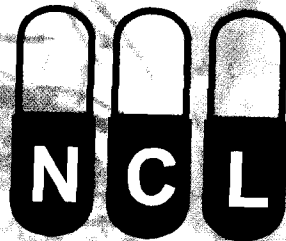


TWENTIETH ANNUAL REPORT

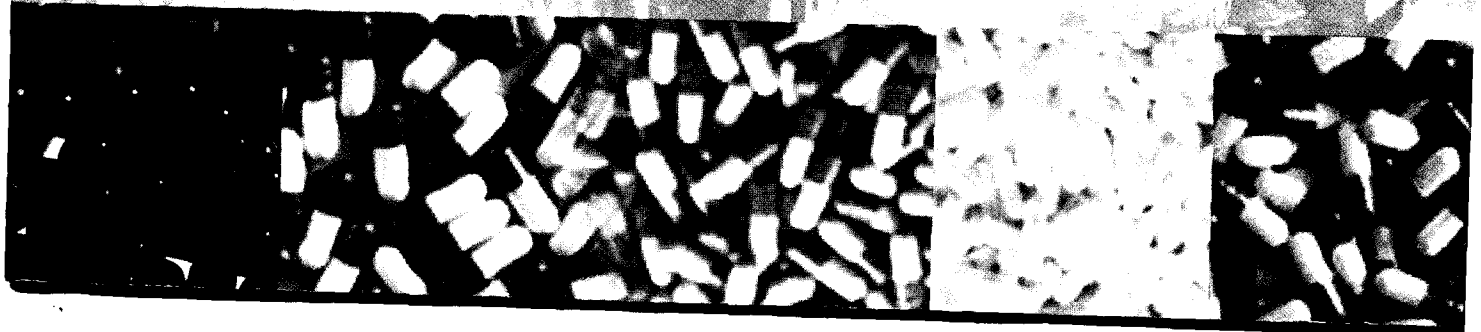
2012-2013

VG-Caps®



NATURAL
CAPSULES
LIMITED

BANGALORE



CHAIRMAN'S ADDRESS



Dear Shareholders,

I am announcing with immense pleasure the completion of yet another financial year which has ended on 31st March 2013. The financial year had been of lot of challenges and opportunities etc and your Company faced the situations with aplomb and courage and the result is there for all of you to see. There has been raise in sales and turn over though there has been marginal dip in percentage of profit before tax.

In spite of hike in operational cost, overheads and bank charges, the growth of company has continued unperturbed. The rating companies have reaffirmed their faith in your company and have awarded very high rating for short term and long term financial stability for fifth continuous year.

The company intends to maintain the same rate of dividend and confidently looks forward for your continued support.

Thank you,

Srirangam Gopalan
Chairman

FROM MANAGING DIRECTOR'S DESK



Dear Shareholders,

I am happy to present the working results for the financial year 2012-13. It has been a year of mixed performances. Even though our top line has grown by over 22% our profit before tax has decreased by 5.50%. We are relentlessly working to arrest this slide. The sales and other income have reached Rs 5,419 lakhs and we have continued to plough back of Rs. 555 lakhs towards the expansion. The raw material supply source is a matter of concern and we are looking for alternate supply sources. In the coming financial year we will complete our current expansion project at Pondicherry plant and the same will give incremental revenue.

Despite difficult situation on the cash flow front, we propose to declare a dividend of Rs 1.50 per equity share, if approved during the AGM.

I will be much obliged to have your valuable suggestions and look forward for your continued support.

Sunil L Mundra
Managing Director

TWENTIETH ANNUAL REPORT 2012-2013



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

Contents

1. Board of Directors	:	1
2. Financial Highlights	:	2
3. Notice	:	3
4. Director's Report	:	4
5. Auditor's Report	:	17
6. Balance Sheet	:	21
7. P & L Account	:	33
8. Cash Flow Statement	:	40
9. Proxy Form	:	43

TWENTIETH ANNUAL REPORT 2012-2013

FINANCIAL HIGHLIGHTS (8 YEARS)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Sales & Other Income	1,571.26	1,782.62	2,033.01	2,605.64	2,948.98	3,453.96	4,459.17	5,418.89
Exports	170.23	193.35	272.82	382.72	507.90	615.17	605.92	1,432.36
P B T	357.85	360.09	428.47	616.33	641.00	663.79	772.26	729.41
P A T	239.97	246.19	265.73	397.51	426.56	446.76	506.87	633.11
E P S	5.60	5.75	5.75	8.83	9.00	10.00	11.26	14.06
Dividend per share (Rs.)	1.00	1.00	1.00	1.00	1.20	1.20	1.50	1.50
Reserves & Surplus	700.94	897.03	1,161.57	1,495.85	1,859.20	2,242.95	2,671.33	3,225.95
Share Capital	428.27	428.27	450.27	450.27	450.27	450.27	450.27	450.27
Share holders fund	1,129.21	1,325.30	1,611.84	1,946.12	2,309.47	2,693.22	3,121.60	3,676.22
R O I	21.25	18.58	16.49	20.43	18.47	16.59	16.24	17.22

NOTICE

Notice is hereby given to all members of the Company that the 20th Annual General Meeting of the Company will be held on Thursday, 25th July 2013 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 2013 along with Director's and Auditor's Report.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Sushilkumar Mundra, the retiring Director, who being eligible, offers himself for re appointment.
4. To appoint a Director in place of Dr. C. M. Gurumurthy 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.

Place : Bangalore

Date : 25-05-2013

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 Register and Transfer Register will remain closed from 23rd July 2013 to 25th July 2013 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31-03-2013.
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.

Information about the appointees:

1. Mr. Sushilkumar Mundra, is a seasoned businessman and is associated with the company from the very beginning and is instrumental in every way with the progress of NCL. His guidance and regular involvement is one of the guiding force in the company.
2. Dr. C. M. Gurumurthy is a highly respected and well known ENT Surgeon. He has been associated with high intellectuals of the country like Dr. Manmohan Singh, Prime Minister of India, and Mr. Azim Premji, the CEO of M/s. Wipro Ltd. Recently he has visited China as a member of delegation of Government of India.

DIRECTOR'S REPORT

DIRECTOR'S REPORT

TO THE MEMBERS

Your directors hereby present the twentieth Annual Report together with the Audited Accounts of the company for the year ended 31st March 2013.

1. FINANCIAL RESULTS:

The Comparative financial results for the period are as under:

	2012-13 (Rs. In lacs)	2011-12 (Rs. In lacs)
Sales & other income	5,418.89	4,459.17
PBDI	1,163.97	1,177.29
Depreciation & Preliminary exp	311.13	270.30
Interest	123.43	134.73
Profit/(Loss) before tax	729.41	772.26
Provision for taxation	190.05	232.55
Deferred tax	(20.99)	10.53
Prior period taxes	(72.75)	22.29
Profit/(Loss) after tax	633.11	506.87
Amount transferred to reserves	31.66	25.34

2. PERFORMANCE & PROSPECTS:

During the year under review, the company's turnover increased by 22.22% and the company has earned a Net profit (before tax) of Rs 729.41lacs as against the corresponding net profit of Rs 772.26 lacs in the previous year. An amount of Rs.554.62 lacs was ploughed back from profits for funding the ongoing expansion at Pondicherry. The export turnover of the company has increased significantly due to continuous efforts being made by sales team. At the same time even though the overall sales turnover has increased by 22.22%, the profit before tax has decreased by 5.54%, mainly due to increase in all input costs.

3. FLUCTUATION IN FOREIGN EXCHANGE: The Company has benefitted to an extent of Rs 23.16 lacs owing to foreign exchange fluctuation.

4. PERFORMANCE CREDIT RATING:

Your Directors are pleased to inform you that the Company has obtained "ICRA" rating of "A3 +" indicating short term and long term financial stability. This has helped in reduction in interest rate charged by the Company's bankers.

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- 2013 for the members whose names appear in the register of members as on the date of AGM viz., 25.7.2013.

6. EXPANSION:

During the year under consideration the company has commissioned one of the imported machines after modification. Company is yet to commission 2 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 V. Subramony has resigned as a Director effective from 15/05/2013 due to his ill health and the Board wishes to place on record his invaluable contribution to the company in his capacity as Director. Dr C M Gurumurthy and Mr Sushilkumar Mundra, 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 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 as per details given in Form-B attached to this report.

C. FOREIGN EXCHANGE, EARNINGS & OUTGO DURING THE YEAR:

Foreign exchange earning : Rs.1,211.53 Lacs
Foreign exchange outgo : Rs. 51.43 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.

