

**SEVENTEEN ANNUAL REPORT
2009-2010**

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

NOTICE

Notice is hereby given to all the members of the company that the 17th Annual General Meeting of the company will be held on Tuesday, the 28th day of September 2010 at the Bangalore Gayana Samaja, K.R.Road, Basavanagudi, Bangalore - 560 004 at 10.00A. M. to transact the following business :-

Ordinary Business :

- 1 To consider and adopt the Audited Accounts for the period ended 31st March 2010, along with Director's and Auditor's Reports thereon.
- 2 To declare a dividend.
- 3 To appoint a Director in the place of Mr. V. Subramony, the retiring Director, who being eligible, offers himself for re-appointment.
- 4 To appoint a Director in the place of Mr. Sushil Kumar Mundra, 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.

Special Business :

- 6 To consider and if though fit to pass with or without modification, the following resolution as a Special Resolution :-
"Resolved that pursuant Sec.209(4)(b) and other applicable provisions if any of the Companies Act.1956 and Subject to the approval of Members/Shareholders, remuneration by way of commission not exceeding 1% on the net profits be paid to Non Executive Director's for current financial year 2010-2011 and that Mr. Sunil L. Mundra, Managing Director be authorized to take all step necessary for giving effect to this resolution."

Place : Bangalore
Date : 30-07-2010

For and on behalf of the Board,

(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 form to be effective should reach the Registered office not less than 48 hours before the meeting.
2. Member's Register and Transfer Register will remain closed from 25th September, 2010 to 28th September, 2010 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31/03/2010.
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 :-

- A Mr. Subramony is a post graduate in Chemistry from University of Bombay. He gained vast experience by working for well known companies like Glaxo Laboratories, Smith Kline & French laboratories and retired as Executive Vice President from Eskayef during 1994. He has undertaken several overseas assignments in USA, UK, Canada, Belgium, USSR etc. He is also a member of Indian Pharmaceutical Association and other Pharmaceutical Associations. He was also a member of Indian Pharmacopoeia Technical Committee and ISI for various category of materials.
- B Mr. Sushil Kumar Mundra is a Commerce Graduate from Bangalore University. He is the Managing Partner of a firm dealing with pharmaceuticals, raw materials, chemicals and solvent etc. He owns a chemical factory and has practical experience of about 20 years in the trade.
- 6 Explanatory Statement as per Section 172(2) of the Company's Act 1956.
Regarding agenda 6 of Special business, the Board of Directors in their meeting held on 30.07.2010 unanimously decided to recommend a remuneration of not exceeding 1% of net profit to Non Executive Directors including independent Directors in view of their valuable contribution to the progress of the Company over a period of time. The Company owes its present comfortable financial position due to the expert advice, constant interaction and guidance by Non Executive Directors who have got rich experience, qualification and technical expertise. Hence the resolution as stated in the notice is commended for approval of shareholders.

DIRECTOR'S REPORT**TO THE MEMBERS**

Your directors hereby present the Seventeenth Annual Report together with the Audited Accounts of the company for the year ended 31st March 2010.

1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under:

	2009-10 (Rs. In lacs)	2008-09 (Rs. In lacs)
Sales & other income	2,948.98	2605.64
Profit before Depreciation and interest	817.41	745.06
Depreciation & Preliminary exp	145.87	118.19
Interest	30.53	9.84
Profit/(Loss) before tax	641.00	616.33
Provision for taxation	205.72	213.72
Deferred tax	8.71	5.12
Profit/(Loss) after tax	426.56	397.51
Amount transferred to reserves	10.66	9.94

2. PERFORMANCE & PROSPECTS :

During the year under review, the company's turnover increased by 13% and the company has earned a Net profit (before tax) of Rs.641.00 lacs as against net profit of Rs.616.33 lacs in the previous year. An amount of Rs.565.00 lacs was ploughed back from profits for funding the ongoing expansion at Pondicherry. The export of the company has increased by 33% during the year under consideration. Though there is drop in sales realization due to rupee appreciation, with the commissioning of new machineries in phases in the current year your Directors are hopeful of maintaining the performance.

3. PERFORMANCE CREDIT RATING:

Your Directors are pleased to inform you that the Company has obtained "CRISIL" rating of "SME-1" indicating HIGHEST PERFORMANCE CAPACITY AND HIGH FINANCIAL STRENGTH for second successive year.

4. DIVIDEND:

While 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 31-3-2010 for the members whose names appear in the register of members as on the date of AGM viz., 28.9.2010.

5. EXPANSION:

During the year under consideration, the company has already installed one imported machinery at Pondicherry and other 8 machines are in various stages of installation. With the commissioning of all the machines, the installed capacity of company will increase to 7.35 billion capsules per annum.

6. DIRECTORS:

Mr. V.Subramony and Mr Sushilkumar Mundra retire at this Annual General Meeting and being eligible, offer themselves for re-appointment.

7. 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. FOREIGN EXCHANGE, EARNINGS & OUTGO :

Foreign exchange earning :Rs. 507.90 lacs
Foreign exchange outgo :Rs. 8.88 "

8. DIRECTOR'S RESPONSIBILITY STATEMENT:

A) In the preparation of the annual accounts, the applicable accounting Standards have been followed.

B) 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.

C) 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 any fraud or other irregularities.

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

9. AUDITORS:

M/S. Gnanoba & Bhat, Chartered Accountants, Bangalore retire at the ensuing Annual General Meeting. It is proposed to re-appoint them.

10. REPORT ON CORPORATE GOVERNANCE:

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

11. CLAUSE 49 OF THE LISTING AGREEMENT:

- 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.
- 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 Mumbai, 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.

