

EIGHTEENTH ANNUAL REPORT 2010-2011

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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 members of the Company that the 18th Annual General Meeting of the Company will be held on Wednesday, 27th July 2011 at Bangalore Gayana Samaja, K R Road, Basavanagudi, Bangalore - 560 004 at 10.00AM to transact the following business:-

ORDINARY BUSINESS:

1. To consider and adopt the Audited Accounts for the period ended 31st March 2011 along with Director's and Auditor's Report.
2. To declare a dividend.
3. To appoint a Director in place of Mr. C. P. Rangachar, the retiring Director, who being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. C. M. Gurusurthy, the retiring Director, who being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration. M/s Gnanoba and Bhat, Chartered Accountants, Bangalore retire at this AGM and they are eligible for re- appointment.

SPECIAL BUSINESS:

- i. To consider and if thought fit to pass with or without modification the following as a Special Resolution:

"Resolved that pursuant to the provisions of Sections.269, 309 and 19 read with Schedule.XIII and all other applicable provisions if any of the Companies Act, 1956, Clause 95 of the company's Articles of Association and subject to the approval of Central Government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are hereby authorized to accept, the consent of the Company be and is hereby granted for the reappointment of Mr Sunil L Mundra, as Managing Director of the Company w.e.f 01.06.2011 for a period of three years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per following terms:-

- (a) Salary of Rs 2,25,000/-pm on the scale of pay of Rs 2,25,000-15,000-2,55,000
- (b) Car with the driver for official work.
- (c) Medical re-imbusement for self and dependent family members not exceeding one month's salary in year or three months' salary in block of three years.
- (d) LTC once in a year not exceeding one month's salary for self and dependent members of family.
- (e) P F and Gratuity as applicable to the other officers of the Company.
- (f) Commission of 1% on profit."

"Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits/inadequacy of profits except that commission will not be paid."

- ii. To consider and if thought fit to pass with or without modification the following as a Special Resolution:

"Resolved that pursuant to the provisions of Sections.269, 309 and 19 read with Schedule.XIII and all other applicable provisions if any of the Companies Act, 1956, Clause 95 of the company's Articles of Association and subject to the approval of Central Government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are hereby authorized to accept, the consent of the Company be and is hereby granted for the reappointment of Mr Lakshminarayan Mundra, Wholetime Director of the Company w.e.f 01.06.2011 for a period of three years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per following terms:-

- (a) Salary of Rs 1,75,000/-pm on the scale of pay of Rs 1,75,000-15,000-2,05,000
- (b) Car with the driver for official work.
- (c) Medical re-imbusement for self and dependent family members not exceeding one month's salary in year or three months' salary in block of three years:-

EIGHTEENTH ANNUAL REPORT 2010-2011

- (d) LTC once in a year not exceeding one month's salary for self and dependent members of family.
- (e) P F and Gratuity as applicable to the other officers of the Company."

"Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits/inadequacy of profits except that commission will not be paid."

iii. To consider and if thought fit to pass with or without modification the following as a Special Resolution:

"Resolved that pursuant to the provisions of Sections.269, 309 and 19 read with Schedule.XIII and all other applicable provisions if any of the Companies Act, 1956, Clause 95 of the company's Articles of Association and subject to the approval of Central Government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are hereby authorized to accept, the consent of the Company be and is hereby granted for the reappointment of Mr Satyanarayan Mundra, as Managing Director of the Company w.e.f 01.06.2011 for a period of three years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per following terms:-

- (a) Salary of Rs 1,75,000/-pm on the scale of pay of Rs 1,75,000-15,000-2,05,000
- (b) Car with the driver for official work.
- (c) Medical re-imburement for self and dependent family members not exceeding one month's salary in year or three months' salary in block of three years.
- (d) LTC once in a year not exceeding one month's salary for self and dependent members of family.
- (e) P F and Gratuity as applicable to the other officers of the Company."

"Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits/inadequacy of profits".

For and on behalf of the Board

Sunil L Mundra

Managing Director

Place : Bangalore

Date : 28-05-2011

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 shall be effective to reach the Registered office not less than 48 hours before the meeting.

2. Member Register and Transfer Register will remain closed from 22nd July 2011 to 27th July 2011 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31-03-2011.

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 Company's Act 1956.

6. The Board of Directors felt the need for increasing the remuneration being paid to Managing Director and Whole time Directors considering their significant contributions towards the performance of the Company. Keeping in mind the following factors which are relevant to the revision of salary while re-appointing them as Managing Director / Whole time Directors.

I. General Information:

The Company is an existing unit of Pharma Industry manufacturing capsules and had commenced and expanded commercial production from time to time which has resulted in significant increase in turn over which has reached to Rs. 3452 lakhs. The Company had a sustained and steady growth in terms of turnover which has increased by 17% though there is marginal dip in profit as compared to previous year. The Company has also increased it's export performance by 21% in the year ended 31-03-2011.

II. Information about the appointees:

a) Mr Sunil L Mundra is a Chartered Accountant with over 25 years of experience in Pharma Industry which includes 18 years of experience as Managing Director of NCL. He is responsible for entire commercial operations and the backbone of marketing activities. He is in charge of day to day affairs of the Company subject to the supervision and control of Board of Directors. Under his able stewardship the company is scaling new heights and is in last phase of completion of its prestigious expansion programme in Pondicherry Unit. Now it is proposed to reappoint him with revised remuneration as stated in the resolution. The proposed remuneration compares well but still below the remuneration being paid to the Managing Director in the industry in a company of our size which is around Rs 3,50,000/- per month. The Managing Director is related to Mr Laxminarayan Mundra and Mr Satyanarayan Mundra who are the whole time Directors of the Company.

b) Mr Laximinarayan Mundra is a seasoned businessman with over four decades of experience in business out of which over 15 years is with this company as wholetime Director. His perfect control over finance, HR and Management issues have immensely helped the company and his vast experience is a treasure in formulating policies of the company. He is a commerce graduate.

Now it is proposed to reappoint him with revised remuneration as stated in the resolution. The proposed remuneration is below than what is being paid to the Executive / Finance Directors of other companies in the same industry. Mr Laxminarayan Mundra is related to Managing Director and Mr Satyanarayan Mundra, the whole time Director of the Company.

c) Mr Satyanarayan Mundra is an experienced businessman with over four decades of experience in business out of which over 15 years is with this company as wholetime Director. He is responsible for quality control of products, logistics management and project co-ordination. He is a live wire in and among the dedicated leaders of the company. Now it is proposed to reappoint him with revised remuneration as stated in the resolution. The proposed remuneration is below than what is being paid to the Executive / Finance Directors of other companies in the same industry. Mr Satyanarayan Mundra is related to Managing Director and Mr Laxminarayan Mundra, the whole time Director of the Company.

Information about the other appointees.

1. Mr C P Rangachar is a qualified Engineer with widest of exposure and has traveled to most of the countries in the world and is the Chairman of M/s Sai India Ltd and Yuflow Engineering Pvt Ltd. He is also the Managing Director of M/s Yuken India limited and Director of 5 other companies besides NCL. He is a member in Audit / Shares committee of 3 other companies. His expertise, timely advice and active involvement in spite of his tightest of schedules are invaluable asset to the company.