9. AUDITORS:

M/S. Gnanoba & Bhat, Chartered Accountants, Bangalore retire at the ensuing Annual General Meeting. Being eligible for re-appointment, 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, Dalal Street, Mumbai-400 001.
- c. Coimbatore Stock Exchange Ltd. with whom company's Securities were listed earlier, has informed the Company that they have ceased to exist from 4th April 2013.

d. The annual listing fees of the above Stock Exchanges have been paid.

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 continued 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: 25th May, 2013**

**ANNEXURE TO DIRECTOR'S REPORT
FORM A (SEE RULE 2)**

Form of disclosure of particulars with respect to conservation of energy.

POWER & FUEL CONSUMPTION

		Current year 2012-13	Previous year 2011-12
1. Electricity			
a) Purchased:	Units(KWH)	77,27,307	79,44,502
b) Total amount	(Rs. In lakhs)	384.15	320.62
c) Rate/Unit	(Rs)	4.97	4.03
d) Own generation:			
i) Through diesel generator	Units(KWH)	16,20,373	4,24,236
KWH per litre of diesel oil		2.98	3.31
Oil cost/unit	(Rs)	0.69	0.67
ii) Through Stem turbine/generator		-	-

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)	135	155.32	144.25	500	NA*	675
Others	---	---	---	---	---	---

* During the year 2012-13, there was no production of Veg capsules.

For & on behalf of the Board

**S.GOPALAN
CHAIRMAN**

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. Development of Enteric coated capsules (Delayed dissolution capsules)
- 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 formation development.
- ii. Started Temperature resistant capsules.

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 new processes and technologies for Capsule generation.
- iv. Introduce new and wide range of Capsules for different applications.
- v. Development of capsules of different sizes for various application.

d. Expenditure on R&D

	2012-13 (Rs. In lacs)	2011-12 (Rs. In lacs)
Capital Expenditures	53.30	125.25
Recurring	73.84	70.96
Total R&D Expenditure	127.14	196.21
R&D Expenditure as a percentage of Turn Over	2.35	4.40

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, 2013, 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 (*) Since resigned.

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.

TWENTIETH ANNUAL REPORT 2012-2013**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

SL No.	Date of meeting	Board strength	No. of Directors present
1.	26-05-2012	9	9
2.	26-07-2012	9	9
3.	30-10-2012	9	8
4.	21-01-2013	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 Moondra	4	Yes
7. Satyanarayan Mundra	4	Yes
8. Sushil Kumar Mundra	4	Yes
9. V. Balaji Bhat	4	No

5. OTHER DIRECTORSHIP :

Name of Directors	Number of Directorship excluding NCL	Membership of committee including NCL	
		Membership	Chairmanship
1. S. Gopalan	Nil	1	1
2. Dr. C. M. Gurumurthy	Nil	1	Nil
3. C. P. Rangachar	4	3	2
4. V. Subramony	Nil	1	Nil
5. Sunil L Mundra	1	1	Nil
6. Laxminarayan Moondra	1	1	1
7. Satyanarayan Mundra	1	Nil	Nil
8. Sushil Kumar Mundra	1	Nil	Nil
9. V. Balaji Bhat	5	3	2

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.	26-05-2012	3	3
2.	26-07-2012	3	3
3.	30-10-2012	3	3
4.	21-01-2013	3	3

TWENTIETH ANNUAL REPORT 2012-2013

Director's Name	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 2012-13 are as follows:

(Rs. In lacs)

Directors	Sitting fees	Salary and Perquisites	Commisssion	Total
Executive Directors :				
1. Sri Sunil L Mundra	----	28.74	5.50	34.24
2. Sri Laxminarayan Moondra	----	22.72	---	22.72
3. Sri Satyanarayan Mundra	----	22.52	---	22.52
Non Executive Directors :				
1. Sri S. Gopalan	0.80	----	1.00	1.80
2. Sri Dr. C. M. GuruMurthy	0.80	----	1.00	1.80
3. Sri V. Subramony	0.20	----	1.00	1.20
4. Sri C .P. Rangachar	0.80	----	1.00	1.80
5. Sri V. Balaji Bhat	0.40	----	1.00	1.40
6. Sri Sushil Kumar Mundra	0.40	----	1.00	1.40

Notes :

- The salary and perquisites include all fixed elements of remuneration i.e, salary and other allowances and benefits.
- The company has not paid bonus and any incentives to the Executive Directors. However, as per the resolution passed during the AGM, the Company has provided commission to the Managing Director and non-executive Directors as per the provision of Sec.349 of the Company's Act as shown in the above table.
- The company has not entered into any pecuniary relationship or transactions with the non-executive directors- except business with Mr Sushilkumar Mundra, in respect of 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.4.68 Lacs towards the rental charges for the 1200 SFT of office space rented to the company.
- 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	3 years	01.06.2011	31.5.2014

Notes :

1. The salary and perquisites include all fixed elements of remuneration i.e, salary and other allowances and benefits.
2. The company has not paid bonus and any incentives to the Executive Directors. However, as per the resolution passed during the AGM, the Company has provided commission to the Managing Director and non-executive Directors as per the provision of Sec.349 of the Company's Act as shown in the above table.
3. The company has not entered into any pecuniary relationship or transactions with the non-executive directors- except business with Mr Sushilkumar Mundra, in respect of 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.4.68 Lacs towards the rental charges for the 1200 SFT of office space rented to the company.
4. The company has so far not issued any stock options to executive directors.

Details of Service Contract

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 31-3-2013

1. No. of Grievances received : 11
2. No. of Grievances redressed : 10
3. No. of Grievances pending : 01
4. No. of Share transfers pending : Nil

12. GENERAL BODY MEETINGS :

Particulars of past three AGMs are as follows:

AGM	YEAR	VENUE	DATE	TIME
17 th	2010	Bangalore Gayana Samaja, Bangalore - 4	28-09-2010	10.30 am
18 th	2011	Bangalore Gayana Samaja, Bangalore - 4	27-07-2011	10.00 am
19 th	2012	Bangalore Gayana Samaja, Bangalore - 4	26-07-2012	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

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 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 , Wholetime Director are interested partners. Rs.4.68 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) 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 and Bangalore Stock Exchanges. The company has paid

Stock Prices

Scrip Code : 524654 Company :: NATURAL CAPSULES LTD.

For the Period : April 2012 to March 2013

All Prices in Rupees

Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. Of Trades	Total Turnover (Rs.)
Apr 2012	43.00	44.10	39.80	41.50	16,555	97	7,06,957
May 12	41.50	42.70	38.00	39.00	34,190	164	13,70,046
Jun 12	39.00	40.00	36.25	37.50	12,977	76	4,86,022
Jul 12	37.50	40.10	35.75	37.50	25,079	133	9,51,677
Aug 12	37.15	39.40	35.50	38.25	58,192	162	21,68,521
Sep 12	37.50	47.50	36.05	43.40	93,747	476	40,13,448
Oct 12	41.65	43.00	38.80	40.00	13,167	106	5,35,932
Nov 12	40.05	41.95	38.00	38.35	23,635	220	9,24,915
Dec 12	38.50	41.85	37.35	39.90	40,469	203	15,86,096
Jan 13	38.05	41.00	37.00	37.25	44,209	310	16,96,420
Feb 13	38.00	38.75	34.25	34.40	18,330	138	6,68,892
Mar 13	34.25	35.95	32.55	32.60	3,75,012	134	1,24,83,554

- 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 20th Annual General Meeting will be held on Thursday the 25th July, 2013 at Bangalore.
- h) Financial calendar for the year 2013-14 (provisional)

a	Results for the first quarter ending 30 th June 2013	By end of July, 2013
b	Results for the 2nd quarter ending 30 th Sept. 2013	By end of Oct. 2013
c	Results for the 3 rd quarter ending 31 st December 2013	By end of Jan, 2014
d	Results(Audited) for the financial year ending 31 st March, 2014	By end of May, 2014
e	Annual General Meeting for the year ending March, 2014	By end of July, 2014

TWENTIETH ANNUAL REPORT 2012-2013

i) **Dates of book closure:**

The register of members and share transfer books of the company will remain closed from 23.7.2013 to 25.7.2013 (both the days inclusive) for the purpose of AGM.

j) **Statistics of share holders**

Year	No. of shareholders
31-03-2011	4,660
31-03-2012	4,434
31-03-2013	4,318

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	17,12,486	38.0324
2. FII	300	0.0066
3. NRI	36,654	0.8140
4. Corporate Body	6,37,994	14.1691
5. Clearing member	1,600	0.0355
6. Mutual Funds	3,700	0.0821
7. Promoters	21,06,166	46.7756
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	60.3751	209616	4.6553	
101-500	1219	28.2309	333677	7.4612	
501-1000	242	5.6044	200876	4.4612	
1001-2000	105	2.4316	157592	3.4999	
2001-3000	54	1.2505	136502	3.0315	
3001-4000	13	0.0301	45948	1.0204	
4001-5000	16	0.3705	74790	1.6610	
5001-10000	27	0.6252	206808	4.5929	
10001- and above	35	0.8105	3136891	69.6668	
4318		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 : 25-5-2013

(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 2013 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.

