critical risks facing the company-review options for their mitigation.

ii) Independent Directors :

(a) Tenure of Independent Directors

Tenure of Independent Directors on the Board of the Company shall be as per provisions of clause 49 of the Listing agreement of Companies Act 1956, subject to their re-appointment on retirement as per statutory provisions.

(b) Interaction of Non-Executive including Independent Directors with the Chairman.

The Chairman regularly interacts with non-executive directors to enable them to freely express their views on various matters concerning the business of the Company.

3. BOARD MEETING AND ATTENDANCE :

Details of Board meeting held during the year are as follows:

SL NO	Date of meeting	Board strength	No.of Directors present
1.	30-05-2008	9	7
2.	30-07-2008	9	8
3.	25-10-2008	9	8
4.	17-11-2008	9	6
5.	30-01-2009	9	8

4. ATTENDANCE OF DIRECTORS AT THE BOARD MEETING AND AT ANNUAL GENERAL MEETING :

Director	No.of Board meetings	Attendance at the AGM
1. S.Gopalan	5	Yes
2. Dr C.M.Gurumurthy	4	Yes
3. C.P.Rangachar	3	Yes
4. V.Subramony	5	Yes
5. Sunil L Mundra	5	Yes
6. Laxminarayan Moondra	5	Yes
7. Satyanarayan Mundra	5	Yes
8. Sushil Kumar Mundra	5	Yes
9. V.Balaji Bhat	Nil	No

SIXTEENTH ANNUAL REPORT 2008-2009

5. OTHER DIRECTOR SHIP :

Name of Directors	No. of other Directorship excluding NCL	Membership of committee including NCL	
		Membership	Chairmanship
1. S.Gopalan	1	-	1
2. Dr C.M.Gurumurthy	Nil	1	-
3. C.P.Rangachar	5	3	2
4. V.Subramony	1	-	-
5. Sunil L Mundra	1	1	-
6. Laxminarayan Moondra	1	1	-
7. Satyanarayan Mundra	1	-	-
8. Sushil Kumar Mundra	1	-	-
9. V.Balaji Bhat	7	2	3

6. RELATIONSHIP AMONGST PROMOTER DIRECTORS :

Sr no.	Name of Promoter Director	Other Promoter Directors	Relation between Director and other Directors
1	Laxminarayan Moondra	Satyanarayana Mundra Sunil L Mundra Sushil Kumar Mundra	Brother Son Son
2	Satyanarayan Mundra	Laxminarayan Moondra Sunil L Mundra Sushil Kumar Mundra	Brother Brother's son Brother's son
3	Sunil L Mundra	Laxminarayan Moondra Satyanarayan Mundra Sushil Kumar Mundra	Father Father's brother Brother
4	Sushil Kumar Mundra	Laxminarayan Moondra Satyanarayan Mundra Sunil L Mundra	Father Father's brother Brother

7. AUDIT COMMITTEE/ATTENDANCE :

The role of Audit committee is to review the internal control procedures, internal audit system, financial reporting process, accounting policies, annual financial statements placed before the Board including other related aspects.

All the members of the Audit Committee have good knowledge of corporate and project finance, accounts, and company law. The Chairman of the committee, an engineer, was formerly the Executive Director of IDBI and has accounting and related financial management expertise. The committee holds four meetings during the year. The Audit Committee also advises the management on the areas where internal audit can be improved. The minutes of the meetings of the Audit Committee are placed before the Board. The terms of reference of the audit committee are in accordance with all the items listed in clause 49 (II) (D) and (E) of the listing Agreement as follows :

- i. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial information is correct, sufficient and credible.
- ii. Approve payment for any other services by statutory auditors.
- iii. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
 - a) Matters required to be included in the Director's responsibility statement included in the report of the Board of Directors.
 - b) Any changes in accounting policies and practices.
 - c) Major accounting entries based on exercise of judgement by management
 - d) Qualifications in draft audit report.
 - e) Significant adjustments arising out of audit
 - f) Compliance with listing and other legal requirements concerning financial statements.
 - g) Any related party transactions.
- iv. Reviewing with the management the quarterly financial statements before submission to the Board for approval.
- v. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- vi. Reviewing the adequacy of internal audit function.
- vii. Discussions with internal auditors any significant findings and follow up thereon.
- viii. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- ix. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- x. To review the functioning of the Whistle Blower mechanism.
- xi. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- xii. Review the following information :
 - a) Management Discussion and Analysis of Financial Condition and Results of Operations.
 - b) Internal audit reports relating to internal control weaknesses.
 - c) Management letter / letter of internal control weakness issued by statutory/internal auditors.
 - d) Statement of significant related party transactions.
 - e) The appointment, removal and terms of remuneration of the Internal auditor shall be subject to review by the Audit committee.

The Audit Committee has the following powers:

- i. to investigate any activity within its terms of reference.
- ii. to seek any information from any employee.
- iii. to obtain outside legal and professional advice.
- iv. to secure attendance of outsiders with relevant expertise, if it considers it necessary.

The members of the audit committee are Mr S. Gopalan, Chairman, Mr C. P. Rangachar, and Dr C. M. Gurumurthy. Details of Audit committee meetings held during the year are as follows :

Sl no.	Date of meeting	Committee strength	No. of members present
1.	30-05-2008	3	2
2.	30-07-2008	3	3
3.	25-10-2008	3	3
4.	30-01-2009	3	3

Director	No. of meetings attended
Mr S. Gopalan	4
Mr C.P. Rangachar	3
Dr C.M. Gurumurthy	4

SIXTEENTH ANNUAL REPORT 2008-2009

8. REMUNERATION COMMITTEE :

The role of the Remuneration Committee is to fix, review & recommend the remuneration of all the Executive Directors and the members of the Senior Management of the company.

The Remuneration Committee was constituted on 26-7-2003. The members of the committee are Mr S.Gopalan, Chairman, Dr C. M. Gurumurthy and Mr. V. Subramony.

There was no circumstance warranting the meeting of remuneration committee during the year under consideration.

9. REMUNERATION OF DIRECTORS :

The details of remuneration drawn by the Executive & Non executive Directors for the year 2008-09 are as follows :

Directors	(Rs. In lacs)		
	Sitting fees	Salary and perquisites	Total
Executive Directors :			
1. Sunil L Mundra	-	13.90	13.90
2. Laxminarayan Moondra	-	13.90	13.90
3. Satyanarayan Mundra	-	13.90	13.90
Non Executive Directors :			
1. S.Gopalan	0.90	-	0.90
2. Dr. C.M.GuruMurthy	0.80	-	0.80
3. V.Subramony	0.50	-	0.50
4. C.P.Rangachar	0.60	-	0.60
5. V.Balaji Bhat	-	-	-
6. Sushil Kumar Mundra	0.50	-	0.50

Notes :

1. The salary and perquisites include all fixed elements of remuneration i.e. salary and other allowances and benefits.
2. The company does not pay bonus and any incentives to the executive directors.
3. The company has not entered into any pecuniary relationship or transactions with the non-executive directors.
4. The company had issued o promoters convertible share warrants to the extent of Rs. 144 lacs, however the same were not exercised by them.

Details of Service Contract

Names	Current tenure	From	To
Sunil L Mundra	3 years	01.06.2008	31.5.2011
Laxminarayan Moondra	3 years	01.06.2008	31.5.2011
Satyanarayan Mundra	3years	01.06.2008	31.5.2011

There is no provision for notice period by either side mentioned in the service contract.

10. INVESTOR'S GRIEVANCES COMMITTEE :

The Investor's Grievance committee of the company was formed on 25/3/2003 to oversee redressal of shareholder and investor grievances. The composition of Grievance committee is as follows :

1. Dr C.M.Gurumurthy
2. Mr Laxminarayan Moondra
3. Mr Sunil L Mundra.

Details of the meeting held and attendance are as follows :

Sl no.	Date of meeting	Committee strength	No.of members present
1	30-05-2008	3	2
2	30-07-2008	3	3
3	25-10-2008	3	3
4	30-01-2009	3	3

Dr. C. M. Gurumurthy, non Executive Director, is the Chairman of the committee.

Mr. V. Lokesh , Sr.Manager-Administration, is the Compliance Officer of the company.

11. STATUS OF INVESTOR GRIEVANCE /SHARE TRANSFERS AS ON 31-3-2009

1. No.of Grievances received : 01
2. No.of Grievances redressed : 01
3. No.of Grievances pending : Nil
4. No.of Share transfers pending : Nil

12. GENERAL BODY MEETINGS :

Particulars of past three AGMs are as follows :

AGM	YEAR	VENUE	DATE	TIME
13 th	2006	Bangalore Gayana Samaja,Bangalore-4	28-7-2006	10.00 am.
14 th	2007	Bangalore Gayana Samaja,Bangalore-4	26-7-2007	10.00 am
15 th	2008	Bangalore South Rotary Trust, Bangalore-4	30-7-2008	11.00 am

There was no special resolution requiring postal ballot in the last AGM. Similarly there is no special resolution requiring postal ballot proposed before the ensuing AGM.

During the year under review, No Extraordinary General Meeting was held.

13. CODE OF CONDUCT : The company has introduced code of conduct / Ethical Standard for behaviours for Directors and Senior Management personnel. The details of the same are as follows :**A. POLICY :**

We will comply fully with all laws governing our operations and conduct our affairs in accordance with the highest ethical and legal standards.