2. Dr C M Gurusurthy is a highly respected medical practitioner and renowned ENT Surgeon. He was on the panel of various committees and boards and has worked with topmost intellectuals of the country including present Prime Minister of India, Dr Manmohan Singh. He was also the Vice-Chancellor of Devraj Urs University, Kolar.

DIRECTOR'S REPORT**TO THE MEMBERS :**

Your directors hereby present the Eighteenth Annual Report together with the Audited Accounts of the company for the year ended 31st March 2011.

1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under:

	2010-11 (Rs. In lacs)	2009-10 (Rs. In lacs)
Sales & other income	3,453.96	2,948.98
Profit before Depreciation and interest	931.87	817.41
Depreciation & Preliminary exp	187.33	145.87
Interest	80.76	30.53
Profit/(Loss) before tax	663.79	641.00
Provision for taxation	174.51	205.72
Deferred tax	40.92	8.71
Prior period expenses	1.60	-
Profit/(Loss) after tax	446.76	426.56
Amount transferred to reserves	11.17	10.66

2. PERFORMANCE & PROSPECTS :

During the year under review, the company's turnover increased by 17% and the company has earned a Net profit (before tax) of Rs 663.79lacs as against the corresponding net profit of Rs 641.00lacs in the previous year. An amount of Rs.665lacs was ploughed back from profits for funding the ongoing expansion at Pondicherry. The exports of the company has increased by 21% during the year under consideration. Though the sales turnover has increased by 17%, there was slight dip in profit as compared to previous year, mainly due to increase in depreciation and interest on account of commissioning of New machines and credit facilities.

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 third 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 31-3-2011 the members whose names appear in the register of members as on the date of AGM viz., 27-7-2011.

5. EXPANSION:

During the year under consideration, the company has installed four imported machinery at Pondicherry. 5 out of

9 machines have been commissioned and balance 4 are at various stages of commissioning. With the commissioning of all these machines the installed capacity of the company will increase to 7.35 billion capsules per annum.

6. DIRECTORS:

Mr C P Rangachar and Dr C M Gurumurthy, Directors 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. 563.65 lacs
Foreign exchange outgo : Rs. 16.95 "

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 the fraud and 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:

- 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) The Stock Exchange Mumbai, PJ Towers, Dalai 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.

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

Place: Bangalore
Date: 28th May, 2011

S.GOPALAN
CHAIRMAN

12. 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

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 2010-11	Previous Year 2009-10
1. Electricity:			
a) Purchased :	Units(KWH)	60,17,966	52,84,711
b) Total amount	(Rs.in lacs)	239.30	188.89
c) Rate/Unit	(Rs.)	3.98	3.57
d) Own Generation:			
i) Through diesel generator			
Units	(KWH)	3,98,204	3,90,754
Unit per Ltr.of diesel oil(KWH)		3.11	3.28
Oil cost/Unit	(Rs.)	0.63	0.41
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)	-----	136.39	134.14	-----	675	710
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, 2011, 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	<ol style="list-style-type: none"> 1. Sri Sunil L Mundra- Managing Director 2. Sri Laxminarayan Moondra, Wholetime Director 3. Sri Satyanarayan Mundra - Wholetime Director
Promoter Non Executive Director	<ol style="list-style-type: none"> 1. Sri Sushil Kumar Mundra-Director
Non Executive Independent Directors	<ol style="list-style-type: none"> 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 & 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.	22-05-2010	9	9
2.	30-07-2010	9	9
3.	23-10-2010	9	8
4.	28-01-2011	9	9

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	4	Yes
4. V.Subramony	4	Yes
5. Sunil L Mundra	4	Yes
6. Laxminarayan Mundra	4	Yes
7. Satyanarayan Mundra	4	Yes
8. Sushil Kumar Mundra	4	Yes
9. V.Balaji Bhat	3	No

EIGHTEENTH ANNUAL REPORT 2010-2011**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 :

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

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.	22-05-2010	3	3
2.	30-07-2010	3	3
3.	23-10-2010	3	2
4.	28-01-2010	3	3

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

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. Sri Sunil L Mundra	----	18.52	18.52
2. Sri Laxminarayan Moondra	----	18.51	18.51
3. Sri Satyanarayan Mundra	----	18.39	18.39
Non Executive Directors :			
1. Sri S.Gopalan	0.80	0.53*	1.33
2. Sri Dr. C.M.GuruMurthy	0.80	0.53*	1.33
3. Sri V.Subramony	0.40	0.53*	0.93
4. Sri C.P.Rangachar	0.80	0.53*	1.33
5. Sri V.Balaji Bhat	0.30	0.53*	0.83
6. Sri Sushil Kumar Mundra	0.40	0.53*	0.93

* Share in net profit. Yet to be paid

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 has so far not issued any stock options to executive directors.

Details of Service Contract

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

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 31-3-2010

1. No.of Grievances received : 14
2. No.of Grievances redressed : 12
3. No.of Grievances pending : 2
4. No.of Share transfers pending : Nil

12. GENERAL BODY MEETINGS :

Particulars of past three AGMs are as follows:

AGM	YEAR	VENUE	DATE	TIME
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
17 th	2010	Bangalore Gayana Samaja, Bangalore-4	28-09-2010	10.00 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 behavior 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 of 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 BEHAVIOR:**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 legislation.

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 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 2010 to March 2011

Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. Of Trades	Total Turnover (Rs.)
Apr 2010	40.50	50.00	39.55	43.95	227876	1112	10,126,823.00
May 2010	44.00	48.00	38.15	43.40	121034	706	5,300,982.00
June 2010	43.00	46.00	41.05	43.00	62799	417	2,757,793.00
July 2010	42.85	55.25	42.05	46.60	165002	1115	8,302,632.00
August 2010	47.05	48.00	41.15	43.60	108346	635	4,835,126.00
September 2010	43.60	51.95	41.65	49.80	148374	900	6,863,434.00
October 2010	52.00	55.95	45.15	53.00	261413	1480	13,341,383.00
November 2010	52.00	71.55	51.00	52.85	1076047	5971	67,295,243.00
December 2010	54.70	59.80	49.00	56.60	138929	965	7,633,530.00
January 2011	57.35	60.50	42.30	49.85	95546	723	5,137,354.00
February 2011	49.95	51.35	39.05	43.30	98568	824	4,413,511.00
March 2011	44.00	45.00	35.00	41.00	129855	592	5,551,479.00

- 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 18th Annual General Meeting will be held on Wednesday the 27th July, 2011 at Bangalore.
- c) Financial calendar for the year 2010-11 (provisional)

a	Results for the first quarter ending 30 th June 2011	By end of July, 2011
b	Results for the 2nd quarter ending 30 th Sept.2011	By end of Oct, 2011
c	Results for the 3 rd quarter ending 31 st December 2011	By end of Jan, 2012
d	Results(Audited) for the financial year ending 31 st March, 2011	By end of May, 2012
e	Annual General Meeting for the year ending March, 2012	By end of July, 2012

D) Dates of book closure:

The register of members and share transfer books of the company will remain closed from 22.7.2011 to 27.7.2011 (both the days inclusive) for the purpose of AGM.

g) Statistics of share holders

Year	No. of shareholders
31-03-2009	4,801
31-03-2010	4,984
31-03-2011	4,660

h) 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	17,86,389	39.6737
2. FII	300	0.0066
3. NRI	40,007	0.8885
4. Corporate Body	6,55,093	14.5488
5. Clearing member	4,755	0.1056
6. Mutual Funds	3,700	0.0821
7. Promoters	20,08,656	44.6100
8. Directors / Relatives	3,800	0.0843
Total	45,02,700	100.0000

Distribution of holdings:

Share holding nominal Value of	Number	Share holders % to total	Share amount	Rs. % to total
1-100	2787	59.8068	225561	5.0094
101-500	1335	28.6480	372497	8.2727
501-1000	263	5.6437	222363	4.9384
1001-2000	123	2.6394	190007	4.2198
2001-3000	52	1.1158	134955	2.9972
3001-4000	15	0.3218	52223	1.1598
4001-5000	23	0.4935	106198	2.3585
5001-10000	25	0.5364	183831	4.0826
10001- and above	37	0.7939	3015065	66.9612
<hr/>				
	4660	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:

- i) Plot no.7A2, KIADB Industrial Area, Attibele 562 107, and
- ii) RS no.84, Perambai road, Pitaiveerampet, 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.