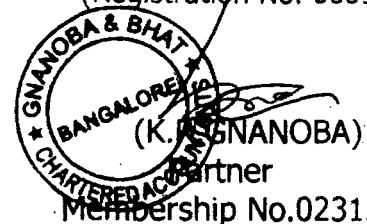
In our opinion and to the best of our information and according to the explanations given to us, we certify that company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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 which the management has conducted the affairs of the company.

For and on behalf of
GNANOBA & BHAT
CHARTERED
ACCOUNTANTS

(Registration No. 000939S)



Place: Bangalore
Date: 25th May 2013

**ANNEXURE B
MANAGEMENT DISCUSSION AND ANALYSIS**

1. INDUSTRY STRUCTURE AND DEVELOPMENTS :

During the year under review, in spite of the difficult situation both domestic and on the international front, Indian Pharmaceutical Industry has grown by around 9 to 10%. However, Pharma exports have grown at a much higher rate than the domestic market. 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 European Union may provide better market access.

b) Threats:

- i) Expansion of capacities by other major players and entry of new players.
- ii) Over capacity may lead to drop in sales realization.
- iii) Conversion of Gelatin capsules products into other dosage forms.
- iv) 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.
- ii) Implementation of DPCO may lead to loss of business.

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, current market scenarios, orders on hand and commissioning of the new machines at Pondicherry, company is hopeful of achieving a turnover of around Rs. 54 to 56 crores in the current year. However due to drop in sales realization of capsules in domestic market, company may have to face stagnation in profits.

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. 554.62 lacs for Capital Investment at Pondicherry for the expansion Project.

6. SEGMENT WISE PERFORMANCE:

(Rs. In lacs)

Sl. No.	Particulars	For the year ended 31-3-13 Audited	For the year ended 31-3-12 Audited
1.	SEGMENT REVENUE		
	Capsules	5,215.36	4,138.63
	Formulation	158.64	285.65
	Others	71.62	83.05
	Total	5,445.62	4507.33
	Less: Inter segment revenue	26.73	48.16
	Net income from operation	5,418.89	4459.17
	SEGMENT RESULTS		
	Profit/(Loss) before depreciation, tax and interest from each segment.		
	Capsules	1,114.50	1088.53
2.	Formulation	6.60	11.13
	Others	43.05	77.63
	Total	1,164.15	1177.29
	Less: i) Depreciation and Amortisation	311.30	270.30
	ii) Interest	123.43	134.73
	iii) Other un-allocable expenditure / income	96.31	265.39
	Total profit after tax	633.11	506.87

INDEPENDENT AUDITOR'S REPORT

To the Members of M/s Natural Capsules Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **M/s Natural Capsules Limited ("the Company")**, which comprise the Balance Sheet as at 31st March, 2013, and the Statement of Profit and Loss and Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("The Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and the best of our information and according to

the explanations given to us, the financial statements give the information required by the Act 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, 2013
- (b) In the case of the Statement of Profit & Loss, of the Profit for the year ended on that date.
- (c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the order.
2. As required by Section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from the examination of the books.
 - c. The Balance Sheet, Statement of Profit and Loss dealt with by this Report are in agreement with the books of account
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

PLACE : BANGALORE

DATE : 25.05.2013

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

Membership No: 023137

**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 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.
 - c) Central sales tax amount of Rs.0.80 Lacs of 2008-09 is showing as the payable from the year 2008-2009 for which the demand order has not received.
- 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)**

**PLACE : BANGALORE
DATE : 25.05.2013**

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

BALANCE SHEET AS AT 31st MARCH 2013

	Particulars	Note No.	Rupees	AS AT 31-03-2013	AS AT 31-03-2012
I	EQUITY AND LIABILITIES				
(1)	Shareholder's Funds				
	(a) Share Capital	1	45,027,000		45,027,000
	(b) Reserves and Surplus	2	322,595,549	367,622,549	267,133,989
					312,160,989
(2)	Share application money pending allotment			---	---
(3)	Non-Current Liabilities				
	(a) Long-term borrowings	3	89,981,912		92,942,699
	(b) Deferred tax liabilities (Net)	4	16,814,677		18,914,140
	(c) Other Long term liabilities	5	1,483,882		1,594,318
	(d) Long term provisions	6	4,097,684	112,378,155	3,943,448
(4)	Current Liabilities				
	(a) Short Term Borrowings		292,133		---
	(b) Trade payables	7	46,452,560		36,661,781
	(c) Other current liabilities	8	23,239,137		14,648,735
	(d) Short-term provisions	9	12,740,826		15,404,017
				82,824,657	66,714,532
	Total			562,825,361	496,270,127
II	ASSETS				
(1)	Non-current assets				
	(a) Fixed assets				
	(i) Tangible assets	10	292,297,239		264,140,433
	(ii) Intangible assets		---		---
	(iii) Capital work-in-progress		28,596,470		36,919,861
	(iv) Intangible assets under development		---		---
				320,893,709	301,060,294
	(a) Long term loans and advances	11	10,036,424		1,159,754
	(b) Other non-current assets	12	12,848,393		16,019,664
				22,884,817	17,179,418
(2)	Current assets				
	(a) Current investments		---		---
	(b) Inventories	13	35,211,394		25,248,377
	(c) Trade receivables	14	171,394,499		138,777,016
	(d) Cash and Cash Equivalents	15	2,886,101		1,989,417
	(e) Short-term loans and advances	16	5,854,260		9,366,839
	(f) Other current assets	17	3,700,582		2,648,766
				219,046,835	178,030,415
	Total			562,825,361	496,270,127

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)

K.R. GNA NOBA
PARTNER
Membership No:023137

Date : 25.05.2013
Place : Bangalore

For and on behalf of the Board

Srirangam Gopalan
CHAIRMAN

Satyanarayan Mundra
DIRECTOR

Sunil L. Mundra
MANAGING DIRECTOR

Date : 25.05.2013
Place : Bangalore

NOTE 1 - SHARE CAPITAL

	As at 31st March 2013 Rs.	As at 31st March 2012 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 2013 No of shares	As at 31st March 2012 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, 2013	Number of shares as at 31st March, 2012
Equity Shares:		
Tajos Investments Pvt. Ltd	479,000	461,500
Nandhi Synthetics Pvt. Ltd.	414,354	398,354
Vivog Commercial Ltd	---	347,220
Sunil Kumar Mundra	261,000	261,000
Anand Rathi Share & Stock Brokers Ltd.	347,320	---
i) Dividend proposed to be distributed to Equity Shareholders Rs.1.5 per share.		

TWENTIETH ANNUAL REPORT 2012-2013

NOTE 2 - RESERVES AND SURPLUS

	Rs.	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 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	7,939,948		5,405,557
Add: Transfer from Profit & Loss Account	3,165,564	11,105,512	2,534,391
			7,939,948
Surplus:			
As per last Balance Sheet	237,921,241		197,617,539
Add: Profit/(Loss) for the period	63,311,286		50,687,819
Less : Appropriations			
Proposed Dividend	6,754,050		6,754,050
Tax on Proposed Dividend	1,095,676		1,095,676
Transfer to reserves	3,165,564		2,534,391
		290,217,237	237,921,241
Total		322,595,549	267,133,989

NOTE 3 - LONG TERM BORROWINGS

	Rs.	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Term Loans			
- from Banks			
Secured			
State Bank of India CC A/c -10242758678	40,046,293		21,530,530
SBI Exchange Packing Credit -30698350106	10,082,948		---
State Bank of India Term Loan	39,852,671		71,412,169
		89,981,912	92,942,699
Total		89,981,912	92,942,699

NOTE 3a:

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 3.67 lacs equity shares of NCL held by M/s. Nandi Synthetic Pvt Ltd and extension of charge on current asset.
2. Term Loan repayable within a year is Rs. 334Lacs(Previous Year Rs.272Lacs)
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.
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 2013 Rs.
Deferred Tax Liability	
Related To Fixed Assets	15,955,230
Current Year Depreciation	1,254,931
Allowance Under the Income Tax Act, 1961	2,319,254
Deferred Tax Asset	
Disallowance Under the Income Tax Act, 1961	(2,714,738)
Total	16,814,677

