

TWENTYFIRST ANNUAL REPORT 2013-2014



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
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 (9 YEARS)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
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	5942.12
Exports	170.23	193.35	272.82	382.72	507.90	615.17	605.92	1,432.36	1589.94
P B T	357.85	360.09	428.47	616.33	641.00	663.79	772.26	729.41	742.64
P A T	239.97	246.19	265.73	397.51	426.56	446.76	506.87	633.11	456.19
E P S	5.60	5.75	5.75	8.83	9.00	10.00	11.26	14.06	9.08
Dividend per share (Rs)	1.00	1.00	1.00	1.00	1.20	1.20	1.50	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	3738.53
Share Capital	428.27	428.27	450.27	450.27	450.27	450.27	450.27	450.27	502.27
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	4,240.80
R O I	21.25	18.58	16.49	20.43	18.47	16.59	16.24	17.22	10.76

NOTICE

Notice is hereby given to all members of the Company that the 21st Annual General Meeting of the Company will be held on Wednesday, 27th August 2014 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 2014 along with Director's and Auditor's Report
2. To declare a Dividend
3. To appoint a Director in place of Mr Laxminarayana Mundra, the retiring Director, who being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration. M/s Gnanoba and Bhat, Chartered Accountants, Bangalore, retire at this AGM and being eligible offer themselves for re-appointment for further 3 years.

SPECIAL BUSINESS:

5. To consider and if thought fit to pass with or without modifications, the following Resolution as an ordinary resolution:
"Resolved that pursuant to Sec.149 (10)& (11) and other applicable provisions if any of the Companies Act, 2013 and rules framed there under read with Schedule IV of the Act, Mr S Gopalan, Non-Executive Independent Director, who has submitted a declaration and he meets the criteria for Independence as provided in Sec.149 (6) of the Act and who is eligible for a period of 5 years, whose period of office shall not be subject to retirement by rotation."
6. To consider and if thought fit to pass with or without modifications, the following Resolution as an ordinary resolution:
"Resolved that pursuant to Sec.149 (10) & (11) and other applicable provisions if any of the Companies Act, 2013 and rules framed there under read with Schedule IV of the Act, Dr C M Gurumurthy, Non-Executive Independent Director, who has submitted a declaration and he meets the criteria for Independence as provided in Sec.149 (6) of the Act and who is eligible for a period of 5 years, whose period of office shall not be subject to retirement by rotation."
7. To consider and if thought fit to pass with or without modifications, the following Resolution as an ordinary resolution:
"Resolved that pursuant to Sec.149 (10) & (11) and other applicable provisions if any of the Companies Act, 2013 and rules framed there under read with Schedule IV of the Act, Mr C P Rangachar, Non-Executive Independent Director, who has submitted a declaration and he meets the criteria for Independence as provided in Sec.149 (6) of the Act and who is eligible for a period of 5 years, whose period of office shall not be subject to retirement by rotation."
8. To consider and if thought fit to pass with or without modification the following as a Special Resolution:
"Resolved that pursuant to the provisions of Sections.196, 197 read with Schedule V and all other applicable provisions if any, of the Companies Act 2013, Clause 95 of the company's Articles of Association and subject to the approval of Central Government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are hereby authorized to accept, Mr Sunil L Mundra, be and is hereby re-appointed as Managing Director of the Company w.e.f 01.06.2014 for a period of five years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per following terms for a period of 3 years (as approved by remuneration committee) with effect from 01.06.2014:-
 - (a) Salary of Rs 3,25,000/- per month on the scale of pay of Rs 3,25,000-15,000-3,55,000
 - (b) Car with the driver for official work.
 - (c) Medical re-imbursment for self and dependent family members not exceeding one month's salary in year or three months' salary in block of three years.
 - (d) LTC once in a year not exceeding one month's salary for self and dependent members of family.
 - (e) P F and Gratuity as applicable to the other officers of the Company.
 - (f) Commission of 1% on profit."

"Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits/inadequacy of profits, except that the overall remuneration including perquisites will be restricted to the maximum permissible as per Schedule V and that commission will not be paid.

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

"Resolved that pursuant to the provisions of Sections.196, 197 read with Schedule V and all other applicable provisions

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if any, of the Companies Act 2013, Clause 95 of the company's Articles of Association and subject to the approval of Central Government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are hereby authorized to accept, the consent of the Company be and is hereby granted for the reappointment of Mr Laxminarayana Mundra, as Wholtime Director of the Company w.e.f 01.09.2014 for a period of three years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per following terms for a period of 3 years (as approved by remuneration committee) with effect from 01.09.2014:

- (a) Salary of Rs 2,20,000/- pm on the scale of pay of Rs 2,20,000-15,000-2,50,000
- (b) Car with the driver for official work.
- (c) Medical re-imbusement for self and dependent family members not exceeding one month's salary in year or three months' salary in block of three years.
- (d) LTC once in a year not exceeding one month's salary for self and dependoent members of family.
- (e) P F and Gratuity as applicable to the other officers of the Company.
- (f) Commission of 1% on profit."

"Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits/inadequacy of profits except that the overall remuneration including perquisites will be restricted to the maximum permissible as per Schedule V and that commission will not be paid."

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

"Resolved that pursuant to the provisions of Sections.196, 197 read with Schedule V and all other applicable provisions if any, of the Companies Act 2013, Clause 95 of the company's Articles of Association and subject to the approval of Central Government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are hereby authorized to accept, the consent of the Company be and is hereby granted for the reappointment of Mr Sathyanarayan Mundra, as Whole time Director of the Company w.e.f 01.06.2014 for a period of five years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per following terms for a period of 3 years (as approved by remuneration committee) with effect from 01.06.2014:-

- (a) Salary of Rs 2,20,000/- pm on the scale of pay of Rs 2,20,000-15,000-2,50,000
- (b) Car with the driver for official work.
- (c) Medical re-imbusement for self and dependent family members not exceeding one month's salary in year or three months' salary in block of three years.
- (d) LTC once in a year not exceeding one month's salary for self and dependent members of family.
- (e) P F and Gratuity as applicable to the other officers of the Company.
- (f) Commission of 1% on profit."

"Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits/inadequacy of profits except that the overall remuneration including perquisites will be restricted to the maximum permissible as per Schedule V and that commission will not be paid."

11. To consider and if thought fit to pass with or without modifications, the following Resolution as an ordinary resolution:

"Resolved that pursuant to Sec.204 of the Companies Act, 2013 read with Companies(Audit and Auditors) Rules, 2014, the appointment of Mr Parthasarathi, Company Secretary, Bangalore, as Company's Secretarial Auditor for the Accounting year 2014-15 on a remuneration to be fixed by the Managing Director of the Company in consultation with the said Auditor, be and is hereby ratified and confirmed."

12. To consider and if thought fit to pass with or without modifications, the following Resolution as an ordinary resolution:

"Resolved that pursuant to Sec.148 of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, reappointment of KSS, VKG and Associates, Cost Accountant, Bangalore, as cost auditors for the Financial Year 2014-15 on a remuneration of Rs 40,000/- (Rupees forty thousand only) is hereby ratified and confirmed."

13. Consider and if thought fit, to pass with or without modification, the following resolution as Special resolution:

"Resolved that Pursuant to Sec.14 of the Companies Act, 2013, the Articles of Association of the Company, be and

is hereby amended as follows by amendment of clause 82 a) and addition of Clause 81 (A) after Clause 81:-

Clause 82 a): "The Company shall have not less than three and not more than fifteen Directors. No share qualification is necessary for any individual for being appointed as a Director of the Company.

ii) The Company may have combined post of Chairman and Managing Directors/CEO or Chairman from Independent Directors."

iii) The first Directors of the Company are:

1. Sri.Laxminarayan Mundra
2. Sri.Satyanarayana Mundra
3. Sri.Sunil L.Mundra
4. Sri Sushil Kumar Mundra
5. Smt. Indira Mundra
6. Smt. Sharada Mundra
7. Sr.Mani C.Kappan

Clause 81 A:-

The Company may charge an amount of not exceeding Rs.10/- or such higher amount as may be prescribed under Companies Act, 2013 read with relevant Rules, for every page of document required by the Members of the Company.

Place: Bangalore
Date: 30-07-2014

For and on behalf of Board of Directors

Sunil L Mundra
Managing Director

Note:

1. A member who is entitled to attend and vote at the meeting is entitled to appoint a proxy and that proxy need not be a member. A proxy to be effective shall reach the Registered office of the Company, not less than 48 hours before the meeting.
2. Member Register and Transfer Register will remain closed from 22nd August 2014 to 27nd August 2014 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31-03-2014.
3. Members are requested to bring duly filled-in attendance slips at the time of meeting.
4. Proxy forms attached.
5. Explanatory Statement as per Section 102(1) of the Company's Act 2013.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013.

