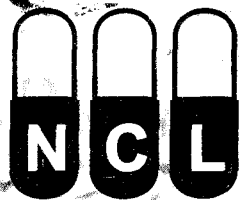
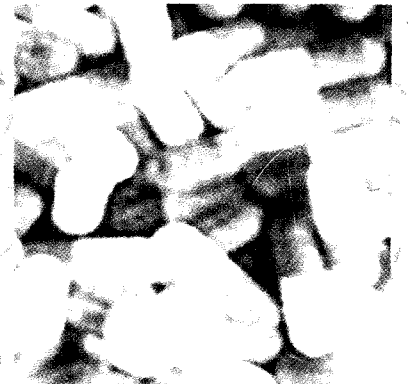


NINETEENTH ANNUAL REPORT

2011-2012

VG-Caps®



NATURAL
CAPSULES
LIMITED

BANGALORE

CHAIRMAN'S ADDRESS



Dear Shareholders,

I am happy to announce that your Company has completed yet another successful and fruitful financial year on 31st March 2012. When I look back thru the happenings of last one year I get a mixed feeling. The year was of high achievement in spite of challenging conditions on cost factors of raw material, hike in power and fuel costs, increase in maintenance and overheads and administration costs. We had cyclone menace during December 2011 which only added to our woes. In spite of these adversities there has been increase in sales and other income, progress of expansion on planned lines, retention of SME Credit rating for fourth successive year justifying the faith reposed by you on your Company.

The Company also proposes to increase the dividend for the year and looks forward to your continued support and best wishes.

I thank you one and all.

Srirangam Gopalan
Chairman

FROM MANAGING DIRECTOR'S DESK



Dear Shareholders,

I am glad and privileged to present the saga of yet another satisfying financial year 2011-12. When the world is reeling under financial crisis your Company has achieved the increase in turn over of almost 30%. The sales and other income have reached Rs 4,459 lakhs and we have continued with plough back of Rs 539 lakhs towards expansion and international financial crisis, raw material shortage have not bothered us much. We have installed one of the improvised machines as a pilot plant and necessary modifications will be carried on remaining 3 machines too to increase the capacity to 7.35 billion capsules per annum.

The exchange fluctuation has also contributed its bit and we have come out unscathed in spite of difficult situation and propose to declare a dividend of Rs 1.50 per equity share if approved during AGM.

I am obliged to have your valuable suggestions and sure of your continued co-operation.

Sunil L Mundra
Managing Director



NINETEENTH ANNUAL REPORT 2011-2012

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

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FINANCIAL HIGHLIGHTS (8 YEARS)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Sales & Other Income	1199.86	1571.26	1782.62	2033.01	2605.64	2948.98	3453.96	4459.17
Exports	66.74	170.23	193.35	272.82	382.72	507.90	615.17	605.92
P B T	253.02	357.85	360.09	428.47	616.33	641.00	663.79	772.26
P A T	146.10	239.97	246.19	265.73	397.51	426.56	446.76	506.87
E P S	3.87	5.60	5.75	5.75	8.83	9.00	10.00	11.26
Dividend per share (Rs)	1.0	1.0	1.0	1.0	1.0	1.2	1.2	1.5
Reserves & Surplus	515.64	700.94	897.03	1161.57	1495.85	1859.2	2242.95	2671.33
Share Capital	428.27	428.27	428.27	450.27	450.27	450.27	450.27	450.27
Share holders fund	943.91	1129.21	1325.30	1611.84	1946.12	2309.47	2693.22	3121.6
R O I	15.48	21.25	18.58	16.49	20.43	18.47	16.59	16.24

NOTICE

Notice is hereby given to all members of the Company that the 19th Annual General Meeting of the Company will be held on Thursday, 26th July 2012 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 2012 along with Director's and Auditor's Report.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S. Gopalan, the retiring Director, who being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. V. Balaji Bhat 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:

6. To consider and if thought fit to pass with or without modification, the following as a Special Resolution : " Resolved that pursuant to Sec. 209 (4) (b) and other applicable provisions if any, of the companies act. 1956, remuneration by way of commission not exceeding 1% of the net profits be paid to Non Executive Directors for a period of 3 years from the current financial year 2011-12 and that Mr. Sunil L Mundra, Managing Director be authorised to take all step necessary for giving effect to this resolution."

Place : Bangalore

Date : 26-05-2012

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 shall be effective to reach the registered office not less than 48 hours before the meeting.
2. Member's Register and Transfer Register will remain closed from 24th July 2012 to 26th July 2012 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31-03-2012.
3. Members are requested to bring duly filled-in attendance slips at the time of meeting.
4. Proxy form is attached.
5. **Information about the appointees:**
 - A Mr. S. Gopalan is a top ranking Chemical Engineer with high academic honours and was executive director of Industrial Development Bank of India. He has been the Chairman of this Company for 18 years and has guided and steered several other companies too to great heights of success with his wide exposure, vision, knowledge and capability. He has been the knowledge bank of the Company.
 - B Mr. V. Balaji Bhat is a Chartered Accountant and has been of immense value to the company with his financial expertise and updated knowledge of statutory matters. He is also director of many other companies.
6. **Explanatory Statement as per Section 173(2) of the Company's Act 1956.**

Regarding agenda 6 of Special Business, the Board in its meeting held on 26-5-2012 decided to recommend a remuneration not exceeding 1% on net profits to Non-Executive Directors including Independent Directors, considering their valuable contribution to the progress of the Company. The Company owes its growth and comfortable financial position due to the expert advice, constant interaction and guidance given by these Directors, who have rich experience, qualification and technical expertise. Hence, the resolution is commended for members approval. All Directors may be taken as interested Directors in this item of Business.

DIRECTOR'S REPORT

TO THE MEMBERS :

Your directors are pleased to present the Nineteenth Annual Report together with the Audited Accounts of the company for the year ended 31st March 2012.

1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under:

	2011-12 (Rs. In lacs)	2010-11 (Rs. In lacs)
Sales & other income	4,459.17	3,453.96
Profit before Depreciation and interest	1,177.29	931.87
Depreciation & Preliminary exp	270.30	187.33
Interest	134.73	80.76
Profit/(Loss) before tax	772.26	663.79
Provision for taxation	232.55	174.51
Deferred tax	10.53	40.92
Prior period expenses	22.29	1.60
Profit/(Loss) after tax	506.87	446.76
Amount transferred to reserves	25.34	11.17

2. PERFORMANCE & PROSPECTS :

During the year under review, the company's turnover increased by 29% and the company has earned a Net profit (before tax) of Rs. 772 lacs as against the corresponding net profit of Rs. 664 lacs in the previous year. An amount of Rs. 539 lacs was ploughed back from profits for funding the ongoing expansion at Pondicherry. The exports of the company has remained almost at same level due to difficult situations on international front. Though the sales turnover has increased by 29%, the profit after tax has increased by only 16% mainly due to increase in raw material costs, depreciation, interest, fuel and power costs etc.

3. FLUCTUATION IN FOREIGN EXCHANGE.

The Company has benefited to an extent of Rs. 28 lacs owing to foreign exchange fluctuation.

4. 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 fourth successive year.

5. DIVIDEND:

While considering the need for conservation of resources for ongoing expansion, your Directors are pleased to recommend a dividend of Rs. 1.50 per equity share of Rs 10/- each for the year ended 31-3-2012, to the

members whose names appear in the register of members as on the date of AGM viz., 26-7-2012.

6. EXPANSION:

During the year under consideration, the company has improvised / modified one of the imported machines and installed it as Pilot plant. Company is yet to commission 3 machines out of 9 machines imported earlier. With the commissioning of all these machines the installed capacity of the company will increase to 7.35 billion capsules per annum.

7. DIRECTORS:

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

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

A. CONSERVATION OF ENERGY:

The particulars 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 as per details given in Form-B attached to this report.

C. FOREIGN EXCHANGE, EARNINGS & OUTGO:

Foreign exchange earning : Rs. 640.66 lacs
Foreign exchange outgo : Rs. 23.29 lacs

9. 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.

10. AUDITORS:

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

11. REPORT ON CORPORATE GOVERNANCE:

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

12. 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, 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.

13. AUDITOR'S REMARKS:

- (a) Reg. Para 9(b), (c) of Annexure to Auditors Report,

relating to disputed excise and income tax liabilities, the management is of the view that the Company is likely to win the appeal.

- (b) Reg. Para 9 (d) of the report, the management is of the view that the liability on account of above said statutory dues are insignificant.

14. ACKNOWLEDGEMENTS:

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

For & on behalf of the Board

**S.GOPALAN
CHAIRMAN**

Place: Bangalore

Date: 26th May, 2012

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 2011-12	Previous Year 2010-11
1. Electricity:			
a) Purchased :	Units(KWH)	79,44,502	60,17,966
b) Total amount	(Rs.in lacs)	320.62	239.30
c) Rate/Unit	(Rs.)	4.03	3.98
d) Own Generation:			
i) Through diesel generator			
Units	(KWH)	4,24,236	3,98,204
Unit per Ltr. of diesel oil(KWH)		3.31	3.11
Oil cost/Unit	(Rs.)	0.67	0.63

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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)	-----	144.25	136.39	-----	NA	675

FORM-B

Form of Disclosure of particulars with respect to technology absorption and Research and Development.