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. The 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

Place: Bangalore
 Date : 22nd May, 2010

S.GOPALAN
 CHAIRMAN

ACKNOWLEDGMENTS:

The Management wishes to place on record its sincere thanks and appreciation to State Bank of

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 2009-10	Previous Year 2008-09
1. Electricity:			
a) Purchased :	Units(KWH)	52,84,711	47,24,716
b) Total amount	(Rs.in lacs)	188.89	162.28
c) Rate/Unit	(Rs.)	3.57	3.43
d) Own Generation:			
i) Through diesel generator			
	Units (KWH)	3,90,754	3,15,636
	Unit per Ltr.of diesel oil(KWH)	3.28	3.17
	Oil cost/Unit (Rs.)	0.41	0.65
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)	-----	134.14	130.55	-----	710	724
Furnace oil	-----	-----	-----	-----	-----	-----
Coal	-----	-----	-----	-----	-----	-----
Others	-----	-----	-----	-----	-----	-----

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, 2010, 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. Sunil L Mundra-Managing Director 2. Laxminarayan Moondra - Wholetime Director 3. Satyanarayan Mundra- Wholetime Director
Promoter Non Executive Directors	1. Sushil Kumar Mundra-Director
Non Executive Independent Directors	1. S.Gopalan- Chairman 2. C.P.Rangachar – Director 3. Dr C.M.Gurumurthy- Director 4. V.Subramony-Director 5. 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 & reviews 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.	30-05-2009	9	7
2.	30-07-2009	9	8
3.	26-10-2009	9	6
4.	23-01-2010	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	4	Yes
2. Dr. C.M. Gurumurthy	4	Yes
3. C.P. Rangachar	3	Yes
4. V. Subramony	1	No
5. Sunil L Mundra	4	Yes
6. Laxminarayan Mundra	4	Yes
7. Satyanarayan Mundra	4	Yes
8. Sushil Kumar Mundra	2	Yes
9. V. Balaji Bhat	2	Yes

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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	-	-
9. V.Balaji Bhat	1	-	-

6. RELATIONSHIP AMONGST PROMOTER DIRECTORS :

Sl. No.	Name of Promoter Director	Other Promoter Directors	Relation between Director and Other Directors
1.	Laxminarayan Moondra	Satyanarayana Mundra Sunil L Mundra Sushilkumar Mundra	Brother Son Son
2.	Satyanarayan Mundra	Laxminarayan Moondra Sunil L Mundra Sushilkumar Mundra	Brother Brother's son Brother's son
3.	Sunil L Mundra	Laxminarayan Moondra Satyanarayan Mundra Sushilkumar Mundra	Father Father's brother Brother
4.	Sushilkumar 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.

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.
- 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 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.	30-05-2009	3	3
2.	30-07-2009	3	3
3.	26-10-2009	3	2
4.	23-01-2010	3	3

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

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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 circumstances 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 2009-10 are as follows:

(Rs. In lacs)

Directors	Sitting fees	Salary and perquisites	Total
Executive Directors :			
1. Sunil L Mundra	----	16.50	16.50
2. Laxminarayan Moondra	----	16.50	16.50
3. Satyanarayan Mundra	----	16.50	16.50
Non Executive Directors :			
1. S.Gopalan	0.80	----	0.80
2. Dr. C.M.GuruMurthy	0.80	----	0.80
3. V.Subramony	0.10	----	0.10
4. C.P.Rangachar	0.60	----	0.60
5. V.Balaji Bhat	0.30	----	0.30
6. Sushil Kumar Mundra	0.20	----	0.20

Notes :

- The salary and perquisites include all fixed elements of remuneration i.e, salary and other allowances and benefits.
- The company does not pay bonus and any incentives to the executive directors.
- The company has not entered into any pecuniary relationship or transactions with the non-executive directors.
- The company has so far not issued any stock options to executive directors.

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 Investors 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:

- Dr. C.M.Gurumurthy
- Mr. Laxminarayan Moondra
- 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 31-3-2010

1. No.of Grievances received	:	07
2. No.of Grievances redressed	:	05
3. No.of Grievances pending	:	02
4. No.of Share transfers pending	:	Nii

12. GENERAL BODY MEETINGS :

Particulars of past three AGMs are as follows :

AGM	YEAR	VENUE	DATE	TIME
14 th	2007	Bangalore Gayana Samaja,Bangalore-4	26-07-2007	10.00 am.
15 th	2008	Bangalore South Rotary Trust, Bangalore-4	30-07-2008	11.00 am
16 th	2009	Bangalore Gayana Samaja,Bangalore-4	30-07-2009	10.30 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 behaviour 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 aboveboard.

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.

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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 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 / borrowing from colleagues, competitors, customers, suppliers etc.,

14. DISCLOSURES :

- a) Details of remuneration to Directors are furnished in para:9 above.
- b) Amount paid to M/s Mundra Enterprises, partnership firm in which Mr Sunil L Mundra, Managing Director and Mr. Satyanarayan Mundra, Wholetime Director are interested partners. Rs.3.24 Lacs 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) Scrip 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.)
Apr 09	14.00	18.00	14.00	15.95	44,322	233	7,14,010
May 09	16.00	24.50	16.00	22.30	59,114	315	11,66,869
Jun 09	24.50	29.60	23.25	24.40	1,46,668	654	39,11,385
Jul 09	24.05	28.00	22.00	27.00	1,04,364	528	26,34,796
Aug 09	27.05	30.55	23.35	28.95	1,32,078	732	36,42,817
Sep 09	29.90	36.00	29.05	32.85	1,35,397	865	43,33,546
Oct 09	32.05	46.00	31.50	43.70	5,62,541	2,253	2,19,62,624
Nov 09	42.55	51.00	35.00	46.80	4,44,856	2,376	1,97,63,771
Dec 09	48.00	53.50	46.50	50.00	2,64,248	1,742	1,31,39,167
Jan 10	50.00	52.00	39.95	39.95	1,50,498	1,187	72,31,619
Feb 10	40.00	44.95	37.80	39.65	92,167	735	37,12,823
Mar 10	39.00	43.00	38.05	39.60	2,17,533	980	86,87,605

- 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 17th Annual General Meeting will be held on Tuesday the 28th September, 2010 at Bangalore.
- c) Financial calendar for the year 2010-11 (provisional)

a.	Results for the 1st quarter ending 30th June 2010	By end of July 2010
b.	Results for the 2nd quarter ending 30th Sept. 2010	By end of Oct. 2010
c.	Results for the 3rd quarter ending 31st December 2010	By end of Jan. 2011
d.	Results (Audited) for the financial year ending 31st March 2011	By end of May 2011
e.	Annual General Meeting for the year ending March 2011	By end of July 2011

- d) Dates of book closure:
The register of members and share transfer books of the company will remain closed from 25.09.2010 to 28.09.2010 (both the days inclusive) for the purpose of AGM.