Item 5,6 &7: Considering the qualification and vast experience of the following Directors, as detailed here under, and the Company had, pursuant to the provisions of clause 49 of the Listing Agreements entered with the Stock Exchanges, have appointed them as Independent Directors. Now, it is proposed to re-appoint them as Independent Directors for 5 Years as per the provisions of new Companies Act 2013, subject to the approval of members. They being eligible offer themselves for appointment as Independent Directors.

- 1.Mr.S.Gopalan
- 2.Dr.C M Gurumurthy
- 3.Mr.C P Rangachar

Pursuant to the provisions of section 149 of the Act, which came in to effect from April 1, 2014, every listed public company is required to have at least one-third of the total number of directors as independent directors, who are not liable to retire by rotation.

The Nominations and Remuneration Committee has recommended the appointment of these directors as Independent Directors for a period of five years, from the date of AGM. However, in the case of Mr.Laxminarayana Mundra who has attained the age of 70 years, it was recommended to appoint him for a period of 3 years from September 01, 2014 to August 31, 2017 in accordance with the appointment and remuneration policy of the Company.

Mr.S.Gopalan,Dr.C M Gurumurthy and Mr.C P Rangachar, non-executive directors of the Company, have given a declaration to the

Board that they meet the criteria of independence as provided under section 149(6) of the Act. In the opinion of the Board, each of these

directors fulfil the conditions specified in the Act and the Rules framed thereunder for appointment as Independent Director and they are independent of the management.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the Members for their approval.

The terms and conditions of appointment of the above Directors shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday and Sunday between 10 AM to 12 Noon.

A brief profile of the Independent Directors to be appointed is given below:

1. Mr S.Gopalan, is a top ranking Chemical Engineer and a senior intellectual decorated with high academic honours. He was Executive Director of Industrial Bank of India. He has been associated with the Company as Chairman for 20 years now. His vast experience in pharma industry and expertise in finance has greatly influenced growth and development of the organization. His knowledge, capability, visions have been of immense value to the Company.
2. Dr C M Gurumurthy is a highly respected medical practitioner and reknowned ENT Surgeon of Bangalore. He was on the panel of various committees and Boards and has worked with some of the topmost intellectuals of the country including Dr Manmohan Singh, Ex Prime Minister of India. He was also the Vice- Chancellor of Devraj Urs University, Kolar. At present he is involved as consultant for construction of a multispeciality hospital medical research centre at Tumkur, Karnataka.
3. Mr C P Rangachar is a qualified Engineer with widest of exposure and has travelled to most of the countries in the world and is the Chairman of M/s Sai India Ltd and Yuflow Engineering Pvt Ltd. He is also the Managing Director of M/s Yuken India limited and Director of 5 other companies besides NCL. He is a member in Audit / Shares committee of 3 other companies. His expertise, timely advice and active involvement in spite of his tightest of schedules are invaluable asset to the company.

Agenda 8

I. General Information

- | | |
|--|-------------------------|
| (i) Nature of Industry | : Pharmaceutical |
| (ii) Financial Performance based on given indicators | : Sound and progressive |
| (iii) Foreign Investments/Collobarations if any | : None as of now |

II. Information about the appointee.

1) Background Details:-

Considering the fact that Mr Sunil L Mundra is a promoter Director having professional qualification as "Chartered Accountant" and have immensely contributed to the progress of the Company in his capacity as Managing Director, and also considering his business experience and knowledge, in the interest of the Company, the Board of Directors as recommended by Nomination and Remuneration Committee, in their meeting held on 28th May 2014 decided to continue his remuneration for his tenure of further period of 3 years with effect from 01st June 2014 on the terms set out in the resolution.

- 2) Past Remuneration:- Indian Rs 2,55,000/-per month Plus Perqs.
- 3) Recognition or Awards - Achieved top 10 position both in pre-university and University examination.
- 4) Job Profile and his suitability :-Overall management, Production and Marketing.
- 5) Remuneration Proposed :- Rs 3,25,000/-PM (in the time scale of 3,25,000-15,000-3,55,000) Plus Perqs. as per resolution
- 6) Comparative Remuneration Profile with respect to Industry, Size of Company, Profile of the position and person :- Rs 3,50,000/-PM Plus perqs.
- 7) Pecuniary relationship with the Company/if any:- NIL
/Relationship with the Managerial Personnel, if any:- Son of Mr.Laxminarayan Mundra, Whole Time Director and niece of Mr.Satyanarayana Mundra, Whole Time Director.

III. Other Information:

- 1) Reasons of loss/inadequate profits : Not applicable
- 2) Steps taken or proposed to be taken for improvement : Not applicable
- 3) Expected increase in productivity and profits in measureable terms: 5 to 8% per annum.

IV Disclosures:-

7) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc of all the directors

The details of remuneration drawn by the Executive & Non executive Directors for the year 2013-14 are as follows:

Directors	Sitting fees	Salary and Perquisites	Commission linked to performance of the company which in turn depends upon the performance of mainly the Executive Directors	Total
Executive Directors :				
1. Sri Sunil L Mundra	----	30.54	6.00	36.54
2. Sri Laxminarayan Moondra	----	24.52	---	24.52
3. Sri Satyanarayan Mundra	----	24.39	---	24.39
Non Executive Directors :				
1. Sri S. Gopalan	0.90	----	1.85	2.75
2. Sri Dr. C. M. GuruMurthy	0.90	----	1.85	2.75
3. Sri V. Subramony	----	----	---	--
4. Sri C. P. Rangachar	0.90	----	1.85	2.75
5. Sri V. Balaji Bhat	0.20	----	---	0.20
6. Sri Sushil Kumar Mundra	0.50	----	1.85	2.35

- 1) Details of fixed component and performance linked incentives along with the performance criteria: As Above.
- 2) Service contracts, notice period, severance fees: **NIL**
- 3) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: Not applicable

None of the Directors/Key Managerial Personnel of the Company or their relatives are concerned or interested in the resolution except Mr Laxminarayana Mundra, Mr Satyanarayana Mundra , Mr Sushilkumar Mundra and Mr.Sunil L Mundra

Copy of original agreement for appointment of MD is available for inspection during office hours of the Company between 10 A.M and 12 Noon on any working day.

Your Directors recommend the resolution for your approval.

Agenda 9

I. General Information

- () Nature of Industry : Pharmaceutical
- (i) Financial Performance based on given indicators : Sound and progressive
- (ii) Foreign Investments/Collobarations if any : None as of now

II. Information about the appointee

1) Background Details:-

Considering the fact that Mr Laxminarayana Mundra is a promoter Director have immensely contributed to the progress of the Company in his capacity as Whole Time Director, and also considering his business experience and knowledge, in the interest of the Company, the Board of Directors as recommended by Nomination and Remuneration Committee, in their meeting held on 30th July, 2014 decided to continue his remuneration for his tenure of further period of 3 years with effect from 01st September 2014 on the terms set out in the resolution:

- 1) Past Remuneration - Indian Rs 2,05,000/- per month Plus Perqs.
- 2) Recognition or Awards : NIL
- 3) Job Profile and his suitability :- Bank and Finance, Human Resources and Management and he is suitable due to his immense experience in trade and industry.

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- 4) Remuneration Proposed :- Rs 2,20,000/- PM(in the time scale of 2,20,000-15,000-2,50,000) Plus Perqs. as per resolution
- 5) Comparative Remuneration Profile with respect to Industry, Size of Company, Profile of the position and person :- Rs 2.75 000/- PM Plus perqs.
- 6) Pecuniary relationship with the Company:- NIL
/Relationship with the Managerial Personnel , if any:- Father of Managing Director and brother of Mr.Satyanarayana Mundra, Whole Time Director.

III. Other information..

- 1) Reasons of loss/inadequate profits : Not applicable
- 2) Steps taken or proposed to be taken for improvement : Not applicable

Expected increase in productivity and profits in measureable terms: 5 to 8% per annum.

IV Disclosures:-

- 1) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc of all the directors: The details of remuneration drawn by the Executive & Non executive Directors for the year 2013-14 are as follows:

(Rs. In lac)

Directors	Sitting fees	Salary and Perquisites	Commission linked to performance of the company which in turn depends upon the performance of mainly the Executive Directors	Total
Executive Directors :				
1. Sri Sunil L Mundra	----	30.54	6.00	36.54
2. Sri Laxminarayan Moondra	----	24.52	---	24.52
3. Sri Satyanarayan Mundra	----	24.39	---	24.39
Non Executive Directors :				
1. Sri S. Gopalan	0.90	----	1.85	2.75
2. Sri Dr. C. M. GuruMurthy	0.90	----	1.85	2.75
3. Sri V. Subramony	----	----	---	--
4. Sri C .P. Rangachar	0.90	----	1.85	2.75
5. Sri V. Balaji Bhat	0.20	----	---	0.20
6. Sri Sushil Kumar Mundra	0.50	----	1.85	2.35

- 1) Details of fixed component and performance linked incentives along with the performance criteria: As Above.
- 2) Service contracts, notice period, severance fees: **NIL**
- 3) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: Not applicable

None of the Directors/Key Managerial Personnel of the Company or their relatives are concerned or interested in the resolution except Mr Laxminarayana Mundra, Mr Satyanarayana Mundra , Mr Sushilkumar Mundra and Mr.Sunil L Mundra

Copy of original agreement for appointment of MD is available for inspection during office hours of the Company between 10 A.M and 12 Noon on any working day.