Compliance with this policy means not only observing the law, but conducting the company's business at all its locations in such a manner as to ensure that NCL is recognized as an ethical, law abiding corporate citizen. The spirit of this Policy demands that the company maintains a high degree of integrity in its interactions with all its constituents- customers, employees, shareholders, suppliers etc.,

B. ETHICAL STANDARDS OF BEHAVIOUR :**1. Compliance with NCL Values, Policies and Standards should be in letter and in spirit.**

Comply in letter and spirit with the Values, Policies and Standards of the company as mentioned here and in such other documents as may be specified from time to time.

2. The highest levels of honesty, integrity and confidentiality should be maintained in business dealings with customers, suppliers, fellow employees and all other stakeholders.

Act in the interest of the company in a fair manner and use discretionary powers and authority for the purposes for which these were conferred and not for personal gain or unjustified benefits for the company.
Engage only in business practices that are fair and above board.

3. All statutory requirements should be complied with in letter and spirit.

Comply in letter and spirit with relevant legislations.

Disclose in advance, any interpretation not in consonance with the spirit of the law -

In the case of Directors, to the Board of Directors

In the case of Chief Executive, to the Chairman / Managing Director

In the case of all other employees, to the Chief Executive of the company

4. Speculative trading in the shares of the companies in the Group should not be done.

Do not engage in any form of speculative trading in the shares of the company. Lodge immediately for transfer company shares purchased. Do not use knowledge of company's workings for personal gains:

C. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING :**1. Other than for Directors of the company, employees should be considered as being full time unless, otherwise stated.**

Do not engage in any other employment or occupation-full time or part time- during employment with the company.

2. Situations giving rise to conflicts of interests in the discharge of official duties should be scrupulously avoided.

Do not get involved in situations or activities, which would lessen the impartiality, judgment, effectiveness or productivity necessary in the discharge of official duties.

3. Directors should not serve on the Boards or in management or consulting positions of direct competitors, which are likely to lead to conflict of interests.**4. Disclose in full, details of situations where there is a likelihood of potential for such conflicts of interests, for an objective assessment. Directors and senior management personnel should disclose their shareholding interest beyond 2% held with a direct competitor.****5. In company matters, do not deal with members of your immediate family, near relatives, and close friends, e.g., by offering employment or contracts, purchasing assets, appointing as dealers, etc. where however, such a situation**

SIXTEENTH ANNUAL REPORT 2008-2009

becomes obligatory, entrust the decision to the Chief Executive or the Board of Directors of the company.

6. Do not accept from present or prospective customers, suppliers or competitors any gifts, favours or complimentary items that go beyond the common courtesies usually associated with ethical business practices.
7. Refrain from lending to or borrowing from colleagues, competitors, customers, suppliers etc.,

14. DISCLOSURES :

- a) Details of remuneration to Directors are furnished in para 7 above.
- b) Amount paid to M/s Mundra Enterprises, partnership firm in which Mr Sunil L Mundra, Managing Director and Mr Satyanarayan Mundra, Wholtime Director are interested partners, Rs. 3,24,000/- towards the rental charges for the 1200 SFT of office space rented to the company.
- c) There were no instances of non-compliance penalties, strictures on the company by Stock Exchange/SEBI/Statutory Authority on any matter relating to capital markets during the last 3 years.

15. MEANS OF COMMUNICATION :

- a) The quarterly and half yearly results are published in leading English and vernacular dailies. The printed annual report is dispatched to individual shareholder. The material disclosures are informed to the stock exchanges for publication on the announcement by the Board. The company is having its website posted at www.naturalcapsules.com
- b) Management Discussions Analysis (MDA) report which forms part of Annual Report is given in Annexure B.

16. GENERAL SHAREHOLDER INFORMATION :

- a) M/s Cameo Corporate Services Ltd, "Subramaniam building" No.1, Club house road, Chennai, are the registrars and share transfer agents and their registration no. is INE936B01015
- b) The company's shares are eligible for trading only in Demat form and therefore the transfers are on line.
- c) Stock Exchange Listing :
The company's shares are presently listed on the Mumbai, Bangalore and Coimbatore Stock Exchanges.
The company has paid annual listing fee to each of these Stock Exchanges.
- d) Stock Code :
Mumbai Stock Exchange code no.524654
- e) Market price data

Stock Prices

Scrip Code : 524654 Company : : NATURAL CAPS
For the Period : April 2008 to March 2009

Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades	Total Turnover(Rs.)
April 2008	21.50	25.50	21.50	24.30	36685	205	880,174.00
May 2008	24.30	25.80	22.80	24.40	52639	251	1,271,007.00
June 2008	24.20	25.60	20.25	22.50	31141	239	722,062.00
July 2008	20.40	22.00	18.25	21.25	21731	162	443,948.00
August 2008	21.25	23.85	20.75	22.30	28178	181	636,768.00
September 2008	23.00	26.45	17.80	19.40	40091	331	887,516.00
October 2008	18.15	21.70	12.25	17.25	21864	205	345,604.00
November 2008	18.10	18.75	12.55	12.70	96187	341	1,505,241.00
December 2008	13.50	13.99	11.55	13.06	114569	326	1,458,040.00
January 2009	13.60	15.20	13.00	13.20	27345	144	381,937.00
February 2009	14.90	15.84	12.40	14.00	28681	192	434,046.00
March 2009	14.00	14.90	13.10	13.50	25591	134	361,116.00

- a) The share transfer committee periodically attends to share transfer formalities. Demat requests are normally confirmed within an average of 15 days from the date of receipt.
- b) Annual General Meeting :
The 16th Annual General Meeting will be held on Thursday the 30th July, 2009 at Bangalore.
- c) Financial calendar for the year 2009-10 (provisional)

a	Results for the first quarter ending 30 th June, 2009	By end of July, 2009
b	Results for the 2 nd quarter ending 30 th Sept, 2009	By end of Oct, 2009
c	Results for the 3 rd quarter ending 31 st December, 2009	By end of Jan, 2010
d	Results (Audited) for the financial year ending 31 st March, 2010	By end of May, 2010
e	Annual General Meeting for the year ending March, 2010	By end of July, 2010

i) Dates of book closure :

The register of members and share transfer books of the company will remain closed from 27.7.2009 to 30.7.2009 (both the days inclusive) for the purpose of AGM.

j) Statistics of share holders

Year	No. of shareholders
31-03-2007	4685
31-03-2008	4981
31-03-2009	4801

k) Dividend Payment Date :

The Dividend as approved by the share holders in the AGM, will be paid within 30 days from the date of AGM.

Share holding pattern :

Category	No. of shares	% holding
1. Resident	21,93,468	48.7145
2. FII	300	0.0066
3. NRI	40,013	0.8886
4. Corporate Body	2,23,255	4.9582
6. Clearing member	2,678	0.0594
7. Mutual Funds	4,700	0.1043
8. Promoters	11,72,250	26.0343
9. Directors / Relatives	8,66,036	19.2337
Total	45,02,700	100.0000

Distribution of holdings :

Share holding nominal Value of	Share holders		Share amount	
	Number	% to total	Rs.	% to total
1 - 100	2665	55.5092	228823	5.0819
101 - 500	1496	31.1601	427784	9.5006
501 - 1000	303	6.3111	260151	5.7776
1001 - 2000	156	3.2493	238803	5.3035
2001 - 3000	62	1.2913	158427	3.5184
3001 - 4000	22	0.4582	77920	1.7305
4001 - 5000	26	0.5415	123381	2.7401
5001 - 10000	35	0.7290	266355	5.9154
10001 - and above	36	0.7498	2721056	60.4316
	4801	100.000	4502700	100.0000

i) Mr V.Lokesh, is the Compliance Officer within the meaning of relevant requirements of SEBI and Stock Exchanges.

m) Company's plants are located at :

- Plot no.7A2, KIADB Industrial Area, Attibele - 562 107, Karnataka
- RS No. 84, Perambai Road, Pitchaiveerampet, Pondicherry - 10

17. COMPLIANCE CERTIFICATE OF THE AUDITORS :

The company has obtained a certificate from the statutory auditors certifying compliance of conditions of Corporate Governance, as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed to this report.

(S.Gopalan)
Chairman

Place : Bangalore
Date : 30-5-2009

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Natural Capsules Limited

We have examined the compliance of conditions of corporate governance by Natural Capsules Limited for the year ended on 31st March 2009 as stipulated in clause 49 of the Listing Agreement of the company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the 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.

In our opinion and to the best of our information and according to the explanations given to us, we certify that company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Share Transfer cum Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with the management has conducted the affairs of the company.

Place : Bangalore

Date : 30-5-2009

For and on behalf of
GNANOBA & BHAT
CHARTERED ACCOUNTANTS
(K. R. GNANOBA)
Partner

**ANNEXURE B
MANAGEMENT DISCUSSION AND ANALYSIS**

1 INDUSTRY STRUCTURE AND DEVELOPMENTS :

During the year under review, in spite of the difficult situation on the international front, Indian Pharmaceutical Industry has grown by around 7 to 8%. However, the export of Pharma products have been affected mainly because of scarce finance position in various economies. However, this is likely to improve in the current year and Company is hopeful of maintaining its operations at same level as that of the year under review.

2. OPPORTUNITIES AND THREATS :

Capsules

a) Opportunities :

1. Good export market for Gelatin capsules in South East and far East Asian, African and Latin America countries.
2. Expansion of the existing markets for Vege capsules within the country.

b) Threats :

1. Expansion of capacities by other major players.
2. Over capacity may lead to drop in sales realization.
3. Conversion of Gelatin capsules products into other dosage forms.

Formulation :

a) Opportunities

1. Job work for exporters and other MNC companies
2. Reduction in Excise duty will create new jobwork opportunities.

b) Threats :

1. New GMP requirements may warrant modernization of our existing plant.

3. RISKS AND CONCERNS :

Risk of competition and exchange fluctuations may have an adverse impact on the projections.