e) **Statistics of share holders**

Year	No. of shareholders
31-03-2008	4981
31-03-2009	4801
31-03-2010	4984

f) **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	19,77,632	43.9210
2. FII	300	0.0066
3. NRI	52,368	1.1630
4. Corporate Body	4,08,654	9.0757
6. Clearing member	47,590	1.0569
7. Mutual Funds	3,700	0.0821
8. Promoters	20,08,656	44.6100
9. Directors / Relatives	3,800	0.0843
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	2857	57.3234	236526	5.2529
101 - 500	1553	31.1597	435598	9.6741
501 - 1000	276	5.5377	234288	5.2032
1001 - 2000	133	2.6685	206338	4.5825
2001 - 3000	52	1.0433	131246	2.9148
3001 - 4000	19	0.3812	65387	1.4521
4001 - 5000	24	0.4815	109809	2.4387
5001 - 10000	30	0.6019	231050	5.1313
10001 and above	40	0.8028	2852458	63.3419
	4984	100.000	4502700	100.0000

- g) Mr V.Lokesh, is the Compliance Officer within the meaning of relevant requirements of SEBI and Stock Exchanges.
- h) Company's plants are located at :
 - i) Plot no.7A2, KIADB Industrial Area, Attibele562 107, and
 - ii) 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 : 30-7-2010

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 2010 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 : 22-5-2010

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 9 to 10%. However, the export of Pharma products are still affected mainly due to tight international financial position. 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.35 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 of this, the company has ploughed back Rs.565.00 lacs for Capital Investment at Pondicherry for the expansion Project. The proposed expansion will double the installed capacity for capsules in the company.

6. SEGMENT WISE PERFORMANCE :

(Rs. in lacs)

Sl. No.	Particulars	For the year ended 31.03.2010 Audited	For the year ended 31.03.2009 Audited
1.	SEGMENT REVENUE		
	Capsules	2669.31	2392.73
	Formulation	262.23	238.44
	Others	48.57	8.94
	Total	2980.11	2640.11
	Less : Inter segment revenue	31.13	28.11
	Net income from operation	2948.98	2612.00
2.	SEGMENT RESULTS		
	Profit/(Loss) before depreciation, tax and interest from each segment.		
	Capsules	753.34	721.24
	Formulation	15.60	14.20
	Others	48.46	8.92
	Total	817.40	744.36
	Less : i) Depreciation and Amortisation	145.87	118.19
	ii) Interest	30.53	9.84
iii) Other un-allocable expenditure / income	---	---	
	Total profit before tax	641.00	616.33

GNANOBA & 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 2010, 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 2010 and taken

on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2010 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 2010;
- (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 GNANOBA & BHAT
CHARTERED ACCOUNTANTS

(K.R. GNANOBA)
PARTNER

Membership No.: 023137

PLACE : BANGALORE
DATE : 22nd May, 2010

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, 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;

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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
Membership No: 023137**

**PLACE : BANGALORE
DATE : 22nd May, 2010**

BALANCE SHEET AS AT 31st MARCH 2010

	Schedule	AS AT		AS AT	
		31-03-2010	31-03-2009	31-03-2010	31-03-2009
		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		-		-	
c) Reserve and Surplus	B	<u>185,920,765</u>		<u>149,585,960</u>	
			230,947,765		194,612,960
2. LOAN FUNDS :					
a) Secured Loans	C	54,129,338		57,179,429	
b) Unsecured Loans	D	<u>2,709,457</u>		<u>5,667,909</u>	
			56,838,795		62,847,337
3. DEFERRED TAX					
a) Deferred Tax Liability			13,768,380		12,896,497
TOTAL			<u>301,554,940</u>		<u>270,356,794</u>
II. APPLICATION OF FUNDS :					
1. FIXED ASSETS :					
a) Gross Block		233,498,237		207,275,514	
b) Depreciation		<u>109,021,953</u>		<u>94,590,240</u>	
c) Net Block	E		124,476,283		112,685,274
d) Capital work-in-progress	F		114,289,782		83,690,836
2. INVESTMENTS :					
3. CURRENT ASSETS, LOANS & ADVANCES :					
a) Inventories	G	13,609,501		15,134,469	
b) Sundry Debtors	H	83,388,897		88,320,290	
c) Cash & Bank balances	I	1,127,461		1,312,019	
d) Other Current Assets and Loans & Advances	J	<u>56,077,094</u>		<u>54,629,706</u>	
		154,202,952		159,396,483	
Less : Current liabilities & Provisions	K	<u>91,414,078</u>		<u>85,415,799</u>	
Net Current Assets			62,788,874		73,980,684
TOTAL			<u>301,554,940</u>		<u>270,356,794</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 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 : 22nd May, 2010

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PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	Schedule	2009-10	2008-09
		Rs.	Rs.
I. INCOME :			
1. Sales & Other Income	L	294,898,329	261,203,363
2. Variation in Stock	M	(864,186)	(638,682)
TOTAL		<u>294,034,143</u>	<u>260,564,681</u>
II. EXPENDITURE :			
1. Materials consumed	N	113,920,161	101,844,313
2. Employee Costs	O	23,324,506	20,303,901
3. Other Manufacturing, Selling & Administrative Expenses	P	75,047,806	63,909,577
4. Financial Costs	Q	3,053,658	984,013
6. Depreciation		14,587,595	11,818,901
TOTAL		<u>229,933,726</u>	<u>198,860,705</u>
Profit / (Loss) for the year		64,100,417	61,703,976
Prior Period (Expenses) / income		-	(70,640)
Profit / (Loss) before tax		64,100,417	61,633,336
Provision for Taxation :			
Prior year Tax : Income Tax FY 06-07		-	-
Current Tax : Income Tax		(20,572,208)	(21,200,000)
Fringe Benefit Tax		-	(171,549)
Deferred Tax		(871,883)	(511,703)
Profit / (Loss) after tax		42,656,326	39,750,084
Opening Balance in P&L b/f		125,090,906	92,656,342
Profit / (Loss) available for distribution & appropriation		167,747,232	132,406,426
Appropriation			
Proposed Dividend on equity shares :		5,403,240	5,403,240
Tax on Proposed dividend		918,281	918,281
Transfer to General Reserve		1,066,408	994,000
Balance Carried forward to Balance sheet		160,359,303	125,090,906
EARNINGS PER SHARE (Equity shares, par value of Rs.10/-)			
Basic		9.47	8.83
Diluted		9.47	8.83
NUMBER OF SHARES USED IN COMPUTING EARNINGS PER SHARE			
Basic		4,502,700	4,502,700
Diluted		4,502,700	4,502,700

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 **GNANOBA & BHAT**
CHARTERED ACCOUNTANTS