Your Directors recommend the resolution for your approval.

Agenda 10

I. General Information

- (i) Nature of Industry : Pharmaceutical
- (ii) Financial Performance based on given indicators : Sound and progressive
- (iii) Foreign Investments/ Collaborations if any : None as of now

II. Information about the appointee.

1) Background Details:-

Considering the fact that Mr Satyanarayana Mundra is a promoter Director have immensely contributed to the progress of the Company in his capacity as Whole Time Director, and also considering his business experience and knowledge, in the interest of the Company, the Board of Directors as recommended by Nomination and Remuneration Committee, in their meeting held on 28th May, 2014 decided to continue his remuneration for his tenure of further period of 3 years with effect from 01st June 2014 on the terms set out in the resolution.

- 2) Past Remuneration:- Indian Rs 2,55,000/- per month Plus Perqs.
 - 3) Recognition or Awards : - NIL
 - 4) Job Profile and his suitability :-Quality control and Logisitcs.
 - 5) Remuneration Proposed :- Rs 2,20,000/- PM (in the time scale of 2,20,000-15,000-2,50,000) Plus Perqs. as per resolution
 - 6) Comparative Remuneration Profile with respect to Industry, Size of Company, Profile of the position and person :- Rs 2,75,000/- PM Plus perqs.
 - 7) Pecuniary relationship with the Company/if any;- NIL
- Relationship with the Managerial Personnel, if any:- Uncle of Managing Director and brother of Mr.Laxminarayana Mundra, Whole Time Director.

III. Other Information..

- 1) Reasons of loss/inadequate profits : Not applicable
- 2) Steps taken or proposed to be taken for improvement : Not applicable
- 3) Expected increase in productivity and profits in measureable terms: 5 to 8% per annum.

IV. Disclosures:-

- 8) All elements of remuneration package such as salary, benefits, bonuses, stock options, pension etc of all the directors: The details of remuneration drawn by the Executive & Non executive Directors for the year 2013-14 are as follows:

(Rs. In lac)

Directors	Sitting fees	Salary and Perquisites	Commission linked to performance of the company which in turn depends upon the performance of mainly the Executive Directors	Total
Executive Directors :				
1. Sri Sunil L Mundra	----	30.54	6.00	36.54
2. Sri Laxminarayan Moondra	----	24.52	---	24.52
3. Sri Satyanarayan Mundra	----	24.39	---	24.39
Non Executive Directors :				
1. Sri S. Gopalan	0.90	----	1.85	2.75
2. Sri Dr. C. M. GuruMurthy	0.90	----	1.85	2.75
3. Sri V. Subramony	----	----	---	--
4. Sri C. P. Rangachar	0.90	----	1.85	2.75
5. Sri V. Balaji Bhat	0.20	----	---	0.20
6. Sri Sushil Kumar Mundra	0.50	----	1.85	2.35

- 7) Details of fixed component and performance linked incentives along with the performance criteria: As Above.
- 3) Service contracts, notice period, severance fees: **NIL**
- 3) Stock option details, if any, and whether the same has been issued at a discount as well as the period over which accrued and over which exercisable: Not applicable

None of the Directors/Key Managerial Personnel of the Company or their relatives are concerned or interested in the resolution except Mr Laxminarayana Mundra, Mr Satyanarayana Mundra , Mr Sushilkumar Mundra and Mr.Sunil L Mundra

Copy of original agreement for appointment of MD is available for inspection during office hours of the Company between 10 A.M and 12 Noon on any working day.

Your Directors recommend the resolution for your approval.

Agenda No.11

Considering the qualification and rich experience of Mr.R.Parthasarathi, practicing Company Secretary who has been in the field for more than 25 years, and also the fact that he is eligible for appointment as Secretarial Auditor and has given his consent. the Audit Committee and the Board of Directors, in their wisdom appointed him as Company's Secretarial Auditor as per the provisions of new Companies Act 2013. None of the Directors,Key Managerial Personnel or their relatives are interested in this item of business.

Agenda No.12

It is proposed to re-appoint M/s KSS, VKG and Associates, Cost Accountant, Bangalore,as Company's cost auditors as recommended by the Audit Committee and the Board of Directors appointed them as Cost Accountants of the Company for the Financial Years 2014-15. None of the Directors, Key Managerial Personnel or their relatives are interested in this item of business.

Agenda No. 13

The Board of Directors felt the need for amending the Articles of Association of the Company as stated in the Resolution as required in the provisions of Companies Act 2013, keeping in mind the administrative convenience and future exigencies. None of the Directors,Key Managerial Personnel or their relatives are interested in this item of business.

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 2014.

1. FINANCIAL RESULTS:

The Comparative financial results for the period are as under:

	2013-14	2012-13
	(Rs. In lacs)	(Rs. In lacs)
Sales & other income	5,942.12	5,418.89
PBDl	1,196.57	1,163.97
Depreciation & Preliminary exp	361.36	311.13
Interest	92.26	123.43
Profit/(Loss) before tax	742.65	729.41
Provision for taxation	170.92	190.05
Deferred tax	115.53	(20.99)
Prior period taxes	0.0	(72.75)
Profit/(Loss) after tax	456.19	633.11
Amount transferred to reserves	22.31	31.66

2. PERFORMANCE & PROSPECTS:

During the year under review, the company's turnover was Rs. 5942.12 lacs and the company has earned a Net profit (before tax) of Rs 742.65 lacs as against the corresponding net profit of Rs 729.42 lacs in the previous year. An amount of Rs.440.55 lacs was ploughed back from profits for funding the ongoing expansion at Pondicherry. The exports of the company has increased by 10.96% due to continuous efforts being made by sales team. Even though the overall sales turnover has increased by 9.46%, the profit before tax has increased by 1.82% only, due to higher input costs.

3. FLUCTUATION IN FOREIGN EXCHANGE: The Company has benefited to an extent of Rs 43.24 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 31-3-2014 for the members whose names appear in the register of members as on the date of AGM viz. 27.08.2014

6. CAPITAL:

During the year under review, the authorized capital increased from Rs 5 crs to Rs 6 crs and paid up has increased from Rs 450.27 lakhs to Rs 502.27 Lakhs. The additional equity was issued at a premium of Rs 135.2 lakhs. In principle approval for additional issue of equity shares was obtained. The company has made application for filing listing and the approval for the same is awaited from Bombay Stock Exchange.

7. EXPANSION:

During the year under consideration the company has commissioned all but one of the imported machines after modification. With the commissioning of all these machines the installed capacity of the company has increased to 7.35 billion capsules per annum. Recently Company has also procured one more generator and imported Auto Capsule Inspecting machines to monitor the quality of products.

8. DIRECTORS:

Mr V. Subramony has resigned as a Director effective from 15/05/2013 due to his ill health and Mr V. Balaji Bhat, has resigned on 02-09-2013 citing personal reasons. The Board wishes to place on record their valuable contribution to the company in their capacity as Directors. Mr Laxminarayana Mundra ceased as Whole-time Director on 31-05-2014 on attaining the age of 70 years. However, considering his business experience and major contribution as Promoter Director and Whole time Director towards progress of the Company, and the need to his continuous contribution for sustaining and furthering the growth prospects of the Company, it is proposed to reappoint him as a Whole-time Director of the Company for a period of three years w.e.f 01-09-2014. He is otherwise eligible for re-appointment.

Mr S Gopalan, Mr C P Rangachar and Dr C M Gurumurthy were functioning as Independent Directors. Considering their educational, business back ground and immense contribution towards progress of the Company, as required by new Companies Act 2013 and being eligible, it is proposed to appoint them as Independent Directors for a period of 5 years as recommended by Nomination and Remuneration Committee.

In view of the tenure of Managing Director, Mr Sunil L Mundra and Mr.Satyanarayan Mundra, Whole-Time Director, and considering their business background and immense contribution towards the progress of the Company the Board of Directors have re-appointed them for a further period of five years w.e.f 01.06.2014 subject to the approval of Members. They are otherwise eligible for re-appointment.

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

A. CONSERVATION OF ENERGY:

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

B RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION:

Company is having an ongoing research and development activity to develop value added products as per details given in Form-B attached to this report.

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

Foreign exchange earning: Rs.1537.40 Lacs

Foreign exchange outgo 30.43 Lacs

D. EXPORTS:

During the year the export turnover was Rs 1,590 lakhs as against Rs 1,432 lakhs in previous year. Company hopes to improve upon the last year's performance.

i) Bangalore Stock Exchange Ltd, 51, Stock Exchange Towers, 1st Cross, J C Road, Bangalore 560 027

ii) The Stock Exchange Mumbai, PJ Towers, Dalal street, Mumbai-400 001

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

10. 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.