Place : Bangalore
Date : 28-5-2011

(S.Gopalan)
Chairman

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 2011 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 : 28-5-2011

For and on behalf of
GNA NOBA & BHAT
CHARTERED ACCOUNTANTS
(K. R. GNA NOBA)
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 8 to 9%. However, Pharma exports have grown at a much higher rate than the domestic market. Despite the difficult scenario in many countries and in domestic market the company is hopeful of maintaining the top line growth rate in the coming year.

2. OPPORTUNITIES AND THREATS:

Capsules:

a) Opportunities

- i) Good export market for Gelatin capsules in South East and far East Asian , African and Latin America countries.
- ii) Expansion of the existing markets for Vege capsules within the country.
- iii) Free Trade Agreement with ASEAN may provide better market access.

b) Threats:

- i) Expansion of capacities by other major players.
- ii) Over capacity may lead to drop in sales realization.
- iii) Conversion of Gelatin capsules products into other dosage forms.
- iv) Competition from low value exporting countries in International Market.

Formulation:

a) Opportunities

- i) Job work for exporters and other MNC companies
- ii) Completion of Excise Exemption in Excise free zones will increase job work opportunities in other states.

b) Threats: i) 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. OUTLOOK:

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. 42 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. 665 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 31-3-11 Audited	For the year ended 31-3-10 Audited
1.	SEGMENT REVENUE		
	Capsules	3,255.50	2,669.31
	Formulation	196.27	262.23
	Others	40.15	48.57
	Total	3,491.92	2,980.11
	Less: Inter segment revenue	37.96	31.13
	Net income from operation	3,453.96	2,948.98
2.	SEGMENT RESULTS		
	Profit/(Loss) before depreciation, tax and interest from each segment.		
	Capsules	872.41	753.34
	Formulation	18.31	15.60
	Others	41.15	48.46
	Total	931.87	817.40
	Less: i) Depreciation and Amortisation	187.33	145.87
	ii) Interest	80.76	30.53
	iii) Other un-allocable expenditure / income	217.02	214.43
	Total profit after tax	446.76	426.57

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 2011, 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 2011
- (vi) and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2011 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- (vii) 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 2011;
 - (b) in the case of the Profit & Loss account, of the Profit of the Company for year ended on that date; and in the case of Cash flow statement, of the cash flows for the year ended on that date.
 - (c) in the case of Cash flow statement, of the cash flows for the year ended on that date.

**For GNANOBA & BHAT
CHARTERED ACCOUNTANTS
(Registration No. 000939S)**

**PLACE: BANGALORE
DATE: 28.05.2011**

**(K.R. GNANOBA)
PARTNER
Membership No: 023137**

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. 2.02 lacs are pending before the Commissioner Appeals. The company has deposited Rs.0.53 lacs against the disputed excise duty liability; company has provided an equal amount of penalty for the duty payable.
 - c. Disputed income tax of Rs.9.12 lacs is pending before Commissioner Appeals. The company has deposited Rs.0.50 lakhs against disputed income tax liability.
 - d. Central sales tax amount of Rs.0.80 of 2008-09 is showing as the payable from the year 2008-2009 which the company may have to pay.
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;
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
(Registration No. 000939S)**

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

**PLACE: BANGALORE
DATE: 28.MAY.2011**

Membership No: 023137

BALANCE SHEET AS AT 31st MARCH 2010

	SCH	AS AT 31-03-2011		AS AT 31-03-2010	
		Rs.	Rs.	Rs.	Rs.
I. SOURCES OF FUNDS :					
1. SHAREHOLDERS FUNDS :					
a) Share Capital	A	45,027,000		45,027,000	
c) Reserve and Surplus	B	224,295,896		185,920,765	
			269,322,896		230,947,765
2. LOAN FUNDS :					
a) Secured Loans	C	89,652,531		54,129,338	
b) Unsecured Loans	D	186,197		2,709,457	
			89,838,728		56,838,795
3. DEFERRED TAX					
a) Deferred Tax Liability			17,860,589		13,768,380
TOTAL			377,022,213		301,554,940
II. APPLICATION OF FUNDS :					
1. FIXED ASSETS :					
a) Gross Block		362,417,186		233,498,237	
b) Depreciation		127,910,757		109,021,953	
c) Net Block	E		234,506,429		124,476,283
d) Capital work-in-progress	F		52,671,945		114,289,782
2. INVESTMENTS :					
3. CURRENT ASSETS, LOANS & ADVANCES :					
a) Inventories	G	18,783,323		13,609,501	
b) Sundry Debtors	H	113,949,393		83,388,897	
c) Cash & Bank balances	I	4,829,356		1,127,461	
d) Other Current Assets and Loans & Advances	J	77,601,059		56,077,094	
			215,163,130		154,202,952
Less : Current liabilities & Provisions	K	125,319,291		91,414,078	
Net Current Assets			89,843,839		62,788,874
TOTAL			377,022,213		301,554,940

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
(Firm Regn No 000939 S)

SRIRANGAM GOPALAN
CHAIRMAN

SATYANARAYAN MUNDRA
WHOLE TIME DIRECTOR

K.R. GNA NOBA
PARTNER
Membership No:023137

SUNIL L. MUNDRA
MANAGING DIRECTOR

Place : Bangalore
Date : 28.05.2011

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	SCH	2010-2011	2009-2010
		Rs.	Rs.
I. INCOME :			
1. Sales & Other Income	L	345,396,583	294,898,329
2. Variation in Stock	M	646,130	(864,186)
TOTAL		346,042,713	294,034,143
II. EXPENDITURE :			
1. Materials consumed	N	134,729,024	113,920,161
2. Employee Costs	O	30,443,480	23,324,506
3. Other Manufacturing, Selling & Administrative Expenses	P	87,682,787	75,047,806
4. Financial Costs	Q	8,075,977	3,053,658
5. Depreciation		18,732,920	14,587,595
TOTAL		279,664,188	229,933,726
Profit / (Loss) for the year		66,378,524	64,100,417
Prior Period (Expenses) / income		-	-
Profit / (Loss) before tax		66,378,524	64,100,417
Provision for Taxation :			
Current Tax : Income Tax		(17,451,349)	(20,572,208)
Deferred Tax		(4,092,209)	(871,883)
Prior period taxes		(159,185)	-
Profit / (Loss) after tax		44,675,781	42,656,326
Opening Balance in P&L b/f		160,359,303	125,090,906
Profit / (Loss) available for distribution & appropriation		205,035,085	167,747,232
Appropriation			
Proposed Dividend on equity shares :		5,403,240	5,403,240
Tax on Proposed dividend		897,411	918,281
Transfer to General Reserve		1,116,895	1,066,408
Balance Carried forward to Balance sheet		197,617,539	160,359,303
EARNINGS PER SHARE (Equity shares, par value of Rs.10/-)			
Basic		10	9
Diluted		10	9
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 Profit & Loss Account.
THIS IS THE BALANCE SHEET REFERRED TO IN OUR REPORT OF EVEN DATE