4. OUT LOOK :

Based on the company's performance up to the date of this report, orders on hand and commissioning of the new machines at Pondicherry, company is hopeful of achieving a turnover of around Rs.28 crores in the current year. However due to drop in sales realization of capsules and appreciation in Indian Rupee, company may have to face reduction in profitability.

5. DISCUSSION OF FINANCIAL PERFORMANCE :

During the year under review, the company had discharged all its institutional repayment liabilities on time. Over and above this, the company has ploughed back Rs.362.44 lacs for Capital Investment at Pondicherry for the new expansion Project. The proposed expansion will more than double the installed capacity for capsules in the company.

6. SEGMENT WISE PERFORMANCE :

(Rs. in lacs)

Sl no.	Particulars	For the year ended 31-3-09 Audited	Previous year ended 31-3-08 Audited
1	SEGMENT REVENUE		
	Capsules	2392.73	1890.32
	Formulation	238.44	150.36
	Others	8.94	3.74
	Total	2640.11	2044.42
	Less: Inter segment revenue	28.11	21.76
	Net income from operation	2612.00	2022.66
2.	SEGMENT RESULTS		
	Profit/(Loss) before depreciation, tax and interest from each segment.		
	Capsules	721.24	538.47
	Formulation	14.20	10.45
	Others	8.92	3.74
	Total	744.36	552.66
	Less: i) Depreciation and Amortisation	118.19	112.21
	ii) Interest	9.84	11.98
	iii) Other un-allocable expenditure / income		--
	Total profit before tax	616.33	428.47

GNA NOBA & BHAT
Chartered Accountants

**AUDITOR'S REPORT TO THE MEMBERS OF
M/s NATURAL CAPSULES LIMITED**

We have audited the attached Balance Sheet of M/s. NATURAL CAPSULES LIMITED, Bangalore, as at 31st March 2009, and also the Profit & Loss account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Department of Company Affairs in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from the examination of those books;
 - (iii) The Balance Sheet, Profit & Loss account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet, Profit & Loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the companies Act, 1956;
 - (v) On the basis of written representations received from the Directors as on 31st March 2009 and taken on record by the Board of Directors, we

report that none of the Directors are disqualified as on 31st March 2009 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the State of affairs of the Company as at 31st March 2009;
 - (b) in the case of the Profit & Loss account, of the Profit of the Company for year ended on that date; and
 - (c) in the case of Cash flow statement, of the cash flows for the year ended on that date.

**For GNA NOBA & BHAT
CHARTERED ACCOUNTANTS**

**(K. R. GNA NOBA)
PARTNER**

**PLACE: BANGALORE
DATE: 30th May 2009**

GNANOBA & BHAT
Chartered Accountants

ANNEXURE TO AUDITOR'S REPORT
(REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF
EVEN DATE).

1. In respect of its fixed assets
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - b. The fixed assets have been physically verified by the management. In our opinion the frequency of verification is reasonable. According to the information and explanation given to us no material discrepancies were noticed on such verification.
 - c. The company has not disposed off its substantial part of fixed assets during the year.
2. In respect of inventories
 - a. As explained to us inventories were physically verified by the management at reasonable intervals.
 - b. In our opinion, and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the company and the nature of the business.
 - c. In our opinion, and according to the information and explanation given to us, the company has maintained proper books of its inventories and no material discrepancies were noticed on physical verification.
3. In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, according to the information and explanation given to us.
 - a. During the year, the company has not granted or taken any loans to/from, firms or other parties recorded in register maintained under section 301 of the Act.
 - b. Since no loans are granted / taken sub-clause (b), (c) & (d) of clause iii of paragraph 4 of the order are not applicable to the company.
4. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. According to the explanation given to us, there are no failures to correct the major weaknesses observed in the internal control.
5. In respect of transactions entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956
 - a. To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
 - b. The company has not entered in to any transactions exceeding the value of five lakh rupees in respect of each party and hence we are not required to comment on such transactions.
6. As per the records and according to the information given to us, the company has not accepted any deposits from the public. The Company Law Board has not passed any order on the company.
7. In our opinion, the internal audit functions carried out during the period by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
8. According to the records produced and information given to us, we have seen that cost records and accounts as prescribed by the Central Government under Section 209 (1)(d) of the Act have been made and maintained by the Company to the extent applicable but no examination of such records and accounts has been carried out by us.
9. According to the information and explanations given to us, in respect of statutory dues and other dues
 - a. The company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues with appropriate authorities during the period.
 - b. Disputed Excise Duty of Rs.1.26 lacs is pending before the Commissioner Appeals. The company has deposited Rs.0.53 lacs against the disputed excise duty liability.
 - c. Disputed income tax of Rs.7.65 lacs is pending before Commissioner Appeals. The company has deposited Rs.0.50 lakhs against disputed income tax liability.
10. There are no accumulated losses at the end of the year and hence clause (x) of the Order is not applicable for the company;
11. Based on our audit procedures and according to the information and explanation given by the management, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
12. According to the information furnished to us and verified by us, the company has not granted loans and advances on the basis of security by way of pledge of shares,

SIXTEENTH ANNUAL REPORT 2008-2009

- debentures and other securities and hence clause (xi) of the Order is not applicable to the company;
13. In our opinion, the company is not a Chit fund or a Nidhi/Mutual Benefit Fund/Society. Therefore, the provisions of clause (xiii) of the Order are not applicable to the company;
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments and accordingly provisions of clause (xiv) of the Order are not applicable to the company;
15. According to the information and explanation given by the management, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. To the best of our knowledge and belief and according to the information and explanation given to us, terms loans availed by the Company were, Prima facie, applied by the Company during the period for the purpose for which the loans were obtained.
17. According to the cash flow statement and other records examined by us, and the information and explanations given to us, on an overall basis, funds raised on short term basis have, Prima facie, not been used during the period for long term investment and vice versa.
18. During the year the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act and hence clause (xviii) of the Order is not applicable to the company.
19. The company has not issued any debentures during the year and hence clause (xix) of the Order is not applicable to the company.
20. The company has not raised any money by way of public issue during the year under report and hence clause (xx) of the Order is not applicable.
21. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company was noticed or reported during the year.

**For GNANOBA & BHAT
CHARTERED ACCOUNTANTS**

**(K. R. GNANOBA)
PARTNER**

**PLACE: BANGALORE
DATE: 30th May 2009**

BALANCE SHEET AS AT 31st MARCH 2009

	Schedule	AS AT			
		31-03-2009	AS AT 31-03-2008		
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS :					
1. SHAREHOLDERS FUNDS :					
a) Share Capital	A	45,027,000		45,027,000	
b) Equity Share Warrants		-		1,440,000	
c) Reserve and Surplus	B	<u>149,585,960</u>		<u>114,717,397</u>	
			194,612,960		161,184,397
2. LOAN FUNDS :					
a) Secured Loans	C	57,179,429		2,564,036	
b) Unsecured Loans	D	<u>5,667,909</u>		<u>9,316,302</u>	
			62,847,337		11,880,338
3. DEFERRED TAX					
a) Deferred Tax Liability			12,896,497		12,384,794
TOTAL			<u>270,356,794</u>		<u>185,449,529</u>
II. APPLICATION OF FUNDS :					
1. FIXED ASSETS :					
a) Gross Block		207,275,514		201,742,064	
b) Depreciation		<u>94,590,240</u>		<u>83,120,223</u>	
c) Net Block	E		112,685,274		118,621,841
d) Capital work-in-progress	F		83,690,836		2,486,917
2. INVESTMENTS :					
3. CURRENT ASSETS, LOANS & ADVANCES :					
a) Inventories	G	15,134,469		19,436,610	
b) Sundry Debtors	H	88,320,290		70,222,699	
c) Cash & Bank balances	I	<u>1,312,019</u>		<u>7,654,886</u>	
d) Other Current Assets and Loans & Advances	J	54,629,706		28,419,022	
		<u>159,396,483</u>		<u>125,733,217</u>	
Less : Current liabilities & Provisions	K	85,415,799		61,392,446	
Net Current Assets			73,980,684		64,340,771
TOTAL			<u>270,356,794</u>		<u>185,449,529</u>
III. NOTES ON ACCOUNTS					
	R				

NOTE : The Schedules referred to above form an integral part of the Balance Sheet.