TWENTIETH ANNUAL REPORT 2012-2013

NOTE 5 - OTHER LONG TERM LIABILITIES

	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Trade Payables		
For Capital Goods	30,000	---
For Expenses	389,330	353,890
For Others	152,700	420,539
For Purchases	674,823	582,861
Others		
Sundry Advances	---	---
J Raj & Co Deposit Account	237,028	237,028
Total	1,483,882	1,594,318

NOTE 6 - LONG- TERM PROVISIONS

	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Provision for Gratuity	-	2,667
Other Provisions		
Service Tax Payable (Freight Outwards)	226,747	226,747
Penalty Payable on Service Tax	258,935	258,935
Cenvat Payable	-	202,522
Penalty Payable on Cenvat	-	202,522
Bonus Payable	2,119,369	1,891,501
Exgratia Contract Labour	1,373,027	1,079,285
CST Payable 2008-09	79,269	79,269
Cst Payable 2009-2010	40,337	
Total	4,097,684	3,943,448

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	1,056,671
Employers Contribution to Employees State Insurance	335,091

The company has applied for exemption of its Provident Fund under section 17 of Employers 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
(C)	Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows :	Current year	Previous Year
1	Present Value of Defined Benefit Obligation as on 1st April	5,091,457	3,886,636
2	Current Service cost	598,877	428,946
3	Interest Cost	407,317	310,931
4	Losses (gains) on Curtailment	---	---
5	Liabilities extinguished on settlements	---	---
6	Plan amendments	---	---
7	Actuarial (gains) / losses	(423,438)	464,944
8	Benefits paid	---	---
9	Present value of Defined Benefit Obligation as on Balance Sheet date.	5,674,213	5,091,457

(D)	Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :	Current year	Previous Year
1	Fair value of Plan assets as on 1st April...	5,094,124	3,799,239
2	Expected return on plan assets	477,505	373,431
3	Actuarial gains and losses	---	---
4	Actual contributions by employers	834,215	921,454
5	Benefits paid	---	---
6	Plan assets as on 31st March...	6,405,844	5,094,124

(E)	Analysis of Defined Benefit Obligation :	Current Year	Previous Year
1	Defined Benefit Obligation as at 1st April...	5,091,457	3,886,636
2	Fair Value of Plan assets at the end of the year	6,405,844	5,094,124
3	Net (Asset)/Liability recognized in the Balance Sheet as at 31st March....	(1,314,387)	(1,207,488)

(F)	Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognized in the Balance Sheet :	Current Year	Previous Year
1	Present value of Defined Benefit Obligation	5,674,213	5,091,457
2	Fair value of plan assets	6,405,844	5,094,124
3	Funded status [Surplus/(Deficit)]	731,631	(2,667)
4	Unrecognized Past Service Costs	---	---
5	Net asset/(Liability) recognized in Balance Sheet	731,631	(2,667)

TWENTIETH ANNUAL REPORT 2012-2013

(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	598,877	428,946
2	Interest cost	407,317	310,931
3	Expected return on plan assets	(477,505)	(373,431)
4	Curtailment cost/(credit)	-	-
5	Settlement cost/(credit)	-	-
6	Past Service cost	-	-
7	Actuarial Losses/(Gains)	(423,438)	464,944
8	Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds	105,251	831,390

(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 2013 Rs.	AS AT 31st March 2012 Rs.
Trade payables (see note 9a)		
For Capital Goods	1,621,938	3,101,020
For Expenses	7,222,396	4,817,339
For Purchases	34,446,184	26,348,101
For Others	3,162,042	2,395,321
Total	46,452,560	36,661,781

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. 0.43 lakhs (Previous Year 0.80 lakhs) and the same is due to M/s Benaka Mudran and M/s Trisiris industries.

NOTE 8 - OTHER CURRENT LIABILITIES

	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Current maturities of long-term debt		
SBI Long Term Loan	11,100,000	7,400,000
Unpaid dividends	1,376,857	1,273,654
Sales Tax deferment loan		-
Professional Tax payable	6,950	6,250
TDS Commission Payable	34,593	39,947
TDS - Contractors Payable	124,715	80,424
TDS Professional Charges Payable	116,776	83,358
TDS Rent Payable	12,743	6,690
TDS Salaries Payable	543,039	294,010
Interest on Income tax payable	429,990	-
ESI Payable	36,246	175,142
PF Payable	307,631	294,419
Service Tax on reverse Charges for sitting fees	74,160	-
Vat Payable 2011-12	-	284,311
Vat Payable 2012-13	527,808	-
Rent Payable	311,566	251,233
Salary Payable-Director-SLM	548,560	154,200
Salary Payable-Director-LNM	136,780	120,800
Salary Payable-Director- SM	138,360	122,500
Salary Payable	1,822,665	1,840,681
Commission payable to Non-Executive Director	540,000	-
CST Payable	383,374	390,166
Advance Received from Customers	4,766,324	1,830,948
Total	23,339,137	14,648,735

NOTE 9 - SHORT-TERM PROVISIONS

	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Proposed Dividend	6,754,050	6,754,050
Tax on proposed dividend	1,095,676	1,095,676
Other Provisions		
Outstanding Expenses	4,891,101	7,554,291
Total	12,740,826	15,404,017

TWENTIETH ANNUAL REPORT 2012-2013

NOTE 10 - FIXED ASSETS

	Cost				Depreciation / Amortization/ Diminution				Net Block	
	As at 31st March, 2012	Additions during the year	Deductions during the year	As at 31st March, 2013	Upto 31st March, 2012	For the year	On Deductions*	Upto 31st March, 2013	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TANGIBLE ASSETS										
Land	5,111,730	1,604,787	-	6,716,517	-	-	-	-	6,716,517	5,111,730
Improvements to Leasehold Premises	-	-	-	-	-	-	-	-	-	-
Buildings	114,014,655	14,764,425	-	128,779,081	18,526,557	3,953,016	-	22,479,573	106,299,508	95,488,098
Plant & Equipment	285,217,538	42,672,512	1,485,879	326,404,171	129,489,204	25,614,507	1,252,495	153,851,216	172,552,955	155,728,334
Computers	6,564,983	129,791	-	6,694,774	3,388,295	1,058,906	-	4,447,201	2,247,573	3,176,688
Furniture & Fixtures	3,794,340	208,078	-	4,002,418	1,622,752	241,884	-	1,864,635	2,137,783	2,171,589
Vehicles	2,066,291	-	-	2,066,291	432,295	193,164	-	625,459	1,440,832	1,633,996
Office Equipment	1,100,662	124,166	-	1,224,828	270,663	52,093	-	322,757	902,072	829,999
Total (A)	417,870,200	59,503,759	1,485,879	475,888,079	153,729,767	31,113,569	1,252,495	183,590,840	292,297,239	264,140,433
INTANGIBLE ASSETS										
Technical Knowhow	300,000	-	-	300,000	300,000	-	-	300,000	-	-
Total (B)	300,000			300,000	300,000			300,000		
Total (A+B)	418,170,200	59,003,759	1,485,879	476,188,079	154,029,767	31,113,569	1,252,495	183,890,840	292,297,239	264,140,433
Previous year	362,417,165	56,965,568	1,212,553	418,170,200	127,910,755	27,030,641	911,631	154,029,767	264,140,433	234,506,430

NOTE 10a - Amount of borrowing costs capitalised during the year Rs. Nil (31st March, 2012- Rs. Nil)

NOTE 11 - LONG TERM LOANS AND ADVANCES

	Rs.	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
(Unsecured, considered good unless otherwise stated)			
Capital Advances:			
Considered Good	2,184,629		1,702,260
Considered Doubtful	---		---
		2,184,629	1,702,260
Less: Provision for Doubtful Capital Advances			
Taxes paid in advance less provisions (current tax)		5,851,795	(2,542,506)
Inter Corporate Deposit		2,000,000	2,000,000
Total		10,036,424	1,159,754

NOTE 12 - OTHER NON CURRENT ASSETS

	Rs.	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
(Unsecured, considered good unless otherwise stated)			
a) Deposits with more than 12 months maturity			
Rent Deposit	1,948,335		1,724,455
Other Deposit	5,617,855		4,152,855
Fixed Deposits	1,202,800		1,202,800
Interst On FD Recievable	1,483,710		965,874
		10,252,700	
b) Others (specify nature)			
Salary Advance To Staff		174,000	133,700
Tour Advance		---	---
c) Advance Paid to Sundry Creditors			
For Expenses	1,389,602		1,341,001
For Purchases	919,394		3,536,391
For Others	112,697		2,962,588
		2,421,693	
Total		12,848,393	16,019,664