For GNAOBA & BHAT
CHARTERED ACCOUNTANTS
(Firm Regn No 000939 S)

SRIRANGAM GOPALAN
CHAIRMAN

SATYANARAYAN MUNDRA
WHOLE TIME DIRECTOR

K.R. GNAOBA
PARTNER
Membership No:023137
Place : Bangalore
Date : 28.05.2011

SUNIL L. MUNDRA
MANAGING DIRECTOR

SCHEDULES TO BALANCE SHEET AS AT 31st MARCH 2011

	AS AT 31-03-2011		AS AT 31-03-2010	
	Rs.	Rs.	Rs.	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
Total		45,027,000		45,027,000
SCHEDULE - B :				
1. General Reserve				
Opening Balance		4,288,662		3,222,254
Add: Transfer from Profit & Loss Account		1,116,895		1,066,408
Closing Balance		5,405,557		4,288,662
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				
		197,617,539		160,359,303
Total		224,295,896		185,920,765
SCHEDULE - C :				
SECURED LOANS :				
LONG TERM LOANS				
From : State Bank of India				
Term Loan - No.30578991884	63,088,884		39,286,961	
		63,088,884		39,286,961
SHORT TERM LOANS				
State Bank of India-OD Account	26,561,105			14,276,967
State Bank of India-Packing Credit Account	2,542			565,410
		26,563,647		
Total		89,652,531		54,129,338
SCHEDULE - D :				
UNSECURED LOANS :				
Sales Tax deferment loan		186,197		2,709,457
Total		186,197		2,709,457
SCHEDULE - F :				
CAPITAL WORK IN PROGRESS				
(Including capital advances)				
Bangalore Unit		600,000		453,203
Pondicherry Unit		52,071,945		113,836,579
Total		52,671,945		114,289,782
SCHEDULE - G :				
INVENTORIES				
(As taken, valued and certified by the Managing Director)				
Raw materials & Packing Material		7,289,428		5,287,211
Consumable, stores & spares		1,360,521		1,438,611
Work-in-progress		392,000		909,616
Finished Goods		5,731,484		4,567,738
Goods in Transit		4,009,890		1,406,325
Total		18,783,323		13,609,501

NATURAL CAPSULES LIMITED

	AS AT 31-03-2011		AS AT 31-03-2010	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - H :				
SUNDRY DEBTORS :				
(Unsecured, considered good, subject to confirmation)				
Outstanding for more than six months	7,407,279		4,004,076	
Others	106,542,114		79,384,821	
		113,949,393		83,388,897
Total		113,949,393		83,388,897
SCHEDULE - I :				
CASH & BANK BALANCES :				
Cash on hand		24,453		17,011
Balance with Scheduled Banks				
- in Current Account		3,736,929		252,446
- Dividend Distribution Account		1,067,973		858,004
		4,829,356		1,127,461
Total		4,829,356		1,127,461
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		2,496,494		684,415
Advance Tax including TDS		61,022,490		40,874,617
Cenvat Credit		4,403,066		6,445,249
Deposits		6,578,636		7,176,549
Advance To Suppliers		3,100,374		896,264
		77,601,059		56,077,094
Total		77,601,059		56,077,094
SCHEDULE - K:				
CURRENT LIABILITIES & PROVISIONS :				
SUNDRY CREDITORS :				
For Goods, Supplies & Others		53,665,734		38,971,533
(Dues to SSIs' Rs.0.80 Lacs (P.Y Rs.0.87 lacs)				
Duties & Taxes		1,731,547		1,951,446
Advance From Customers		3,107,603		1,075,081
Security Deposit From Customers		214,466		297,622
		58,719,350		42,295,682
Total		58,719,350		42,295,682
PROVISIONS :				
Provision for Taxation :				
Income Tax 07-08		-		(12,646)
Income Tax 08-09		21,200,000		21,200,000
Income Tax 09-10		20,572,208		20,572,208
Fringe Benefit Tax 07-08		17,451,349		-
Fringe Benefit Tax 08-09				171,549
Unclaimed Dividend				
2004-05 :	175,273		175,473	
2005-06 :	184,819		184,819	
2006-07 :	140,577		140,877	
2007-08 :	158,571		159,171	
2008-09 :	205,184		205,424	
	211,309	1,075,733		865,764
Proposed dividend		5,403,240		5,403,240
Dividend tax on proposed Dividend		897,411		918,281
		66,599,941		49,118,396
Total		66,599,941		49,118,396
TOTAL		125,319,291		91,414,078

SCHEDULES TO PROFIT & LOSS ACCOUNT :

	2010-2011		2009-2010	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - L :				
SALES & OTHER INCOME :				
Sales		341,380,606		290,040,438
Interest Received		767,222		515,984
(Gross, TDS Rs.40015/-(Previous Year - Rs.42468/-)				
Miscellaneous Income		3,248,754		4,341,907
Total		345,396,583		294,898,329
SCHEDULE - M :				
VARIATION IN STOCK :				
Opening Stock				
- Work-in-progress	909,616		1,643,576	
- Finished Goods	4,567,738		4,697,964	
		5,477,354		6,341,540
Closing Stock				
- Work-in-progress	392,000		909,6166	
- Finished Goods	5,731,484		4,567,738	
		6,123,484		5,477,354
Increase / (Decrease) in stock		646,130		(864,186)
SCHEDULE - N :				
MATERIALS CONSUMED :				
Opening Stock		6,725,823		6,861,896
ADD : Cost of Materials Purchased		136,653,149		113,784,088
LESS : Closing Stock		(8,649,949)		(6,725,823)
Materials Consumed		134,729,024		113,920,161
SCHEDULE - O :				
EMPLOYEE COSTS :				
Salaries, Wages & Allowances				
- Directors	5,490,000		4,950,000	
- Others	19,591,072		14,922,849	
		25,081,072		19,872,849
Contribution to provident & other funds				
Directors	28,080		28,080	
Others	2,677,444	2,705,524	1,064,303	1,098,383
Other employee cost		2,656,884		2,353,274
Total		30,443,480		23,324,506