THIS IS THE BALANCE SHEET REFERRED TO IN OUR REPORT OF EVEN DATE

For GNAOBA & BHAT
CHARTERED ACCOUNTANTS

SRIRANGAM GOPALAN
CHAIRMAN

SATYANARAYAN MUNDRA
WHOLE TIME DIRECTOR

K.R. GNAOBA
PARTNER

SUNIL L. MUNDRA
MANAGING DIRECTOR

Place : Bangalore

SIXTEENTH ANNUAL REPORT 2008-2009

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009

	Schedule	2008-09	2007-08
		Rs.	Rs.
I. INCOME :			
1. Sales & Other Income	L	261,203,363	202,267,418
2. Variation in Stock	M	(638,682)	1,034,043
TOTAL		260,564,681	203,301,461
II. EXPENDITURE :			
1. Materials consumed	N	101,844,313	82,433,850
2. Employee Costs	O	20,303,901	14,962,518
3. Other Manufacturing, Selling & Administrative Expenses	P	63,909,577	50,638,386
4. Financial Costs	Q	984,013	1,198,090
6. Depreciation		11,818,901	11,221,875
TOTAL		198,860,705	160,454,719
Profit / (Loss) for the year		61,703,976	42,846,742
Prior Period (Expenses) / income		(70,640)	0
Profit / (Loss) before tax		61,633,336	42,846,742
Provision for Taxation :			
Prior year Tax : Income Tax FY 06-07		0	(670,672)
Current Tax : Income Tax		(21,200,000)	(13,900,000)
Fringe Benefit Tax		(171,549)	(166,543)
Deferred Tax		(511,703)	(2,227,339)
Profit / (Loss) after tax		39,750,084	25,882,188
Opening Balance in P&L b/f		92,656,342	72,690,089
Profit / (Loss) available for distribution & appropriation		132,406,426	98,572,277
Appropriation			
Proposed Dividend on equity shares		5,403,240	4,502,700
Tax on Proposed dividend		918,281	765,234
Transfer to General Reserve		994,000	648,000
Balance Carried forward to Balance sheet		125,090,906	92,656,343
EARNINGS PER SHARE (Equity shares, par value of Rs.10/-)			
Basic		8.83	5.75
Diluted		8.83	5.57
NUMBER OF SHARES USED IN COMPUTING EARNINGS PER SHARE			
Basic		4,502,700	4,502,700
Diluted		4,502,700	4,646,700

III. NOTES ON ACCOUNTS

R

NOTE : The Schedules Referred to above form an integral part of the Profit & Loss Account

THIS IS THE PROFIT & LOSS ACCOUNT REFERRED TO IN OUR REPORT OF EVEN DATE

For GNA NOBA & BHAT
CHARTERED ACCOUNTANTS

SRI RANGAM GOPALAN
CHAIRMAN

SATYANARAYAN MUNDRA
WHOLE TIME DIRECTOR

K.R. GNA NOBA
PARTNER

SUNIL L. MUNDRA
MANAGING DIRECTOR

Place : Bangalore
Date : 30th May, 2009

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2009

	AS AT 31-03-2009 Rs.	AS AT 31-03-2008 Rs.
SCHEDULE - A :		
SHARE CAPITAL :		
Authorised :		
50,00,000 Equity Shares of Rs. 10/- each	50,000,000	50,000,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL :		
45,02,700 (PY 45,02,700) Equity Shares of Rs. 10/- each	45,027,000	45,027,000
	<u>45,027,000</u>	<u>45,027,000</u>
SCHEDULE - B :		
1. General Reserve		
Opening Balance	2,228,254	1,580,254
Add: Transfer from Profit & Loss Account	994,000	648,000
Closing Balance	3,222,254	2,228,254
2. Capital Reserve- Share forfeiture account	1,440,000	-
3. Share Premium	19,832,800	19,832,800
4. Profit & Loss Account	125,090,906	92,656,343
	<u>149,585,960</u>	<u>114,717,397</u>
SCHEDULE - C :		
SECURED LOANS :		
LONG TERM LOANS		
From : State Bank of India		
Term Loan - No.30578991884	34,286,674	-
Term Loan - No.10242779165	-	1,253,681
Term Loan - No.30008521182	34,286,674	1,310,355
	<u>68,573,348</u>	<u>2,564,036</u>
SHORT TERM LOANS		
State Bank of India-OD Account	15,832,456	-
State Bank of India-Packing Credit Account	7,060,299	-
	<u>22,892,755</u>	<u>2,564,036</u>
SCHEDULE - D :		
UNSECURED LOANS :		
Sales Tax deferment loan	5,667,909	9,316,302
Total	<u>5,667,909</u>	<u>9,316,302</u>
SCHEDULE - F :		
CAPITAL WORK IN PROGRESS		
(Including capital advances)		
Pondicherry Unit	83,690,836	2,486,917
	<u>83,690,836</u>	<u>2,486,917</u>
SCHEDULE - G :		
INVENTORIES		
(As taken, valued and certified by the Managing Director)		
Raw materials & Packing Material	4,913,718	8,936,603
Consumable, stores & spares	1,948,178	1,231,213
Work-in-progress	1,643,576	-
Finished Goods	4,697,964	6,980,222
Goods in Transit	1,931,033	2,288,572
Total	<u>15,134,469</u>	<u>19,436,610</u>

SIXTEENTH ANNUAL REPORT 2008-2009

		AS AT 31-03-2009 Rs.		AS AT 31-03-2008 Rs.
SCHEDULE - H :				
SUNDRY DEBTORS :				
(Unsecured, considered good, subject to confirmation)				
Outstanding for more than six months	4,317,105		3,396,170	
Others	<u>84,003,185</u>	88,320,290	<u>66,826,529</u>	70,222,699
Total		<u>88,320,290</u>		<u>70,222,699</u>
SCHEDULE - I :				
CASH & BANK BALANCES :				
Cash on hand		278,052		1,192,393
Balance with Scheduled Banks				
- in Current Account		380,987		5,968,884
- Dividend Distribution Account		<u>652,980</u>		<u>493,609</u>
Total		<u>1,312,019</u>		<u>7,654,886</u>
SCHEDULE - J :				
OTHER CURRENT ASSETS, LOANS & ADVANCES :				
(Unsecured, considered good, subject to confirmation)				
Loans and advances recoverable in cash or in kind or for value to be received		835,347		962,974
Advance Tax including TDS		38,813,962		21,198,199
Cenvat Credit		8,427,604		1,180,571
Deposits		5,616,688		3,636,878
Advance To Suppliers		<u>936,105</u>		<u>1,440,400</u>
Total		<u>54,629,706</u>		<u>28,419,022</u>
SCHEDULE - K :				
CURRENT LIABILITIES & PROVISIONS :				
SUNDRY CREDITORS :				
For Goods, Supplies & Others (Dues to SSIs' Rs.0.87 Lacs (P.Y Rs.0.49 lacs)		28,746,020		29,514,471
Duties & Taxes		1,382,484		557,663
Advance From Customers		1,657,099		274,622
Security Deposit From Customers		<u>209,843</u>		<u>209,843</u>
Total		<u>31,995,446</u>		<u>30,556,599</u>
PROVISIONS :				
Provision for Taxation :				
Income Tax 06-07		11,000,000		11,000,000
Income Tax 07-08		13,900,000		13,900,000
Income Tax 08-09		21,200,000		-
Fringe Benefit Tax 07-08		166,543		166,543
Fringe Benefit Tax 08-09		171,549		-
Unclaimed Dividend				
2004-05 :	175,473		175,473	
2005-06 :	184,819		184,819	
2006-07 :	141,077		141,077	
2007-08 :	<u>159,371</u>		-	
Proposed dividend		.660,740		501,369
Dividend tax on proposed Dividend		5,403,240		4,502,700
		<u>918,281</u>		<u>765,234</u>
Total		<u>53,420,353</u>		<u>30,835,846</u>
TOTAL		<u>85,415,799</u>		<u>61,392,446</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT :

	2008-2009	2007-2008
	Rs.	Rs.
SCHEDULE - L :		
SALES & OTHER INCOME :		
Sales	260,309,820	201,892,636
Interest Received	381,623	175,726
(Gross, TDS Rs.42468/-(Previous Year - Rs.29,320/-)		
Miscellaneous Income	511,920	199,056
Total	<u>261,203,363</u>	<u>202,267,418</u>
SCHEDULE - M :		
VARIATION IN STOCK :		
Opening Stock		
- Work-in-progress	-	248,320
- Finished Goods	<u>6,980,222</u>	<u>5,697,859</u>
	6,980,222	5,946,179
Closing Stock		
- Work-in-progress	1,643,576	-
- Finished Goods	<u>4,697,964</u>	<u>6,980,222</u>
	6,341,540	6,980,222
Increase / (Decrease) in stock	<u>(638,682)</u>	<u>1,034,043</u>
SCHEDULE - N :		
MATERIALS CONSUMED :		
Opening Stock	10,167,816	7,715,319
ADD : Cost of Materials Purchased	98,538,393	84,886,347
LESS : Closing Stock	<u>(6,861,896)</u>	<u>(10,167,816)</u>
Materials Consumed	<u>101,844,313</u>	<u>82,433,850</u>
SCHEDULE - O :		
EMPLOYEE COSTS :		
Salaries, Wages & Allowances		
- Directors	4,170,000	2,250,000
- Others	<u>12,027,190</u>	<u>10,373,616</u>
	16,197,190	12,623,616
Contribution to provident & other funds	989,951	888,595
Other employee costs	<u>3,116,760</u>	<u>1,450,307</u>
Total	<u>20,303,901</u>	<u>14,962,518</u>

SIXTEENTH ANNUAL REPORT 2008-2009

	2008-2009		2007-2008
	Rs.		Rs.
SCHEDULE - P :			
OTHER MANUFACTURING, SELLING & ADMINISTRATIVE EXPENSES			
Rent	1,982,544		1,706,968
Power, Fuel and Water Charges	19,996,217		18,643,278
Other Manufacturing Expenses	7,234,616		5,048,616
Repairs & Maintenance :			
- Building	417,439	509,770	
- Machinery	1,800,797	2,929,677	
- Others	<u>2,231,308</u>	<u>1,485,634</u>	
	4,449,543		4,925,081
Security Charges	512,519		372,984
Insurance	332,030		431,916
Exchange fluctuation	121,117		275,884
Communication Costs	763,300		789,019
Printing & Stationery	512,429		473,849
Travelling & Conveyance	4,920,683		3,599,166
Directors Sitting Fees	330,000		195,000
Auditors Remuneration :			
Internal Audit Fees	93,242		97,110
Statutory Audit			
- For Audit	60,000	60,000	
- For Tax matters	20,000	20,000	
- For Other Services	<u>10,500</u>	<u>-</u>	
	90,500		80,000
Rates & Taxes Including Filing Fees	1,734,894		155,856
Commission	1,444,912		690,551
Freight outward	12,433,046		9,678,449
Bad Debts Written-off	973,466		7,084
License Fees	1,368,259		856,964
Professional Charges	1,676,101		457,732
Sales Promotion Expenses	307,659		305,142
ERP Expenses	400,000		0
Impairment Loss	202,102		94,835
Miscellaneous Expenses	2,030,400		1,752,904
	<u>63,909,577</u>		<u>50,638,388</u>
Total			
SCHEDULE - Q :			
FINANCIAL COSTS :			
Interest on Term Loans	99,752		891,242
Others	884,261		306,847
	<u>984,013</u>		<u>1,198,089</u>
Total			