NOTE 13 - INVENTORIES

	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Raw materials (including GIT Rs.28,33,792/-)	16,852,740	12,618,987
Work - in - Process	9,261,374	-
Finished Goods	7,550,251	5,980,890
Stores and spares including GIT Rs.1,07,005/-)	1,500,424	6,648,500
Goods In Transit-Others	46,605	-
Total	35,211,394	25,248,377

TWENTIETH ANNUAL REPORT 2012-2013

NOTE 14 - TRADE RECEIVABLES

	Rs.	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
(Unsecured, considered good unless otherwise stated)			
1) Debts due for a period exceeding six months			
Considered Good	8,788,228		5,403,531
Considered Doubtful	---		---
		8,788,228	5,403,531
2) Other Debts:			
Considered Good	170,726,959		134,651,897
Considered Doubtful	---		---
	170,726,959	134,651,897	---
Less: Provision for Doubtful Debts		8,120,687	1,278,413
Total		171,394,499	138,777,016

NOTE 15 - CASH AND CASH EQUIVALENTS

	Rs.	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Balances with banks in -			
Earmarked balances			
- in Current Account	59,208		54,418
- Dividend Distribution Account	1,376,857		1,273,654
- in EEFC Account	289,075		634,652
- Margin Money	1,129,500		---
		2,854,641	---
Cash on hand		31,460	26,693
Fixed Deposit With Banks - Maturity of More than 12 Months		---	---
Total		2,886,101	1,989,417

NOTE 16 - SHORT TERM LOANS AND ADVANCES

	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
(Unsecured, considered good unless otherwise stated)		
Balances with Central Excise, Customs, Port trust, etc.	1,840,367	1,769,307
Gratuity Paid In Advance (Actuarial Advance)	731,631	---
Advances Paid to Suppliers	3,282,262	7,597,532
Total	5,854,260	9,366,839

NOTE 17 - OTHER CURRENT ASSETS

	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Other current assets		
Prepaid Expenses	1,129,776	843,427
Tour Advance	10,000	12,000
Tour Advance - Foreign	---	256,615
Saalry Advances	112,012	213,998
Service Tax - HO	74,160	---
Export Duty Drawback Receivable	733,605	---
Interest Recievable - Bescom Deposit	85,576	---
DEPB License Receivable	1,306,572	1,306,572
Interest Recievable	248,881	16,154
Total	3,700,582	2,648,766

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

Profit and Loss statement for the year ended 31st March, 2013

Rupees

	Particulars	Note No.	For the year ended on 31st March, 2013	For the year ended on 31st March, 2012
I.	Revenue from operations	18	534,726,334	437,612,389
II.	Other Income	19	7,162,835	8,304,977
III.	Total Revenue (I +II)		541,889,169	445,917,366
IV.	Expenses:			
	Cost of materials consumed	20	217,075,687	161,610,557
	Purchase of Stock-in-Trade		-	-
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	21	(10,830,735)	142,594
	Employee benefit expense	22	38,306,626	31,196,305
	Finance costs	23	12,343,107	13,473,279
	Depreciation and amortization expense	10	31,113,569	27,030,645
	Other expenses	24	180,848,751	135,237,704
	Total Expenses		468,857,004	368,691,084
V.	Profit before exceptional and extraordinary items and tax (III - IV)		73,032,164	77,226,282
VI.	Exceptional Items		-	-
	Prior Period item		90,426	-
VII.	Profit before extraordinary items and tax (V - VI)		72,941,738	77,226,282
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII - VIII)		72,941,738	77,226,282
X.	Tax expense:			
	(1) Current tax		19,005,752	23,255,285
	(2) Prior Year tax		(7,275,837)	2,229,627
	(3) Deferred tax		(2,099,463)	1,053,551
XI.	Profit(Loss) for the period from continuing operations (IX-X)		63,311,286	50,687,819
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)		63,311,286	50,687,819
XVI.	Earning per equity share:			
	(1) Basic		14.06	11.26
	(2) Diluted		14.06	11.26

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

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

K.R. GNA NOBA
PARTNER
Membership No:023137

Date : 25.05.2013
Place : Bangalore

For and on behalf of the Board

Srirangam Gopalan
CHAIRMAN

Satyanarayan Mundra
DIRECTOR

Sunil L. Mundra
MANAGING DIRECTOR

Date : 25.05.2013
Place : Bangalore

NOTE 18 - REVENUE FROM OPERATIONS

Particulars	Rs.	For the year ended on 31st March, 2013 Rs.	For the year ended on 31st March, 2012 Rs.
Sale of products	558,756,852		456,447,784
Sale of services			-
Other operating revenues	18,769,731		12,953,816
Less:		577,526,583	469,401,601
Excise duty		42,800,250	31,789,211
Total		534,726,334	437,612,389

NOTE 18 a - EARNINGS IN FOREIGN EXCHANGE

Particulars	For the year ended on 31st March, 2013 Rs.	For the year ended on 31st March, 2012 Rs.
FOB Value of exports	143,236,528	60,592,799
Total	143,236,528	60,592,799

NOTE 19 - OTHER INCOME

Particulars	For the year ended on 31st March, 2013 Rs.	For the year ended on 31st March, 2012 Rs.
Interest income	1,062,061	100,410
Sundry provisions and credit balances no longer required, written back	1,361,069	1,823,757
Net gain on foreign currency transaction and translation	2,316,311	2,800,451
Other non-operating income (net of expenses directly attributable to such income).	2,423,393	3,580,359
Total	7,162,835	8,304,977

NOTE 19a. EARNINGS IN FOREIGN EXCHANGE

Particulars	For the year ended on 31st March, 2013 Rs.	For the year ended on 31st March, 2012 Rs.
Interest and dividend		
Other income	2,316,311	2,800,451
Total	2,316,311	2,800,451

TWENTIETH ANNUAL REPORT 2012-2013

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

Particulars	Raw Material Opening Stock		Goods Purchased For the year ended on 31st March, 2013 Rs.	Consumption For the year ended on 31st March, 2013 Rs.	Raw Material Closing Stock		WIP Opening Stock		WIP Closing Stock	
	As at 1st April, 2012	As at 31st March, 2011			As at 1st April, 2013	As at 31st March, 2012	As at 1st April, 2012	As at 31st March, 2011	As at 1st April, 2013	As at 31st March, 2012
Rawmaterials	Rs. 12,587,326	Rs. 8,649,949	Rs. 219,882,912	Rs. 217,075,687	Rs. 15,394,550	Rs. 12,587,326	Rs. ---	Rs. ---	Rs. ---	Rs. ---
Total										

Note 20 a

Particulars	Raw Material Opening Stock		Goods Purchased For the year ended on 31st March, 2013 Rs.	Consumption For the year ended on 31st March, 2013 Rs.	Raw Material Closing Stock	
	As at 1st April, 2011	As at 31st March, 2010			As at 1st March, 2013	As at 31st March, 2012
Gelatin	Rs. 8,000,055	Rs. 5,215,660	Rs. 188,839,126	Rs. 190,692,348	Rs. 6,146,833	Rs. 5,215,660
Dextropropylene	-	-	4,800,909	4,800,909	-	-
Paracetamol	-	-	3,088,887	3,088,887	-	-
HPMC	-	-	-	-	-	-
Others	Rs. 4,587,271	Rs. 3,434,289	Rs. 23,153,990	Rs. 18,493,543	Rs. 9,247,717	Rs. 7,371,666
Total	12,587,326	8,649,949	219,882,912	217,075,687	15,394,550	12,587,326

Note 20 b

Particulars	For the year ended on 31st March, 2013		For the year ended on 31st March, 2012	
	Value (Rs.)	Percentage (%)	Value (Rs.)	Percentage (%)
Imported	735,041	0%	1,444,379	1%
Indigenously obtained Rawmaterials	216,340,646	100%	159,357,455	99%
Total	217,075,687	100%	161,610,557	100%

25c. CIF Value of Imports

Particulars	For the year ended on 31st March, 2013 Rs.	For the year ended on 31st March, 2012 Rs.
Excipients	387,415	145,156
Raw Material	74,021	-
Components and Spare Parts	273,605	1,299,223
Capital Goods	1,212,391	808,723
Total	1,947,432	2,253,102

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

Particulars	Rs.	For the year ended on 31st March, 2013 Rs.	For the year ended on 31st March, 2012 Rs.
Opening stock			
Work - in - progress	---		392,000
Finished goods	5,980,890		5,731,484
		5,980,890	6,123,484
Closing stock			
Work - in - progress	9,261,374		-
Finished goods	7,550,251		5,980,890
		16,811,625	5,980,890
Total		(10,830,735)	142,594