	2010-2011		2009-2010	
	Rs.	Rs.	Rs.	Rs.
SCHEDULE - P :				
OTHER MANUFACTURING, SELLING & ADMINISTRATIVE EXPENSES				
Rent		3,187,806		2,801,729
Power, Fuel and Water Charges		28,904,508		22,149,482
Other Manufacturing Expenses		11,528,150		9,405,185
Repairs & Maintenance :				
- Building	830,815		845,266	
- Machinery	4,544,081		3,988,888	
- Others	1,757,015		2,965,161	
		7,131,911		7,799,315
Security Charges		837,073		762,189
Insurance		422,990		317,200
Insurance-Directors		24,163		18,028
Exchange fluctuation		167,452		834,350
Communication Costs		813,719		975,853
Printing & Stationery		729,683		579,622
Travelling & Conveyance		7,300,379		6,428,239
Directors Sitting Fees		350,000		280,000
Comission to Non executive directors (Refer to Sch R Note 15)		318,232		-
Auditors Remuneration :				
Internal Audit Fees		119,440		94,635
Statutory Audit				
- For Audit	1 20,000		60,000	
- For Tax matters	30,000		20,000	
- For Other Services	-		-	
		150,000		80,000
Rates & Taxes Including Filing Fees		866,315		650,261
Commission		785,658		774,251
Freight outward		16,545,224		13,657,805
Bad Debts Written-off		400,447		899,999
License Fees		1,173,674		1,497,183
Professional Charges		1,767,083		1,765,374
Sales Promotion Expenses		1,391,955		1,000,331
ERP Expenses		2,766,927		2,276,774
Impairment Loss				
Miscellaneous Expenses				
Total		87,682,787		75,047,806
SCHEDULE - Q :				
FINANCIAL COSTS :				
Interest on Term Loans		6,778,917		2,486,428
Others		1,297,060		567,230
Total		8,075,977		3,053,658

**SCHEDULE - E : For the year 2010-11
FIXED ASSETS**

(AMOUNT IN RUPEES)

Sl. No.	BANGALORE UNIT	GROSS BLOCK				DEPRECIATION			NET BLOCK	
		Particulars	As at 01-04-2010	Additions/ deletions during the year	As at 31-03-2011	As at 04-04-2010	For the Period	As at 31-03-2011	As at 31-03-2011	As at 31-03-2010
1.	Free hold land	2,135,730	-	2,135,736	-	-	0.00	2,135,730	2,135,730	
2.	Building	19,208,243	938,677	20,146,920	8,318,441	651,949	8970389.65	11,176,530	10,889,802	
3.	Plant & Machinery including Electrical Installations	69,029,855	30,783	69,060,638	67,943,553	1,641,213	57749696.51	11,310,942	1,086,302	
4.	Computer	4,582,539	-	4,582,539	1,235,674	719,931	1955605.3	2,626,934	3,346,865	
5.	Furniture & Fixtures	1,250,412	30,000	1,280,412	949,310	79,403	1028712.66	251,699	301,102	
6.	Office Equipments	355,236	23,602	378,838	112,156	21,302	133458.48	245,379	243,081	
7.	Motor Vehicles	1,100,085	3,400	1,103,485	622,504	105,097	727601.03	375,884	477,581	
8.	Technical know-how-fees	300,000	-	300,000	300,000	-	300000.00	-	-	
	TOTAL	97,962,100	1,026,462	98,988,562	79,481,638	3,218,895	70,865,464	28,123,098	18,480,463	
	PONDICHERRY UNIT									
1.	Land	2,976,000	-	2,976,000	-	-	-	2,976,000	2,976,000	
2.	Building	21,619,034	50,953,014	72,572,048	4,576,151	1,570,660	6,146,811	66,425,237	17,042,883	
3.	Plant & Machinery including Electrical Installations	108,733,209	76,404,995	185,138,204	24,469,806	13,687,802	49,992,678	135,145,527	84,107,521	
4.	Computers	792,587	183,915	976,502	300,718	148,716	449,434	527,068	491,869	
5.	Furniture	1,326,878	190,480	1,517,358	282,544	91,041	373,585	1,143,773	1,044,334	
6.	Office equipment	244,311	4,200	248,511	66,979	15,805	82,784	165,727	177,332	
	TOTAL	135,692,019	127,734,504	263,428,623	29,696,198	15,514,025	57,045,292	206,383,331	105,839,939	
	GRAND TOTAL	233,654,119	128,760,966	662,417,185	109,177,836	18,732,920	127,910,755	234,506,430	124,320,401	
	PREVIOUS YEAR	207,275,514	26,222,723	233,498,237	94,590,240	14,587,595	109,021,963	124,320,401	112,685,273	

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 of raw materials, packing materials, work in process and finished goods. These are valued at lower of cost or net realizable value whichever is lower. 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 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 uses 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. 22.97 Lakhs (PY: Rs. 94.78) 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 remainders 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.
 - (e) All the inter segment transfers are made at cost price.

SEGMENT WISE REPORTING FOR THE YEAR ENDED 31 ST MARCH 2011

PARTICULARS	Formulation (RS.)	Capsules (RS.)	Others (RS.)	Total (RS.)
Sales	1,96,27,275	321753331	-	341380606
Add: Adjustment for inter-segment revenue		3796689	-	3796689
Other Income			4015976	4015976
Increase / (Decrease) in stock		646130	-	646130
TOTAL REVENUE	19627275	326196150	4015976	349839401
Material Consumed	6447560	128281464	-	134729024
ADD: inter segment transfers	3796689	-	-	3796689
Staff Cost	1587847	28855633	-	30443480
Other manufacturing selling and admin exps	2106006	85576782	-	87682788
Preliminary exps				
R&D Expenses W/off				
Depreciation				18732920
Financial cost				8075977
TOTAL EXPENDITURE	13938102	242713879	-	283460878
Prior period Income				
PROFIT BEFORE TAX	1112866	65265657		66378523
Provision for taxation				
-Prior period tax				(159185)
-Current tax				(17451349)
-Deferred tax				(4092209)
PROFIT AFTER TAX				44675780

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 31/03/11	0.27	
Managerial remuneration		55.42

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.

(Rs. In Lacs)

Particulars	2010-11	2009-10
Minimum lease payments debited to Rent account	3.24	3.24
Contingent Rents	Nil	Nil

EIGHTEENTH ANNUAL REPORT 2010-2011

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

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	2010-11	2009-10
Profit after Tax as per Profit and Loss A/c(Rs in Lakhs)	446.76	426.57
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	9.92	9.47
Diluted	9.92	9.47

6. Taxation:

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

(Rs. In Lacs)

Particulars	2010-11 Rs	2009-10 Rs
Tax impact due to Timing differences on Depreciation	178.60	138.72
Tax impact due to Timing differences on Others	0	-1.03
Total	178.60	137.698

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 16 quarterly installments during the year amounting to Rs. 1, 18, 33,808 out of the above deferred amount.
- (d) Term loan repayable within one year Rs. 78.50 lakhs (Previous year Rs 100.00 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. 0.64 lakhs (Previous Year 0.80 lakhs) and the same is due to M/s Benaka Mudran and M/s Trisiris industries.

9. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances paid) - Rs. 85.00 lakhs (Previous year- Rs. 248.56 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. Nil (Previous year 4.72 lacs)
- 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 31-03-2011 to the tune of Rs. 2.65 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:
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	10,38,325
Employer's Contribution to Employee's State Insurance	3,45,250

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 stipulate 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)		
	31.03.2011	31.03.2010
	Rs.	Rs.
a. Change in Present Value of Obligation		
Opening Present Value of Obligation	28,22,430	17,89,605
Current Service Cost	2,95,607	2,72,358
Interest on Defined Benefit Obligation	2,25,794	1,43,168
Benefits paid	(1,52,117)	0
Net Actuarial Losses/(Gains) Recognised in year	8,26,546	4,93,785
Closing Present Value of Obligations	40,18,260	26,98,916
b. Change in the Fair value of Assets		
Opening Fair value of plan assets	22,99,437	21,08,764
Expected return of plan assets	2,21,471	1,89,789
Actuarial gain/(loss)	-	-

EIGHTEENTH ANNUAL REPORT 2010-2011

Contributions by Employer	14,30,448	884
Benefits paid	(1,52,117)	0
Closing Fair value of plan assets	37,99,239	22,99,437
c. Reconciliation of Present Value of Defined Benefit Obligation and the Fair value of plan assets		
Closing present value of Funded obligations	22,99,437	21,08,764
Closing Fair value of plan assets	20,80,416	1789605
Closing Funded Status	(2,19,021)	(3,99,479)
Contributions	14,30,448	884
Benefits Paid	1,52,117	Nil
Actual return on plan assets	2,21,471	1,89,789
d.Amount recognized in the Balance Sheet		
Closing Present value of obligations	40,18,260	26,98,916
Closing Fair value of plan assets	37,99,239	22,99,437
Liability recognized in Balance sheet	2,19,021	3,99,479
e. Expenses recognized in the Profit & Loss Account		
Current Service Cost	2,95,607	2,72,358
Interest Cost	2,25,794	143168
Expected return on plan assets	(2,21,471)	(1,89,789)
Actuarial gain/(loss) recognized in the profit & loss account	8,26,546	4,93,785
Expenses to be recognized in the profit & Loss Account	11,26,476	7,19,522
f. Major categories of plan assets as a percentage of Total Plan Assets		
	As at 31.03.2011	As at 31.03.2010
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	2010-11	2009-10
i) Licensed capacity	-N.A.-	-N.A.-
ii) Installed capacity (Nos) (lakhs)		
Capsules	54000	39600
Formulation	2700	2700
iii) Actual production (Nos) (lakhs)		
Capsules	47120	
Formulation	386	522
iv) Turnover-Qty-Capsules -(Nos) (lakhs)	47332	41117
-Formulation -(Nos) (lakhs)	386	522
v) Turnover- Value-Capsules - Rs.(lakhs)	3216	2637
-Formulation - Rs.(lakhs)	196	262

Finished Goods	2010-2011		2009-2010	
	Qty(nos) (lakhs)	Rs. (lacs)	Qty(nos) (lakhs)	Rs. (lacs)
i) Opening stock				
Capsules	1398-00	45.67	1541.40	49.85
Formulation	NIL	NIL	Nil	Nil
ii) Closing stock				
Capsules	1186.02	57.31	1398-00	45.67
Formulation	NIL	NIL	NIL	NIL

Consumption of Raw Material,	2010-2011		2009-2010	
	Qty. in Kgs	Rs. in lacs	Qty. in Kgs.	Rs. in lacs
Raw Materials:				
Gelatin	364060	990.89	331375	810.43
HPMC	700	6.53	0.0	0.0
Dextropropoxyphene	2535	54.82	3250	61.02
Paracetamol	15600	45.44	20000	46.80
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:

	2010-11 Rs.	2009-10 Rs.
(a) Paid/payable to directors		
i) Sri. Sunil L. Mundra		
Managing Director	18, 30,000/-	16, 50,000/-
PF Employers contrb	9,360/-	9,360/-
Mediclaime Insurance	12,419/-	6,284/-
ii) Laxminarayana Mundra		
Whole time Director	18, 30,000/-	16, 50,000/-
PF Employers contrb	9,360/-	9,360/-
Mediclaime Insurance	11,744/-	11,744/-
iii) Sathyanarayan Mundra		
Whole time Director	18, 30,000/-	16, 50,000/-
PF Employers contrb	9,360/-	9,360/-
Whole time Director		

Sitting fees :

Commission to Non-Executive Directors

S.Gopalan	80,000	53,039
C.P.Rangachari	80,000	53,039
C.M.Gurumurthy	80,000	53,039
V.Balaji Bhat	30,000	53,039
Sushil Kumar Mundra	40,000	53,038
V.Subramani	40,000	53,038
	-----	-----
	3, 50,000	3, 18,232

(b) Computation of net profits in accordance with section 349 and section 309(5) of the Companies Act, 1956.

PARTICULARS		2010-11	2009-10
Add:-	Profit before taxation as per statement of profit and loss account	66378523	-
	Depreciation as per statement of profit and loss	18732920	-
	Provision for doubtful debts	444699	-
	Provision for doubtful advances	-	-
		85556142	-
Less:			-
	Depreciation calculated under section 350 of the companies Act,1956	18732920	-
	Profit on sale of assets as per statement of Profit and Loss		-
	Net profit in accordance with section 349	66823223	-
	Add: Managerial remuneration paid/payable to directors	6210475	-
	Net profit in accordance with section 309(3) of the companies Act,1956	72663223	-
	Maximum managerial remuneration allowed under section 198 of the Companies Act,1956, 11 percent of the above	7992954	-

(C) CIF value of Imports Rs.51.37 lakhs(Machinery & spare parts-Rs. 49.97/Excipients Rs 1.40 lakhs)
(Previous year 31.03 lacs)

(D) FOB value of Exports - Rs. 615.17 lakhs (Previous year - Rs. 507.90 lakhs).

(E) Expenditure in foreign currency - Rs. 16.95 Lakhs (Previous year Rs. 8.87 lakhs).

(F) Earnings in foreign currency Rs. 563.68 lakhs (Previous year- Rs. 444.53 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 : 28-05-2011

NATURAL CAPSULES LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March 2011****CASH FLOW STATEMENT**

		31-3-2011 Rs.	31-3-2010 Rs.
Cash flow from Operating Activities			
Net Profit (Loss) before Tax and before Extraordinary items		66,378,524	64,100,417
Adjustments for :			
Depreciation		18,732,920	14,587,595
Interest Income		(767,222)	(515,984)
Interest on borrowings		8,075,977	3,053,658
Impairment loss			-
Exchange fluctuation			-
Operating Profit before Working Capital Changes		<u>92,420,199</u>	<u>81,225,686</u>
Changes in Working Capital			
Trade and other receivables		(31,936,588)	5,544,660
Inventories		(5,173,822)	1,524,969
Trade and other payables		16,450,561	(14,573,928)
Net Change in working Capital		<u>(20,659,849)</u>	<u>(7,504,300)</u>
Cash generated from operations		71,760,351	73,721,386
Direct Taxes paid		(20,147,873)	(2,060,655)
Net Cash from Operating Activities	A	<u>51,612,477</u>	<u>71,660,731</u>
Cash Flow from Investing activities			
Purchase of Fixed Assets/change in Capital work in progress		(67,301,110)	(56,977,550)
Interest received		767,222	515,984
Net Cash used in Investing Activities	B	<u>(66,533,888)</u>	<u>(56,461,567)</u>
Cash Flow from Financing Activities			
Interest paid on borrowings		(8,075,977)	(3,053,658)
Proceeds from Bank Overdraft		11,721,270	(8,050,378)
Term Loan repaid		-	-
Unsecured Loans Repaid		(2,523,260)	(2,958,452)
Dividend paid		(5,403,240)	(5,403,240)
Dividend Tax paid		(897,411)	(918,281)
Proceeds from Term Loan		23,801,924	5,000,289
Net Cash used in Financing Activities	C	<u>18,623,306</u>	<u>15,383,719</u>
Net (decrease)/increase in Cash or Cash equivalents	A+B+C	3,701,896	(184,557)
Cash or Cash equivalents at the start of the year		1,127,461	1,312,019
Cash or Cash equivalents at the close of the year		<u>4,829,356</u>	<u>1,127,461</u>
Cash & Cash Equivalents Comprise of			
Cash Balance		24,453	17,011
Bank Balance		4,804,903	1,110,450

