

# TENTH ANNUAL REPORT 2002-2003

VG-Caps<sup>®</sup>



**NCL** NATURAL  
CAPSULES  
LIMITED

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. Karnataka State Industrial Investement &  
 Development Corporation Limited  
 MSIL Building, No. 36, Cunningham 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](mailto:cameo@cameoindia.com)  
 Contact Person : Mrs. G. Lalitha  
 Sr. Manager & Company Secretary  
 ISIN CODE No : INE936B01015

**NATURAL CAPSULES LIMITED****NATURAL CAPSULES LIMITED****NOTICE**

NOTICE is hereby given to all the members of the Company that the Tenth Annual General Meeting will be held on Monday, 29-09-03 at Bangalore Gayana Samaja No. 89, K.R. Road, Bangalore - 560 004. at 10.00 a.m. to transact the following business :-

**ORDINARY BUSINESS :**

1. To consider and adopt the Audited Accounts for the year ended 31st March, 2003 along with the Director's and Auditor's Reports thereon.
2. To appoint a director in the place of Mr S. Gopalan, who retires at this Annual General Meeting and being eligible offers himself for re-appointment.
3. To appoint a director in the place of Mr V. Subramony, who retires at this Annual General Meeting and being eligible offers himself for re-appointment.
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.

**SPECIAL BUSINESS :**

5. To Consider and if thought fit to pass with or without modification the following as an ordinary resolution:-  
 "Resolved that pursuant to the provisions of Section 269,309,198 read with Section XIII and other applicable provisions if any of the Companies Act, 1956, clause 95 of the company's Articles of Association and as suggested by the remuneration committee, Mr. Sunil L. Mundra be and is hereby re-appointed as Managing Director of the company for a period of 5 years with effect from 1/04/2004 on the same terms and conditions of his earlier appointment, except that the remuneration shall be:-  
 a) Rs. 40,000/- p.m. on a time scale of.....40000-7500-70000:-  
 b) Car with the driver for official work  
 c) Medical Reimbursement for self and dependent family members not exceeding one months salary in a year or three months salary in a block of three years.  
 d) LTC once in a year not exceeding one months salary  
 e) P.F. and Gratuity as applicable to the other officers of the company.  
 Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of inadequacy of profits."
6. To Consider and if thought fit to pass without modification the following as on ordinary resolution:-  
 "Resolved that pursuant to the provisions of Section 269,309,198 read with Section XIII and other applicable provisions if any of the Companies Act, 1956, clause 95 of the company's Articles of Association and as suggested by the remuneration committee, Mr. Laxminarayan Mundra be and is hereby re-appointed as Whole-time Director of the company for a period of 5 years with effect from 1/04/2004 on the same terms and conditions of his earlier appointment, except that the remuneration shall be:-  
 a) Rs. 40,000/- p.m. on a time scale of.....40000-7500-70000:-  
 b) Car with the driver for official work  
 c) Medical Reimbursement for self and dependent family members not exceeding one months salary in a year or three months salary in a block of three years.  
 d) LTC once in a year not exceeding one months salary  
 e) P.F. and Gratuity as applicable to the other officers of the company.  
 Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of inadequacy of profits."
7. To Consider and if thought fit to pass with or without modification the following as an ordinary resolution:-  
 "Resolved that pursuant to the provisions of Section 269,309,198 read with Section XIII and other applicable provisions if any of the Companies Act, 1956, clause 95 of the company's Articles of Association and as suggested by the remuneration committee, Mr. Satyanarayan Mundra be and is hereby appointed as Whole-

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time Director of the company for a period of 5 years with effect from 1/10/2003, who shall be in charge of the day to day affairs of the Company's Unit-II at Pondicherry on the following terms and conditions: the remuneration shall be Rs. 35000/- p.m. from 1-10-2003 to 31-3-2004 and thereafter

- a) Rs. 40,000/- p.m. on a time scale of.....40000-7500-70000:-
- b) Car with the driver for official work
- c) Medical Reimbursement for self and dependent family members not exceeding one months salary in a year or three months salary in a block of three years.
- d) LTC once in a Year not exceeding one months salary
- e) P.F. and Gratuity as applicable to the other officers of the company.

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

Date : 01-08-2003  
Place : Bangalore

For and On Behalf of the Board

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 form to be effective shall reach the Registered Office of the Company not less than 48 hours before the meeting.
2. The Members and Transfer Registers will remain closed from 23-09-2003 to 29-09-2003 both days inclusive.
3. Members are requested to bring duly filled-in attendance slips at the time of meeting.
4. Proxy form is attached.