NOTE 22 - EMPLOYEE BENEFIT EXPENSE

Particulars	For the year ended on 31st March, 2013 Rs.	For the year ended on 31st March, 2012 Rs.
Salaries and wages	23,732,752	19,823,301
Director Remuneration	7,900,000	6,680,000
Contribution to provident and other funds	2,506,970	2,868,968
Staff welfare expenses	4,166,904	1,824,036
Total	38,306,626	31,196,305

NOTE 23 - FINANCE COSTS

Particulars	For the year ended on 31st March, 2013 Rs.	For the year ended on 31st March, 2012 Rs.
Interest expense	12,343,107	12,131,359
Other borrowing costs	---	---
Total	12,343,107	13,473,279

TWENTIETH ANNUAL REPORT 2012-2013

NOTE 24 - OTHER EXPENSES

	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Consumption of stores and spare parts	15,090,032	9,438,543
Power and fuel	62,869,840	44,715,263
Rent	4,253,814	3,738,014
Repairs and maintenance -		
Buildings	6,278,924	3,511,071
Machinery	6,614,603	9,496,356
Furniture	1,132,734	---
Others	2,104,780	2,219,192
Rates & Taxes (excluding taxes on income)	410,037	369,205
Net loss on foreign currency transaction and translation (other than considered as finance cost)	---	---
Provision for doubtful debts & advances (net)	7,191,909	931,506
Contract Labour Charges	15,669,813	13,211,884
Professional Charges	1,998,096	1,458,789
Travelling Expenses & Conveyance	3,859,531	5,021,786
Freight Charges	17,434,010	13,397,927
Travelling Expenses - Foreign	3,259,236	1,757,715
License Fee	789,318	1,247,922
Director Sitting Fee	340,000	340,000
Commission to Non-Executive Directors	600,000	---
Exhibition Expenses	2,342,075	1,757,163
Research & Development Expenditure - Revenue in Nature	7,384,506	7,096,629
Bank Charges	1,831,690	7,910,751
Miscellaneous expenses	19,393,803	15,528,740
Total	180,848,751	135,237,704

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

Particulars	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Audit fees	120,000	120,000
Tax Audit fees	30,000	30,000
Taxation matters	---	---
Company law matters	---	---
Management expenses	---	---
Other services	28,500	30,000
Out of pocket expenses reimbursed	-	-
Total	178,500	180,000

NOTE 24b - EXPENDITURE IN FOREIGN CURRENCY

Particulars	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
Consultation Fees	-	44,141
Other matters	5,143,855	2,285,417
Total	5,143,855	2,329,558

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

Particulars	AS AT 31st March 2013 Rs.	AS AT 31st March 2012 Rs.
(i) Not later than one year	504,000	324,000
(ii) Later than one year and not later than five years.	2,016,000	1,872,000
(iii) Later than five years	-	-
Total	2,520,000	2,196,000

a) Lease payments recognised in the profit and loss account for the year Rs.4,68,000/- (31st March, 2012 Rs. 3,24,000).

NOTE 24d - Research and Development expenditure debited to the Profit and Loss Account aggregating Rs.73,84,506/- (31st March, 2012 Rs70,96,629/-) has been incurred by the company and disclosed under appropriate account heads.

The figures have been regrouped as required for the year 2011-12 and 2012-13.

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.

TWENTIETH ANNUAL REPORT 2012-2013

(A) Primary segments - Business Segments

Particulars	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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
a	Segment Revenue	5,215.36	4,138.63	158.64	285.65	71.62	83.05	-	5,418.89	4,459.17
	Sales to External Customers	-	-	-	-	-	-	-	-	-
	Inter Segment Revenue	5,215.36	4,138.63	158.64	285.65	71.62	83.05	26.73	5,418.89	4,459.17
	Total Segment Revenue									
b	Segment Results									
	Unallocated Corporate expenses	-	-	-	-	-	-	-	4,254.74	3,281.88
	Interest expense	-	-	-	-	-	-	-	123.43	134.73
	Depreciation	-	-	-	-	-	-	-	311.30	270.31
	Income / Profit from investments	-	-	-	-	-	-	-	-	-
	Surplus on pre-payment of sales tax deferral	-	-	-	-	-	-	-	-	-
	Profit before tax	1,141.23	1,136.71	6.60	11.13	43.05	77.63	26.73	729.42	772.25
	Income taxes	-	-	-	-	-	-	-	190.05	232.55
	Deferred Tax	-	-	-	-	-	-	-	(20.99)	10.54
	Fringe benefit tax	-	-	-	-	-	-	-	-	-
	Profit after tax	1,141.23	1,136.71	6.60	11.13	43.05	77.63	26.73	560.36	529.17
	Excess / (short) provision for current taxation in respect of earlier years	-	-	-	-	-	-	-	(72.75)	22.30
	Net profit	1,141.23	1,136.71	6.60	11.13	43.05	77.63	26.73	633.11	506.87
c	Segment Assets	-	-	-	-	-	-	-	-	-
	Unallocated Corporate Assets	-	-	-	-	-	-	-	5,628.25	4,962.84
	Total Assets	-	-	-	-	-	-	-	-	-
d	Segment Liabilities	-	-	-	-	-	-	-	-	-
	Unallocated Corporate liabilities	-	-	-	-	-	-	-	5,628.25	4,962.84
	Total Liabilities	-	-	-	-	-	-	-	-	-
e	Cost incurred during the period to acquire Segment fixed assets	-	-	-	-	-	-	-	-	-
f	Depreciation / Amortisation	-	-	-	-	-	-	-	311.30	270.30
g	Non-cash expenses other than depreciation/amortisation	-	-	-	-	-	-	-	(72.75)	22.30

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	468,000	35,100	---
Mr. Sunil Mundra	Key Management Personnel	Managerial Remuneration	3,400,000	548,560	---
Mr. Laxminarayana Mundra	Key Management Personnel	Managerial Remuneration	2,250,000	136,780	---
Mr. Satyanarayana Mundra	Key Management Personnel	Managerial Remuneration	2,250,000	138,360	---

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, 2013 Rs.	As at 31st March, 2012 Rs.
Income Tax matters	426,000	426,000
Sales Tax matters	---	---
Excise Duty	---	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	426,000	552,000

NOTE (v) -

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.99.75/-Lacs. (31st March 2012-Rs 127.42/-Lacs).

NOTE (vi) - Research & Development Expenditure

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

Nature of Expenditure	2012-13	2011-12
Capital Expenditure	5,330,749	12,525,664
Revenue Expenditure	7,384,506	7,096,629
Total	12,715,255	19,622,293

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.9.91 Lacs

TWENTIETH ANNUAL REPORT 2012-2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

(Amounts in Rs.)