Research and Development (R&D) and benefits derived thereon.

a. Specific areas in which R&D carried out by the Company.

- i. Development of new and better quality of Capsules.
- ii. Development of new processes and technologies for Capsules generation.
- iii. Introduced new and wide range of Capsules for different applications.
- iv. Development of Capsules of different sizes for various applications.

b. Benefits derived as result of the above R&D

- i. Improved delivery pattern to benefit in formulation development.
- ii. Newer design of capsules to give wider choice for customer marketing.

c. Future Plan & Action

- i. Development of temperature and bacterial resistant capsules through purified galactomenon (derived from guar gum).
- ii. Development of new and better quality of Capsules.
- iii. Development of Capsules of PVA (Polyvinyle acrylamide) for moisture resistance.
- iv. Development of Enteric coated capsules (Delayed dissolution capsules).
- v. Development of new processes and technologies for Capsules generation.
- vi. Introduce new and wide range of Capsules for different applications.
- vii. Development of Capsules of different sizes for various applications.

d. Expenditure on R&D

	2011-12 (Rs. In lacs)	2010-11 (Rs. In lacs)
Capital Expenditure	125.25	60.92
Recurring Expenditure	70.96	42.88
Total R&D Expenditure	196.21	103.80
R&D Expenditure as a percentage of Turn Over	4.40	3.00

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, 2012, the Board consisted of nine members. The composition of and the category of directors on the Board of the Company were as under:

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

i) Conduct of Board Proceedings :

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

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

- Review, monitor and approve major financial and business strategies and corporate actions
- Assess critical risks facing the company & 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.

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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.	28-05-2011	9	8
2.	27-07-2011	9	8
3.	22-10-2011	9	8
4.	30-01-2012	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	4	Yes
4. V. Subramony	2	Yes
5. Sunil L Mundra	4	Yes
6. Laxminarayan Mundra	4	Yes
7. Satyanarayan Mundra	4	Yes
8. Sushil Kumar Mundra	3	Yes
9. V. Balaji Bhat	3	No

5. OTHER DIRECTOR SHIP :

Name of Directors	No. of other Directorship excluding NCL	Membership of committee including NCL	
		Membership	Chairmanship
1. S. Gopalan	Nil	Nil	1
2. Dr. C. M. Gurumurthy	Nil	1	Nil
3. C. P. Rangachar	5	3	2
4. V. Subramony	1	Nil	Nil
5. Sunil L Mundra	1	1	Nil
6. Laxminarayan Moondra	1	1	Nil
7. Satyanarayan Mundra	1	Nil	Nil
8. Sushil Kumar Mundra	1	Nil	Nil
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 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 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. Gurusurthy. Details of Audit committee meetings held during the year are as follows :

Sl. No.	Date of meeting	Committee strength	No. of members present
1.	28-05-2011	3	3
2.	27-07-2011	3	3
3.	22-10-2011	3	2
4.	30-01-2012	3	3

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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 2011-12 are as follows:

(Rs. In lacs)

Directors	Sitting fees	Salary and Perquisites	Total
Executive Directors :			
1. Sri Sunil L Mundra	----	25.84	25.84
2. Sri Laxminarayan Moondra	----	20.82	20.82
3. Sri Satyanarayan Mundra	----	20.69	20.69
Non Executive Directors :			
1. Sri S. Gopalan	0.90	----	0.90
2. Sri Dr. C. M.GuruMurthy	0.90	----	0.90
3. Sri V. Subramony	0.20	----	0.20
4. Sri C .P. Rangachar	0.80	----	0.80
5. Sri V. Balaji Bhat	0.30	----	0.30
6. Sri Sushil Kumar Mundra	0.30	----	0.30

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. However, considering the contribution of Non-Executive Directors, to consider and if thought fit to pass with or without modification a remuneration by way of commission not exceeding 1% of the net profits be paid to Non-Executive Directors for a period of 3 years from the current financial year 2012-13 and that Mr. Sunil L Mundra, Managing Director be authorised to take all step necessary for giving effect to this resolution."
- 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
Sri Sunil L Mundra	3 years	01.06.2011	31.5.2014
Sri Laxminarayan Moondra	3 years	01.06.2011	31.5.2014
Sri Satyanarayan Mundra	3years	01.06.2011	31.5.2014

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 31-3-2011

1. No.of Grievances received : 18
2. No.of Grievances redressed : 16
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
16th	2009	Bangalore Gayana Samaja, Bangalore-4	30-07-2009	10.30 am
17th	2010	Bangalore Gayana Samaja, Bangalore-4	28-09-2010	10.00 am
18th	2011	Bangalore Gayana Samaja, Bangalore-4	27-07-2011	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 :

The Company's policy is to 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 body. 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 their senior in 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, Wholtime 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 & posted on the Company's

website. 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) Majority of Company's shares being in Demat form the transfers are mainly 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 2011 to March 2012

Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. Of Trades	Total Turnover (Rs.)
Apr 2011	42.00	47.00	41.00	42.00	38,757	328	16,98,548
May 2011	42.00	44.00	38.65	43.95	33,405	252	13,69,275
June 2011	44.40	45.00	39.00	42.10	39,944	290	16,56,908
July 2011	42.25	44.90	38.70	44.50	25,256	180	10,62,833
August 2011	43.50	43.95	36.15	40.95	32,703	243	13,28,785
September 2011	40.50	42.00	39.75	40.20	24,433	120	10,06,864
October 2011	40.30	42.25	39.00	41.45	15,545	87	6,34,600
November 2011	41.50	42.10	38.00	39.70	23,069	85	9,14,738
December 2011	39.00	39.00	35.00	35.5	20,066	95	7,49,872
January 2012	35.25	40.00	35.25	40.00	15,370	119	5,97,014
February 2012	40.80	46.00	40.55	42.80	32,643	260	14,27,322
March 2012	42.00	44.00	38.60	42.00	30,863	168	12,62,943

- f) 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.
- g) Annual General Meeting :
The 19th Annual General Meeting will be held on Thursday, the 26th July, 2012 at Bangalore.
- h) Financial calendar for the year 2012-13 (provisional)

a	Results for the first quarter ending 30 th June 2012	By end of July, 2012
b	Results for the 2nd quarter ending 30 th Sept.2012	By end of Oct, 2012
c	Results for the 3 rd quarter ending 31 st December 2012	By end of Jan, 2013
d	Results(Audited) for the financial year ending 31 st March, 2013	By end of May, 2013
e	Annual General Meeting for the year ending March, 2013	By end of July, 2013

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i) **Dates of book closure:**

The register of members and share transfer books of the company will remain closed from 21.7.2012 to 26.7.2012 (both the days inclusive) for the purpose of AGM.

j) **Statistics of share holders**

Year	No. of shareholders
31-03-2010	4,984
31-03-2011	4,660
31-03-2012	4,434

k) **Dividend Payment Date:**

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

Share holding pattern:

Category	No. of shares	% holding
1. Resident	17,99,161	39.9573
2. FII	300	0.0066
3. NRI	37,823	0.8400
4. Corporate Body	5,98,461	13.2911
5. Clearing member	249	0.0055
6. Mutual Funds	3,700	0.0821
7. Promoters	20,20,206	45.7326
8. Directors / Relatives	3,800	0.0843
Total	45,02,700	100.0000

Distribution of holdings:

Share holding nominal	Share holders	Share amount		
Value of	Number	% to total	Rs.	% to total
1-100	2670	60.2165	216513	4.8085
101-500	1264	28.5069	347106	7.7088
501-1000	247	5.5705	208501	4.6305
1001-2000	103	2.3229	158450	3.5189
2001-3000	54	1.2178	140159	3.1127
3001-4000	13	0.2931	45218	1.0042
4001-5000	21	0.4736	97793	2.1718
5001-10000	27	0.6089	207556	4.6095
10001- and above	35	0.7893	3081404	68.4345
	4434	100.000	4502700	100.0000

l) 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, 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.

Place : Bangalore

Date : 26-5-2012

(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 2012 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 : 26-5-2012

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

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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 12 %. 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, Far East, 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.
- iv) Improved General Bovine Risk Profile of India may provide impetus to export of capsules.

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 cheaper imports from other countries.
- v) Shortage of raw-materials may cause disruption of production.

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:

- RISKS
- * Competition from other manufacturers.
 - * Exchange fluctuation.
- CONCERNS
- * Raw material shortage.
 - * Power shortage.