SRIRANGAM GOPALAN
CHAIRMAN

SATYANARAYAN MUNDRA
WHOLE TIME DIRECTOR

K.R. GNANOBA
PARTNER

SUNIL L. MUNDRA
MANAGING DIRECTOR

Place : Bangalore
Date : 22nd May, 2010

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2010

	AS AT 31-03-2010 Rs.	AS AT 31-03-2009 Rs.
SCHEDULE - A :		
SHARE CAPITAL :		
Authorised :		
50,00,000 Equity Shares of Rs. 10/- each	<u>50,000,000</u>	<u>50,000,000</u>
ISSUED, SUBSCRIBED AND PAID UP CAPITAL :		
45,02,700 (PY 45,02,700) Equity Shares of Rs. 10/- each	<u>45,027,000</u>	<u>45,027,000</u>
Total	<u>45,027,000</u>	<u>45,027,000</u>
SCHEDULE - B :		
1. General Reserve		
Opening Balance	3,222,254	2,228,254
Add: Transfer from Profit & Loss Account	<u>1,066,408</u>	<u>994,000</u>
Closing Balance	4,288,662	3,222,254
2. Capital Reserve- Share forfeiture account	1,440,000	1,440,000
3. Share Premium	19,832,800	19,832,800
4. Profit & Loss Account	160,359,303	125,090,906
	<u>185,920,765</u>	<u>149,585,960</u>
SCHEDULE - C :		
SECURED LOANS :		
LONG TERM LOANS		
From : State Bank of India		
Term Loan - No.30578991884	<u>39,286,961</u>	<u>34,286,674</u>
	39,286,961	34,286,674
SHORT TERM LOANS		
State Bank of India-OD Account	14,276,967	15,832,456
State Bank of India-Packing Credit Account	565,410	7,060,299
Total	<u>54,129,338</u>	<u>57,179,429</u>
SCHEDULE - D :		
UNSECURED LOANS :		
Sales Tax deferment loan	2,709,457	5,667,909
Total	<u>2,709,457</u>	<u>5,667,909</u>
SCHEDULE - F :		
CAPITAL WORK IN PROGRESS		
(Including capital advances)		
Bangalore Unit	453,203	-
Pondicherry Unit	113,836,579	83,690,836
Total	<u>114,289,782</u>	<u>83,690,836</u>
SCHEDULE - G :		
INVENTORIES		
(As taken, valued and certified by the Managing Director)		
Raw materials & Packing Material	5,287,211	4,913,718
Consumable, stores & spares	1,438,611	1,948,178
Work-in-progress	909,616	1,643,576
Finished Goods	4,567,738	4,697,964
Goods in Transit	1,406,325	1,931,033
Total	<u>13,609,501</u>	<u>15,134,469</u>

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		AS AT 31-03-2010 Rs.		AS AT 31-03-2009 Rs.
SCHEDULE - H :				
SUNDRY DEBTORS :				
(Unsecured, considered good, subject to confirmation)				
Outstanding for more than six months	4,004,076		4,317,105	
Others	<u>79,384,821</u>	83,388,897	<u>84,003,185</u>	88,320,290
Total		<u>83,388,897</u>		<u>88,320,290</u>
SCHEDULE - I :				
CASH & BANK BALANCES :				
Cash on hand		17,011		278,052
Balance with Scheduled Banks				
- in Current Account		252,446		380,987
- Dividend Distribution Account		858,004		652,980
Total		<u>1,127,461</u>		<u>1,312,019</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		684,415		835,347
Advance Tax including TDS		40,874,617		38,813,962
Cenvat Credit		6,445,249		8,427,604
Deposits		7,176,549		5,616,688
Advance To Suppliers		896,264		936,105
Total		<u>56,077,094</u>		<u>54,629,706</u>
SCHEDULE - K :				
CURRENT LIABILITIES & PROVISIONS :				
SUNDRY CREDITORS :				
For Goods, Supplies & Others		38,971,533		28,746,020
(Dues to SSIs' Rs.0.80 Lacs (P.Y Rs.0.87 lacs)				
Duties & Taxes		1,951,446		1,382,484
Advance From Customers		1,075,081		1,657,099
Security Deposit From Customers		297,622		209,843
Total		<u>42,295,682</u>		<u>31,995,446</u>
PROVISIONS :				
Provision for Taxation :				
Income Tax 06-07		-		11,000,000
Income Tax 07-08		(12,646)		13,900,000
Income Tax 08-09		21,200,000		21,200,000
Income Tax 09-10		20,572,208		-
Fringe Benefit Tax 07-08		-		166,543
Fringe Benefit Tax 08-09		171,549		171,549
Unclaimed Dividend				
2004-05 :	175,473		175,473	
2005-06 :	184,819		184,819	
2006-07 :	140,877		141,077	
2007-08 :	159,171		159,371	
2008-09 :	<u>205,424</u>		-	
Proposed dividend		865,764		660,740
Dividend tax on proposed Dividend		5,403,240		5,403,240
		918,281		918,281
Total		<u>49,118,396</u>		<u>53,420,353</u>
TOTAL		<u>91,414,078</u>		<u>85,415,799</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT :

	2009-2010		2008-2009	
	Rs.		Rs.	
SCHEDULE - L :				
SALES & OTHER INCOME :				
Sales		290,040,438		260,309,820
Interest Received		515,984		381,623
(Gross, TDS Rs.40015/-(Previous Year - Rs.42468/-)				
Miscellaneous Income		4,341,907		511,920
Total		<u><u>294,898,329</u></u>		<u><u>261,203,363</u></u>
SCHEDULE - M :				
VARIATION IN STOCK :				
Opening 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
Closing Stock				
- Work-in-progress	909,616		1,643,576	
- Finished Goods	<u>4,567,738</u>		<u>4,697,964</u>	
		5,477,354		6,341,540
Increase / (Decrease) in stock		<u><u>(864,186)</u></u>		<u><u>(638,682)</u></u>
SCHEDULE - N :				
MATERIALS CONSUMED :				
Opening Stock		6,861,896		10,167,816
ADD : Cost of Materials Purchased		113,784,088		98,538,393
LESS : Closing Stock		(6,725,823)		(6,861,896)
Materials Consumed		<u><u>113,920,161</u></u>		<u><u>101,844,313</u></u>
SCHEDULE - O :				
EMPLOYEE COSTS :				
Salaries, Wages & Allowances				
- Directors	4,950,000		4,170,000	
- Others	<u>14,922,849</u>		<u>12,027,190</u>	
		19,872,849		16,197,190
Contribution to provident & other funds		1,098,383		989,951
Other employee costs		2,353,274		3,116,760
Total		<u><u>23,324,506</u></u>		<u><u>20,303,901</u></u>

