

NINTH ANNUAL REPORT 2001-2002

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BANGALORE

BOARD OF DIRECTORS :

Srirangam Gopalan	Chairman
Satyanarayan Mundra	Vice Chairman
Laxminarayan Mundra	Whole-time Director
C. P. Rangachar	Director
Dr. C. M. Gurumurthy	Director
V. Subramony	Director
Sunil L. Mundra	Managing Director
Sushil Kumar Mundra	Director

BANKERS & FINANCIAL INSTITUTIONS :

M/s. Industrial Development Bank of India
 No. 27, IDBI House
 Mission Road
BANGALORE - 560 027

M/s. Karanataka State Industrial Investement &
 Development Corporation Limited
 MSIL #36, Cuningham Road
BANGALORE - 560 052

M/s State Bank of India
 Bangalore Commercial Branch
 Hudson Circle
BANGALORE - 560 001

AUDITORS :

M/s. Gnanoba & Bhat
 Chartered Accountants
 211, Commerce House
 9/1, Cunningham Road
BANGALORE - 560 052

REGISTERED OFFICE :

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

REGISTRAR AND TRANSFER AGENTS :

M/s Cameo Corporate Services Ltd.
 Subramanian Building,
 No.1, Club House Road.
CHENNAI - 600 002.

Tel : 91-044-8460390 (5Lines)
 Fax : 91-044-8460129
 Grams : CAMEO
 Email : cameo@cameoindia.com
 Contact Person : Mr. D. Satish Kumar
 Sr. Manager & Company Secretary
 ISIN CODE No. INE936B01015

NATURAL CAPSULES LIMITED

NOTICE

Notice is hereby given to all the members of the Company that the 9th Annual General Meeting of the Company will be held at Hotel Woodlands, #5, Raja Ram Mohan Roy Road, Bangalore - 560 025 on Friday the 26th July, 2002 at 10.30 a.m. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2002 along with the Director's and Auditor's Reports thereon.
2. To appoint a director in the place of Mr C. P. Rangachar retiring director, who being eligible, offers himself for reappointment.
3. To appoint a director in the place of Dr C. M. Gurumurthy the retiring director, who being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration. M/s Gnanoba & Bhat, Chartered Accountants, Bangalore retire at this Annual General Meeting and they are eligible for reappointment.

for & on behalf of the Board

Place : Bangalore
Date : 25th May 2002

(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. Proxy form to be effective, shall reach the registered office of the company not less than 48 hours before the meeting.
2. Members Register and Transfer Register will remain closed from 19.7.2002 to 26.7.2002 (both the days inclusive).
3. Members are requested to bring duly filled in attendance slips at the time of meeting.
4. Proxy form is attached.

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DIRECTOR'S REPORT

TO THE MEMBERS

Your directors hereby present the Ninth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2002.

1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under :

	2001-02 (Rs. in Lacs)	2000-01 (Rs. in Lacs)
Sales & Other Income	664.93	449.98
Profit before Depreciation and Interest	154.45	132.69
Depreciation	63.42	61.37
Interest	57.01	66.26
Profit/ (Loss)	34.02	5.06
Cash Profit	89.66	66.44
Provision for taxation	7.78	0.43
Profit/(Loss) after tax	26.24	4.63

The performance of the company has improved as compared to the previous year mainly because of the introduction of Veg. capsules and its market acceptance in neutraceutical segment.

2. PREFORMANCE & PROSPECTS :

The efforts taken for the introduction of Veg.capsules have been successful and has resulted in improved performance. With the acceptance of Veg. capsules by the major players in the neutraceutical segment and also considering the possibility of getting clearance from the Drug Controller of India for use in Pharmaceutical industry the future prospects of the company are bright.

3. DIRECTORS :

During the year under review, Mr. C. P. Rangachar and Dr. C. M. Gurumurthy retire at this Annual General Meeting and being eligible, offer themselves for reappointment.

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

A. CONSERVATION OF ENERGY :

The particulars as per form A is attached to this report.

B. RESEARCH & DEVELOPMENT AND TECHNOLOGY ABSORPTION :

From the inhouse R&D facility, the Company has been able to successfully develop Veg capsules which is an alternative to the Gelatin Capsules. Further research is continuing for finding alternative to HPMC to make Veg. capsules cheaper and more acceptable.