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. 50 to 52 crores in the current year. However due to steep increase in the input costs, 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. 539 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 31-3-12 Audited	For the year ended 31-3-11 Audited
1.	SEGMENT REVENUE		
	Capsules	4,138.63	3,255.50
	Formulation	285.65	196.27
	Others	83.05	40.15
	Total	4507.33	3,491.92
	Less: Inter segment revenue	48.16	37.96
	Net income from operation	4459.17	3,453.96
	SEGMENT RESULTS		
	Profit/(Loss) before depreciation, tax and interest from each segment.		
	Capsules	1088.53	872.41
2.	Formulation	11.13	18.31
	Others	77.63	41.15
	Total	1177.29	931.87
	Less: i) Depreciation and Amortisation	270.30	187.33
	ii) Interest	134.73	80.76
	iii) Other un-allocable expenditure / income	265.39	217.02
	Total profit after tax	506.87	446.76

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 2012, 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 2012.
- (vi) and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2012 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 2012;
 - (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: 26.05.2012**

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

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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.4.26 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
Membership No: 023137**

**PLACE: BANGALORE
DATE: 26.05.2012**

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BALANCE SHEET AS AT 31st MARCH 2012

(Figures in Rupees)

	Particulars	Note No.		AS AT 31-03-2012	AS AT 31-03-2011
I	EQUITY AND LIABILITIES				
(1)	Shareholder's Funds				
	(a) Share Capital	1	45,027,000		45,027,000
	(b) Reserves and Surplus	2	267,133,989	312,160,989	224,295,895
(2)	Share application money pending allotment			-	-
(3)	Non-Current Liabilities				
	(a) Long-term borrowings	3	92,942,699		85,652,531
	(b) Deferred tax liabilities (Net)	4	18,914,140		17,860,589
	(c) Other Long term liabilities	5	1,594,318		4,220,068
	(d) Long term provisions	6	3,943,448	117,394,605	3,884,936
(4)	Current Liabilities				
	(a) Trade payables	7	36,661,781		39,942,775
	(b) Other current liabilities	8	14,648,735		11,734,467
	(c) Short-term provisions	9	15,404,017		9,884,717
	Total			66,714,532	61,561,959
				496,270,127	442,502,980
II	ASSETS				
(1)	Non-current assets				
	(a) Fixed assets				
	(i) Tangible assets	10	264,140,433		234,506,430
	(ii) Intangible assets		-		-
	(iii) Capital work-in-progress		36,919,861		40,860,731
	(iv) Intangible assets under development		-		-
	(a) Long term loans and advances	11	1,159,754	301,060,294	275,367,161
	(b) Other non-current assets	12	16,019,664		13,610,147
				17,179,418	8,181,592
(2)	Current assets				
	(a) Current investments		-		-
	(b) Inventories	13	25,248,377		18,783,323
	(c) Trade receivables	14	138,777,016		113,334,424
	(d) Cash and Cash Equivalents	15	1,989,417		4,829,356
	(e) Short-term loans and advances	16	9,366,839		6,804,482
	(f) Other current assets	17	2,648,766		1,592,495
				178,030,415	145,344,081
	Total			496,270,127	442,502,980

SEE ACCOMPANYING NOTES (1 TO 25) TO THE FINANCIALS STATEMENTS

In terms of our report attached
For **GNA NOBA & BHAT**
CHARTERED ACCOUNTANTS
(Firm Regn No 000939 S)

For and on behalf of the Board

Srirangam Gopalan
CHAIRMAN

K.R. GNA NOBA
PARTNER
Membership No:023137

Satyanarayana Mundra
DIRECTOR

Sunil L. Mundra
MANAGING DIRECTOR

Date : 26.05.2012
Place : Bangalore

Date : 26.05.2012
Place : Bangalore

NOTE 1 - SHARE CAPITAL

	As at 31st March 2012 Rs.	As at 31st March 2011 Rs.
Authorised: 50,00,000 (Previous period 50,00,000) equity shares of Rs.10 each.	50,000,000	50,000,000
	50,000,000	50,000,000
Issued:Subscribed and Paidup Capital 45,02,700 (Previous period 45,02,700) equity shares of Rs.10 each.	45,027,000	45,027,000
Total	45,027,000	45,027,000
	As at 31st March 2012 No of shares	As at 31st March 2011 No of shares
Reconciliation of the no. of shares outstanding at the beginning and at the end of the year:		
No of shares outstanding at the beginning of the year	4,502,700	4,502,700
Add: Additional shares issued during the year	-	-
Less: Shares forfeited/Bought back during the year	-	-
No of shares outstanding at the end of the year	4,502,700	4,502,700

i) Number of shares held by each shareholder holding more than 5% shares in the company are as follows:

Particulars	Number of shares as at 31st March, 2012	Number of shares as at 31st March, 2011
Equity Shares:		
Tajos Investments Pvt. Ltd	461,500	449,000
Nandhi Synthetics Pvt. Ltd.	398,354	367,000
Vivog Commercial Ltd	347,220	342,663
Sunil L. Mundra	261,000	261,000
i) Dividend proposed to be distributed to Equity Shareholders Rs.1.5 per share.		

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NOTE 2 - RESERVES AND SURPLUS

	Rs.	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Capital Reserves:			
As per last Balance Sheet	1,440,000		1,440,000
Additions during the year	-		-
		1,440,000	1,440,000
Securities Premium Account:			
As per last Balance Sheet	19,832,800		19,832,800
Additions on shares issued during the year	-		-
		19,832,800	19,832,800
General Reserve:			
As per last Balance Sheet	5,405,557		4,288,662
Add: Transfer from Profit & Loss Account	2,534,391		1,116,895
		7,939,948	5,405,557
Surplus:			
As per last Balance Sheet	197,617,539		160,359,303
Add: Profit/(Loss) for the period	50,687,819		44,675,781
Less : Appropriations			
Proposed Dividend	6,754,050		5,403,240
Tax on Proposed Dividend	1,095,676		897,411
Transfer to reserves	2,534,391		1,116,895
		237,921,241	197,617,539
Total		267,133,989	224,295,895

NOTE 3 - LONG TERM BORROWINGS

	Rs.	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Term Loans			
Secured from Bank			
State Bank of India CC A/c -10242758678	21,530,530		26,561,105
SBI Exchange Packing Credit -30698350106	-		2,542
State Bank of India Term Loan	71,412,169		59,088,884
		92,942,699	85,652,531
Total		92,942,699	85,652,531

NOTE 3a:

Notes:-

1. 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.
- 2 Term Loan repayable within a year is Rs.272 Lacs(Previous Year Rs.184 Lacs)
3. The Secured term Loans from banks are repayable over a period of 2 to 3 years.
- 4 There are no continuing default in repayment of loans and interest should be specified in each case.
- 5 Working Capital 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.
- 6 All the secured loans are further secured by the personal guarantees of promoter directors.

NOTE 4 - DEFERRED TAX LIABILITY (NET)

	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Deferred Tax Liability		
Related To Fixed Assets	16,834,383	13,150,489
Current Year Depreciation	2,169,694	4,710,100
Allowance Under the Income Tax Act, 1961	523,761	-
Deferred Tax Asset		
Disallowance Under the Income Tax Act, 1961	(613,697)	-
Total	18,914,140	17,860,589

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NOTE 5 - OTHER LONG TERM LIABILITIES

	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Trade Payables		
For Expenses	353,890	559,586
For Others	420,539	1,301,242
For Purchases	582,861	2,144,773
Others		
Sundry Advances	-	4,623
J Raj & Co Deposit Account	237,028	209,843
Total	1,594,318	4,220,068

NOTE 6 - LONG- TERM PROVISIONS

	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Provision for Gratuity	2,667	219,021
Other Provisions		
Service Tax Payable (Freight Outwards)	226,747	226,747
Penalty Payable on Service Tax	258,935	258,935
Cenvat Payble	202,522	202,522
Penalty Payable on Cenvaf	202,522	202,522
Bonus Payable	1,891,501	1,614,304
Exgratia Contract Labour	1,079,285	1,079,141
CST Payable 2008-09	79,269	79,269
CST Payable 2009-2010	-	2,475
Total	3,943,448	3,884,936

NOTE - DETAILS OF EMPLOYEE BENEFITS AS REQUIRED BY THE ACCOUNTING STANDARD 15 (REVISED) EMPLOYEE BENEFITS ARE AS UNDER:

- (A) The disclosure required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006 are as given below
Defined Contribution Plan :

Contribution to Defined Contribution Plan recognised are charged off for the year are as follows:

Employers Contribution to Provident Fund	1,209,494
Employers Contribution to Employees State Insurance	490,967

The company has applied for exemption of its Provident Fund under section 17 of Employees 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.

- (B) Defined Benefit Plan

The Employees 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 recognises 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.

ii) The Defined Benefit Plans comprise of Gratuity

Gratuity is a benefit to an employee based on 15/20/25/30 days (depending on the grade/ category of employee and the completed years of service) last drawn salary for each completed year of service.
The plan is funded.