11. 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 for a period of 3 years as per the provisions of new Companies Act 2013.

12. REPORT ON CORPORATE GOVERNANCE

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

13. Clause 49 of the Listing Agreement:

- a. During the year under report the trading of the company's securities has not been suspended by the Stock Exchanges with which the shares are listed.
- b. The names and addresses of the Stock Exchanges with which the company's Securities are listed are as follows:

14. FIXED DEPOSITS:

During the year under consideration, your Company has not accepted any deposits from the Public as per the provisions of the Companies Act 2013.

15. PARTICULARS OF EMPLOYEES:

There is no employee drawing a remuneration of Rs.5 Lakhs and above per month or Rs.60 lakhs per annum, as per the provisions of the Companies Act.

13. 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

Place: Bangalore

Date: 28th May, 2014

**S.GOPALAN
CHAIRMAN**

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 2013-14	Previous year 2012-13
1. Electricity			
a) Purchased:	Units(KWH)	1,05,65,638	77,27,307
i) Total amount	(Rs. In lakhs)	568.46	384.15
ii) Rate/Unit	(Rs)	5.38	4.97
b) Own generation			
(Through diesel generator)			
i) No. of units generated		4,18,707	16,20,373
ii) Units produced per litre of diesel oil		3.26	2.98
iii) Total amount spent (in lakhs)		106.72	243.27
iv) Cost per unit	(Rs.)	25.53	15.00
c) Through Steam turbine/generator		NIL	NIL

CONSUMPTION PER UNIT OF PRODUCTION :

Particulars	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	165.22	155.32	500	NA*	NA
Others	---	---	---	---	---	---

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.
- v. Improved output from capsule machines.

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

- i. Improved delivery pattern to benefit in formation development.
- ii. Started Temperature resistant capsules.
- iii. Higher output from capsule machines.

c. Future Plan & Action

- i. Development of temperature and bacterial resistant capsules.
- ii. Development of capsules with PEG.
- iii. Development of Enteric coated capsules (delayed dissolution capsules)
- iv. Development of capsules with low oxygen permeability.
- v. Introduce new and wide range of capsules for different applications.
- vi. Development of capsules of different sizes for various application.

a. Expenditure on R&D

	2013-14	2012-13
	(Rupees in lakhs)	
Capital Expenditures	40.22	53.30
Recurring Expenditure	84.15	73.84
Total R&D Expenditure	124.37	127.14
R&D Expenditure as a percentage Of Turn Over	2.12	2.35

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, 2014 the Board consisted of seven 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-review options for their mitigation.

ii) Independent Directors:

(a) Tenure of Independent Directors

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

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

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

3. BOARD MEETING AND ATTENDANCE:

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

SL No.	Date of meeting	Board strength	No. of Directors present
1.	25-05-2013	8	8
2.	25-07-2013	8	8
3.	30-10-2013	7	7
4.	25-01-2014	7	7
5.	19-03-2014	7	7

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

Director	No. of Board meetings	Attendance at the AGM
1. S. Gopalan	5	Yes
2. Dr. C. M. Gurumurthy	5	Yes
3. C. P. Rangachar	5	Yes
4. V. Subramony	0	No
5. Sunil L. Mundra	5	Yes
6. Laxminarayan Moondra	5	Yes
7. Satyanarayan Mundra	5	Yes
8. Sushil Kumar Mundra	5	Yes
9. V. Balaji Bhat	1*	Yes

* Since resigned

5. OTHER DIRECTORSHIP :

Name of Directors	Number of Directorship excluding NCL	Membership of committee including NCL	
		Membership	Chairmanship
1. S. Gopalan	Nil	1	Nil
2. Dr. C. M. Gurumurthy	Nil	1	Nil
3. C. P. Rangachar	5	3	3
4. V. Subramony*	Nil	1	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 *	5	3	2

* Since resigned

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 and the attendance of the members of the committee are as follows:

Sl. No.	Date of meeting	Committee strength	No. of members present
1.	25-05-2013	3	3
2.	25-07-2013	3	3
3.	30-10-2013	3	3
4.	25-01-2014	3	3

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

8. NOMINATION AND 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 2013-14 are as follows:

(Rs. In lacs)

Directors	Sitting fees	Salary and Perquisites	Commission	Total
Executive Directors				
1. Sri Sunil L Mundra	----	30.54	6.00	36.54
2. Sri Laxminarayan Moondra	----	24.52	---	24.52
3. Sri Satyanarayan Mundra	----	24.39	---	24.39
Non Executive Directors :				
1. Sri S. Gopalan	0.90	----	1.85	2.75
2. Sri Dr. C. M. GuruMurthy	0.90	----	1.85	2.75
3. Sri V. Subramony	---	----	---	--
4. Sri C .P. Rangachar	0.90	----	1.85	2.75
5. Sri V. Balaji Bhat	0.20	----	---	0.20
6. Sri Sushil Kumar Mundra	0.50	----	1.85	2.35

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 Sushil Kumar 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

Existing service contracts of all the Executive Directors are being Renewed.

Names	Current tenure	From	To
Sri Sunil L Mundra	3 years	01.06.2014	31.5.2017
Sri Laxminarayan Moondra	3 years	01.09.2014	31.8.2017
Sri Satyanarayan Mundra	3 years	01.06.2014	31.5.2017

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	25-05-2013	3	3
2	25-07-2013	3	3
3	30-10-2013	3	3
4	25-01-2014	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 31-3-2014

1. No. of Grievances received : 10
2. No. of Grievances redressed : 06
3. No. of Grievances pending : 04
4. No. of Share transfers pending : Nil

12. GENERAL BODY MEETINGS :

Particulars of past three AGMs are as follows:

AGM	YEAR	VENUE	DATE	TIME
18th	2011	Bangalore Gayana Samaja, Bangalore - 4	27-07-2011	10.00 am
19Th	2012	Bangalore Gayana Samaja, Bangalore - 4	26-07-2012	10.00 am
20TH	2013	Bangalore Gayana Samaja, Bangalore - 4	25-07-2013	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 behaviour for Directors and Senior Management personnel. The details of the same are as follows:

A. POLICY:

We in consonance with Schedule IV of Companies Act 2013. will comply fully with all laws governing our operations and conduct our affairs in accordance with the highest ethical and legal standards.

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

B. ETHICAL STANDARDS OF BEHAVIOUR:

1. Compliance with NCL Values, Policies and Standards should be in letter and in spirit.

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

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

Act in the interest of the company in a fair manner and use discretionary powers and authority for the purposes for which these were conferred and not for personal gain or unjustified benefits for the company.

Engage only in business practices that are fair and aboveboard.

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

Comply in letter and spirit with relevant legislations.

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

- ❖ In the case of Directors, to the Board of Directors
- ❖ In the case of Senior Manager, to the Chairman / Managing Director
- ❖ In the case of all other employees, to the Senior of the company

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

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

C. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING:

1. 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 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.5.04 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, 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 CAPSULES LTD.**

For the Period : April 2013 to March 2014

All Prices in Rupees

Month	Open	High	Low	Close	No. of Shares	No. Of Trades	Total Turnover (Rs.)
Apr 13	33.00	34.00	30.30	31.90	3,59,200	77	1,19,78,214
May 13	31.35	34.95	31.00	34.80	13,564	86	4,43,865
Jun 13	33.90	34.00	31.20	32.80	11,137	47	3,67,328
Jul 13	32.80	34.70	29.75	31.90	25,056	127	7,99,857
Aug 13	31.00	33.50	30.05	31.85	6,607	40	2,06,673
Sep 13	32.50	33.00	30.05	31.00	6,327	53	1,98,534
Oct 13	29.70	34.95	29.70	34.05	10,722	80	3,47,883
Nov 13	34.95	34.95	31.05	34.95	13,804	95	4,59,069
Dec 13	34.95	36.50	32.60	35.00	11,766	95	4,03,663
Jan 14	35.00	37.65	32.70	32.70	28,456	297	10,23,625
Feb 14	34.25	35.00	30.45	32.25	35,619	446	11,49,566
Mar 14	33.00	35.70	31.00	34.85	49,986	482	16,77,210

* Spread
H-L : High-Low
C-O : Close-Open

- 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 21st Annual General Meeting will be held on Wednesday the 28th July, 2013 at Bangalore.
- h) Financial calendar for the year 2014-15 (provisional)

a	Results for the first quarter ending 30 th June 2014	By end of July, 2014
b	Results for the 2nd quarter ending 30 th Sept. 2014	By end of Oct. 2014
c	Results for the 3 rd quarter ending 31 st December 2014	By end of Jan, 2015
d	Results(Audited) for the financial year ending 31 st March, 2015	By end of May, 2015
e	Annual General Meeting for the year ending March, 2015	By end of July, 2015

i) **Dates of book closure:**

The register of members and share transfer books of the company will remain closed from 22.08.2014 to 27.08.2014 (both the days inclusive) for the purpose of AGM.