C. EXPORTS :

The company is exporting Gelatine capsules to various countries and is currently exploring the possibilities of export of Veg. Capsules.

D. FOREIGN EXCHANGE, EARNINGS & OUTGO:

Foreign exchange earning : Rs.9.81 Lacs
Foreign exchange outgo : Rs. 3.14 Lacs

5. DIRECTOR'S RESPONSIBILITY STATEMENT :

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- 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.
- 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.
- The directors have prepared the annual accounts on a going concern basis.

6. AUDITORS :

M/s Gnanoba & Bhat, Chartered Accountants, Bangalore retire at the ensuing Annual General Meeting and they are eligible for re-appointment.

7. ACKNOWLEDGEMENTS :

The Management wishes to place on record its sincere thanks and appreciation to Industrial Development Bank of India, Karnataka State Industrial Investment Development Corp. Ltd. and State Bank of India for their financial support and guidance, and its appreciation for the excellent co-operation extended by the staff & workers of the company.

For and on behalf of the Board

S. GOPALAN
CHAIRMAN

Place : Bangalore
Date : 25th May 2002

NATURAL CAPSULES LIMITED

ANNEXURE TO DIRECTOR'S REPORT

FORM A (SEE RULE 2)

Form for disclosure of particulars with respect to conservation of energy

A. POWER & FUEL CONSUMPTION.

		Current Year 2001-02	Previous Year 2000-2001
1. Electricity:			
a) Purchased :	Units (KWH)	13,76,856	12,45,606
Total amount	(Rs. in Lac)	57.71	50.97
Rate/Unit	(Rs.)	4.19	4.09
b) Own Generation :			
i) Through diesel generator			
Units	(KWH)	1,63,136	1,40,904
Unit per Ltr. of diesel oil	(KWH)	2.97	2.93
Oil cost/Unit	(Rs.)	5.64	5.10
II) Through Stem turbine/generator		-	-
2. Coal			
3. Furnace oil		-	-
4. Other/Internal generations		-	-

B. CONSUMPTION PER UNIT OF PRODUCTION

	EHG Capsules			Veg Capsules		
	Std. (if any)	Current Year	Previous Year	Std. (if any)	Current Year	Previous Year
Electricity per lac	-	189	177	-	805	NA
Furnace oil	-	-	-	-	-	NA
Coal	-	-	-	-	-	NA
Others	-	-	-	-	-	NA

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AUDITOR'S REPORT

We have audited the attached Balance Sheet of M/s. NATURAL CAPSULES LIMITED, Bangalore, as at 31st March 2002, and also the Profit & Loss account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from the examination of those books.
 - (iii) The Balance Sheet and the Profit & Loss account dealt with by this report are in agreement with the books of account.
 - (iv) In our opinion, the Balance Sheet and the Profit & Loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the companies Act, 1956;
 - (v) On the basis of written representations received from the Directors as on 31st March 2002 and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on 31st March 2002 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) in the case of the Balance Sheet, of the State of

affairs of the Company as at 31st March 2002 ;
and

- (ii) in the case of the Profit & Loss account, of the Profit of the Company for year ended on that date.

For GNANOBA & BHAT
CHARTERED ACCOUNTANTS

PLACE : BANGALORE

(K. R. GNANOBA)

DATE : 25-05-2002

PARTNER

ANNEXURE TO AUDITOR'S REPORT

(REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE.)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. All the fixed assets have been physically verified by the management. In our opinion the frequency of verification is reasonable. No material discrepancies have been noticed on such verification.
2. None of the Fixed Assets have been revalued during the period.
3. The stocks of Raw materials, Stores, Spare parts and Components have been physically verified at regular intervals by the management. In our opinion, the frequency of the verification is reasonable.
4. In our opinion, the procedure of physical verification of stocks followed by the Management is reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed between the physical stocks and book records at the end of the year have been properly dealt with in the accounts. Besides these minor discrepancies, no material discrepancies have been noticed on physical verification of stocks as compared to book records.
6. In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as the previous year.
7. The Company had taken interest free unsecured loans during earlier years. Interest free unsecured loans from Directors, Relatives and from a Company in which directors are interested are outstanding at the end of the year. No stipulations have been made as regards repayment of these loans. In terms of clause (6) of Section 370 of the Companies Act, 1956, the provisions of the section are not applicable to a Company with