**EXPLANATORY STATEMENT AS PER SECTION 173(2) OF THE COMPANIES ACT, 1956.****Agenda No. 5 & 6 :**

Considering the tremendous contribution made by Mr. Sunil Mundra as Managing Director and Mr. Laxminarayan Mundra as Whole Time Director to the company, which has been achieving excellent performance against all odds and also considering their qualification & experience, it has been decided to renew their appointment when their tenure ends on 31-03-2004. The remuneration committee consisting of independent Directors which has met just before the Board meeting on 26-07-2003 has recommended the scale of pay and the terms of appointment as stated in the resolution for both directors' which has been approved by the Board.

Except Mr. Sunil Mundra, Mr. Laxminarayan Mundra, Mr. Sathyanarayan Mundra and Mr. Sushil Mundra, none of the other directors are interested in this item of business. The terms of appointment as per earlier agreement are available for inspection by members during office hours on any working day at the registered office of the company. Hence the members are requested to cede their consent for the resolution.

**Agenda No. 7:**

In view of the establishment of the second manufacturing unit for capsules at Pondicherry, it has become necessary to appoint one more Whole Time Director to take care of the day to day affairs of the unit. Considering the contributions made by Mr. Satyanarayan Mundra, the promoter director and vice chairman who was associated with the company since inception and also considering his qualification and business background, it was decided to appoint him as Whole Time Director of the company as per the terms of the resolution as recommended by the Remuneration Committee.

Except Mr. Sunil Mundra, Mr. Laxminarayan Mundra, Mr. Sathyanarayan Mundra and Mr. Sushil Mundra, none of the other directors are interested in this item of business. Hence the members are requested to cede their consent for the resolution.

For and On Behalf of the Board

Managing Director

## NATURAL CAPSULES LIMITED

## DIRECTOR'S REPORT

## TO THE MEMBERS

Your directors hereby present the Tenth Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2003.

## 1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under :

	2002-03 (Rs. In Lacs)	2001-02 (Rs. in Lacs)
Net Sales & Other Income	751.85	664.93
Profit before Depreciation and Interest	230.58	154.45
Depreciation & Preliminary exp	63.40	63.42
Interest	35.00	57.01
Profit/ (Loss)	132.18	34.02
Provision for taxation	59.15	7.78
Profit/(Loss) after tax	73.03	26.24

## 2. PERFORMANCE &amp; PROSPECTS :

During the year under review, the company has been able to turn the corner and post a profit of Rs. 132.18 lacs as against the profit of Rs. 34.02 lacs in the previous year, thus wiping out accumulated losses, for the first time. This has enabled the company to plough back an amount of Rs. 158 lacs for funding the acquisition of assets at Pondicherry. Based on the current performance, pending orders on hand and the expanded capacity, your directors are hopeful of achieving a turnover of more than Rs. 10 crores in the current financial year.

## 3. EXPANSION :

For the purpose of expansion of the capacity in the capsules manufacturing segment for which good potential exists, the company acquired assets of M/s Shibi Capsules Ltd comprising of land, plant and machinery, furniture items, office equipment and vehicles under auction sale conducted by the Receiver, M/s Industrial and Technical Consultancy Organisation of Tamil Nadu Limited for a consideration of Rs. 238,00,000/-. The possession of these assets situated at Pondicherry were taken on 22/1/03. After the acquisition the company has commenced trial production of EHGC capsules.

Assets comprising of Land, Building, office equipments and furniture to the extent of Rs. 83.50 lac have been capitalized. Other assets acquired, namely, plant and machinery, is shown under capital work in progress. Further, incidental expenses and depreciation on the assets will be capitalised on commencement of commercial production. With this expansion the installed capacity of Hard Gelatine Capsules shells has increased from 10380 lacs to 17300 lac capsules, which

represents an addition of 66%.

The project cost and the sources of funds are as follows :

## Cost :

Cost of the assets acquisition -Rs. 238.00 lac

## Additional investments

Land & building	30.00
Plant & Machinery	30.00
Other	15.00
	-----
	-Rs. 75.00 lac
	-----
	Rs. 313.00 lac
	-----

## Proposed Sources of Funds :

Term loan from State Bank of India	100.00 lac
Internal Accruals	198.00 lac
Promoters contribution	15.00 lac
(Interest free Unsecured loan-Quasi Equity)	-----
	313.00 lac
	-----

Trial and limited commercial production has commenced in March 2003 and the full scale commercial production is expected to commence by the end of June, 2003.