	Particulars	Gratuity	
		Current year	Previous Year
(C)	Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows :		
1	Present Value of Defined Benefit Obligation as on 1st April	3,886,636	2,822,430
2	Current Service cost	428,946	295,607
3	Interest Cost	310,931	225,794
4	Losses (gains) on Curtailment	-	-
5	Liabilities extinguished on settlements	-	-
6	Plan amendments	-	-
7	Actuarial (gains) / losses	464,944	826,546
8	Benefits paid	-	152,117
9	Present value of Defined Benefit Obligation as on Balance Sheet date.	5,091,457	4,018,260

	Particulars	Gratuity	
		Current year	Previous Year
(D)	Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :		
1	Fair value of Plan assets as on 1st April...	3,799,239	2,299,437
2	Expected return on plan assets	373,431	221,471
3	Actuarial gains and losses	-	-
4	Actual contributions by employers	921,454	1,430,448
5	Benefits paid	-	152,117
6	Plan assets as on 31st March...	5,094,124	3,799,239

	Particulars	Gratuity	
		Current Year	Previous Year
(E)	Analysis of Defined Benefit Obligation :		
1	Defined Benefit Obligation as at 1st April...	3,886,636	2,822,430
2	Fair Value of Plan assets at the end of the year	5,094,124	3,799,239
3	Net (Asset)/Liability recognized in the Balance Sheet as at 31st March....	(1,207,488)	(976,809)

	Particulars	Gratuity	
		Current Year	Previous Year
(F)	Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognized in the Balance Sheet :		
1	Present value of Defined Benefit Obligation	5,091,457	4,018,260
2	Fair value of plan assets	5,094,124	3,799,239
3	Funded status [Surplus/(Deficit)]	(2,667)	219,021
4	Unrecognized Past Service Costs	-	-
5	Net asset/(Liability) recognized in Balance Sheet	(2,667)	(219,021)

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(G)	Components of employer expenses recognized in the statement of profit and loss for the year ended 31st March.	Current Year	Previous Year
1	Current Service cost	428,946	295,607
2	Interest cost	310,931	225,794
3	Expected return on plan assets	(373,431)	(221,471)
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service cost	-	-
7	Actuarial Losses/(Gains)	464,944	826,546
8	Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	831,390	1,126,476

(H) In respect of Funded Benefits with respect to gratuity and superannuation, the fair value of Plan assets represents the amounts invested through "Insurer Managed Funds"

(I)	Principal Actuarial Assumptions :	Gratuity	
1	Discount Rate (%)	8%	8%
2	Expected Return on plan assets (%)	-	-
3	Salary Escalation (%)	7%	7%
4	Medical cost inflation		

NOTE 7 - TRADE PAYABLES

	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Trade payables (see note 9a)		
For Capital Goods	3,101,020	3,981,442
For Expenses	4,817,339	4,943,981
For Purchases	26,348,101	28,888,465
For Others	2,395,321	2,128,887
Total	36,661,781	39,942,775

NOTE :

- (a) 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.
- (b) The total outstanding due to Small Scale Industrial undertakings is Rs. 0.80 lakhs (Previous Year 0.64 lakhs) and the same is due to M/s Benaka Mudran and M/s Trisiris industries.

NOTE 8 - OTHER CURRENT LIABILITIES

Particulars	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Current maturities of long-term debt		
SBI Long Term Loan	7,400,000	4,000,000
Unpaid dividends	1,273,654	1,075,733
Sales Tax deferment loan	-	186,197
Professional Tax payable	6,250	11,569
TDS Commission Payable	39,947	37,421
TDS - Contractors Payable	80,424	74,539
TDS Professional Charges Payable	83,358	106,362
TDS Rent Payble	6,690	6,690
TDS Salaries Payable	294,010	299,694
ESI Payable	175,142	41,518
PF Payable	294,419	244,492
Vat Payable 2010-2011	284,311	144,728
Rent Payble	251,233	211,070
Salary Payable-Director-SLM	154,200	111,740
Salary Payable-Director-LNM	120,800	112,640
Salary Payable-Director- SM	122,500	119,890
Salary Payable	1,840,681	1,412,885
Excise Duty Payable	-	1,078
CST Payable	390,166	428,618
Advance Received from Customers	1,830,948	3,107,603
Total	14,648,735	11,734,467

Note:

- a) 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 last year amounting to Rs. 1, 18, 33,808 for the above deferred amount. During the year, balance due amount of Rs.29,58,439/- has been cleared to the above said deferment scheme to the department. The company has paid total 20 quarterly installments over the year amounting to Rs. 1, 47,92,247 out of the above deferred amount.

NOTE 9 - SHORT-TERM PROVISIONS

	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Proposed Dividend	6,754,050	5,403,240
Tax on proposed dividend	1,095,676	897,411
Other Provisions		
Outstanding Expenses	7,554,291	3,584,066
Total	15,404,017	9,884,717

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NOTE 10 - FIXED ASSETS

	Cost			Depreciation / Amortization/ Diminution			Net Block			
	As at 31st March, 2011 Rs.	Additions during the year Rs.	Deductions during the year Rs.	As at 31st March, 2012 Rs.	Upton 31st March, 2011 Rs.	For the year Rs.	On Deductions* Rs.	Upto 31st March, 2012 Rs.	As at 31st March, 2011 Rs.	As at 31st March, 2012 Rs.
TANGIBLE ASSETS										
Land	5,111,730	-	-	5,111,730	-	-	-	-	5,111,730	5,111,730
Improvements to Leasehold Premises	-	-	-	-	-	-	-	-	-	-
Buildings	92,718,968	21,295,687	-	114,014,655	15,117,199	3,409,358	-	18,526,557	95,488,098	77,601,769
Plant & Equipment	254,198,841	31,497,459	478,762	285,217,538	107,742,378	22,176,307	429,481	129,489,204	155,728,334	146,456,463
Computers	5,559,041	1,037,326	31,384	6,564,985	2,405,039	1,003,870	20,614	3,388,295	3,176,688	3,154,002
Furniture & Fixtures	2,797,770	996,570	-	3,794,340	1,402,297	220,455	-	1,622,752	2,171,589	1,395,474
Vehicles	1,103,485	1,661,558	698,752	2,066,291	727,602	162,574	457,881	432,295	1,633,996	375,883
Office Equipment	627,349	476,968	3,655	1,100,662	216,241	58,077	3,655	270,663	829,999	411,109
Total (A)	362,117,185	56,965,568	1,212,553	417,870,200	127,610,757	27,030,641	911,631	153,729,767	264,140,433	234,506,430
INTANGIBLE ASSETS										
Technical Knowhow	300,000	-	-	300,000	300,000	-	-	300,000	-	-
Total (B)	300,000			300,000				300,000		
Total (A+B)	362,417,185			418,170,200	127,910,757	*		154,029,767	264,140,433	234,506,430
Previous year	233,654,119	128,760,966	-	362,417,185	109,177,836	18,732,920	-	127,910,755	234,506,430	124,320,401

NOTE 10a - Amount of borrowing costs capitalised during the year Rs. Nil (31st March, 2011- Rs. 15.30Lacs)

NOTE 11 - LONG TERM LOANS AND ADVANCES

	Rs.	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
(Unsecured, considered good unless otherwise stated)			
Capital Advances:			
Considered Good	1,702,260		11,811,214
Considered Doubtful	-		-
	1,702,260		11,811,214
Less: Provision for Doubtful Capital Advances	-	1,702,260	11,811,214
Taxes paid in advance less provisions (current tax)		(2,542,506)	1,798,933
Inter Corporate Deposit		2,000,000	-
Total		1,159,754	13,610,147

NOTE 12 -OTHER NON CURRENT ASSETS

	Rs.	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
(Unsecured, considered good unless otherwise stated)			
a) Deposits with more than 12 months maturity			
Rent Deposit		1,724,455	1,534,375
Other Deposit		4,152,855	3,841,461
Fixed Deposits		1,202,800	1,202,800
Interst On FD Recievable		965,874	893,999
b) Others (specify nature)			
Salary Advance To Staff		133,700	-
Tour Advance		-	10,000
c) Advance Paid to Sundry Creditors			
For Expenses	1,341,001		356,476
For Purchases	3,536,391		281,486
For Others	2,962,588	7,839,980	60,995
Total		16,019,664	8,181,592

NOTE 13 - INVENTORIES

	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Raw materials (including GIT Rs.13,94,273/-)	12,618,987	11,023,484
Work - in - Process	-	392,000
Finished Goods	5,980,890	5,731,484
Stores and spares including GIT Rs.52,85,888)	6,648,500	1,636,355
Total	25,248,377	18,783,323

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NOTE 14 -TRADE RECEIVABLES

	Rs.	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
(Unsecured, considered good unless otherwise stated)			
1) Debts due for a period exceeding six months			
Considered Good	5,403,531		7,407,279
Considered Doubtful	-		-
		5,403,531	7,407,279
2) Other Debts:			
Considered Good	134,651,897		106,542,114
Considered Doubtful	-		-
		134,651,897	106,542,114
Less: Provision for Doubtful Debts		1,278,413	614,969
Total		138,777,016	113,334,424