SRIRANGAM GOPALAN
(CHAIRMAN)

SUNIL L MUNDRA
MANAGING DIRECTOR

SATYANARAYAN MUNDRA
(WHOLETIME DIRECTOR)

PLACE : BANGALORE
DATE : 28 May 2011

AUDITOR'S REPORT

We have examined the above Cash Flow Statement of Natural Capsules Limited for the year ended 31st March 2011. 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 : 28th May 2011**

**(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.	0 0 0 0 0 1 4 7 4 2	State Code	0 0 0 0 0 0 0 0 8
Balance Sheet Date	3 1 - 0 3 - 2 0 1 1		

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

Public Issue	N I L	Rights Issues	N I L
Bonus Issue	N I L	Private Placements	N I L

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

Total Liabilities	3 7 7 0 2 2	Total Assets	3 7 7 0 2 2
Sources of Funds			
Paid up Capital	4 5 0 2 7	Equity Share Warrants	0
Reserves & Surplus	2 2 4 2 9 6	Secured Loans	8 9 6 5 3
Unsecured Loans	1 8 6	Deferred Tax Liability	1 7 8 6 0
Application of Funds			
Net Fixed Assets	2 8 7 1 7 8	Investments	N I L
Net Current Assets	8 9 8 4 4	Miscellaneous Expenditure	N I L
Accumulated Losses	N I L		

IV. Performance of Company (Rupees in thousands)

Turnover	3 4 6 0 4 3	Total Expenditure	2 7 9 6 6 4
Profit before tax	6 6 3 7 9	Profit after tax	4 4 6 7 6
Earning per share in Rs.	10	Dividend Rate %	1 2

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

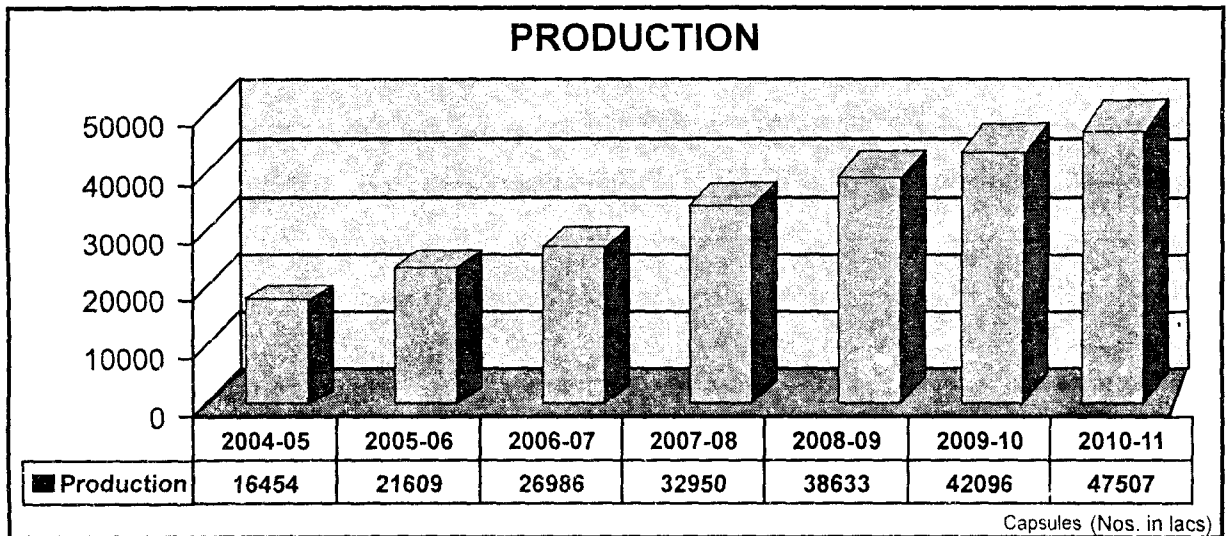
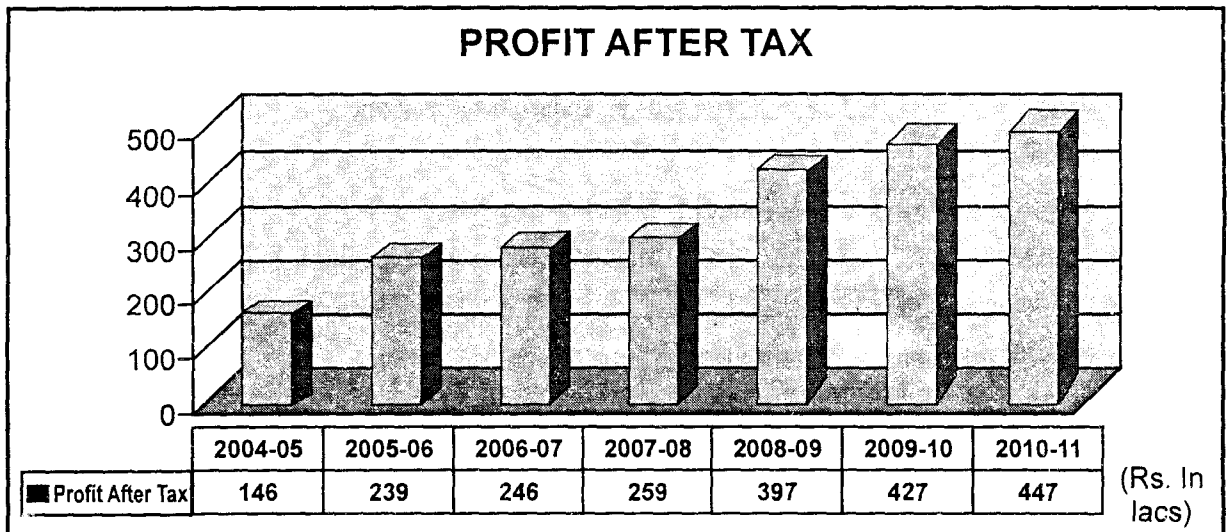
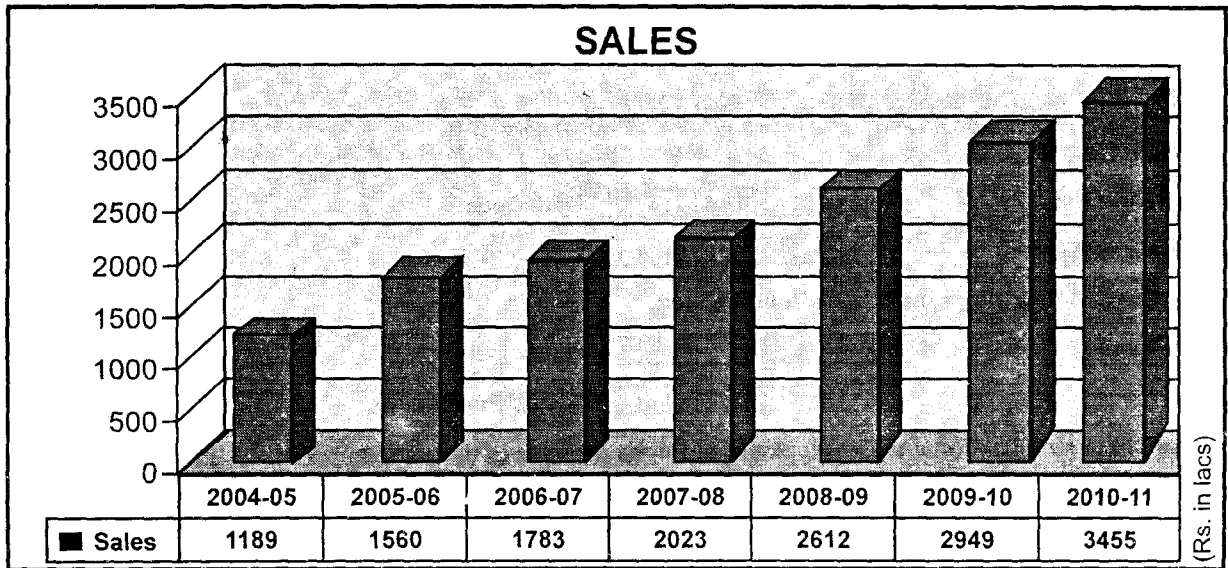
Item code no. (ITC code no.)	9 6 0 2 . 0 0	Product Description	H A R D C A P S U L E S H E L L S
Item code no. (ITC code no.)	-	Product Description	-
Item code no. (ITC code no.)	-	Product Description	-