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	2009-2010	2008-2009
	Rs.	Rs.
SCHEDULE - P :		
OTHER MANUFACTURING, SELLING & ADMINISTRATIVE EXPENSES		
Rent	2,801,729	1,982,544
Power, Fuel and Water Charges	22,149,482	19,996,217
Other Manufacturing Expenses	9,405,185	7,234,616
Repairs & Maintenance :		
- Building	845,266	417,439
- Machinery	3,988,888	1,800,797
- Others	<u>2,965,161</u>	<u>2,231,308</u>
	7,799,315	4,449,543
Security Charges	780,217	512,519
Insurance	317,200	332,030
Exchange fluctuation	834,350	121,117
Communication Costs	975,853	763,300
Printing & Stationery	579,622	512,429
Travelling & Conveyance	6,428,239	4,920,683
Directors Sitting Fees	280,000	330,000
Auditors Remuneration :		
Internal Audit Fees	94,635	93,242
Statutory Audit		
- For Audit	60,000	60,000
- For Tax matters	20,000	20,000
- For Other Services	<u>-</u>	<u>10,500</u>
	80,000	90,500
Rates & Taxes Including Filing Fees	650,261	1,734,894
Commission	774,251	1,444,912
Freight outward	13,657,805	12,433,046
Bad Debts Written-off	899,999	973,466
License Fees	1,497,183	1,368,259
Professional Charges	1,765,374	1,676,101
Sales Promotion Expenses	1,000,331	307,659
ERP Expenses	-	400,000
Impairment Loss	-	202,102
Miscellaneous Expenses	2,276,774	2,030,400
Total	<u><u>75,047,806</u></u>	<u><u>63,909,577</u></u>
SCHEDULE - Q :		
FINANCIAL COSTS :		
Interest on Term Loans	2,486,428	99,752
Others	567,230	884,261
Total	<u><u>3,053,658</u></u>	<u><u>984,013</u></u>

SCHEDULE - E : For the year 2009-10
FIXED ASSETS

(AMOUNT IN RUPEES)

Sl. No.	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As at 01..04.2009	Additions/ (deletions)	As at 31.03.2010	As at 01.04.2009	For the Period	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
1.	Free hold land	2,135,730	-	2,135,730	-	-	-	2,135,730	2,135,730
2.	Building	19,208,243	-	19,208,243	7,676,885	641,555	8,318,441	10,889,802	11,531,358
3.	Plant & Machinery including Electrical Installations	68,329,218	700,637	69,029,855	66,333,791	1,609,762	67,943,553	1,086,302	1,995,427
4.	Computer	4,236,607	345,932	4,582,539	533,432	702,242	1,235,674	3,346,865	3,703,175
5.	Furniture & Fixtures	1,250,412	-	1,250,412	871,187	78,123	949,310	301,102	379,225
6.	Office Equipments	246,908	108,328	355,236	98,023	14,133	112,156	243,081	148,886
7.	Motor Vehicles	1,100,085	-	1,100,085	520,807	101,697	622,504	477,581	579,278
8.	Technical know-how-fees	300,000	-	300,000	300,000	-	300,000	-	-
		96,807,203	1,154,897	97,962,100	76,334,126	3,147,512	79,481,637	18,480,463	20,473,077
PONDICHERRY UNIT									
Sl. No.	Particulars	As at 01..04.2009	Additions/ (deletions)	As at 31.03.2010	As at 01.04.2009	For the Period	As at 31.03.2010	As at 31.03.2010	As at 31.03.2009
1.	Land	2,976,000	-	2,976,000	-	-	-	2,976,000	2,976,000
2.	Building	21,619,034	-	21,619,034	3,854,075	722,076	4,576,151	17,042,883	17,764,959
3.	Plant & Machinery including Electrical Installations	83,648,300	24,929,026	108,577,326	13,957,391	10,512,414	24,469,806	84,107,521	69,690,909
4.	Computer	653,787	138,800	792,587	190,570	110,149	300,718	491,869	463,217
5.	Furniture & Fixtures	1,326,878	-	1,326,878	198,705	83,839	282,544	1,044,334	1,128,173
6.	Office Equipments	244,311	-	244,311	55,374	11,605	66,979	177,332	188,937
		110,468,310	25,067,826	135,536,136	18,256,114	11,440,083	29,696,198	105,839,939	92,212,196
	GRAND TOTAL	207,275,514	26,222,723	233,498,237	94,590,240	14,587,595	109,021,953	124,320,401	112,685,273
	PREVIOUS YEAR	201,742,064	6,140,756	207,275,514	83,120,223	11,818,901	94,590,240	112,685,273	118,621,841

(23)

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. The total Borrowing cost transferred to Capital Work in Progress during the period is Rs. 94.78 Lacs (PY: Rs. 15.72) which would be capitalized.

2. 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 segments since the same are used interchangeably between the segments.

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

SEGMENT WISE REPORTING FOR THE YEAR ENDED 31 ST MARCH 2010

PARTICULARS	Formulation (RS.)	Capsules (RS.)	Others (RS.)	Total (RS.)
Sales	26223021	263817418	-	290040439
Add: Adjustment for inter-segment revenue		3113046		3113046
Other Income		-	4857891	4857891
Increase / (Decrease) in stock		(864186)		(864186)
TOTAL REVENUE	26223021	266066278	4857891	297147190
Material Consumed	8614262	105305900		113920162
ADD: inter segment transfers	3113046			3113046
Staff Cost	2121442	21203064		23324506
Other manufacturing selling and admin exps	2813730	72234076		75047806
Preliminary exps	-	-	-	-
R&D Expenses W/off	-	-	-	-
Depreciation	-	-	-	14587595
Financial cost	-	-	-	3053658
TOTAL EXPENDITURE	16662480	198743040	-	233046773
Prior period Income	-	-	-	-
PROFIT BEFORE TAX	1486845	62613572	-	64100417
Provision for taxation				
-Prior period tax				-
-Current tax				(20572208)
-Deferred tax				(871883)
PROFIT AFTER TAX				42656326

3. 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 31/03/10	0.27	
Managerial remuneration		49.50

4. 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.