NOTE 15 - CASH AND CASH EQUIVALENTS

	Rs.	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Balances with banks in -			
Earmarked balances			
- in Current Account	54,418		268,155
- Dividend Distribution Account	1,273,654		1,067,973
- in EEFC Account	634,652		3,468,775
		1,962,724	4,804,903
Cash on hand		26,693	24,453
Fixed Deposit With Banks - Maturity of More than 12 Months			-
Total		19,89,417	48,29,356

NOTE 16 - SHORT TERM LOANS AND ADVANCES

	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
(Unsecured, considered good unless otherwise stated)		
Balances with Central Excise, Customs, Port trust, etc.	1,769,307	4,403,066
Advances Paid to Suppliers	7,597,532	2,401,417
Total	9,366,839	6,804,482

NOTE 17 - OTHER CURRENT ASSETS

	AS AT 31st March 2012 Rs.	AS AT 31st March 2011 Rs.
Other current assets		
Prepaid Expenses	843,427	581,849
Tour Advance	12,000	-
Tour Advance - Foreign	256,615	68,355
Saalry Advances	213,998	163,626
Export Service Tax Receivable	-	21,914
nterest Recievable - Bescom Deposit	-	321,558
CST New Deferred Scheme	-	435,194
DEPB License Recievable	1,306,572	-
Interest Recievable	16,154	-
Total	2,648,766	1,592,495

**NATURAL CAPSULES LIMITED
STATEMENT OF PROFIT AND LOSS**

Profit and Loss statement for the year ended 31st March, 2012

(Figures in Rupees)

	Particulars	Note No.	For the year ended on 31st March, 2012	For the year ended on 31st March, 2011
I.	Revenue from operations	18	437,612,389	341,380,606
II.	Other Income	19	8,304,977	4,015,976
III.	Total Revenue (I +II)		445,917,366	345,396,582
IV.	Expenses:			
	Cost of materials consumed	20	161,610,557	128,885,962
	Purchase of Stock-In-Trade		-	-
	Changes in inventories of finished goods, work-in-progress and Stock-In-Trade	21	142,594	(646,130)
	Employee benefit expense	22	31,196,305	27,327,930
	Finance costs	23	13,473,279	8,075,977
	Depreciation and amortization expense	10	27,030,645	18,732,920
	Other expenses	24	135,237,704	96,641,399
	Total Expenses		368,691,084	279,018,058
V.	Profit before exceptional and extraordinary items and tax (III - IV)		77,226,282	66,378,524
VI.	Exceptional Items		-	-
VII.	Profit before extraordinary items and tax (V - VI)		77,226,282	66,378,524
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII - VIII)		77,226,282	66,378,524
X.	Tax expense:			
	(1) Current tax		23,255,285	17,451,349
	(2) Prior Year tax		2,229,627	159,185
	(3) Deferred tax		1,053,551	4,092,209
XI.	Profit(Loss) for the period from continuing operations (IX-X)		50,687,819	44,675,781
XII.	Profit/(Loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	Profit/(Loss) from Discontinuing operations (after tax) (XII - XIII)		-	-
XV.	Profit/(Loss) for the period (XI + XIV)		50,687,819	44,675,781
XVI.	Earning per equity share:			
	(1) Basic		11.26	9.92
	(2) Diluted		11.26	9.92
COMPANYING NOTE (1 TO 25) TO THE FINANCIALS STATEMENTS				

In terms of our report attached
For **GNANOBA & BHAT**
CHARTERED ACCOUNTANTS
(Firm Regn No 000939 S)

K.R. GNANOBA
PARTNER
Membership No:023137

Date : 26.05.2012
Place : Bangalore

For and on behalf of the Board

Srirangam Gopalan
CHAIRMAN

Satyanarayana Mundra
DIRECTOR

Sunil Mundra
MANAGING DIRECTOR

Date : 26.05.2012
Place : Bangalore

NOTE 18 - REVENUE FROM OPERATIONS

Particulars	Rs.	For the year ended on 31st March, 2012 Rs.	For the year ended on 31st March, 2011 Rs.
Sale of products	456,447,784		355,606,299
Sale of services	-		-
Other operating revenues	12,953,816		10,030,413
Less:		469,401,601	365,636,711
Excise duty		31,789,211	24,256,105
Total		437,612,389	341,380,606

NOTE 18 a - EARNINGS IN FOREIGN EXCHANGE

Particulars	For the year ended on 31st March, 2012 Rs.	For the year ended on 31st March, 2011 Rs.
FOB Value of exports	60,592,799	61,517,000
Total	60,592,799	61,517,000

NOTE 19 - OTHER INCOME

Particulars	For the year ended on 31st March, 2012 Rs.	For the year ended on 31st March, 2011 Rs.
Interest income	100,410	767,222
Sundry provisions and credit balances no longer required, written back	1,823,757	852,844
Net gain on foreign currency transaction and translation	2,800,451	-
Other non-operating income (net of expenses directly attributable to such income).	3,580,359	2,395,910
Total	8,304,977	4,015,976

NOTE 19a. EARNINGS IN FOREIGN EXCHANGE

Particulars	For the year ended on 31st March, 2012 Rs.	For the year ended on 31st March, 2011 Rs.
Interest and dividend		
Other income	2,800,451	-
Total	2,800,451	-

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Note 20 - On Raw materials, goods purchased and Work in Progress

Particulars	Raw Material Opening Stock		Goods Purchased		Consumption		Raw Material Closing Stock		WIP Opening Stock		WIP Closing Stock	
	As at 1st April, 2011	As at 31st March, 2010	For the year ended on 31st March, 2012	For the year ended on 31st March, 2011	For the year ended on 31st March, 2012	For the year ended on 31st March, 2011	As at 1st April, 2012	As at 31st March, 2011	As at 1st April, 2011	As at 31st March, 2010	As at 1st April, 2012	As at 31st March, 2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Raw materials	8,649,949	6,725,823	165,547,934	130,810,088	161,610,557	128,885,962	12,587,326	8,649,949	-	-	-	-
Total	8,649,949	6,725,823	165,547,934	130,810,088	161,610,557	128,885,962	12,587,326	8,649,949	-	-	-	-

Note 20 a

Particulars	Raw Material Opening Stock		Goods Purchased		Consumption		Raw Material Closing Stock	
	As at 1st April, 2011	As at 31st March, 2010	For the year ended on 31st March, 2012	For the year ended on 31st March, 2011	For the year ended on 31st March, 2012	For the year ended on 31st March, 2011	As at 1st April, 2012	As at 31st March, 2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gelatine	5,317,900	3,408,050	131,420,658	100,897,438	128,738,503	99,089,828	8,000,055	5,215,660
Dextroprophene	-	-	6,482,899	5,482,579	6,482,899	5,482,579	-	-
Paracetamol	-	-	4,893,622	4,544,080	4,893,622	4,544,080	-	-
HPMC	-	-	-	653,003	-	653,003	-	-
Others	3,332,049	3,317,773	22,750,755	19,232,988	21,495,533	19,116,472	4,587,271	3,434,289
Total	8,649,949	6,725,823	165,547,934	130,810,088	161,610,557	128,885,962	12,587,326	8,649,949

NOTE 21 - (INCREASE) / DECREASE STOCKS OF FINISHED GOODS AND WORK - IN - PROGRESS

Particulars	Rs.	For the year ended on 31st March 2012 Rs.	For the year ended on 31st March 2011 Rs.
Opening stock			
Work - in - progress	392,000		909,616
Finished goods	5,731,484		4,567,738
		6,123,484	5,477,354
Closing stock			
Work - in - progress	-		392,000
Finished goods	5,980,890		5,731,484
		5,980,890	6,123,484
Total		142,594	(646,130)

NOTE 22 - EMPLOYEE BENEFIT EXPENSE

Particulars	For the year ended on 31st March 2012 Rs.	For the year ended on 31st March 2011 Rs.
Salaries and wages	19,823,301	17,295,787
Director Remuneration	6,680,000	5,490,000
Contribution to provident and other funds	2,868,968	2,705,524
Staff welfare expenses	1,824,036	1,836,619
Total	31,196,305	27,327,930

NOTE 23 - FINANCE COSTS

Particulars	For the year ended on 31st March 2012 Rs.	For the year ended on 31st March 2011 Rs.
Interest expense	12,131,359	6,778,917
Other borrowing costs	1,341,920	1,297,060
Total	13,473,279	8,075,977