SCHEDULE - E : For the year 2008-09
FIXED ASSETS

(AMOUNT IN RUPEES)

Sl. No	Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		As at 01.04.2008	Additions/ (deletions) during the year	"Impairment Loss"	As at 31.03.2009	As at 01.04.2008	For the Period	Withdrawals/ (deletions) during the year	As at 31.03.2009	As at 31.03.2009	As at 31.03.2008
1	Free hold land	2,135,730	-	-	2,135,730	-	-	-	-	2,135,730	2,135,730
2	Building	19,208,243	-	-	19,208,243	7,035,330	641,555	-	7,676,885	11,531,358	12,172,913
3	Plant & Machinery including Electrical Instalations	68,361,118	488,886	520,786	68,329,218	60,927,527	5,719,814	313,550	66,333,791	1,995,427	7,433,591
4	Computer	550,838	3,685,769	-	4,236,607	312,784	220,648	-	533,432	3,703,175	238,054
5	Furniture & Fixtures	1,250,412	-	-	1,250,412	792,036	79,151	-	871,187	379,225	458,376
6	Office Equipments	250,404	29,514	33,010	246,908	79,989	31,947	13,913	98,023	148,886	170,415
7	Motor Vehicles	1,100,085	-	-	1,100,085	416,299	104,508	-	520,807	579,278	683,786
8	Technical know-how-fees	300,000	-	-	300,000	300,000	-	-	300,000	-	-
		93,156,830	4,204,169	553,796	96,807,203	69,863,965	6,797,624	327,463	76,334,126	20,473,077	23,292,865
PONDICHERRY UNIT											
1	Land	2,976,000	-	-	2,976,000	-	-	-	-	2,976,000	2,976,000
2	Building	21,619,034	-	-	21,619,034	3,131,999	722,076	-	3,854,075	17,764,959	18,487,035
3	Plant & Machinery including Electrical Installations	82,183,557	1,518,253	53,510	83,648,300	9,838,398	4,140,414	21,421	13,957,391	69,690,909	72,345,159
4	Computers	306,327	347,460	-	653,787	127,774	62,796	-	190,570	463,217	178,553
5	Furniture	1,265,695	61,183	-	1,326,878	114,179	84,526	-	198,705	1,128,173	1,151,516
6	Office equipment	234,621	9,690	-	244,311	43,908	11,466	-	55,374	188,937	190,713
		108,585,234	1,936,586	53,510	110,468,310	13,256,258	5,021,277	21,421	18,256,114	92,212,196	95,328,976
	GRAND TOTAL	201,742,064	6,140,756	607,306	207,275,514	83,120,223	11,818,901	348,884	94,590,240	112,685,273	118,621,841
	PREVIOUS YEAR	186,421,268	15,415,631	94,835	201,742,064	71,898,348	11,221,874	-	83,120,223	118,621,841	114,522,919

(23)

NATURAL CAPSULES LIMITED

SIXTEENTH ANNUAL REPORT 2008-2009

SCHEDULE - R:

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS :

I. SIGNIFICANT ACCOUNTING POLICIES :

A. METHOD OF ACCOUNTING :

The financial statements have been prepared under the historical cost convention and on the basis of the going concern, with revenues recognized and expenses accounted on their accrual, including provisions / adjustments for committed obligations and amounts determined as payable or receivable during the year.

The financial statements generally comply with all the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.

B. FIXED ASSETS :

Fixed Assets are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenditure relating to the acquisition, such as cost of installation / erection and interest up to the date of commissioning of the asset as applicable. Excise duty paid on Fixed Assets to the extent eligible for claiming of Cenvat credit has been separately debited to Cenvat credit receivable account and disclosed under current assets.

Cost includes related pre-operative project expenditure and other related indirect / incidental expenses attributable to the cost of construction, including borrowing cost, allocated based on best estimate of the management.

C. CAPITAL WORK IN PROGRESS :

Capital Work-in-progress inclusive of advances to supplier of capital equipments/buildings are carried at cost, comprising direct cost, related incidental expenses pending allocation / capitalization to the related projects / assets and interest on borrowings there-against.

D. DEPRECIATION :

Depreciation on Fixed assets is provided in the accounts on the Straight Line method as per the rates prescribed under Schedule XIV of the Companies Amendment Act, 1988, read with Section 205 (2) (b) of the Companies Act 1956. Depreciation is provided on pro-rata basis on assets put to use during the year. 100% Depreciation has been provided on assets costing less than Rs. 5,000/- each.

E. INVENTORIES :

Inventories Comprise raw materials, packing materials, work in process and finished goods. These are valued at lower of cost or net realizable value. Cost is determined as follows:

Raw Materials and Packing Materials : On First-In-First-Out basis.

Work in Process and Finished Goods : at Material cost and an appropriate share of production overheads

F. REVENUE RECOGNITION :

Sales are recognized on the dispatch of goods to customers and are recorded net of excise duty, taxes, trade discounts, and shortages in transit.

G. CASH FLOW :

Cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 on Cash Flow Statements.

H. FOREIGN CURRENCY TRANSACTIONS :

All transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Current assets and liabilities denominated in foreign currency as at the yearend are restated as at the year-end rate. Exchange differences on settlement / restatement of foreign currency transactions relating to fixed assets are adjusted to the cost of the respective assets. Exchange differences relating to other transactions are charged to the Profit and Loss Account.

I. EMPLOYEE BENEFITS :

(a) Defined Contribution Plans

Under the Provident Fund plan, the company contributes to a government administered provident fund on behalf of its employees and has no further obligation beyond making its contribution.

The Company makes contributions to state plans namely Employee's state insurance Fund and Employee's pension scheme 1995 and has no further obligation beyond making the payment to them. The Company's contributions to the above funds are charged to revenue every year.

(b) Defined Benefit Plan

The company has a Defined Benefit plan namely Gratuity for all its employees. The Liability for the defined benefit plan of gratuity is determined on the basis of an actuarial valuation at the year end. The company has taken a group gratuity policy with Life Insurance Corporation Limited and is funded. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense.

J. ACCOUNTING FOR TAXES ON INCOME :

- (a) Income Tax/Fringe Benefit Tax have been accounted for as per payable method.
- (b) Deferred Tax is provided on all timing differences, which are recognized during the year after utilizing the deferred assets (carried forward depreciation as per Income tax), on the basis of estimate of income during future years received from the Management. The provision of deferred tax is after netting the deferred tax liability with deferred tax asset.

K. BORROWING COST :

Borrowing cost incurred up to date of commencement of commercial production / intended use of fixed assets are capitalized in accordance with the Accounting Standard 16 on "Borrowing Cost".

Borrowing costs other than attributable to a qualifying asset are expensed as and when incurred.

L. IMPAIRMENT OF ASSETS :

If the carrying amount of fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

M. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :

A Provision is recognized when an enterprise has a present obligation as a result of past event it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

N. PRIOR PERIOD AND EXTRAORDINARY ITEMS :

Prior period and extraordinary items, and changes in accounting policies, having a material impact on the financial affairs of the company are disclosed

NOTES TO ACCOUNTS :

1. Share Capital :

In terms of the approval of the Board of Directors of the company and as per the applicable statutory provisions including Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000, the company, on March 14, 2008, has issued and allotted 2,20,000 equity shares of Rs.10/- each, at a premium of Rs.20/- each and 1,44,000 warrants on preferential basis to the members of the promoter group entitling them to apply equivalent number of fully paid equity shares of Rs.10/- each. However during the year the promoters chose not to exercise the conversion of warrants and hence the initial paid amount of Rs.3/- per warrant (total amount of Rs. 14.40 lacs) has been forfeited by company, and has been shown under capital Reserve.

- 2. The total Borrowing cost transferred to Capital Work in Progress during the period is Rs. 15.72 Lacs (PY: Rs. Nil) which would be capitalized.

3. Segment Reporting :

- (a) The company's operations are basically identified into two segments namely Capsules and Formulations.
- (b) The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record Income and expenditure in individual segments.
- (c) Income and direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of the cost are categorized equally among the segments. Certain expenses such as Depreciation, R&D Expenses, Finance cost, which form a significant component of the total cost are not specifically allocable to specific segments as the same is used interchangeably.
- (d) Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable

SIXTEENTH ANNUAL REPORT 2008-2009

segments since the same are used interchangeably between the segments.

(e) All the inter segment transfers are made at cost price.