Particulars	For the year ended 31 March, 2013		For the year ended 31 March, 2012	
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		73,485,702		77,226,282
<i>Adjustments for:</i>				
Depreciation and amortisation	31,113,569		27,030,645	
Provision for impairment of fixed assets and intangibles	---		---	
Amortisation of share issue expenses and discount on shares	---		---	
(Profit) / loss on sale / write off of assets	(351,616)		(68,671)	
Expense on employee stock option scheme	---		---	
Finance costs	12,349,143		13,473,279	
Interest income	(1,062,061)		(100,410)	
Dividend income	---		---	
Liabilities / provisions no longer required written back	(1,320,027)		(734,319)	
Adjustments to the carrying amount of investments	---		---	
Provision for losses of subsidiary companies	---		---	
Provision for doubtful trade and other receivables, loans and advances	6,982,128		663,443	
Provision for estimated loss on derivatives	---		---	
Provision for warranty	---		---	
Provision for estimated losses on onerous contracts	---		---	
Provision for contingencies	---		---	
Other non-cash charges (specify)	288,310		26,772	
Provision for gratuity & Leave Encashment	---		---	
Other non-cash charges (specify)	---		---	
Net unrealised exchange (gain) / loss	(355,133)		(632,675)	
		47,644,312		39,658,064
Operating profit / (loss) before working capital changes		121,130,014		116,884,346
<i>Changes in working capital:</i>				
<i>Adjustments for (increase) / decrease in operating assets:</i>				
Inventories	(9,963,018)		(6,465,054)	
Trade receivables	(39,532,789)		(26,075,267)	
Short-term loans and advances	3,512,580		2,562,357	
Long-term loans and advances	(8,727,559)		8,108,954	
Other current assets	(1,051,815)		(1,056,271)	
Other non-current assets	3,171,271		(7,838,072)	
<i>Adjustments for increase / (decrease) in operating liabilities:</i>				
Trade payables	9,790,779		(3,280,994)	
Other current liabilities	8,146,439		2,914,268	
Other long-term liabilities	1,104,532		(2,625,749)	
Short-term provisions	(2,558,132)		5,519,300	
Long-term provisions	154,236		58,512	
		(35,953,476)		(33,302,730)
Cash flow from extraordinary items		85,176,538		83,581,617
Cash generated from operations		85,176,538		83,581,617
Net income tax (paid) / refunds		(11,879,026)		(20,015,841)
		73,297,512		63,565,776
Net cash flow from / (used in) operating activities (A)		73,297,512		63,565,776
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(51,180,368)		(52,356,257)	
Proceeds from sale of fixed assets	585,000		333,894	
Inter-corporate deposits (net)	---		(2,000,000)	
Interest received	---		---	
- Others	1,062,061		100,410	
Other income received	---		---	
		(49,533,307)		(53,921,953)
Net cash flow from / (used in) investing activities (B)		(49,533,307)		(53,921,953)
C. Cash flow from financing activities				
Proceeds from issue of equity shares	---		---	
Proceeds from issue of preference shares	---		---	
Redemption / buy back of preference / equity shares	---		---	
Proceeds from issue of share warrants	---		---	
Share application money received / (refunded)	---		---	
Proceeds from long-term borrowings	---		7,290,168	
Repayment of long-term borrowings	(2,960,788)		---	
Net increase / (decrease) in working capital borrowings	---		---	
Proceeds from other short-term borrowings	---		---	
Proceeds from Short-term borrowings	292,133		---	
Repayment of other short-term borrowings	---		---	
Finance cost	(12,349,143)		(13,473,279)	
Dividends paid	(6,754,050)		(5,403,240)	
Tax on dividend	(1,095,676)		(897,411)	
		(22,867,524)		(12,483,761)
Net cash flow from / (used in) financing activities (C)		(22,867,524)		(12,483,761)
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		896,682		(2,839,939)
Cash and cash equivalents at the beginning of the year		1,989,417		4,829,356
Cash and cash equivalents at the end of the year		2,886,101		1,989,417
Reconciliation of Cash and cash equivalents with the Balance Sheet:				
Cash and cash equivalents as per Balance Sheet		2,886,101		1,989,417
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		2,886,101		1,989,417
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 *		2,886,101		1,989,417
* Comprises:				
(a) Cash on hand		31,460		26,603
(b) Balances with banks - in current accounts		2,854,641		1,962,724

TWENTIETH ANNUAL REPORT 2012-2013

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	2012-13	2011-12
Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity (In Lacs)		
Capsules	62,700.00	54,000.00
Formulations	2,700.00	2,700.00
Actual Production (Qty. in Lacs)		
Capsules	60,182.59	58,014.63
Formulations	263.11	512.18
Turnover (Qty. in Lacs)		
Capsules	60,189.86	57,856.45
Formulations	263.11	512.18
Turnover (Rs. In Lacs)		
Capsules	5,188.61	4,090.48
Formulations	158.65	285.65

Finished Goods

	2012-13		2011-12	
	Qty (Lacs)	Value (Rs in Lacs)	Qty (Lacs)	Value (Rs in Lacs)
Opening Stock				
Capsules	1,344.20	59.80	1,186.02	57.31
Formulations	---	---	---	---
Closing Stock				
Capsules	1,336.93	75.50	1,344.20	59.80
Formulations	---	---	---	---

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

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

K.R. GNANOBA
PARTNER
Membership No:023137

Date : 25.05.2013
Place : Bangalore

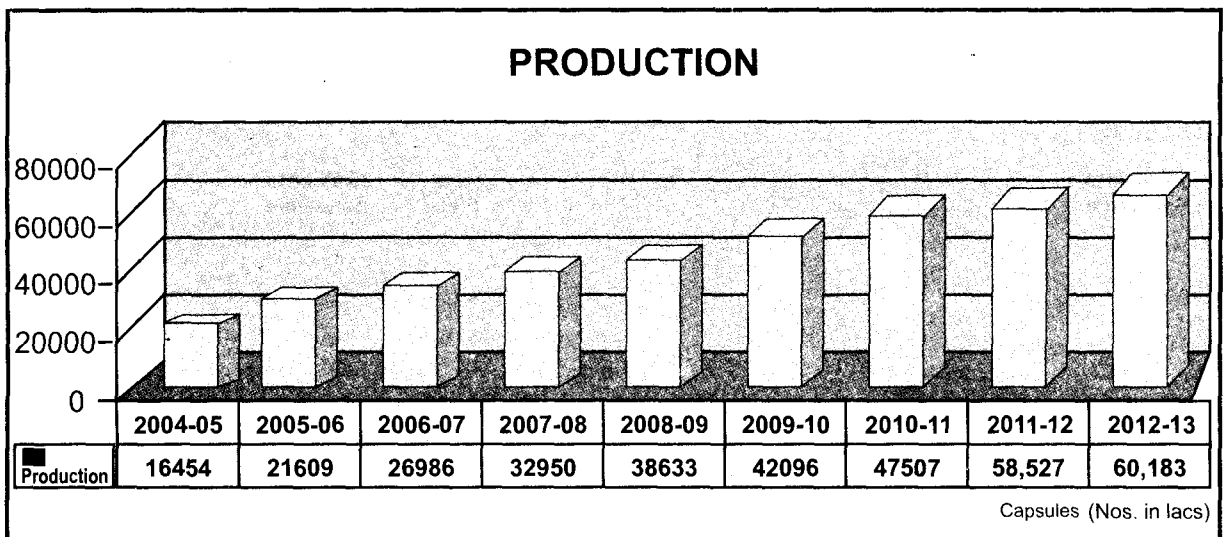
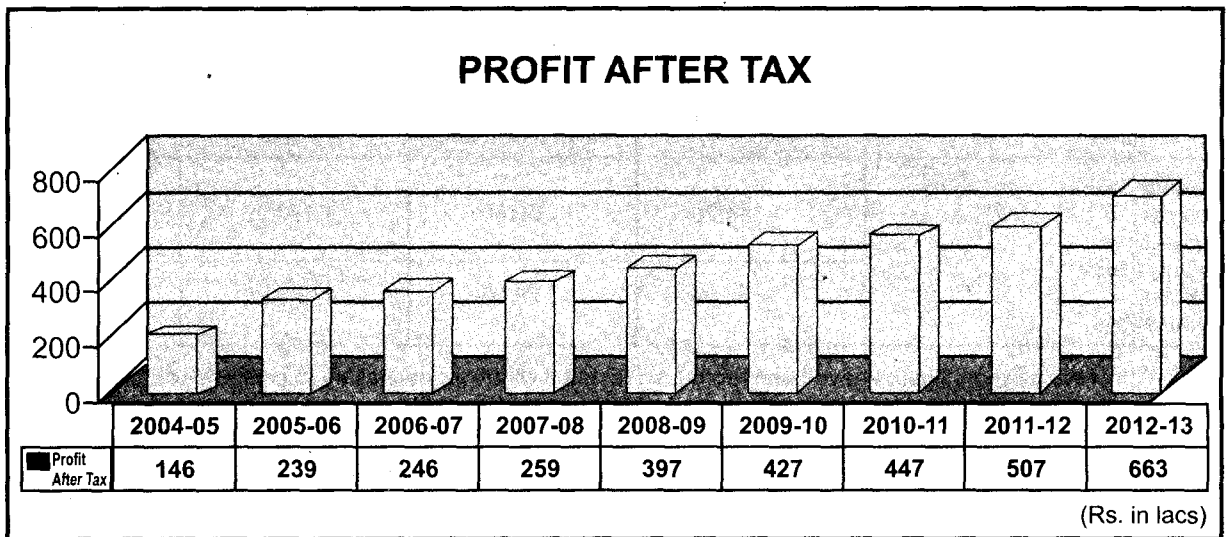
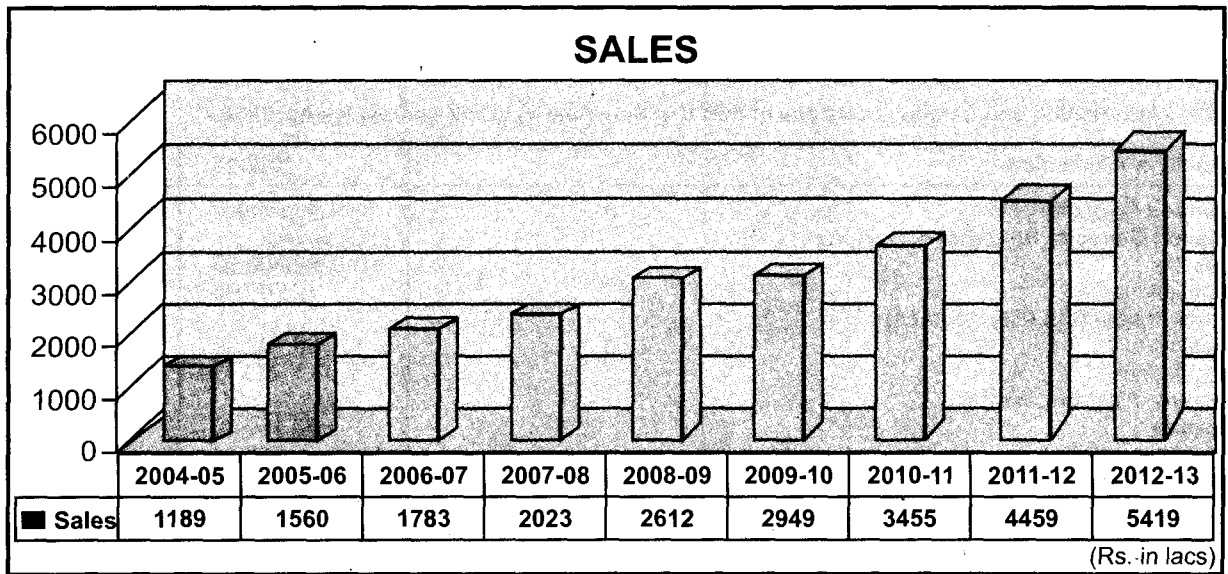
For and on behalf of the Board