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NOTE 24 - OTHER EXPENSES

Particulars	For the year ended on 31st March 2012 Rs.	For the year ended on 31st March 2011 Rs.
Consumption of stores and spare parts	9,438,543	5,353,116
Power and fuel	44,715,263	28,412,697
Rent	3,738,014	3,187,806
Repairs and maintenance -		
Buildings	3,511,071	830,815
Machinery	9,496,356	4,544,081
Others	2,219,192	1,757,015
Rates & Taxes (excluding taxes on income)	369,205	866,315
Net loss on foreign currency transaction and translation (other than considered as finance cost)	-	167,452
Provision for doubtful debts & advances (net)	931,506	449,874
Contract Labour Charges	13,211,884	10,104,680
Professional Charges	1,458,789	1,767,083
Travelling Expenses & Conveyance	5,021,786	5,030,995
Freight Charges	13,397,927	15,280,675
Travelling Expenses - Foreign	1,757,715	1,283,130
License Fee	1,247,922	1,173,674
Director Sitting Fee	340,000	350,000
Commission to Non Executive Directors	-	318,232
Exhibition Expenses	1,757,163	1,132,104
Research & Development Expenditure - Revenue in Nature	7,096,629	4,288,986
Miscellaneous expenses	15,528,740	10,342,670
Total	135,237,704	96,641,399

NOTE 24a - MISCELLANEOUS EXPENSES INCLUDE PAYMENT TO AUDITORS (NET OF SERVICE TAX)

Particulars	For the year ended on 31st March 2012 Rs.	For the year ended on 31st March 2011 Rs.
Audit fees	120,000	120,000
Tax Audit fees	30,000	30,000
Taxation matters	-	-
Company law matters	-	-
Management expenses	-	-
Other services	-	-
Out of pocket expenses reimbursed	-	-
Total	150,000	150,000

NOTE 24b - EXPENDITURE IN FOREIGN CURRENCY

Particulars	For the year ended on 31st March 2012 Rs.	For the year ended on 31st March 2011 Rs.
Consultation Fees	441,441	-
Other matters	2,285,417	1,695,000
Total	2,726,858	1,695,000

NOTE 24c - THE TOTAL OF FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASE :

Particulars	For the year ended on 31st March 2012 Rs.	For the year ended on 31st March 2011 Rs.
(i) Not later than one year	324,000	324,000
(ii) Later than one year and not later than five years.	1,872,000	1,296,000
(iii) Later than five years	-	-
Total		

a) Lease payments recognised in the profit and loss account for the year Rs.3,24,000/- (31st March, 2011 Rs.3,24,000)

NOTE 24d - Research and Development expenditure debited to the Profit and Loss Account aggregating Rs.70,96,629/- (31st March, 2011 Rs.42,88,986/-) has been disclosed under R&D Expenses for the year. Corresponding figures for the previous year has been regrouped and reflected.

25. Value of imported and indigenous raw materials, spare parts and components consumed:

Particulars	For the year ended on 31st March, 2012		For the year ended on 31st March, 2011	
	Value (Rs.)	Percentage (%)	Value (Rs.)	Percentage (%)
Imported	2,253,102	1%	5,136,946	4%
Indigenously obtained Rawmaterilas	159,357,455	99%	123,749,016	96%
Total	161,610,557	100%	128,885,962	100%

25a. CIF Value of Imports

Particulars	For the year ended on 31st March 2012 Rs.	For the year ended on 31st March 2011 Rs.
Excipients	145,156	140,219
Components and Spare Parts	1,299,223	250,988
Capital Goods	808,723	4,745,739
Total	2,253,102	5,136,946

NOTE 25:

(i). Segment Information:

- (a) The companies operation 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.
- e) All the inter segment transfers are made at cost price.

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(A) Primary segments - Business Segments

Particulars	(Rupees in lacs)											
	Capsules		Formulations		Others		Elimination		Total Amount			
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
a												
Segment Revenue												
Sales to External Customers	4,138.63	3,255.50	285.65	196.27	83.05	40.15	-	-	-	4,459.17	3,453.96	
Inter Segment Revenue	-	-	-	-	-	-	48.16	37.96	-	-	-	
Total Segment Revenue	4,138.63	3,255.50	285.65	196.27	83.05	40.15	48.16	37.96	-	4,459.17	3,453.96	
b												
Segment Results												
Unallocated Corporate expenses	-	-	-	-	-	-	-	-	-	3,281.87	2,522.08	
Interest expense	-	-	-	-	-	-	-	-	-	134.73	80.76	
Depreciation	-	-	-	-	-	-	-	-	-	270.31	187.33	
Income / Profit from investments	-	-	-	-	-	-	-	-	-	-	-	
Surplus on pre-payment of sales tax deferral	-	-	-	-	-	-	-	-	-	-	-	
Profit before tax	1,136.71	910.37	11.13	18.31	77.63	41.15	48.16	37.96	-	772.26	663.79	
Income taxes	-	-	-	-	-	-	-	-	-	232.55	174.51	
Deferred Tax	-	-	-	-	-	-	-	-	-	10.54	40.92	
Fringe benefit tax	-	-	-	-	-	-	-	-	-	-	-	
Profit after tax	1,136.71	910.37	11.13	18.31	77.63	41.15	48.16	37.96	-	529.17	448.36	
Excess (short) provision for current taxation in respect of earlier years	-	-	-	-	-	-	-	-	-	22.30	1.59	
Net profit	1,136.71	910.37	11.13	18.31	77.63	41.15	48.16	37.96	-	506.88	446.76	
c												
Segment Assets	-	-	-	-	-	-	-	-	-	-	-	
Unallocated Corporate Assets	-	-	-	-	-	-	-	-	-	4,962.70	4,425.03	
Total Assets	-	-	-	-	-	-	-	-	-	-	-	
d												
Segment Liabilities	-	-	-	-	-	-	-	-	-	-	-	
Unallocated Corporate liabilities	-	-	-	-	-	-	-	-	-	-	-	
Total Liabilities	-	-	-	-	-	-	-	-	-	4,962.70	4,425.03	
e												
Cost incurred during the period to acquire Segment fixed assets	-	-	-	-	-	-	-	-	-	-	-	
Depreciation / Amortisation	-	-	-	-	-	-	-	-	-	270.31	187.33	
f												
Non-cash expenses other than depreciation/amortisation	-	-	-	-	-	-	-	-	-	22.30	1.59	
g												

Note: Capital Employed by the Company for its different segment is interchangeable and hence Capital Employed for segment reporting has not been made.

NOTE (ii) - Related Party Disclosures:

A) Name of the related party and nature of relationship where control exists:

Name of Related Party	Nature of Relationship
M/s Mundra Enterprises	Key Management Personnel Having Substantial Interest
Mr. Sunil Mundra	Key Management Personnel
Mr. Laxminarayana Mundra	Key Management Personnel
Mr. Satyanarayana Mundra	Key Management Personnel

B) Related Party Transactions:

Name of Related Party	Description of Relationship	Nature of Transactions	Amount of Transactions (Rs.)	Amount Outstanding at the end of year	
				Credit (Rs.)	Debit (Rs.)
M/s Mundra Enterprises	Key Management Personnel Having Substantial Interest	Operating Lease Rental Payments	324,000	24,300	-
Mr. Sunil Mundra	Key Management Personnel	Managerial Remuneration	2,560,000	154,200	-
Mr. Laxminarayana Mundra	Key Management Personnel	Managerial Remuneration	2,060,000	120,800	-
Mr. Satyanarayana Mundra	Key Management Personnel	Managerial Remuneration	2,060,000	122,500	-

NOTE (iii) - Earning per Share

(a) The amount used as the numerator in calculating basic and diluted earnings per share is the net profit after tax for the year disclosed in the Profit and Loss Account.

(b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 45,02,700

NOTE (iv) - Contingent Liability:

Particulars	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
Income Tax matters	426,000	426,000
Sales Tax matters	-	-
Excise Duty	126,000	126,000
Service Tax Claims	-	-
Labour matters	-	-
Guarantees	-	-
Claims against the company not acknowledged as debts	-	-
Other matters for which money is contingently payable	-	-
Total	552,000	552,000

NOTE (v) -

a) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.127.42/-Lacs. (31st March 2011-Rs 85/-Lacs).

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NOTE (vi) - Research & Development Expenditure

- 1.The capital Expenditure in relation to fixed assets has been capitalised and depreciation is provided at applicable rates.
- 2.The amount spent on Capital Expenditure which are capitalised have been identified and certified by the Management.
- 3.The details of Expenditures are given below

Nature of Expenditure	2011-12	2010-11
Capital Expenditure	12,525,664	6,092,745
Revenue Expenditure	7,096,629	4,288,986
Total	19,622,293	10,381,731

NOTE (vii) -

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 2012 to the tune of Rs.9.97 Lacs

NOTE (viii) -

As per the Industrial policy of Government of India,the activity of the company does not require any licensing.

NOTE (ix) - Information pursuant to provisions of Part II of Schedule VI to the Companies Act 1956.