SEGMENT WISE REPORTING FOR THE YEAR ENDED 31 ST MARCH 2009

PARTICULARS	Formulation (RS.)	Capsules (RS.)	Others (RS.)	Total (RS.)
Sales	23844252	236465568	-	260309820
Add: Adjustment for inter-segment revenue	-	2811322	-	2811322
Other Income	-	-	893543	893543
Increase / (Decrease) in stock	-	(638682)	-	(638682)
TOTAL REVENUE	23844252	238638208	893543	263376003
Material Consumed	7835221	94009092	-	101844313
ADD: inter segment transfers	2811322	-	-	2811322
Staff Cost	1928871	18375030	-	20303901
Other manufacturing selling and admin exps	2559209	61421008	-	63980217
Preliminary exps	-	-	-	-
R&D Expenses W/off	-	-	-	-
Depreciation	-	-	-	11818901
Financial cost	-	-	-	984013
TOTAL EXPENDITURE	15134623	173805130	-	201742667
Prior period Income	-	-	-	-
PROFIT BEFORE TAX	1353599	60279737	-	61633336
Provision for taxation	-	-	-	-
-Prior period tax	-	-	-	-
-Current tax	-	-	-	(21371549)
-Deferred tax	-	-	-	(511703)
PROFIT AFTER TAX	-	-	-	39750084

4. Related Party Disclosures :

- (a) List of Related parties : M/s. Mundra Enterprises
 (b) Key Management personnel : Mr. Sunil Mundra, Mr. Laxminarayana Moondra & Mr. Sathyanarayana Mundra

Transactions with related parties (Rs. In Lacs)

Name of transactions	Relative (Mundra Enterprises)	Key Management personnel
Rent towards office premises	3.24	
Out standing balance as on 31/03/09	0.27	
Managerial remuneration		41.70

5. Leases :

Accounting for Lease has been made in accordance with the Accounting Standard 19 on "Lease" issued by the Institute of Chartered Accountants of India. Following are the details of lease transactions for the year.

Operating Lease :

The Company has operating lease for office facility.

(Rs. In Lacs)

Particulars	2008-09 Rs.	2007-08 Rs.
Minimum lease payments debited to Rent account	3.24	2.88
There are no contingent rents	-	-

Future minimum lease payments

Particulars	Rs. (in lacs)
Future Minimum lease Payments:	
- Not later than one year	3.24
- Later than one year and not later than 5 years	12.96
- Later than five years	0.00

6. Earnings per Share:

In determining earning per share, the company considers the net profit after tax and includes the post-tax effect of any extra ordinary item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

(Rs.in Lacs)

Particulars	2008-09	2007-08
Profit after Tax as per Profit and Loss A/c(Rs in Lakhs)	397.50	258.82
Weighted Average number of Shares for Basic EPS	4502700	450,2700
Weighted Average number of Shares for Diluted EPS	4502700	450,2700
Earnings Per Share (Rs.)		
Basic	8.83	5.75
Diluted	8.83	5.75

7. Taxation:

The net deferred tax liability as at 31st March 2009 comprises:

(Rs. In Lacs)

Particulars	2008-09 Rs	2007-08 Rs
Tax impact due to Timing differences on Depreciation	124.87	126.55
Tax impact due to Timing differences on Others	4.09	(2.70)
Total	128.96	123.85

8. Long-term loans from State Bank of India are secured by first and joint equitable mortgage on pari-passu basis on Land, Building, Plant & Machinery / equipments, furniture & Computers situated at Attibele Industrial Area, Bangalore & at Pondicherry and collateral security of entire stocks of raw materials, semi-finished goods and finished goods, book debts, receivable, other current assets etc. Long-term loans obtained from State Bank of India are secured by land and building situated at Pondicherry and hypothecation of plant and Machinery/equipments/furniture & computers. In addition, collateral securities consist of second charge on fixed assets by shares of NCL held by M/s.Nandi Synthetic Pvt Ltd to the tune of Rs.36.70 and extension of charge on current asset. Further the Company has provided the Security of its Immovable Properties comprising of Land & Building (Built/to be Built) situated at Plot No. 7A2, KIADB Industrial Area, Attibele, Bangalore, measuring an extent of 8165 Sq. Mtrs, and its land and building at RS No. 84, Pitchaveeranpet, Pondicherry to cover the credit facilities to the extent of Rs.1230.00 Lakhs by way of first charge.

(a) Working Capital loan including Packing Credit Loan from State Bank of India is secured by hypothecation of stock of raw materials; work in process, finished goods, book debts, bills and other movable assets of the company.

(b) All the secured loans are further secured by the personal guarantees of promoter directors.

(c) The Company had opted for the Sales tax deferment scheme under their expansion program. The sales tax deferment to an extent of Rs.231 lakhs was sanctioned to the company vide FAVC no. SIAC/JKA/STD(E)/NCL/AIA/98-99 dated:30.03.1999. The company opted for availing deferment of sales tax under this scheme from 01.04.2001 & upto 28.02.2007, the total amount of sales tax & VAT retained by the company under this scheme is Rs. 1,47,92,247/-. The above amount has to be paid in 20 equal quarterly installments. The company has paid 8 quarterly installments up to 31-03-2009, amounting to Rs.59,16,904/- out of the above deferred amount.

(d) Term loan repayable within one year - Rs. 90.00 lakhs (Previous year Rs 25.64 lakhs). Installments overdue towards principal Rs. NIL (previous year Rs. nil) and interest overdue is Rs. Nil (Previous year Nil).

9. The total outstanding due to Small Scale Industrial undertakings is Rs. 0.87 lakhs (Previous Year 0.49 lakhs) and the same is due to M/s Benaka Mudran and M/s Trisiris Enterprises

SIXTEENTH ANNUAL REPORT 2008-2009

10. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances paid) - Rs. 186.32 lakhs (Previous year- Rs. 51 lakhs)

Contingent liabilities not provided for:

- Disputed Income tax demand - Rs. 9.12 lakhs (Previous year -9.12 lakhs).
- Disputed Central Excise claims - Rs. 1.26 lacs (Previous Year - 1.26 lacs).
- Counter Guarantees against guarantees given by bankers Rs. nil (Previous year Rs.0.00 lacs)

11. Claims against the Company not acknowledged as debts - NIL (Previous year - NIL).
12. The company has not made provision for Excise liability on goods manufactured but not cleared, as these are accounted on clearance of goods. This practice has no impact on profit. Excise duty payable on removal of goods outstanding as on 31st March 2009 to the tune of Rs. 3.87 lakhs.
13. As per the Industrial Policy of the Government of India, the activity of the Company does not require any licensing.
14. The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:

Defined Contribution Plan

Contribution to Defined Contribution Plan, recognized are charged off for the year are as under:

	In Rs.
Employer's Contribution to Provident Fund	7,87,101
Employer's Contribution to Employee's State Insurance	2,02,650

The Company has applied for exemption of its Provident Fund under Section 17 of Employer's Provident Fund and Miscellaneous Provisions Act, 1952. Conditions for grant of exemptions stipulates that employer shall make good deficiency, if any, in the interest rate declared by trust vis-à-vis statutory rate.

Defined Benefit Plan

The employee's gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

Gratuity (Funded)

a. Change in Present Value of Obligation	31.03.2009 Rs.
Opening Present Value of Obligation	15,70,344
Current Service Cost	2,25,684
Interest on Defined Benefit Obligation	1,25,628
Benefits paid	(1,30,298)
Net Actuarial Losses/(Gains) Recognised in year	4,13,050
Closing Present Value of Obligations	22,04,408
b. Change in the Fair value of Assets	
Opening Fair value of plan assets	10,74,855
Expected return of plan assets	1,06,993
Actuarial gain/(loss)	-
Contributions by Employer	10,57,214
Benefits paid	(1,30,298)
Closing Fair value of plan assets	21,08,764

c. Reconciliation of Present Value of Defined Benefit Obligation and the Fair value of plan assets	
Closing present value of Funded obligations	10,74,855
Closing Fair value of plan assets	21,08,764
Closing Funded Status	(95,644)
Contributions	10,57,214
Benefits Paid	11,30,298
Actual return on plan assets	1,06,993
d. Amount recognized in the Balance Sheet	
Closing Present value of obligations	22,04,408
Closing Fair value of plan assets	21,08,764
Liability recognized in Balance sheet	95,644
e. Expenses recognized in the Profit & Loss Account	
Current Service Cost	2,25,684
Interest Cost	1,25,628
Expected return on plan assets	(1,06,993)
Actuarial gain/(loss) recognized in the profit & loss account	4,13,050
Expenses to be recognized in the profit & Loss Account	6,57,369
f. Major categories of plan assets as a percentage of Total	
Plan Assets	As at 31.03.2009
Others (Insurer Managed Funds)	100%
g. Assumption	
Discount Rate (per annum)	8.00%
Salary Escalation Rate (per annum)	7.00%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Note: Gratuity debited to P & L A/C includes Rs 103395/-towards shortfall for Actuarial Valuation as at the beginning of the year since the Actuarial valuation has been obtained for the first time during the year. Hence the figures for the previous year are not furnished herewith.

15. Information pursuant to provisions of Part II of Schedule VI to the Companies Act, 1956.

Capacity & production	2008-09	2007-2008
i) Licensed capacity	-N.A.-	-N.A.-
ii) Installed capacity (Nos. in lacs)		
Capsules	36000.00	36000.00
Formulation	2700.00	2700.00
iii) Actual production (Nos. in lacs)		
Capsules	38633.12	32950.00
Formulation	467.96	250.96
iv) Turnover-Qty-Capsules - Nos. in lacs	38262.81	33194.00
-Formulation - Nos. in lacs	467.96	250.96
v) Turnover- Value-Capsules - Rs.	2358.65	1897.14
-Formulation - Rs.	238.44	150.36

Finished Goods	2008-09		2007-08	
	Qty(Nos. in lacs)	Rs. (lacs)	Qty(Nos. in lacs)	Rs. (lacs)
i) Opening stock				
Capsules	1171.09	69.80	1415.09	56.97
Formulation	Nil	Nil	Nil	Nil
ii) Closing stock				
Capsules	1541.40	46.97	1171.09	69.80
Formulation	Nil	Nil	Nil	Nil

SIXTEENTH ANNUAL REPORT 2008-2009

	2008-09		2007-08	
Consumption of Raw Material,	Qty. in Kgs	Rs. in lacs	Qty. in Kgs.	Rs. in lacs
Raw Materials:				
Gelatin	283650	873.12	234170	620.46
HPMC	600	5.85	1165	8.71
Dextropropoxyphene	2762.50	56.65	1788	34.87
Paracetamol	17809	37.38	11000	18.70
Others (None of which exceeds 10% of the value of raw materials consumed)				
Of the above:				
Imported- Rs. Nil (Previous year Rs.1.05 Lakhs)				

16. Remuneration to Directors:

	2008-09	2007-08
	Rs.	Rs.
i) Sri. Sunil L. Mundra Managing Director	13,90,000/-	7,50,000/-
ii) Laxminarayana Moondra Whole time Director	13,90,000/-	7,50,000/-
iii) Satyanarayan Mundra Whole time Director	13,90,000/-	7,50,000/-

(b) CIF value of Imports Rs.490.50 lacs(Machinery & spare parts-Rs 489.63/Excipients Rs 0.87 lacs) (Previous year 1.05 lacs)

(c) FOB value of Exports - Rs. 382.72 lacs (Previous year - Rs. 272.82 lacs).