j) **Statistics of share holders**

Year	No. of shareholders
31-03-2012	4,434
31-03-2013	4,318
31-03-2014	4,300

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 as on 31-03-2014

Category	No. of shares	% holding
1. Resident	17,41,048	34.6635
2. FII	300	0.0059
3. NRI	38,204	0.7606
4. Corporate Body	8,62,216	17.1663
5. Clearing member	5,549	0.1104
6. Mutual Funds	3,700	0.0736
7. Promoters	23,67,883	47.1436
8. Directors / Relatives	3,800	0.0756
Total		

Distribution of holdings as on 31-03-2014

Share holding nominal	Share holders	Share amount
Value of	Number	% to total
		Rs.
1-100	2,604	60.5581
101-500	1,219	28.3488
501-1000	220	5.1162
1001-2000	104	2.4186
2001-3000	51	1.1860
3001-4000	16	0.3720
4001-5000	17	0.3953
5001-10000	26	0.6046
10001- and above	43	1.0000
	4,300	100.0000
		50,22,700
		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. 7A/2, KIADB Industrial Area, Attibele - 562 107, and
- ii) RS No. 84, Perambal 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 : 28-05-2014

(S.Gopalan)
Chairman

**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 11%, even though Pharma companies have faced number of Company is hopeful of regulatory challenges, exports have grown at around 15%. Domestic Pharma sales were disturbed due to change in Drug price Control orders. Company is hopeful of ascertaining rate of growth in the coming years.

2. OPPORTUNITIES AND THREATS:**Capsules:****a) Opportunities**

- i) Good export market for Gelatin capsules in South East and far East Asian , African and Latin America countries.
- ii) Expansion of the existing markets for Vege capsules within the country.
- iii) Free Trade Agreement with 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) Import of inferior quality of raw materials by competitors cheaper.

FORMULATIONS: Formulation business has been discontinued during the year 2013-14

3. RISKS AND CONCERNS

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

4. OUTLOOK:

Based on the company's performance up to the date of this report, orders on hand and realizing the full capacity of 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 increase in input cost of capsules and appreciation in Indian Rupee, 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. lacs for Capital Investment at Pondicherry for the expansion Project. The proposed expansion will double the installed capacity for capsules in the company.

K.R. GNANOBA B.Com., F.C.A.
R. UMESH B.Com., F.C.A.
PHALGUNA B. N. B.Com., A.C.A.

GNANOBA & BHAT
CHARTERED ACCOUNTANTS

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 2014 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.

Place: Bangalore
Date: 28th May 2014

For and on behalf of
GNANOBA & BHAT
CHARTERED
ACCOUNTANTS
(Registration No. 000939S)




(K.R. GNANOBA)
Partner

Membership No.023137

**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 DPCC 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 31-3-14 Audited	For the year ended 31-3-13 Audited
1.	SEGMENT REVENUE		
	Capsules		
	Formulation	5914.27	5,215.36
	Others	18.70	158.64
	Total	14.39	71.62
	Less: Inter segment revenue	5,947.36	5,445.62
	Net income from operation	5.24	26.73
	SEGMENT RESULTS	5942.12	5,418.89
	Profit/(Loss) before depreciation, tax and interest from each segment.		
2.	Capsules		
	Formulation	1,192.56	1,114.50
	Others	2.05	6.60
	Total	1.97	43.05
	Less: i) Depreciation and Amortisation	1,196.58	1,164.15
	ii) Interest	361.36	311.30
	iii) Other un-allocable expenditure / income	92.57	123.43
	Total profit after tax	286.45	96.31
		456.20	633.11

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, 2014, 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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, 2014
- (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 and Cash Flow Statement 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, 2014, and taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2014, 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 : 28.05.2014

**(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 entered in to transactions exceeding the value of five lakh rupees. However these transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6) As per the records and according to the information given to us, the company has not accepted any deposits from the public.
- 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.
- 9) According to the information and explanations given to us, in respect of statutory dues and other dues
 - a) *The following statutory dues are unpaid as on the balance sheet date for a period of more than six months from the date they became payable.*

Statute	Nature of dues	Amt. (Rs.)	Period to which dues relate	Due date
Central Sales Tax Act	Tax collected	79,269	2008-2009	April 2009
Central Sales Tax Act	Tax collected	40,337	2009-2010	April 2010

- 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,

Statute	Nature of dues	Amt. (Rs.)	Period to which dues relate	Due date
Service Tax	Penalty on service tax	2,58,935	Jan 05 – Nov 08	1-04-2009
Service Tax	Tax Payable	2,26,747	Jan 05 – Nov 08	1-04-2009

- 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 banks;
- 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 made preferential allotment of shares to the parties covered in the Register maintained under section 301 of the Act. However the price at which shares have been issued is not prejudicial to the interest of 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) The Company has noticed and reported a financial fraud by way of fake cheque with forged signatures was presented to the SBI Vellore Branch and the cheque for an amount of Rs.9,23,580/- was credited to an unidentified account of another bank on 25/03/2014. An amount of Rs.26,580/- has been encashed by the perpetrators of fraud and the balance amount of Rs.8,97,000/- has been frozen and held with another bank. The Company has made provision for loss on balance unavailable amount of Rs 26.580/- in its books.

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

**PLACE : BANGALORE
DATE : 28.05.2014**

**(K.R. GNA NOBA)
PARTNER
Membership No: 023137**

BALANCE SHEET AS AT 31st MARCH 2014

	Particulars	Note No.	Rupees	AS AT 31-03-2014	AS AT 31-03-2013
(1)	EQUITY AND LIABILITIES				
(1)	Shareholder's Funds				
	(a) Share Capital	1	50,227,000		45,027,000
	(b) Reserves and Surplus	2	372,978,507		322,595,549
	(c) Money Received Against Share Warrants	3	3,960,000		-
				427,165,507	367,622,549
(2)	Share application money pending allotment			-	-
(3)	Non-Current Liabilities				
	(a) Long-term borrowings	4	59,843,045		89,981,912
	(b) Deferred tax liabilities (Net)	5	28,367,863		16,814,677
	(c) Other Long term liabilities	6	1,020,490		1,483,882
	(d) Long term provisions	7	5,056,638		4,097,684
				94,288,036	112,378,155
(4)	Current Liabilities				
	(a) Short Term Borrowing		802,655		292,133
	(b) Trade payables	8	47,061,851		46,452,560
	(c) Other current liabilities	9	10,230,049		23,339,137
	(d) Short-term provisions	10	14,957,255		12,740,826
				73,051,810	82,824,657
	Total			594,505,354	562,825,361
(1)	ASSETS				
	Non-current assets				
	(a) Fixed assets				
	(i) Tangible assets	11	313,396,413		292,297,239
	(ii) Intangible assets		-		-
	(iii) Capital work-in-progress		16,199,011		28,596,470
	(iv) Intangible assets under development		-		-
				329,595,425	320,893,709
	(b) Long term loans and advances	12	11,869,705		10,036,424
	(c) Other non-current assets	13	11,335,590		12,848,393
				23,205,295	22,884,817
(2)	Current assets				
	(a) Current investments		-		-
	(b) Inventories	14	35,662,062		35,211,394
	(c) Trade receivables	15	189,696,718		171,394,499
	(d) Cash and Cash Equivalents	16	3,411,149		2,886,101
	(e) Short-term loans and advances	17	5,649,899		5,854,260
	(f) Other current assets	18	7,284,806		3,700,582
				241,704,634	219,046,835
	Total			594,505,354	562,825,361

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 : 28.05.2014
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 2014 Rs.	As at 31st March 2013 Rs.
Authorised: 60,00,000 (Previous period 50,00,000) equity shares of Rs.10 each.	60,000,000	50,000,000
Issued:Subscribed and Paidup Capital 45,02,700 (Previous period 45,02,700) equity shares of Rs.10 each.	60,000,000	50,000,000
Total	50,227,000	45,027,000
	As at 31st March 2014 No of shares	As at 31st March 2013 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	520,000	---
Less: Shares forfeited/Bought back during the year	---	---
No of shares outstanding at the end of the year	5,022,700	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, 2014	Percentage of Holding	Number of shares as at 31st March, 2013	Percentage of Holding
Equity Shares:				
Tajos Investments Pvt. Ltd	539,000	11%	479,000	11%
Nandhi Synthetics Pvt. Ltd.	414,354	8%	414,354	9%
Vivog Commercial Ltd	345,000	7%	---	---
Sunil L. Mundra	296,003	6%	261,000	6%
Anand Rathi Share & Stock Brokers Ltd.	3,435	---	347,320	8%
Mahendra Labs Pvt. Ltd.	300,000	6%	---	---
i) Dividend proposed to be distributed to Equity Shareholders Rs.1.5 per share.				