Capacity & Production	2011-12	2010-2011
Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity (In Lacs)		
Capsules	54,000.00	54,000.00
Formulations	2,700.00	2,700.00
Actual Production (In Lacs)		
Capsules	58,014.63	47,120.00
Formulations	512.18	386.00
Turnover Qty (In Lacs)		
Capsules	57,856.45	47,332.00
Formulations	512.18	386.00
Turnover Value (In Lacs)		
Capsules	4,090.48	3,216.00
Formulations	285.65	196.00

Finished Goods

	2011-12		2010-11	
	Qty (Lacs)	Value (Rs in Lacs))	Qty (Lacs)	Value (Rs in Lacs)
Opening Stock				
Capsules	1186.02	57.31	1,398.00	45.67
Formulations	-	-	-	-
Closing Stock				
Capsules	1344.20	59.80	1186.02	57.31
Formulations	-	-	-	-

NOTE (x) - The previous years figures have been regrouped/restated wherever necessary to conform with current years classification.

Date : 26.05.2012
Place : Bangalore

Srirangam Gopalan
Chairman

For and on behalf of the Board
Satyanarayana Mundra
Director

Sunil Mundra
Managing Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(Amounts in Rs.)

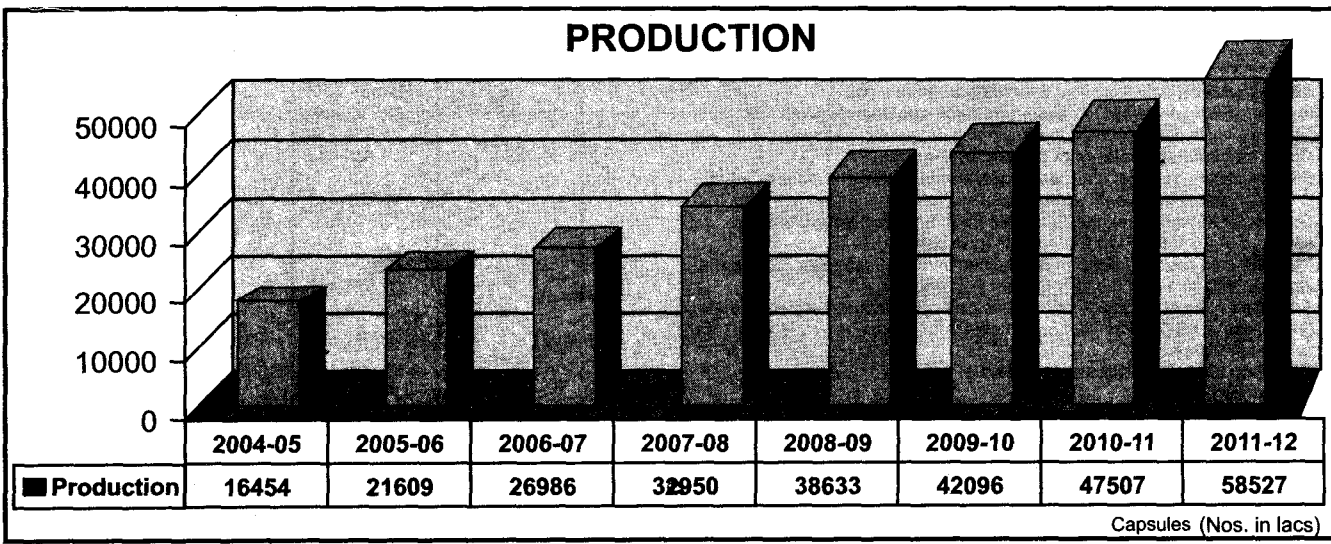
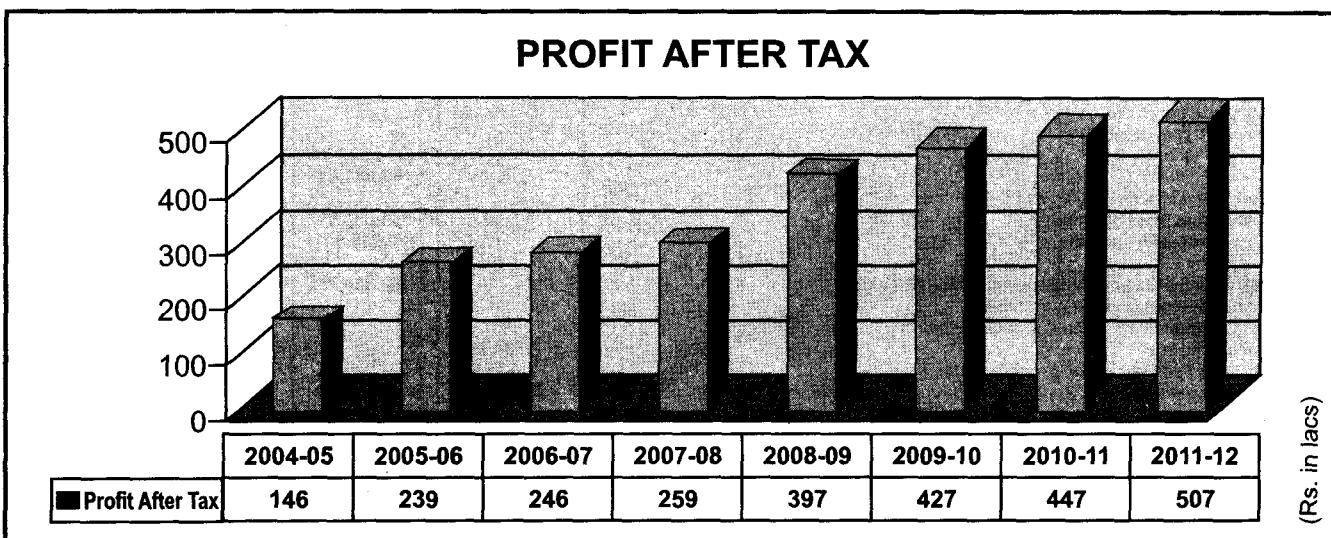
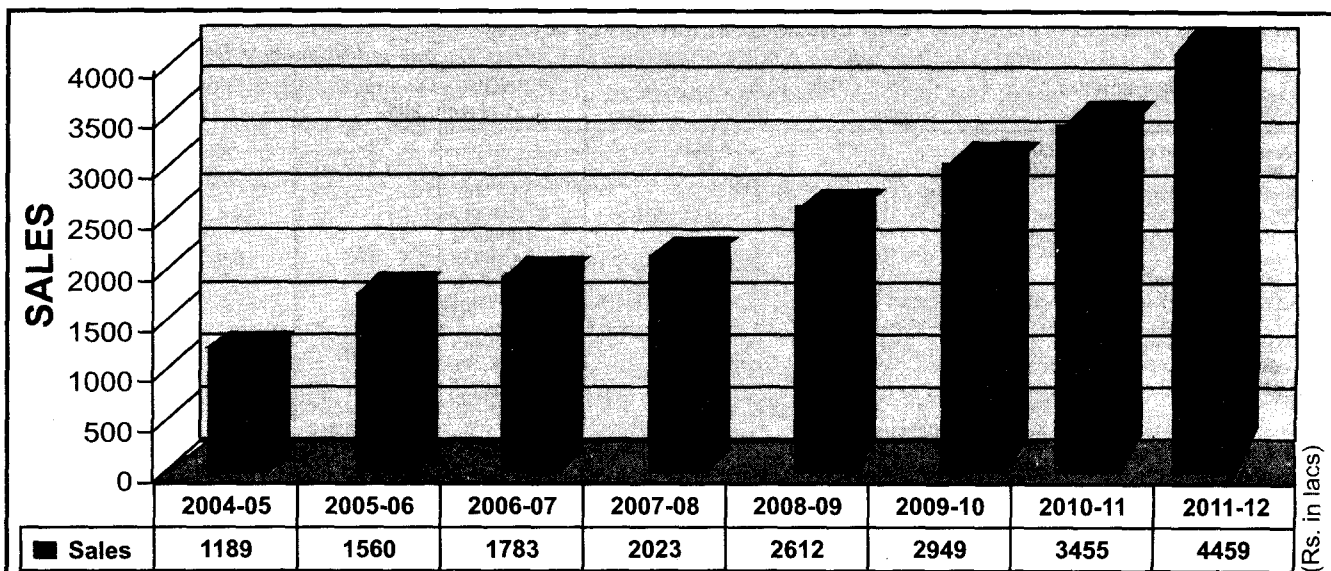
Particulars	" For the year ended 31 March, 2012 "		"For the year ended 31 March, 2011"	
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		77,226,282		66,378,524
<i>Adjustments for:</i>				
Depreciation and amortisation	27,030,645		18,732,920	
(Profit) / loss on sale / write off of assets	(68,671)		-	
Finance costs	13,473,279		8,075,977	
Interest income	(100,410)		(767,222)	
Liabilities / provisions no longer required written back	(734,319)		-	
Provision for doubtful trade and other receivables, loans and advances	663,443		-	
Other non-cash charges (specify)	26,772		-	
Net unrealised exchange (gain) / loss	(632,675)		-	
		39,658,064		26,041,675
Operating profit / (loss) before working capital changes		116,884,346		92,420,199
<i>Changes in working capital:</i>				
<i>Adjustments for (increase) / decrease in operating assets:</i>				
Inventories	(6,465,054)		(5,173,823)	
Trade receivables	(26,075,267)		(29,432,350)	
Short-term loans and advances	(2,562,357)		(359,233)	
Long-term loans and advances	8,108,954		372,067	
Other current assets	(1,056,271)		(11,816)	
Other non-current assets	(7,838,072)		(8,181,592)	
<i>Adjustments for increase / (decrease) in operating liabilities:</i>				
Trade payables	(3,280,994)		971,242	
Other current liabilities	2,914,268		8,745,708	
Other long-term liabilities	(2,625,749)		2,847,364	
Short-term provisions	5,519,300		9,884,717	
Long-term provisions	58,512		3,884,936	
		(33,302,730)		(16,452,780)
		83,581,617		75,967,419
Cash flow from extraordinary items				
Cash generated from operations		83,581,617		75,967,419
Net income tax (paid) / refunds		(20,015,841)		(20,147,873)
Net cash flow from / (used in) operating activities (A)		63,565,776		55,819,545
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(52,356,257)		(67,301,110)	
Proceeds from sale of fixed assets	333,894		-	
Inter-corporate deposits (net)	(2,000,000)		-	
Interest received				
- Others	100,410		767,222	
Other income received				
		(53,921,953)		(66,533,888)
Net cash flow from / (used in) investing activities (B)		(53,921,953)		(66,533,888)
C. Cash flow from financing activities				
Proceeds from long-term borrowings	7,290,168		28,813,736	
Finance cost	(13,473,279)		(8,075,977)	
Dividends paid	(5,403,240)		(5,403,240)	
Tax on dividend	(897,411)		(918,281)	
		(12,483,761)		14,416,238
Net cash flow from / (used in) financing activities (C)		(12,483,761)		14,416,238
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		(2,839,939)		3,701,895
Cash and cash equivalents at the beginning of the year		4,829,356		1,127,461
Cash and cash equivalents at the end of the year		1,989,417		4,829,356
Reconciliation of Cash and cash equivalents with the Balance Sheet:				
Cash and cash equivalents as per Balance Sheet		1,989,417		4,829,356
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements (give details)		-		-
Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note 19		1,989,417		4,829,356
Add: Current investments considered as part of Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) (Refer Note (ii) to Note 16 Current investments)		-		-
Cash and cash equivalents at the end of the year *		1,989,417		4,829,356
* Comprises:				
(a) Cash on hand		26,693		24,453
(b) Balances with banks - in current accounts		1,962,724		4,804,903