## 4. DIRECTORS :

During the year under review, Mr S. Gopalan, and Mr. V. Subramony retire at this Annual General Meeting and being eligible, offer themselves for reappointment.

## 5. 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 in the Annexure A

## B. RESEARCH &amp; DEVELOPMENT AND TECHNOLOGY ABSORPTION :

Company is having an ongoing research and development activity to develop value added products.

## C. EXPORTS :

The company has successfully exported gelatine capsules to South east Asian countries and with expanded capacity established at Pondicherry, your directors are hopeful of improving the export turnover.

## D. FOREIGN EXCHANGE, EARNINGS &amp; OUTGO:

Foreign exchange earning	: 12.75 Lacs
Foreign exchange outgo	: 2.08 Lacs

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**6. 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.

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. Management also wishes to place on record its appreciation for the valuable support extended by various Government agencies at Pondicherry.

For and on behalf of the Board

**S. GOPALAN**  
CHAIRMAN

Place : Bangalore  
Date : 29th May 2003

**7. AUDITORS :**

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

**8. REPORT ON CORPORATE GOVERNANCE :**

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

**9. Clause 49 of the listing Agreement :**

- a) During the year under report the trading of the company's securities has not been suspended by any of the stock exchanges with which the shares are listed.
- b) The names and addresses of the stock exchanges with which the company's securities are listed are as follows:
  - i) Bangalore Stock Exchange Ltd, 51, Stock Exchange Towers, 1st Cross, J.C. Road, Bangalore - 560 027.
  - ii) The Stock Exchange Mumbai, Phirozejeejeebhoy towers, Dalal street, Mumbai - 400 001
  - iii) Coimbatore Stock Exchange Ltd, stock exchange building, CSX Towers, 683-686, Trichy Road, Singanallur, Coimbatore - 641 005.
- c) The annual listing fees of the above stock exchanges have been paid.

**ADDENDUM TO THE DIRECTOR'S REPORT**

The Remuneration Committee's meeting was held on 26-7-2003, which was attended by all the members of the committee viz, Mr. S. Gopalan, Dr. C.M. Gurumurthy and Mr. V. Subramony. The committee recommended the re-appointment of both working directors w.e.f. 1-4-2004 for a further period of 5 years, as per the terms of resolutions given in AGM Notice.

The Committee has also recommended Mr. Satyanarayan Mundra as a Whole Time Director who will be incharge of day-to-day affairs of the Company's Unit-II at Pondicherry, w.e.f 1-10-2003 for a period of 5 years as per terms and conditions of the resolution given in AGM Notice.

For and on behalf of the Board

**S. GOPALAN**  
CHAIRMAN

Place : Bangalore  
Date : 26th July 2003

**10. ACKNOWLEDGEMENTS :**

The Management wishes to place on record its sincere thanks and appreciation to Industrial Development Bank of India, Karnataka State Industrial Investment

# NATURAL CAPSULES LIMITED

## ANNEXURE A

### FORM A (SEE RULE 2)

Form for disclosure of particulars with respect to conservation of energy

#### A. POWER & FUEL CONSUMPTION.

			Current Year 2002-2003	Previous Year 2001-2002
1. Electricity:				
a) Purchased :	Units (KWH)		14,82,764	13,76,856
b) Total amount	(Rs. in Lac)		62.31	57.71
c) Rate/Unit	(Rs.)		4.20	4.19
d) Own Generation :				
i) Through diesel generator				
Units	(KWH)		1,60,330	1,63,136
Unit per Ltr. of diesel oil	(KWH)		3.04	2.97
Oil cost/Unit	(Rs.)		5.61	5.64
II) Through Stem turbine/generator			—	—
2. Coal			—	—
3. Furnace oil			—	—
4. Other/Internal generations			—	—

#### B. CONSUMPTION PER UNIT OF PRODUCTION

	EHG Capsules			Veg Capsules		
	Stds. (if any)	Current Year	Previous Year	Stds. (if any)	Current Year	Previous Year
Electricity per lac	—	171	189	—	780	805
Furnace oil	—	—	—	—	—	NA
Coal	—	—	—	—	—	NA
Others	—	—	—	—	—	NA

For and behalf of the Board

S. Gopalan  
Chairman

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**ANNEXURE B**  
**REPORT ON CORPORATE GOVERNANCE**

**1. COMPANY'S PHILOSOPHY :**

The company's philosophy is to establish good corporate governance to ensure accountability, transparency and stakeholder protection.