NOTE 2 - RESERVES AND SURPLUS

	Rs.	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 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	13,520,000		-
		33,352,800	19,832,800
General Reserve:			
As per last Balance Sheet	11,105,512		7,939,948
Add: Transfer from Profit & Loss Account	2,280,961		3,165,564
		13,386,473	11,105,512
Surplus:			
As per last Balance Sheet	290,217,237		237,921,241
Add: Profit/(Loss) for the period	45,619,220		63,311,286
Less : Appropriations			
Proposed Dividend	7,534,050		6,754,050
Tax on Proposed Dividend	1,222,211		1,095,676
Transfer to reserves	2,280,961		3,165,564
		324,799,234	290,217,237
Total		372,978,507	322,595,549

NOTE 3 - Money Received Against Share Warrants

	As at 31st March, 2014 Rs.	As at 31st March, 2013 Rs.
Money Received Against Share Warrants	3,960,000	-
Total	3,960,000	-

Note 3a:

1. As per the Special Resolution passed in the Extra Ordinary General Meeting held during the year, 4,40,000 Warrants are allotted with an option to convert them in to Equity Shares within 18 months from the date of allotment of warrants at a price of Rs.36/- per share. The amount received against share warrants represents 25 % of the value of approved conversion price. If the option of conversion is not exercised 25 % of the value approved for conversion price is to be forfeited.

NOTE 3 - LONG TERM BORROWINGS

	Rs.	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Term Loans			
- from Banks			
Secured			
State Bank of India CC A/c -10242758678	34,887,440		40,046,293
SBI Exchange Packing Credit -30698350106	-		10,082,948
State Bank of India Term Loan	24,955,605		39,852,671
		59,843,045	89,981,912
Total		59,843,045	89,981,912

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. 134 Lacs(Previous Year Rs.334 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.
- 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.

NOTE 5 - DEFERRED TAX LIABILITY (NET)

	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Deferred Tax Liability		
Related To Fixed Assets	25,177,136	15,955,230
Current Year Depreciation	1,258,728	1,254,931
Allowance Under the Income Tax Act, 1961	4,249,769	2,319,254
Deferred Tax Asset		
Disallowance Under the Income Tax Act, 1961	(2,317,770)	(2,714,738)
Total	28,367,863	16,814,677

NOTE 6 - OTHER LONG TERM LIABILITIES

	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Trade Payables		
For Purchases	260,757	674,823
Others		
Sundry Advances	-	-
J Raj & Co Deposit Account	237,028	237,028
For Capital Goods	-	30,000
For Expenses	366,716	389,330
For Others	155,988	152,700
Total	1,020,490	1,483,881

NOTE 7 - LONG- TERM PROVISIONS

	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Provision for Gratuity	-	-
Other Provisions		
Service Tax Payable (Freight Outwards)	226,747	226,747
Penalty Payable on Service Tax	258,935	258,935
Bonus Payable	2,845,912	2,119,369
Exgratia Contract Labour	1,583,728	1,373,027
CST Payable 2007-08	21,710	-
CST Payable 2008-09	79,269	79,269
Cst Payable 2009-2010	40,337	40,337
Total	5,056,638	4,097,684

NOTE 8 - TRADE PAYABLES

	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Trade payables (see note 9a)		
For Purchases	32,662,707	34,446,184
For Others	14,399,144	12,006,376
Total	47,061,851	46,452,560

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

NOTE 9 - OTHER CURRENT LIABILITIES

	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Current maturities of long-term debt		
SBI Long Term Loan	-	11,100,000
Unpaid dividends	1,468,302	1,376,857
Statutory Liabilities		
Rent Payble	2,552,606	2,214,651
Salary Payable	349,137	311,566
Commission payable to Executive Director	2,605,043	2,266,315
Commission payable to Non-Executive Director	414,600	380,050
CST Payable	666,000	540,000
Advance Received from Customers	-	383,374
	2,174,362	4,766,324
Total	10,230,049	23,339,137

NOTE 10 - SHORT-TERM PROVISIONS

	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Proposed Dividend	7,534,050	6,754,050
Tax on proposed dividend	1,222,211	1,095,676
Other Provisions		
Outstanding Expenses	6,200,994	4,891,101
Total	14,957,255	12,740,826

NOTE 11 - FIXED ASSETS

	Cost						Depreciation / Amortization/ Diminution						Net Block						
	As at 1st April, 2013		Additions during the year		Deductions during the year		As at 31st March, 2014		Upto 1st April, 2013		For the year		On Deductions		Upto 31st March, 2014		As at 31st March, 2013		
	Rs		Rs.		Rs.		Rs		Rs		Rs.		Rs.		Rs.		Rs.		
TANGIBLE ASSETS																			
Land	6,716,517		-		-		6,716,517		-		-		-				6,716,517		6,716,517
Buildings	128,779,081		1,433,303		-		130,212,384		22,479,573		4,301,354		-				103,431,456		106,299,508
Plant & Equipment	326,404,171		50,473,307		150,066		376,727,411		153,851,216		30,168,514		44,807				192,752,488		172,552,955
Computers	6,694,774		4,250,259		-		10,945,033		4,447,201		1,081,782		-				5,416,051		2,247,573
Furniture & Fixtures	4,002,418		45,850		-		4,048,268		1,864,634		253,874		-				1,929,760		2,137,784
Vehicles	2,066,291		1,097,759		-		3,164,050		625,459		270,022		-				2,268,569		1,440,832
Office Equipment	1,224,828		40,232		-		1,265,060		322,757		60,732		-				881,572		902,072
Total (A)	475,888,079		57,340,710		150,066		533,078,724		183,590,839		36,136,277		44,807				313,396,413		292,297,240
INTANGIBLE ASSETS																			
Technical Knowhow	300,000		-		-		300,000		300,000		-		-				-		-
Total (B)	300,000		-		-		300,000		300,000		-		-				-		-
Total (A+B)	476,188,079		57,340,710		150,066		533,378,724		183,890,839		36,136,277		44,807				313,396,413		292,297,240
Previous year	418,170,200		59,503,759		1,485,879		476,188,079		154,029,767		31,113,569		1,252,495				292,297,240		264,140,433

NOTE 12 - LONG TERM LOANS AND ADVANCES

	Rs.	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
(Unsecured, considered good unless otherwise stated)			
Capital Advances:			
Considered Good	1,018,136		2,184,629
Considered Doubtful	---		---
Less: Provision for Doubtful Capital Advances		1,018,136	2,184,629
Taxes paid in advance less provisions (current tax)		8,851,569	5,851,795
Inter Corporate Deposit		2,000,000	2,000,000
Total		11,869,705	10,036,424

NOTE 13 - OTHER NON CURRENT ASSETS

	Rs.	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
(Unsecured, considered good unless otherwise stated)			
a) Deposits with more than 12 months maturity			
Rent Deposit	1,904,085		1,948,335
Other Deposit	5,604,266		5,617,855
Fixed Deposits with Electricity Board	1,202,800		1,202,800
Interst On FD Recievable	1,838,292		1,483,710
		10,549,443	
b) Others (specify nature)			
Salary Advance To Staff		97,300	174,000
c) Advance Paid to Sundry Creditors			
For Expenses	37,231		1,389,602
For Purchases	629,626		919,394
For Others	21,990		112,697
		688,847	
Total		11,335,590	12,848,393

NOTE 14 - INVENTORIES

	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Raw materials (including GIT Rs. 26,58,314/-)	17,750,769	16,852,740
Work - in - Process	3,836,467	9,261,374
Finished Goods	12,312,136	7,550,251
Stores and spares	1,732,508	1,500,424
Goods In Transit-Others	30,182	46,605
Total	35,662,062	35,211,394

NOTE 15 - TRADE RECEIVABLES

	Rs.	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
(Unsecured, considered good unless otherwise stated)			
1) Debts due for a period exceeding six months			
Considered Good	22,960,325	26,765,104	667,541
Considered Doubtful	3,804,779		8,120,687
2) Other Debts:			
Considered Good	166,736,394	166,736,394	170,726,959
Considered Doubtful	---		170,726,959
Less: Provision for Doubtful Debts		193,501,498	179,515,187
		3,804,779	8,120,687
Total		189,696,718	171,394,499

NOTE 16 - CASH AND CASH EQUIVALENTS

	Rs.	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Balances with banks in			
Earmarked balances			
- in Current Account	(282,497)	3,404,038	59,208
- Dividend Distribution Account	1,468,302		1,376,857
- in EEFC Account	284,233		289,075
- Margin Money	1,934,000		1,129,500
Cash on hand		7,111	28,54,641
Fixed Deposit With Banks - Maturity of More than 12 Months		-	31,460
Total		3,411,149	2,886,101