Srirangam Gopalan
CHAIRMAN

Satyanarayan Mundra
DIRECTOR

Sunil L. Mundra
MANAGING DIRECTOR

Date : 25.05.2013
Place : Bangalore



NATURAL CAPSULES LIMITED

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

PROXY FORM

Ref. Folio No. :

I/We of
.....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 20th Annual General Meeting of the company will be held on Thursday,
the 25th day of July 2013 at Bangalore Gayana Samaj, K. R. Road, Basavanagudi, Bangalore - 560 004 at
10.00 A. M. and at any adjournment thereof.

Signed this.....day of.....2013.

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
20TH ANNUAL GENERAL MEETING**

Reg. Folio No.:

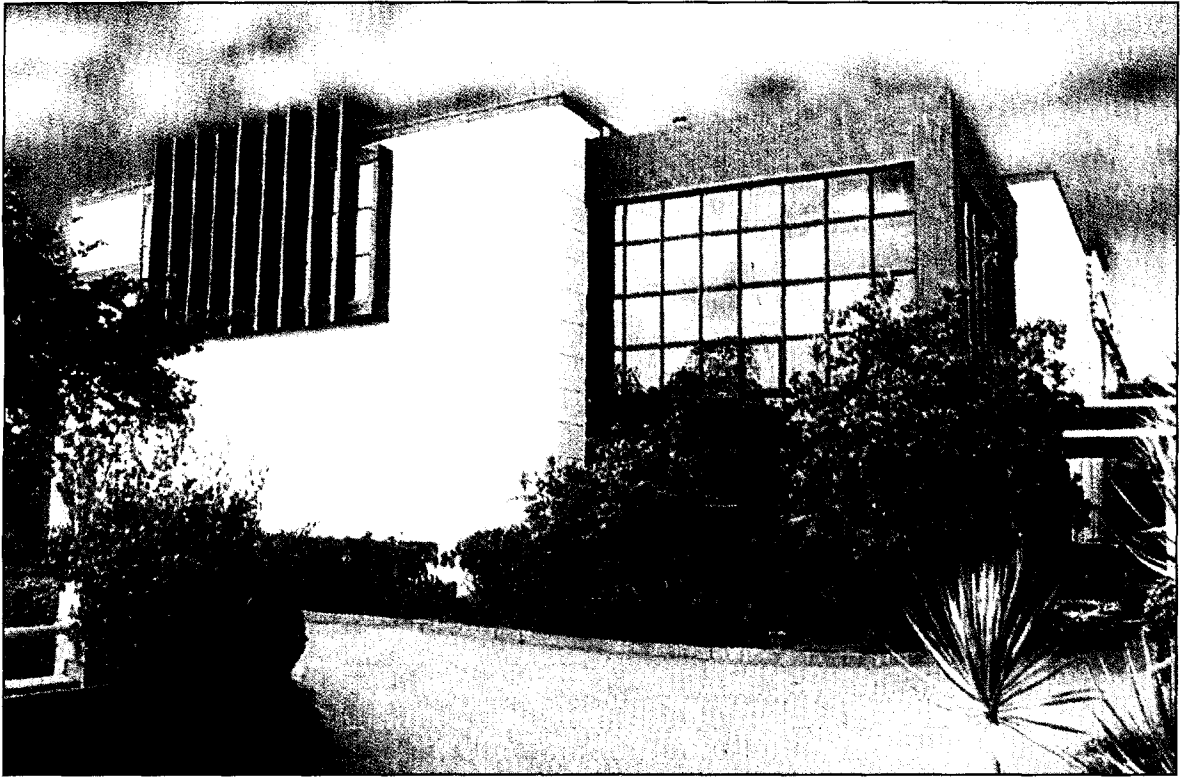
No. of shares held :

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

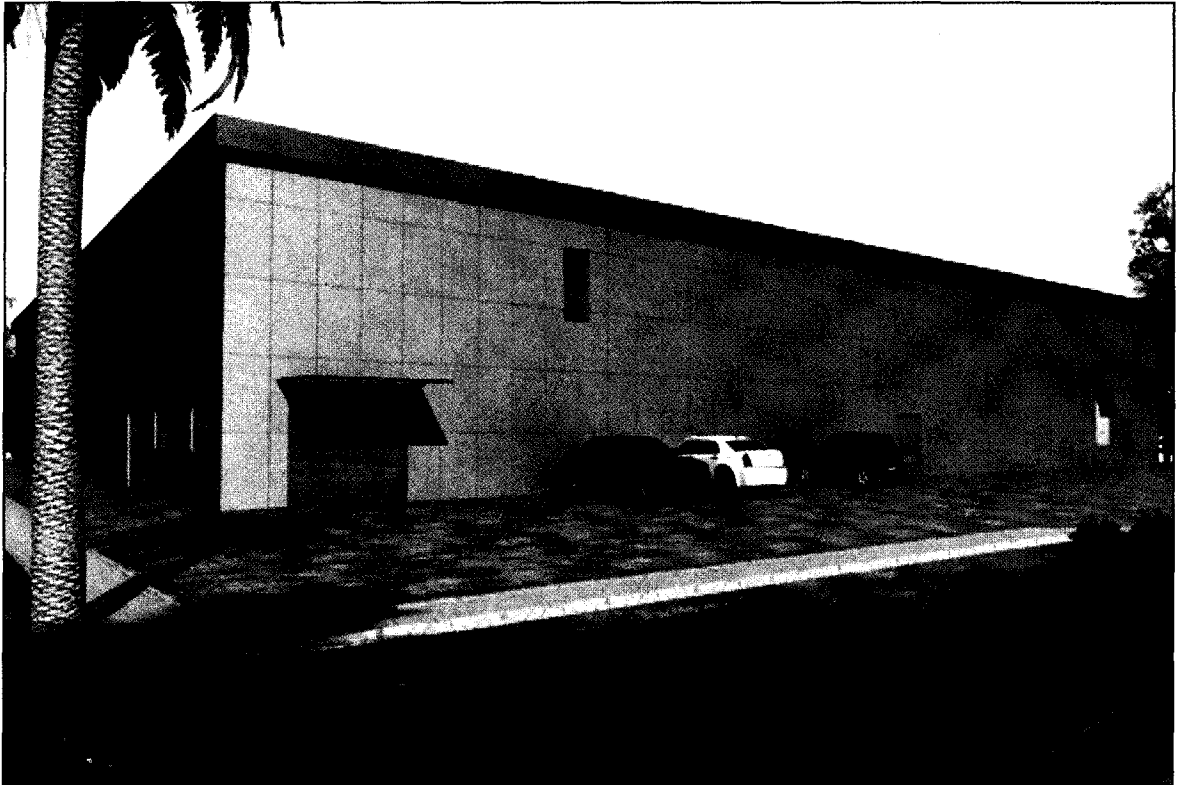
I hereby record my presence at the 20th Annual General Meeting of the Company at to be held on Thursday,
the 25th day of July 2013 at the Bangalore Gayana Samaj, K.R.Road, Basavanagudi, Bangalore - 560 004 at
10.00 A.M.

.....
Member's/Proxy/s name in - BLOCK LETTERS

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



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.