**2. BOARD OF DIRECTORS :**

Total number of directors is eight, out of which four including the chairman, are non executive directors. The following is the composition of the board as at 31st March, 2003. As per the terms of the listing agreement, in the event of company having a non-executive director as the chairman, it is sufficient to have three independent directors, as against this the company has four independent directors.

Sl.No.	Director	Category of Director	No. of other Directorship	No. of membership / Chairmanship of other board committes
<b>Promoter Directors</b>				
1.	Sunil L Mundra	Managing Director	1	1
2.	Laxminarayan Mundra	Wholetime Director	1	1
3.	Satyanarayan Mundra	Vice chairman	1	1
4.	Sushil Kumar Mundra	Director	1	-
<b>Independent Directors</b>				
1.	S. Gopalan	Chairman	6	4
2.	Dr. C.M. Gurumurthy	Director	-	2
3.	C.P. Rangachar	Director	2	2
4.	V. Subramony	Director	1	1

**2. MEETING AND ATTENDANCE :**

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

Sl.No.	Date of meeting	Board strength	No. of Directors presents
1.	25-05-2002	8	7
2.	26-07-2002	8	7
3.	28-10-2002	8	8
4.	30-12-2002	8	4
5.	25-01-2003	8	5
6.	30-03-2003	8	4

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

Sl. No.	Director	No. of Boards meetings	Attendance at the AGM
1.	S. Gopalan	4	Yes
2.	Dr C.M. Gurumurthy	3	Yes
3.	C.P. Rangachar	5	No
4.	V. Subramony	3	Yes
5.	Sunil L Mundra	6	Yes
6.	Laxminarayan Mundra	4	Yes
7.	Satyanarayan Mundra	5	Yes
8.	Sushil Kumar Mundra	5	Yes

## NATURAL CAPSULES LIMITED

### 5. AUDIT COMMITTEE :

The role of audit committee is to review the internal control procedures, internal audit system, financial reporting process, accounting policies, annual financial statements before submission to the Board and other related aspects. The members of the audit committee are Mr. S. Gopalan, chairman, Mr C.P. Rangachar, and Mr Satyanarayan Mundra. Details of audit committee meetings held during the year are as follows :

Sl. No.	Date of meeting	Committee strength	No. of members presents
1.	28-10-2002	3	3
2.	25-01-2003	3	3

### 6. DETAILS OF ATTENDANCE OF AUDIT COMMITTEE MEETINGS ARE AS FOLLOWS :

Sl. No.	Director	No. of Boards meetings attended
1.	S. Gopalan	2
2.	C.P. Rangachar	2
3.	Satyanarayan Mundra	2

### 7. REMUNERATION OF DIRECTORS :

Remuneration of Executive directors has been determined by the members at the AGM of the company held on 24-8-1998 and remains valid for a period of 5 years with effect from 1-4-1999 to 31-3-2004 with provisions for periodical increments. The details of remuneration drawn by the Executive Directors are as follows :

Sl. No.	Executive Director	Salary	PF contribution	Total Remuneration
1.	Sunil L. Mundra Managing Director	3,60,000/-	12,000/-	3,72,000/-
2.	Laxminarayan Mundra Wholtime Director	3,60,000/-	12,000/-	3,72,000/-
				<u>7,44,000/-</u>

Company has so far not constituted Remuneration committee, however the same will be constituted as and when necessary.

### 8. INVESTORS GRIEVANCE COMMITTEE :

The investors Grievance committee of the company was formed to oversee redressal of shareholder and investor grievances. The composition of Grievance committee is as follows :

1. Dr. C. M. Gurumurthy
2. Mr. Laxminarayan Mundra
3. Mr. Sunil L Mundra,

Dr. C.M. Gurumurthy, non executive director, is the chairman of the committee. Mr. T.S.V. Shiva, Manager-Administration is the compliance officer of the company. Since the committee has been constituted only in March, 2003 no meetings were held during the period under consideration.

### 9. STATUS OF INVESTOR GRIEVANCE / SHARE TRANSFERS AS ON 31-3-2003

1. No. of grievances received : 5
2. No. of grievances redressed : 4
3. No. of grievances pending : 1
4. No. of share transfers pending : Nil