NOTE 16 - SHORT TERM LOANS AND ADVANCES

	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
(Unsecured, considered good unless otherwise stated)		
Balances with Central Excise, Customs, Port trust, etc.	4,549,913	1,840,367
Gratuity Paid In Advance (Actuarial Advance)	427,237	731,631
Advances Paid to Suppliers	672,749	3,282,262
Total	5,649,899	5,854,260

NOTE 18 - OTHER CURRENT ASSETS

	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Other current assets		
Prepaid Expenses	1,963,900	1,129,776
Tour Advance	3,000	10,000
Tour Advance - Foreign	206,975	---
Saalry Advances	111,585	112,012
Service Tax - HO	91,464	74,160
Export Duty Drawback Receivable	1,279,464	733,605
Export Service Tax Receivable	6,904	---
Interest Recievable - Bescom Deposit	---	85,576
Other Advances	899,500	---
Focus Markeing Scherne Receivable	2,478,000	---
DEPB License Receivable	---	1,306,572
Interest Recievable	244,014	248,881
Total	7,284,806	3,700,582

NATURAL CAPSULES LIMITED

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

Rupees

	Particulars	Note No.	For the year ended on 31st March, 2014	For the year ended on 31st March, 2013
I.	Revenue from operations	19	585,298,109	534,726,334
II.	Other Income	20	8,914,038	7,162,835
III.	Total Revenue (I +II)		594,212,147	541,889,169
IV.	Expenses:			
	Cost of materials consumed	21	243,067,687	217,075,687
	Purchase of Stock-in-Trade		-	-
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	22	663,023	(10,830,735)
	Employee benefit expense	23	52,600,467	40,858,626
	Finance costs	24	9,256,661	12,343,107
	Depreciation and amortization expense	11	36,136,275	31,113,569
	Other expenses	25	179,487,602	178,296,751
	Total Expenses		521,211,715	468,857,004
V.	Profit before exceptional and extraordinary items and tax (III - IV)		73,000,432	73,032,164
VI.	Exceptional Items			
	Prior Period item			
	i) Prior Period Income		1,498,539	-
	ii) Prior Period expenses		233,626	90,426
VII.	Profit before extraordinary items and tax (V - VI)		74,265,346	72,941,738
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII - VIII)		74,265,346	72,941,738
X.	Tax expense:			
	(1) Current tax		17,092,940	19,005,752
	(2) Prior Year tax		-	(7,275,837)
	(3) Deferred tax		11,553,186	(2,099,463)
XI.	Profit(Loss) for the period from continuing operations (IX-X)		45,619,220	63,311,286
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)		45,619,220	63,311,286
XVI.	Earning per equity share:			
	(1) Basic		10.09	14.06
	(2) Diluted		10.09	14.06

SEE ACCOMPANYING NOTE (1 TO 26) 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 28.05.2014
Place Bangalore

For and on behalf of the Board

Srirangam Gopalan
CHAIRMAN

Satyanarayan Mundra
DIRECTOR

Sunil L. Mundra
MANAGING DIRECTOR

NOTE 19 - REVENUE FROM OPERATIONS

Particulars	Rs.	For the year ended	For the year ended
		on 31st March, 2014	on 31st March, 2013
		Rs.	Rs.
Sale of products	601,607,809		558,756,852
Sale of services	-		-
Other operating revenues	22,386,943		18,769,731
Less:			
Excise duty		623,994,753	577,526,583
		38,696,643	42,800,250
Total		585,298,109	534,726,334

NOTE 19 a - EARNINGS IN FOREIGN EXCHANGE

Particulars	For the year ended	For the year ended
	on 31st March, 2014	on 31st March, 2013
	Rs.	Rs.
FOB Value of exports	158,994,500	143,236,528
Total	158,994,500	143,236,528

NOTE 20 - OTHER INCOME

Particulars	For the year ended	For the year ended
	on 31st March, 2014	on 31st March, 2013
	Rs.	Rs.
Interest income	829,946	1,062,061
Sundry provisions and credit balances no longer required, written back	867,394	1,361,069
Net gain on foreign currency transaction and translation	4,324,630	2,316,311
"Other non-operating income (net of expenses directly attributable to such income)"	2,892,068	2,423,393
Total	8,914,038	7,162,835

NOTE 20a. EARNINGS IN FOREIGN EXCHANGE

Particulars	For the year ended	For the year ended
	on 31st March, 2014	on 31st March, 2013
	Rs.	Rs.
Other income	4,324,630	2,316,311
Total	4,324,630	2,316,311

Note 20 b

Particulars	For the year ended on 31st March, 2014		For the year ended on 31st March, 2013	
	Value (Rs.)	Percentage (%)	Value (Rs.)	Percentage (%)
Imported	222,928	0%	735,041	1%
Indigenously obtained Rawmaterilas	242,844,759	100%	216,340,646	99%
Total	243,067,687	100%	217,075,687	100%

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25a. CIF Value of Imports

Particulars	For the year ended on 31st March, 2014 Rs.	For the year ended on 31st March, 2013 Rs.
Excipients	276,038	387,415
Raw Material	---	74,021
Components and Spare Parts	259,638	273,605
Capital Goods	16,793,914	1,212,391
Total	17,329,590	1,947,432

NOTE 22 - (INCREASE) / DECREASE STOCKS OF FINISHED GOODS AND WORK - IN - PROGRESS

Particulars	Rs.	For the year ended on 31st March, 2014 Rs.	For the year ended on 31st March, 2013 Rs.
Opening stock			
Work - in - progress	9,261,375		---
Finished goods	7,550,251	16,811,626	5,980,890
Closing stock			
Work - in - progress	3,836,467		9,261,374
Finished goods	12,312,136		7,550,251
		16,148,603	16,811,625
Total		663,023	(10,830,735)

NOTE 23 - EMPLOYEE BENEFIT EXPENSE

Particulars	For the year ended on 31st March, 2014 Rs.	For the year ended on 31st March, 2013 Rs.
Salaries and wages	37,435,800	26,284,752
Director Remuneration	8,490,000	7,900,000
Contribution to provident and other funds	2,623,271	2,506,970
Staff welfare expenses	4,051,396	4,166,904
Total	52,600,467	40,858,626

NOTE 23 - FINANCE COSTS

Particulars	For the year ended on 31st March, 2014 Rs.	For the year ended on 31st March, 2013 Rs.
Interest expense	9,256,661	12,343,107
Other borrowing costs	---	---
Total	9,256,661	12,343,107

NOTE 25 - OTHER EXPENSES

	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Consumption of stores and spare parts	12,483,514	15,090,032
Power and fuel	67,641,429	62,869,840
Rent	1,071,947	1,701,814
Repairs and maintenance -		
Buildings	3,537,956	6,278,924
Machinery	3,503,965	6,614,603
Others	4,438,826	3,237,514
Rates & Taxes (excluding taxes on income)	455,133	410,037
Net loss on foreign currency transaction and translation (other than considered as finance cost)	-	-
Provision for doubtful debts & advances (net)	(2,514,535)	7,191,909
Contract Labour Charges	17,841,997	15,669,813
Commission on Export sales	4,668,619	1,485,588
Professional Charges	2,366,913	1,998,096
Travelling Expenses & Conveyance	6,282,488	4,903,074
Freight Charges	28,518,921	21,969,269
Travelling Expenses - Foreign	2,037,683	3,259,236
License Fee	182,366	789,318
Insurance	352,686	-
Director Sitting Fee	340,000	340,000
Commission to Non-Executive Directors	740,000	600,000
Exhibition Expenses	3,588,331	2,342,075
Research & Development Expenditure - Revenue in Nature	8,415,224	7,384,506
Bank Charges	3,589,765	1,831,690
Miscellaneous expenses	9,944,375	12,329,413
Total	179,487,602	178,296,750

NOTE 25a - MISCELLANEOUS EXPENSES INCLUDE PAYMENT TO AUDITORS (NET OF SERVICE TAX)

Particulars	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Audit fees	175,000	120,000
Tax Audit fees	75,000	30,000
Taxation matters	---	---
Company law matters	---	---
Management expenses	---	---
Other services	20,000	28,500
Out of pocket expenses reimbursed	---	---
Total	270,000	178,500

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Note 21 - 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, 2013	As at 1st April, 2012	For the year ended on 31st March, 2014	For the year ended on 31st March, 2013	For the year ended on 31st March, 2014	For the year ended on 31st March, 2013	As at 31st March, 2014	As at 31st March, 2013	As at 1st April, 2013	As at 31st March, 2013	As at 31st March, 2014	As at 31st March, 2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Raw materials	15,394,550	12,587,326	244,498,100	219,882,912	243,067,687	217,075,688	16,824,963	15,394,550	-	-	-	-
Total	15,394,550	12,587,326	244,498,100	219,882,912	243,067,687	217,075,688	16,824,963	15,394,550	-	-	-	-