Particulars	(Rs. In Lacs)	
	2009-10 Rs.	2008-09 Rs.
Minimum lease payments debited to Rent account	3.24	3.24
There are no contingent rents	-	-

Future minimum lease payments

Particulars	Rs. (in lacs)
<u>Future Minimum lease Payments:</u>	
- 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

5. 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	2009-10	2008-09
Profit after Tax as per Profit and Loss A/c(Rs in Lakhs)	426.56	397.50
Weighted Average number of Shares for Basic EPS	4502700	4502700
Weighted Average number of Shares for Diluted EPS	4502700	4502700
Earnings Per Share (Rs.)		
Basic	9.47	8.83
Diluted	9.47	8.83

6. Taxation:

The net deferred tax liability as at 31st March 2010 comprises;

(Rs. In Lacs)

Particulars	2009-10	2008-09
	Rs	Rs
Tax impact due to Timing differences on Depreciation	138.72	124.87
Tax impact due to Timing differences on Others	-1.03	4.09
Total	137.698	128.96

7. 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 Pondichery 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. 7/A2, KIADB Industrial Area, Attibele, Bangalore measuring an extent of 8165 Sq. Mtrs 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 12 quarterly installments up to 31.3.2010 amounting to Rs. 88,75,356/- out of the above deferred amount.

(d) Term loan repayable within one year Rs. 100.00 lakhs (Previous year Rs 90.0 lakhs). Installments overdue towards principal Rs. NIL (previous year Rs. nil) and Interest overdue is Rs. Nil (Previous year Nil).

8. The total outstanding due to Small Scale Industrial undertakings is Rs. 0.80 lakhs (Previous Year 0.87 lakhs) and the same is due to M/s Benaka Mudran and M/s Trisiris Enterprises.

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9. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances paid) - Rs. 248.56 lakhs (Previous year- Rs. 186.32 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).
 - Disputed Service Tax Claim - Rs. 4.72 lacs (Previous Year - NIL).
 - Counter Guarantees against guarantees given by bankers Rs. NIL (Previous year Rs. NIL)
10. Claims against the Company not acknowledged as debts - NIL (Previous year - NIL).
11. 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 31-03-2010 to the tune of Rs. 4.56 lakhs.
12. As per the Industrial Policy of the Government of India, the activity of the Company does not require any licensing.
13. The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:ow:

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	9,49,537
Employer's Contribution to Employee's State Insurance	2,34,481

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

	Gratuity (Funded)	
a. Change in Present Value of Obligation	31.03.2010 Rs.	31.03.2010 Rs.
Opening Present Value of Obligation	17,89,605	15,70,344
Current Service Cost	2,72,358	2,25,684
Interest on Defined Benefit Obligation	1,43,168	1,25,628
Benefits paid	0	(1,30,298)
Net Actuarial Losses/(Gains) Recognised in year	4,93,785	4,13,050
Closing Present Value of Obligations	26,98,916	22,04,408
b. Change in the Fair value of Assets		
Opening Fair value of plan assets	21,08,764	10,74,855
Expected return of plan assets	1,89,789	1,06,993
Actuarial gain/(loss)	-	-

Opening Present Value of Obligation	884	10,57,214
Benefits paid	0	(1,30,298)
Closing Fair value of plan assets	22,99,437	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	21,08,764	10,74,855
Closing Fair value of plan assets	1789605	21,08,764
Closing Funded Status	(3,99,479)	(95,644)
Contributions	884	10,57,214
Benefits Paid	Nil	(11,30,298)
Actual return on plan assets	1,89,789	1,06,993
d.Amount recognized in the Balance Sheet		
Closing Present value of obligations	26,98,916	22,04,408
Closing Fair value of plan assets	22,99,437	21,08,764
Liability recognized in Balance sheet	3,99,479	95,644
e. Expenses recognized in the Profit & Loss Account		
Current Service Cost	2,72,358	2,25,684
Interest Cost	143168	1,25,628
Expected return on plan assets	(1,89,789)	(1,06,993)
Actuarial gain/(loss) recognized in the profit & loss account	4,93,785	4,13,050
Expenses to be recognized in the profit & Loss Account	7,19,522	6,57,369
f. Major categories of plan assets as a percentage of Total Plan Assets		
	As at 31.03.2010	As at 31.03.2009
Others (Insurer Managed Funds)	100%	100%
g. Assumption		
Discount Rate (per annum)	8.00%	8.00%
Salary Escalation Rate (per annum)	7.00%	7.00%

Gratuity (Funded)

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.

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

Capacity & production	2009-10	2008-09
i) Licensed capacity	-N.A.-	-N.A.-
ii) Installed capacity (Nos) (Lakhs)		
Capsules	39600.00	36000.00
Formulation	2700.00	2700.00
iii) Actual production (Nos) (Lakhs)		
Capsules	42096.46	38633.12
Formulation	522.26	467.96
iv) Turnover-Qty-Capsules - Nos (Lakhs)	41117.75	38262.81
-Formulation - Nos (Lakhs)	522.26	467.96
v) Turnover- Value-Capsules - Rs. (Lakhs)	2637.01	2358.65
-Formulation - Rs. (Lakhs)	262.23	238.44

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Finished Goods	2009-10		2008-09	
	Qty (Lacs)	Rs. (Lacs)	Qty(Lacs)	Rs. (Lacs)
i) Opening stock	1541.40			
Capsules	Nil	49.85	1171.09	69.80
Formulation		Nil	Nil	Nil
ii) Closing stock				
Capsules	1398-00	45.67	1541.40	49.85
Formulation	NIL	NIL	Nil	Nil

Consumption of Raw Material	2009-10		2008-09	
	Qty. in Kgs	Rs. in lacs	Qty. in Kgs.	Rs. in lacs
Raw Materials:				
Gelatin	331375	810.43	283650	784.71
HPMC	0.0	0.0	600	5.85
Dextropropoxyphene	3250	61.02	2762.50	56.65
Paracetamol	20000	46.80	17800	37.38
Others (None of which exceeds 10% of the value of raw materials consumed)				
Of the above:				
Imported- Rs. Nil (Previous year Rs. Nil Lakhs)				

15. Remuneration to Directors:

	2009-10 Rs.	2008-09 Rs.
i) Sunil L. Mundra Managing Director	16,50,000/-	13,90,000/-
ii) Laxminarayana Moondra Whole time Director	16,50,000/-	13,90,000/-
iii) Satyanarayan Mundra Whole time Director	16,50,000/-	13,90,000/-

(B) CIF value of Imports Rs.31.03 lakhs(Machinery & spare parts-Rs 29.88/Excipients Rs 1.15 lakhs) (Previous year 490.50 lacs)

(C) FOB value of Exports - Rs. 507.90 lakhs (Previous year - Rs. 382.72 lacs).