(d) Expenditure in foreign currency - Rs. 4.90 Lacs (Previous year Rs. 3.19 lacs).

(e) Earnings in foreign currency Rs. 382.72 lacs (Previous year- Rs. 272.82 lacs)

17. In the absence of necessary information with the Company relating to the registration status of the suppliers under the Micro, Small and Medium Enterprises Development Act, 2006, the information required under the said Act could not be compiled and disclosed.

18. Figures for the previous year have been regrouped and rearranged wherever necessary to conform to the current year figures.

SIGNATURES TO SCHEDULES A-R

SRIRANGAM GOPALAN
CHAIRMAN

SATYANARAYAN MUNDRA
WHOLE TIME DIRECTOR

SUNIL L. MUNDRA
MANAGING DIRECTOR

PLACE: BANGALORE
DATE : 30-05-2009

NATURAL CAPSULES LIMITED

CASH FLOW STATEMENT	31-3-2009	31-3-2008
	Rs.	Rs.
Cash flow from Operating Activities		
Net Profit (Loss) before Tax and before Extraordinary items	61,633,336	42,846,742
Adjustments for :		
Depreciation	11,818,901	11,221,875
Interest Income	(381,623)	(175,726)
Interest on borrowings	984,013	1,198,090
Impairment loss	202,102	94,835
Operating Profit before Working Capital Changes	74,256,728	55,185,816
Changes in Working Capital		
Trade and other receivables	(26,692,512)	(8,450,668)
Inventories	4,302,141	(5,775,112)
Trade and other payables	1,598,218	(23,019,281)
Net Change in working Capital	(20,792,153)	(37,245,061)
Cash generated from operations	53,464,575	17,940,755
Direct Taxes paid	(17,615,763)	10,460,949
Net Cash from Operating Activities A	35,848,812	28,401,704
Cash Flow from Investing activities		
Purchase of Fixed Assets/change in Capital work in progress	(87,288,356)	(8,556,514)
Interest received	381,623	175,726
Net Cash used in Investing Activities B	(86,906,732)	(8,380,788)
Cash Flow from Financing Activities		
Interest paid on borrowings	(984,013)	(1,198,090)
Proceeds from Bank Overdraft	22,892,755	(6,077,203)
Bank Overdraft repaid	-	-
Short term loan repaid	-	-
Term Loan repaid	(2,564,036)	(6,954,267)
Unsecured Loans Repaid	(3,648,394)	(2,528,486)
Dividend paid	(4,502,700)	(4,502,700)
Dividend Tax paid	(765,234)	(765,234)
Proceeds from Term Loan	34,286,674	-
Equity Shares Issued	-	2,200,000
Premium received	-	4,400,000
Equity Share warrants	-	1,440,000
Net Cash used in Financing Activities C	44,715,053	(13,985,980)
Net (decrease)/increase in Cash or Cash equivalents	A+B+C (6,342,867)	6,034,938
Cash or Cash equivalents at the start of the year	7,654,886	1,619,948
Cash or Cash equivalents at the close of the year	1,312,019	7,654,886
Cash & Cash Equivalents Comprise of		
Cash Balance	1,312,019	7,654,886
Bank Balance	278,052 1,033,967	1,192,393 6,462,493

SRIRANGAM GOPALAN
(CHAIRMAN)

SUNIL L MUNDRA
MANAGING DIRECTOR

SATYANARAYAN MUNDRA
(WHOLETIME DIRECTOR)

PLACE : BANGALORE
DATE : 30th May 2009

SIXTEENTH ANNUAL REPORT 2008-2009

AUDITOR'S REPORT

We have examined the above Cash Flow Statement of Natural Capsules Limited for the year ended 31st March 2009. The Statement read with the notes thereon has been prepared by the Company in accordance with the requirements under clause 32 of the listing agreement with Stock Exchanges and is based on and in agreement with the corresponding profit & Loss Account and Balance Sheet of the Company covered by our report of even date to the members of the Company.

**For GNANOBA & BHAT,
CHARTERED ACCOUNTANTS,**

**PLACE : BANGALORE
DATE : 30th May 2009**

**(K.R. GNANOBA)
PARTNER**

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

COMPANY : NATURAL CAPSULES LIMITED YEAR - 2008-09

I. Registration Details

Registration No. State Code
 Balance Sheet Date

II. Capital raised during the year (Rupees in thousands)

Public Issue Rights Issues
 Bonus Issue Private Placements

III. Position of the mobilisation and Development of Funds (Rupees in thousands)

Total Liabilities Total Assets
 Sources of Funds
 Paid up Capital Equity Share Warrants
 Reserves & Surplus Secured Loans
 Unsecured Loans Deferred Tax Liability
 Application of Funds
 Net Fixed Assets Investments
 Net Current Assets Miscellaneous Expenditure
 Accumulated Losses

IV. Performance of Company (Rupees in thousands)

Turnover Total Expenditure
 Profit before tax Profit after tax
 Earning per share in Rs. Dividend Rate %

V. Generic name of Three principal products / Services of the company (As per monetary terms)

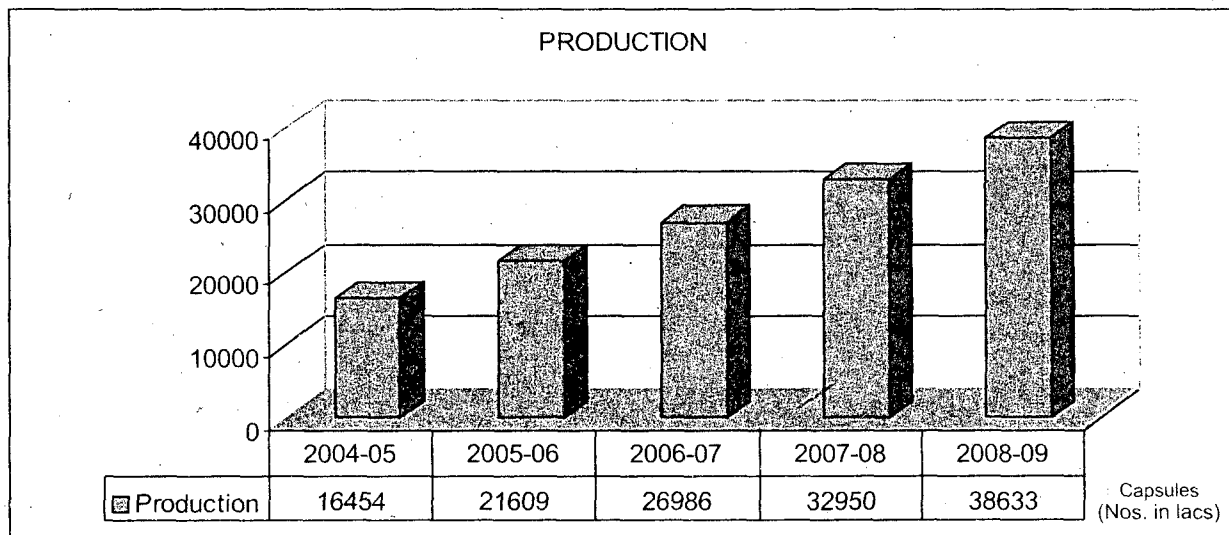
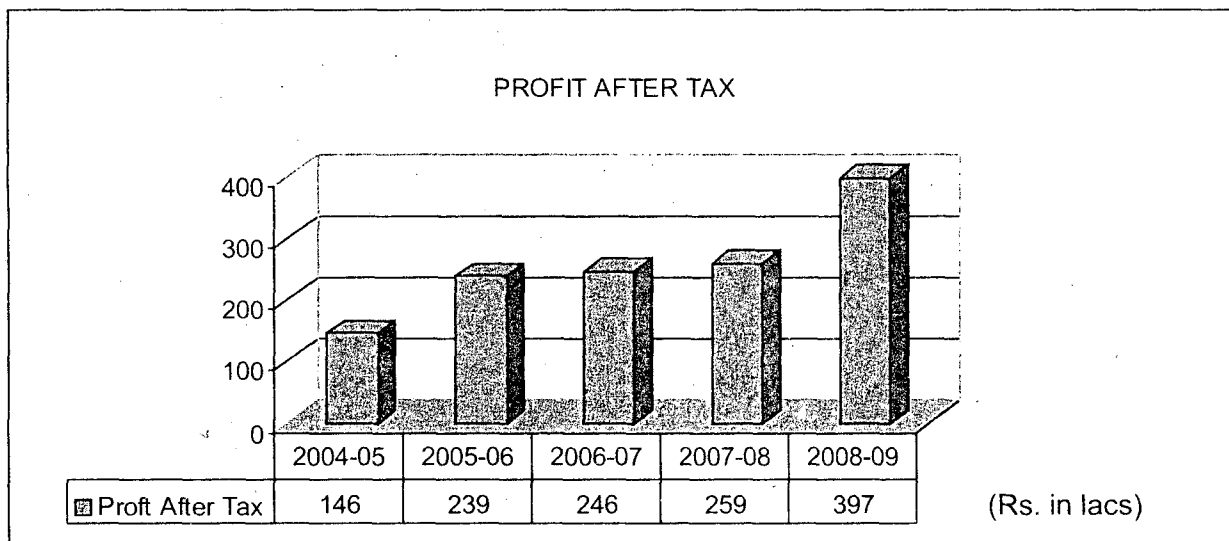
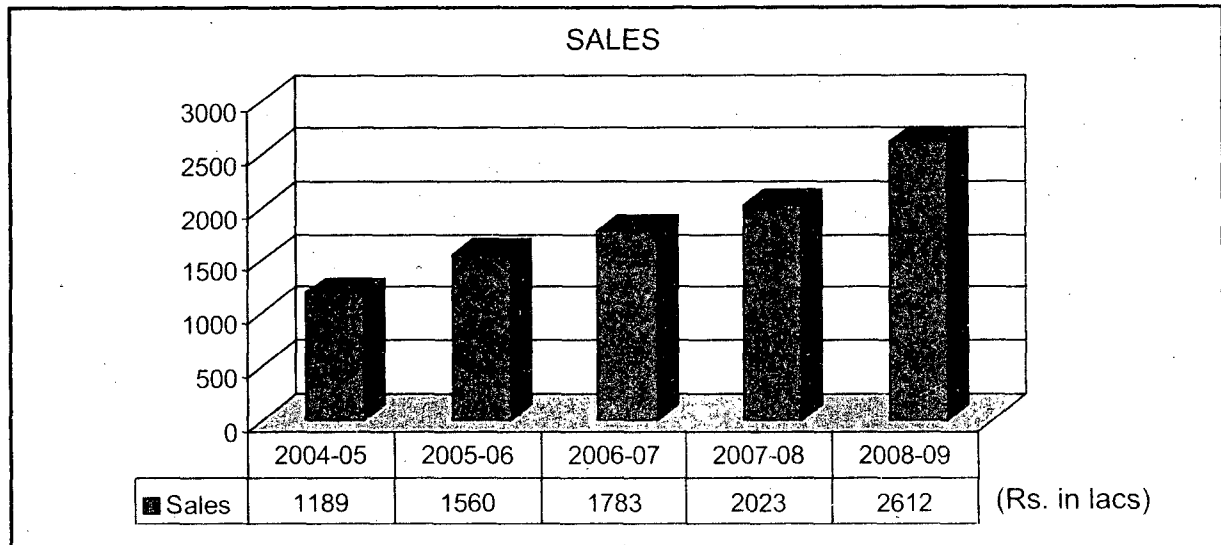
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 Item code no. (ITC code no.) Product Description
 Item code no. (ITC code no.) Product Description