Note 20 a

Particulars	Raw Material Opening Stock		Goods Purchased		Consumption		Raw Material Closing Stock	
	As at 1st April, 2013	As at 1st April, 2012	For the year ended on 31st March, 2014	For the year ended on 31st March, 2013	For the year ended on 31st March, 2014	For the year ended on 31st March, 2013	As at 31st March, 2014	As at 31st March, 2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Geletin	6,146,833	8,000,055	217,619,960	188,839,126	210,487,313	190,692,348	13,279,480	6,146,833
Dextropropophene	-	-	1,196,995	4,800,909	1,196,995	4,800,909	-	-
Paracetamol	-	-	699,370	3,088,887	699,370	3,088,887	-	-
HPMC	-	-	-	-	-	-	-	-
Others	9,247,717	4,587,271	24,981,775	23,153,990	30,684,009	18,493,543	3,545,483	9,247,717
Total	15,394,550	12,587,326	244,498,100	219,882,912	243,067,687	217,075,687	16,824,963	15,394,550

NOTE 24b - EXPENDITURE IN FOREIGN CURRENCY

Particulars	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
Consultation Fees	-	-
Travelling expenses-Foreign	793,855	1,553,605
Commission on exports	605,997	702,334
Exhibition charges	395,033	249,133
Total	1,794,885	2,505,072

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

Particulars	AS AT 31st March 2014 Rs.	AS AT 31st March 2013 Rs.
(i) Not later than one year	540,000	504,000
(ii) Later than one year and not later than five years.	2,520,000	2,016,000
(iii) Later than five years	-	-
Total	3,060,000	2,520,000

a) Lease payments recognised in the profit and loss account for the year Rs 5,04,000/- (31st March, 2013 Rs.4,68,000)

NOTE 24d - Research and Development expenditure debited to the Profit and Loss Account aggregating Rs.84,15,224/- (31st March, 2013 Rs 73,84,506/-) has been incurred by the company and disclosed under appropriate account heads. The figures have been regrouped as required for the year 2012-13 and 2013-14

NOTE 26:

(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.

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	504,000	37,800	---
Mr. Sunil Mundra	Key Management Personnel	Managerial Remuneration	3,630,000	414,600	---
Mr. Laxminarayana Mundra	Key Management Personnel	Managerial Remuneration	2,430,000	---	---
Mr. Satyanarayana Mundra	Key Management Personnel	Managerial Remuneration	2,430,000	---	---

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 50,22,700

NOTE (iv) - Contingent Liability:

Particulars	As at 31st March, 2014 Rs.	As at 31st March, 2013 Rs.
Income Tax matters	426,000	426,000
Sales Tax matters	---	---
Excise Duty	---	---
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.4.20/- Lacs. (31st March 2013-Rs 99.75/- 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	2013-14	2012-13
Capital Expenditure	4,022,128	5,330,749
Revenue Expenditure	8,415,224	7,384,506
Total	12,437,352	12,715,255

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 2014 to the tune of Rs. 15.22 Lacs

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

(Amounts in Rs.)

Particulars	For the year ended 31 March, 2014		For the year ended 31 March, 2013	
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		74,265,346		73,485,702
Adjustments for:				
Depreciation and amortisation	36,136,275		31,113,569	
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	47,409		(351,616)	
Expense on employee stock option scheme	-		-	
Finance costs	9,256,661		12,349,143	
Interest income	(829,946)		(1,062,061)	
Dividend income	-		-	
Liabilities / provisions no longer required written back	(756,978)		(1,320,027)	
Adjustments to the carrying amount of investments	-		-	
Provision for losses of subsidiary companies	-		-	
Provision for doubtful trade and other receivables, loans and advances	(2,659,103)		6,982,128	
Provision for estimated loss on derivatives	-		-	
Provision for warranty	-		-	
Provision for estimated losses on onerous contracts	-		-	
Provision for contingencies	-		-	
Other non-cash charges (specify)	508,420		288,310	
Provision for gratuity & Leave Encashment	-		-	
Other non-cash charges (specify)	-		-	
Net unrealised exchange (gain) / loss	698,411		(355,133)	
Operating profit / (loss) before working capital changes		42,401,149		47,644,312
Changes in working capital:		116,666,495		121,130,014
Adjustments for (increase) / decrease in operating assets:				
Inventories	450,668		(9,963,018)	
Trade receivables	(16,849,947)		(39,532,789)	
Short-term loans and advances	204,361		3,512,580	
Long-term loans and advances	(1,833,281)		(8,727,559)	
Other current assets	(3,584,224)		(1,051,815)	
Other non-current assets	512,803		3,171,271	
Adjustments for increase / (decrease) in operating liabilities:				
Trade payables	609,291		9,790,779	
Other current liabilities	(13,109,088)		8,146,439	
Other long-term liabilities	216,316		1,104,532	
Short-term provisions	2,293,699		(2,558,132)	
Long-term provisions	958,954		154,236	
		(30,031,785)		(35,953,476)
Cash flow from extraordinary items		86,634,710		85,176,538
Cash generated from operations		86,634,710		85,176,538
Net income tax (paid) / refunds		(17,092,940)		(11,879,026)
Net cash flow from / (used in) operating activities (A)		69,541,770		73,297,512
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(44,943,252)		(51,180,368)	
Proceeds from sale of fixed assets	57,851		585,000	
Inter-corporate deposits (net)	-		-	
Interest received	-		-	
Others	829,946		1,062,061	
Other income received	-		-	
		(44,055,455)		(49,533,307)
Net cash flow from / (used in) investing activities (B)		(44,055,455)		(49,533,307)
C. Cash flow from financing activities				
Proceeds from issue of equity shares	18,720,000		-	
Proceeds from issue of preference shares	-		-	
Redemption / buy back of preference / equity shares	-		-	
Proceeds from issue of share warrants	3,960,000		-	
Share application money received / (refunded)	-		-	
Proceeds from long-term borrowings	-		-	
Repayment of long-term borrowings	(30,138,866)		(2,960,788)	
Net increase / (decrease) in working capital borrowings	-		-	
Proceeds from other short-term borrowings	-		-	
Proceeds from Short-term borrowings	510,522		292,133	
Repayment of other short-term borrowings	-		-	
Finance cost	(9,256,661)		(12,349,143)	
Dividends paid	(7,534,050)		(6,754,050)	
Tax on dividend	(1,222,211)		(1,095,676)	
		(24,961,267)		(22,867,524)
Net cash flow from / (used in) financing activities (C)		(24,961,267)		(22,867,524)
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		525,048		896,682
Cash and cash equivalents at the beginning of the year		2,886,101		1,989,417
Cash and cash equivalents at the end of the year		3,411,149		2,886,101
Reconciliation of Cash and cash equivalents with the Balance Sheet:				
Cash and cash equivalents as per Balance Sheet		3,411,149		2,886,101
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		3,411,149		2,886,101
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 *		3,411,149		2,886,101
* Comprises:				
(a) Cash on hand		7,111		31,460
(b) Balances with banks - in current accounts		3,404,038		2,854,641

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	2013-14	2012-13
Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity (In Lacs)		
Capsules	71,000.00	62,700.00
Formulations	2,700.00	2,700.00
Actual Production (Qty. in Lacs)		
Capsules	62,467.26	60,182.59
Formulations	29.83	263.11
Turnover (Qty. in Lacs)		
Capsules	61,783.61	60,189.86
Formulations	29.83	263.11
Turnover (Rs. In Lacs)		
Capsules	5,808.50	5,188.61
Formulations	18.70	158.65

Finished Goods

	2013-14		2012-13	
	Qty (Lacs)	Value (Rs in Lacs)	Qty (Lacs)	Value (Rs in Lacs)
Opening Stock				
Capsules	1,336.93	75.50	1,344.20	59.80
Formulations	---	---	---	---
Closing Stock				
Capsules	2,020.58	123.12	1,336.93	75.50
Formulations	---	---	---	---

Note (x) - Fraud

A fake cheque no:324649 with forged signature was presented at Vellore branch of State Bank of India on 25-03-2014 and an amount of Rs.9,23,580/- was transferred from companies account to an unknown account at Union Bank of India, Vellore, Tamilnadu. The transaction was noticed by the company and an immediate effort was made and the account to which the amount was transferred was frozen and correspondence with all the concerned is on to get company's amount back. Company's banker, SBI, Commercial branch, Bangalore, have confirmed that an amount of Rs.8,97,000/- is available in the frozen account. In view of above, a net loss of Rs.26,580/- is likely to be incurred by the company.

NOTE (xi) -

The previous years figures have been regrouped/restated wherever necessary to conform with current years classification In terms of our report attached

**In terms of our report attached
For GNANOBA & BHAT**

CHARTERED ACCOUNTANTS
(Firm Regn No 000939 S)

K.R. GNANOBA
PARTNER
Membership No 023137

Date : 28.05.2014
Place : Bangalore

For and on behalf of the Board

Srirangam Gopalan
CHAIRMAN

Satyanarayan Mundra
DIRECTOR

Sunil L. Mundra
MANAGING DIRECTOR

Date : 28.05.2014
Place : Bangalore