

ELEVENTH ANNUAL REPORT 2003-2004

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NCL NATURAL
CAPSULES
LIMITED

BANGALORE

BOARD OF DIRECTORS :	Srirangam Gopalan	Chairman
	Satyanarayan Mundra	Whole-time Director
	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. 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.
Tel. No. 080-2667 1571/2667 1573
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 : 91-044-8460390 (5Lines)
Fax : 91-044-8460129
Grams : CAMEO
Email : 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 Eleventh Annual General Meeting will be held on Friday, 23-07-04 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, 2004 along with the Director's and Auditor's Reports thereon.
2. To appoint a director in the place of Mr. Satyanarayan Mundra, 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. Sushil Kumar Mundra 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, retires at this annual general meeting and they are eligible for re-appointment.

SPECIAL BUSINESS :

5. To Consider and if thought fit to pass without modification the following as an ordinary resolution:-
 "Resolved that the consent of the company be and is hereby accorded under section 293 (1) (d) and other applicable provisions of the companies Act, 1956 to the Board of Directors of the company to borrow from time to time any sum or sums of money for the purpose of the company's business notwithstanding that the money or money's to be borrowed together with moneys already borrowed by the company (apart from temporary loans obtained from the company's Bankers in the ordinary course of business) may exceed the aggregate for the time being, of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purposes, provided, however, that the total amount to be so borrowed shall not at any time exceed Rs. 20 crores. (Rs. Twenty crores only)

Date : 28-04-2004

For and On Behalf of the Board

Place : Bangalore

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 16-7-2004 to 23-7-2004 (both the days are 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**

The Board of Directors felt the need for increasing the borrowing limits from the existing Rs. 10 crores to Rs. 20 crores, in view of the need for enhanced borrowings to finance current and future expansion projects. Hence this resolution is commended for Members approval. None of the Directors are interested in this item of business.

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DIRECTOR'S REPORT

TO THE MEMBERS

Your directors hereby present the Eleventh Annual Report together with the Audited Accounts of the company for the year ended 31st March 2004.

1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under :

	2003-04 (Rs. In Lacs)	2002-03 (Rs. In Lacs)
Net Sales & Other Income	1045.26	751.85
Profit before Depreciation and Interest	368.34	230.58
Depreciation & Preliminary exp.	74.81	63.40
Interest	30.30	35.00
Profit/ (Loss)	263.23	132.40
Provision for taxation	67.85	59.15
Profit/(Loss) after tax	195.38	73.03

2. PERFORMANCE & PROSPECTS :

During the year under review, the company has earned a Net profit of Rs. 195.38 lacs as against the corresponding Net profit of Rs. 73.03 lacs in the previous year. This has enabled the company to plough back an amount of Rs. 190 lacs for funding the expansion 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. 12 crores in the current financial year.

3. EXPANSION :

During the year under review company commenced full scale commercial production from November 2003 and the plant is operating at 89% of the capacity. The existing factory building at Pondicherry was expanded to accommodate a total of 8 machines. The cost of the expansion project has worked out to Rs. 456 Lacs.

4. DIRECTORS :

During the year under review, Mr. Satyanarayan Mundra & Mr Sushil Kumar Mundra 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.

B. RESEARCH & 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 & OUTGO:

Foreign exchange earning : 54.22 Lacs
Foreign exchange outgo : 6.84 Lacs

6. 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.

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 A & B.

9. CLAUSE 49 OF THE LISTING AGREEMENT :

- During the year under review the trading of the company's securities has not been suspended by any of the stock exchanges with which the shares are listed.
- The names and addresses of the stock exchanges with which the company's securities are listed are as follows:

NATURAL CAPSULES LIMITED

- i) Bangalore Stock Exchange Ltd, 51, Stock Exchange Towers, 1st Cross, J.C. Road, Bangalore - 560 027.
- ii) The Stock Exchange Mumbai, Phirozejeebhoy 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.

10. ACKNOWLEDGEMENTS :

The Management wishes to place on record its sincere thanks and appreciation to Industrial Development Bank of India; 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 : 28th April, 2004

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 2003-04	Previous Year 2002-03
1. Electricity:			
a) Purchased :	Units(KWH)	14,92,112	14,82,764
b) Total amount	(Rs.in lac)	65.65	62.31
c) Rate/Unit	(Rs.)	4.40	4.20
d) Own Generation:			
i) Through diesel generator			
Units	(KWH)	7,50,374	1,60,330
Unit per Ltr.of diesel oil	(KWH)	3.74	3.04
Oil cost/Unit	(Rs.)	6.74	5.61
ii) Through Steam 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	-	165	171	-	765	780
Furnace oil	-	-	-	-	-	-
Coal	-	-	-	-	-	-
Others	-	-	-	-	-	-

For and behalf of the Board

S. Gopalan
Chairman

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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 OF DIRECTORS :

Total number of directors is eight, out of which five including the chairman, are non executive directors. The following is the composition of the board as at 31st March, 2004. 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 one third of the board as independent directors. The company has four independent directors.