(d) Expenditure in foreign currency - Rs. 8.87 Lakhs (Previous year Rs. 4.90 lakhs).

(e) Earnings in foreign currency Rs. 444.53 lakhs (Previous year- Rs. 382.72 lakhs)

16. 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.

17. 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 : 30-05-2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March 2010

CASH FLOW STATEMENT		31-3-2010 Rs.	31-3-2009 Rs.
Cash flow from Operating Activities			
Net Profit (Loss) before Tax and before Extraordinary items		64,100,417	61,633,336
Adjustments for :			
Depreciation		14,587,595	11,818,901
Interest Income		(515,984)	(381,623)
Interest on borrowings		3,053,658	984,013
Impairment loss		-	202,102
Exchange fluctuation		-	-
Operating Profit before Working Capital Changes		81,225,686	74,256,728
Changes in Working Capital			
Trade and other receivables		5,544,660	(26,692,512)
Inventories		1,524,969	4,302,141
Trade and other payables		(14,573,928)	1,598,218
Net Change in working Capital		(7,504,300)	(20,792,153)
Cash generated from operations		73,721,386	53,464,575
Direct Taxes paid		(2,060,655)	(17,615,736)
Net Cash from Operating Activities	A	71,660,731	35,848,812
Cash Flow from Investing activities			
Purchase of Fixed Assets/change in Capital work in progress		(56,977,550)	(87,288,356)
Interest received		515,984	381,623
Net Cash used in Investing Activities	B	(56,461,567)	(86,906,732)
Cash Flow from Financing Activities			
Interest paid on borrowings		(3,053,658)	(984,013)
Proceeds from Bank Overdraft		(8,050,378)	(22,892,755)
Term Loan repaid		-	(2,564,036)
Unsecured Loans Repaid		(2,958,452)	(3,648,394)
Dividend paid		(5,403,240)	(4,502,700)
Dividend Tax paid		(918,281)	(765,234)
Proceeds from Term Loan		5,000,289	34,286,674
Net Cash used in Financing Activities	C	15,383,719	44,715,053
Net (decrease)/increase in Cash or Cash equivalents	A+B+C	(184,557)	(6,342,867)
Cash or Cash equivalents at the start of the year		1,312,019	7,654,886
Cash or Cash equivalents at the close of the year		1,127,461	1,312,019
Cash & Cash Equivalents Comprise of			
Cash Balance		17,011	278,052
Bank Balance		1,110,450	1,033,967

SRIRANGAM GOPALAN
(CHAIRMAN)

SUNIL L MUNDRA
MANAGING DIRECTOR

SATYANARAYAN MUNDRA
(WHOLETEIME DIRECTOR)

PLACE : BANGALORE
DATE : 22nd May 2010

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 : 22nd May 2010**

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

COMPANY : NATURAL CAPSULES LIMITED YEAR - 2009-10

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)

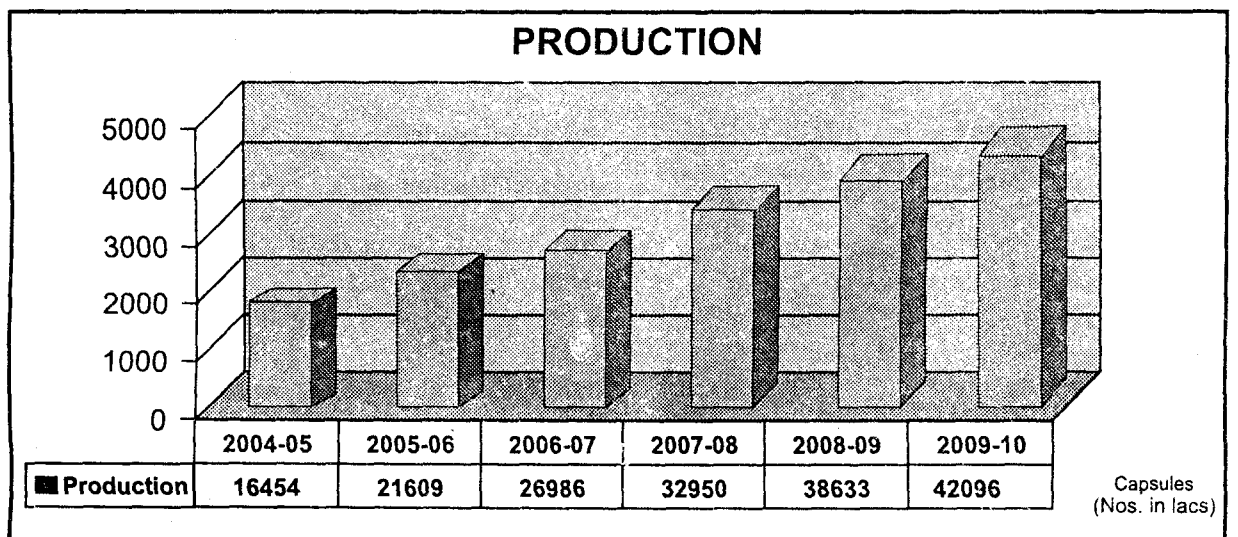
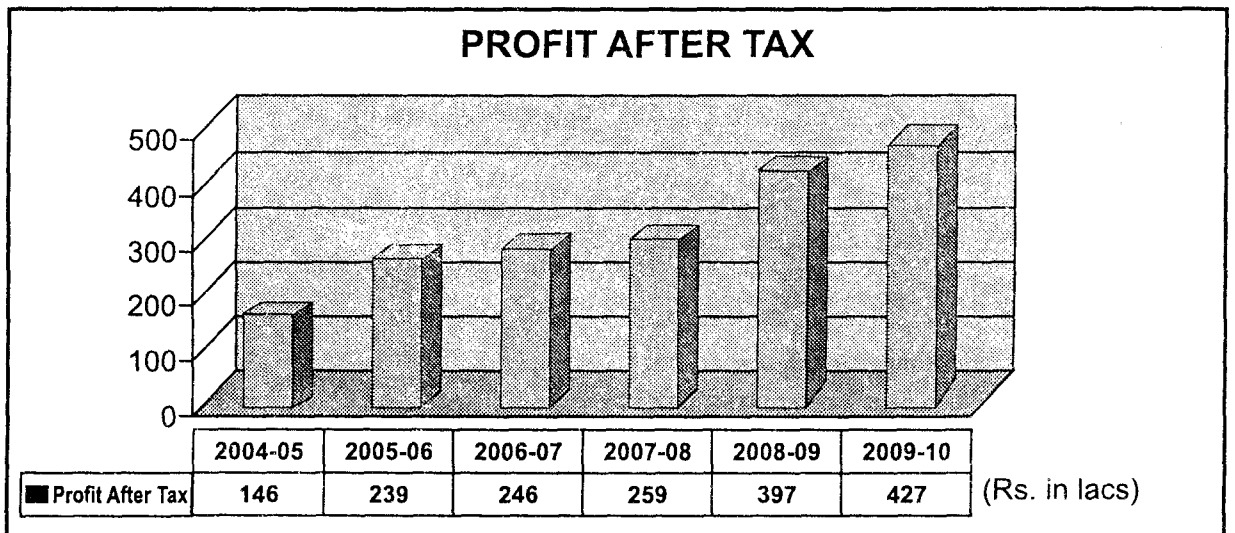
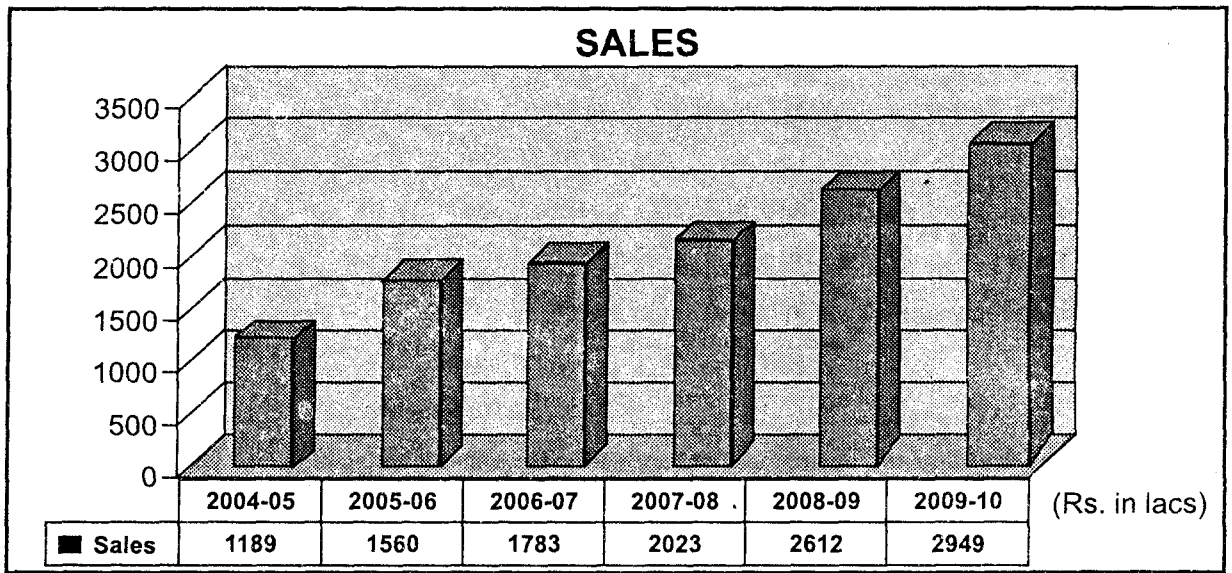
Item code no. (ITC code no.) Product Description
 Item code no. (ITC code no.) Product Description
 Item code no. (ITC code no.) Product Description