Srirangam Gopalan
(Chairman)

Sunil L Mundra
(Managing Director)

Satyanarayana Mundra
(Wholtime Director)

NINETEENTH ANNUAL REPORT 2011-2012



NATURAL CAPSULES LIMITED

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

PROXY FORM

Ref. Folio No. :

I/We 0

.....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 19th Annual General Meeting of the company will be held on Thursday
the 26th day of July 2012 at Bangalore Gayana Samaj, K. R. Road, Basavanagudi, Bangalore - 560 004 a
10.00 A.M. and at any adjournment thereof.

Signed this.....day of.....2012.

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 :

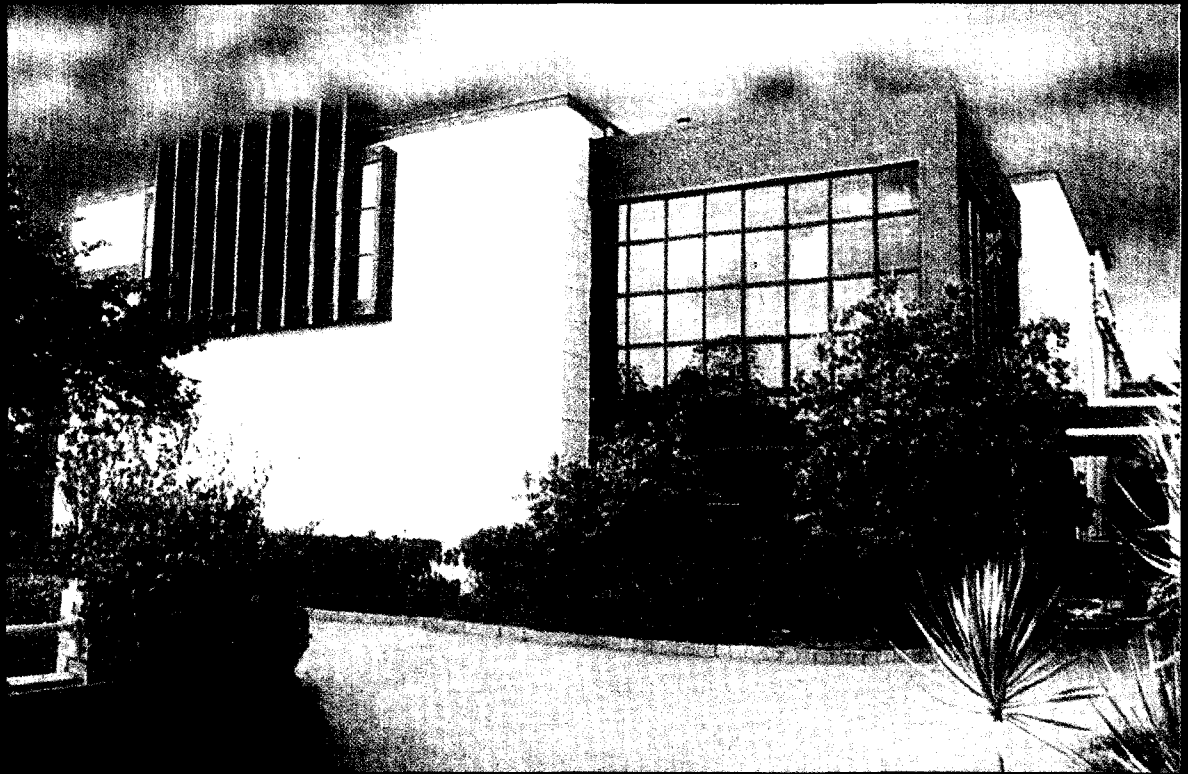
I certify that I am the registered Shareholder/Proxy for the register Shareholder of the Company.

I hereby record my presence at the 19th Annual General Meeting of the Company at to be held at the Bangalore
Gayana Samaj, K.R.Road, Basavanagudi, Bangalore - 560 004 on Thursday, the 26th day of July 2012 at 10.00
A.M.

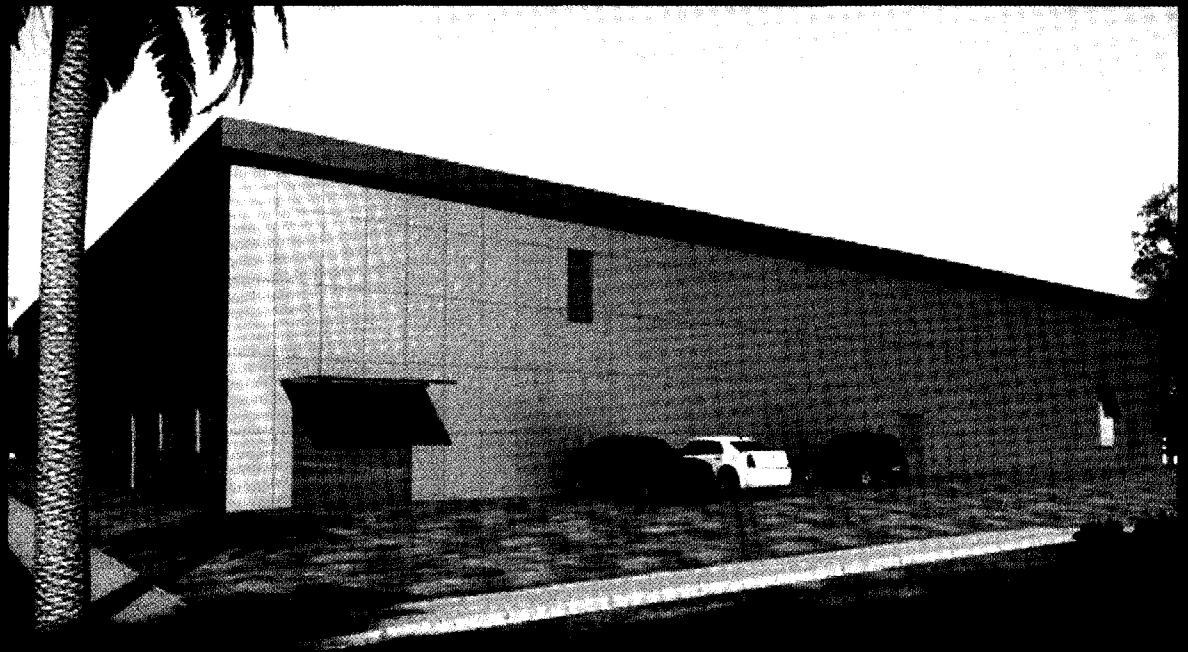
.....
Member's/Proxy/s name in BLOCKLETTERS

.....
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 (Architect's view)

If undelivered, please return to :

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