SUNIL L. MUNDRA
MANAGING DIRECTOR

SRIRANGAM GOPALAN
CHAIRMAN

SATYANARAYAN MUNDRA
WHOLE TIME DIRECTOR

PLACE : BANGALORE
DATE : 30-May-2008



NATURAL CAPSULES LIMITED

105, Shreshta Bhumi, No. 87, K. R. Road,
BANGALORE - 560 004.

PROXY FORM

Ref. Folio No. :

I/Weof
.....in the district of.....

being a member.members of the above named company hereby appoint.....

.....of.....in the district
of or failing him.....

ofthe district of.....as my/our proxy to
vote for me/us and on me/our behalf at the 16th Annual General Meeting of the company will be held on Thursday,
the 30th day of July 2009 at the Bangalore Gayana Samaj, K. R. Road, Basavanagudi, Bangalore - 560 004 at
10.30A.M. and at any adjournment thereof.

Signed this.....day of.....2009.

Signature.....

- Notes : 1. This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Register Office of the Company not less than 48 hours before the Meeting.
- 2. The Proxy need not be a member of the Company.

Natural capsules limited

Registered Office : 105, Shreshta Bhumi,
No. 87, K. R. Road, BANGALORE - 560 004.

ATTENDANCE SLIP

16 TH ANNUAL GENERAL MEETING 30TH JULY, 2009 AT 10.30 A.M.

Reg. Folio No.:

No. of shares held :

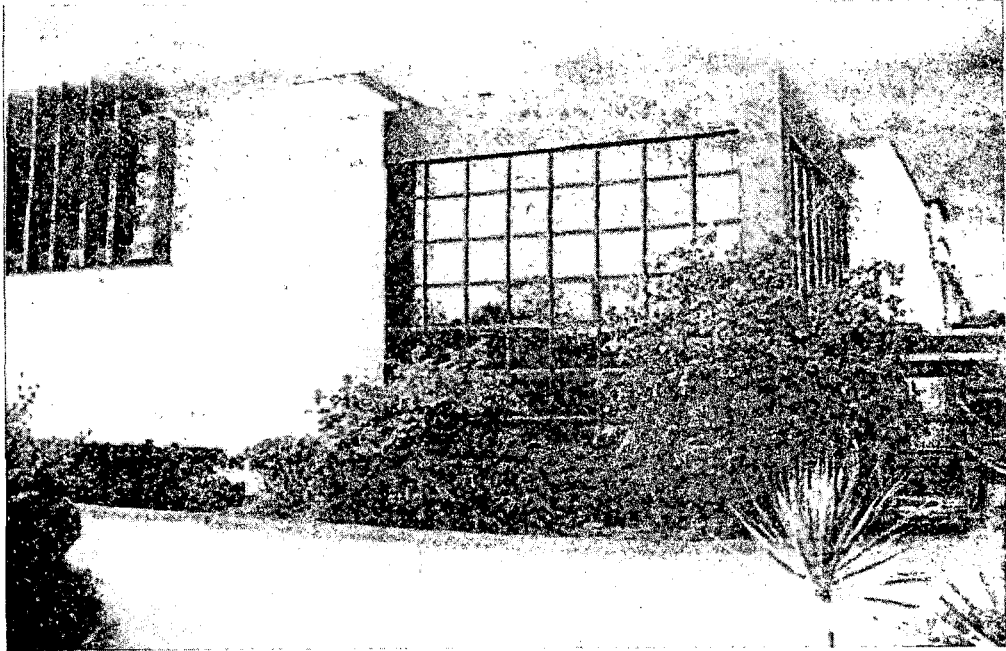
I certify that I am the registered Shareholder/Proxy for the register Shareholder of the Company.

I hereby record my presence at the 16th Annual General Meeting of the Company at to be held at the Bangalore Gayana Samaj, K.R.Road, Basavanagudi, Bangalore-560 004 at 10.30 A.M.

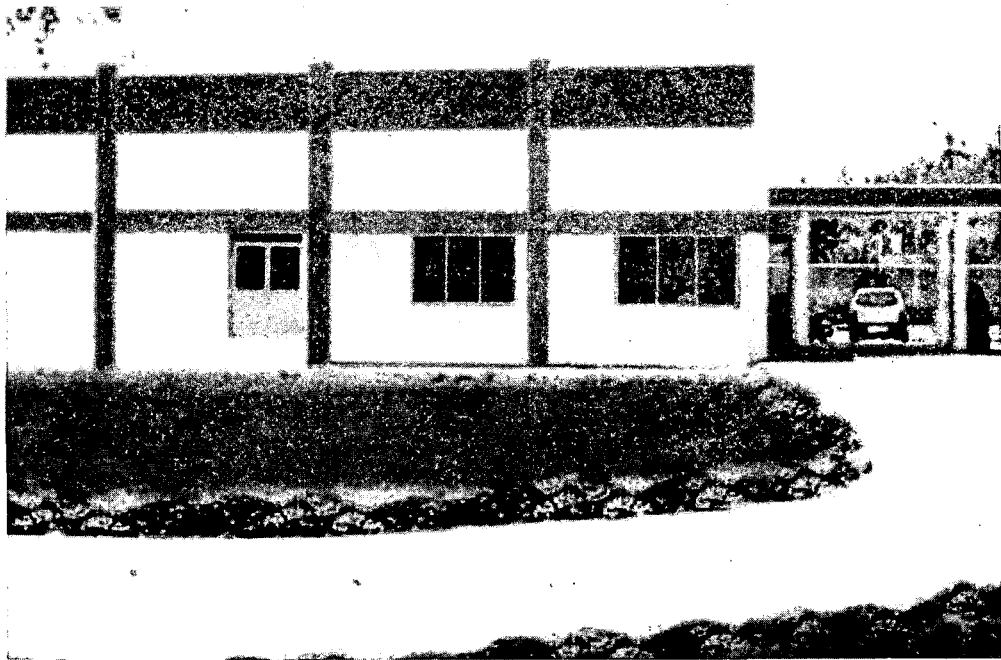
.....
Member's/Proxy/s name in BLOCKLETTERS

.....
Member's / Proxy's Signature

Note : Please fill in this attendance slip and hand it over at the ENTRANCE OF THE VENUE.



NCL's (Unit-I) - WHO-GMP Certified Facility at Bangalore



NCL's (Unit-II) - WHO-GMP Certified Facility at Pondicherry

If undelivered, please return to :

NATURAL CAPSULES LIMITED
102, Shreshta Bhumi,
No. 87, K.R. Road,
BANGALORE - 560 004.