SUNIL L. MUNDRA
MANAGING DIRECTOR

SRIRANGAM GOPALAN
CHAIRMAN

SATYANARAYAN MUNDRA
WHOLE TIME DIRECTOR

PLACE : BANGALORE
DATE : 30th July 2010



NATURAL CAPSULES LIMITED

102, 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.....
of the district of.....as my/our proxy to
vote for me/us and on me/our behalf at the 17th Annual General Meeting of the company will be held on Tuesday,
the 28th day of September 2010 at Bangalore Gayana Samaj, K. R. Road, Basavanagudi, Bangalore - 560 004
at 10.00 A. M. and at any adjournment thereof.

Signed this.....day of.....2010.

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

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

PROXY FORM

ATTENDANCE SLIP

17 TH ANNUAL GENERAL MEETING 28TH SEPTEMBER, 2010 AT 10.00 A.M.

Reg. Folio No.:

No. of shares held :

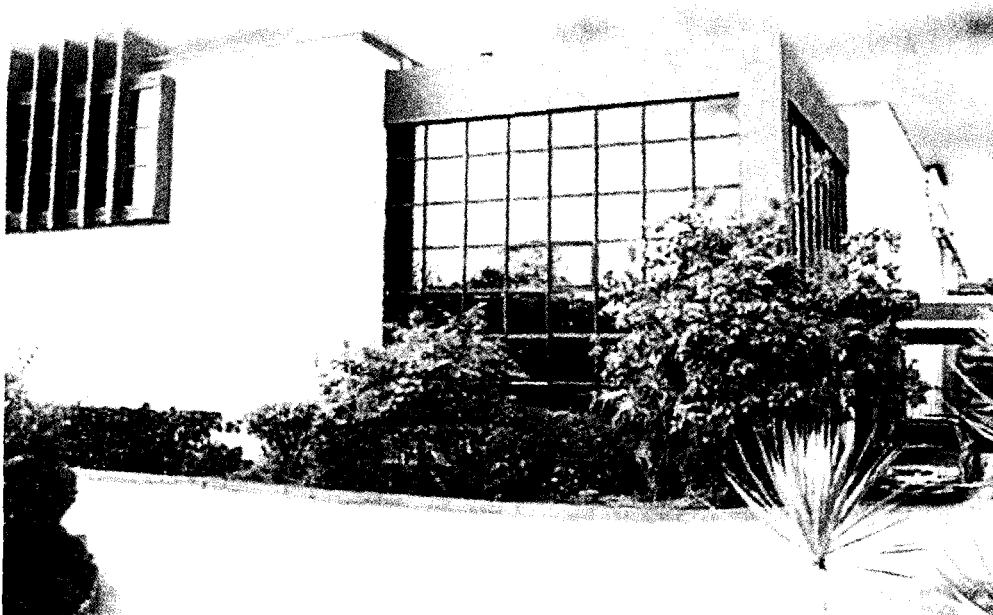
I certify that I am the registered Shareholder/Proxy for the register Shareholder of the Company.

I hereby record my presence at the 17th Annual General Meeting of the Company at to be held at the Bangalore Gayana Samaj, K.R.Road, Basavanagudi, Bangalore-560 004 at 10.00 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

BOOK-POST

If undelivered, please return to :

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