SUNIL L. MUNDRA
MANAGING DIRECTOR

SRIRANGAM GOPALAN
CHAIRMAN

SATYANARAYAN MUNDRA
WHOLE TIME DIRECTOR

PLACE : BANGALORE
DATE : 28-05-2011



**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.....

ofthe district of.....as my/our proxy to
vote for me/us and on me/our behalf at the 18th Annual General Meeting of the company will be held on
Wednesday, the 27th day of July 2011 at Bangalore Gayana Samaj, K. R. Road, Basavanagudi, Bangalore -
560 004 at 10.00A. M. and at any adjournment thereof.

Signed this.....day of.....2011.

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

18TH ANNUAL GENERAL MEETING

Reg. Folio No.:

No. of shares held :

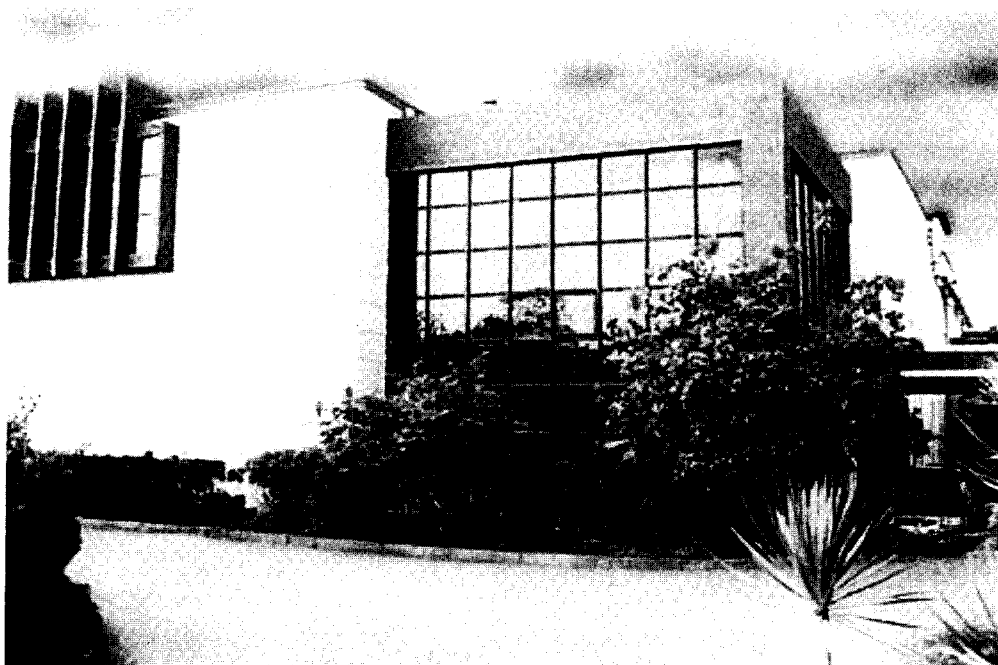
I certify that I am the registered Shareholder/Proxy for the register Shareholder of the Company.

I hereby record my presence at the 18th Annual General Meeting of the Company at to be held at the Bangalore
Gayana Samaj, K.R.Road, Basavanagudi, Bangalore - 560 004 at 10.00A.M.

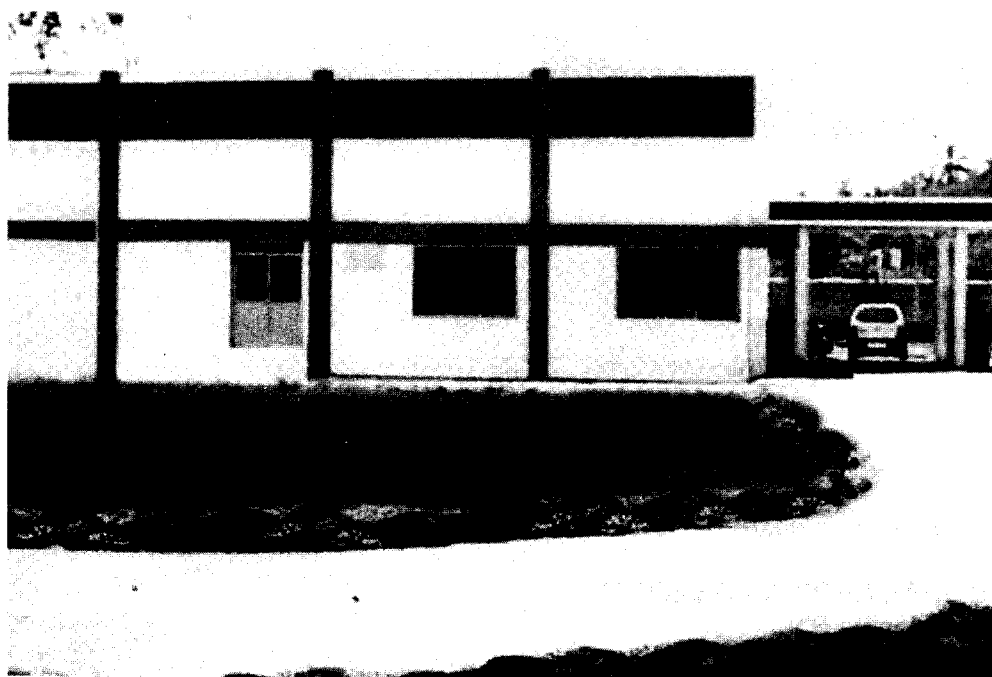
.....
Member's/Proxy/s name in BLOCKLETTERS

.....
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.