Sl.No.	Director	Category of Director	No. of other Directorship	No. of membership / Chairmanship of other board committees
Executive Directors				
1.	Sunil L Mundra	Managing Director	1	1
2.	Laxminarayan Mundra	Wholetime Director	1	1
3.	Satyanarayan Mundra	Wholetime Director	1	1
4.	Sushil Kumar Mundra	Director	1	-
Non- Executive Directors				
1.	S. Gopalan	Chairman	4	3
2.	Dr. C.M. Gurumurthy	Director	-	2
3.	C.P. Rangachar	Director	2	2
4.	V. Subramony	Director	1	1

3. MEETING AND ATTENDANCE :

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

Sl.No.	Date of meeting	Board strength	No. of Directors presents
1.	29-05-2003	8	6
2.	26-06-2003	8	8
3.	29-09-2003	8	8
4.	29-10-2003	8	6
5.	24-01-2004	8	8

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

Sl. No.	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	4	Yes
4.	V. Subramony	5	Yes
5.	Sunil L Mundra	5	Yes
6.	Laxminarayan Mundra	5	Yes
7.	Satyanarayan Mundra	5	Yes
8.	Sushil Kumar Mundra	3	Yes

NATURAL CAPSULES LIMITED**5. AUDIT COMMITTEE /ATTENDENCE:**

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 Dr. C.M.Gurumurthy. Details of Audit committee meetings held during the year are as follows:

Sl. No.	Date of meeting	Committee strength	No. of members presents
1.	29-05-2003	3	2
2.	29-10-2003	3	3
3.	24-01-2004	3	3

Sl. No.	Director	No. of Board meetings attended
1.	S. Gopalan	3
2.	C.P. Rangachar	2
3.	Satyanarayan Mundra (upto29-5-03)	1
4.	Dr. C.M.Gurumurthy (w.e.f.1-10-03)	2

6. 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. In the meeting of the Remuneration Committee held on 26-7-2003, the remuneration of Mr Sunil L Mundra,MD & Mr Laxminarayan Mundra,Whotetime Director were fixed w.e.f 1-4-2004.

The Remuneration of Mr Satyanarayan Mundra , Whotetime Director has been fixed w.e.f 1-10-03. No further meeting of the Remuneration Committee was held during the year under review.

7. REMUNERATION OF DIRECTORS :

Remuneration in respect of Mr Sunil L Mundra,MD and Mr Laxminarayan Mundra, Whotetime Director had been determined by the members at the AGM of the company held on 24.8.1998 and remain valid for a period of 5 years with effect from 1.4.1999 to 31.3.2004 with provision for periodical increments. Further their contract have been renewed for a period of 5 years w.e.f 1-4-2004 to 31-3-2009 in the AGM held on 29-9-2003.

Remuneration of Mr Satyanarayan Mundra was recommended by the Remuneration committee in their meeting held on 26-7-2003 and was approved by the AGM of the company held on 29-9-2003 for a period of 5 years w.e.f. 1-10-2003 to 30-9-2008. The details of remuneration drawn by the Executive Directors for the year 2003-04 are as follows:

Sl. No.	Executive Director	Salary	PF contribution	Total Remuneration
1.	Sunil L. Mundra MD	4,20,000/-	12,000/-	4,32,000/-
2.	Laxminarayan Mundra	4,20,000/-	12,000/-	4,32,000/-
3.	Satyanarayan Mundra	2,10,000/-	6,000/-	2,16,000/-
				<u>10,80,000/-</u>

8. INVESTORS GRIEVANCE 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 Mundra
3. Mr Sunil L Mundra

Details of the meeting held and attendance are as follows:

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Sl. No.	Date of Meeting	Committee Strength	No. of Members Present
1.	29-05-2003	3	3
2.	26-06-2003	3	3
3.	29-09-2003	3	3
4.	29-10-2003	3	3

Dr C.M.Gurumurthy, non executive director, is the chairman of the committee.

Mr K.Rajanna, Manager-Administration is the compliance officer of the company.

9. STATUS OF INVESTOR GRIEVANCE / SHARE TRANSFERS AS ON 31-3-2004

1. No. of grievances received : 6
2. No. of grievances redressed : 6
3. No. of grievances pending : Nil
4. No. of share transfers pending : Nil

10. GENERAL BODY MEETINGS :

Particulars of past three AGMs are as follows :

AGM	YEAR	VENUE	DATE	TIME
8th	2001	Hotel Woodlands, Bangalore - 25	20-9-2001	10.00 am
9th	2002	Hotel Woodlands, Bangalore - 25	26-7-2002	10.00 am
10th	2003	Bangalore Gayana Samaj, Bangalore - 4	29-9-2003	10.00 am

There was no special resolution requiring postal ballot in the last AGM. Similarly no special resolution requiring postal ballot is being proposed before the ensuing AGM.

11. DISCLOSURES :

- a) Details of remuneration to Directors are furnished in para #6 above
- b) Amount paid to M/s Mundra Enterprises, partnership firm in which Mr Sunil L Mundra, Managing Director, is an interested partner, Rs. 1,80,000/- towards the rental charges for the 1200 SFT of office space-rented to the company.
- c) Company bought materials worth Rs.42,000/- at market price from M/s Mundra Enterprises in which the Managing Director Mr. Sunil L Mundra is a partner.
- d) 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.

12. 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 board. The company is having its website posted at www.naturalcapsules.com
- b) MDA, report which forms part of Annual Report is given in Annexure B.

13. 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) The company's shares are eligible for trading only in Demat form and therefore the transfers are online.
- c) **Stock Exchange Listing :**
The company's shares are presently listed on the Mumbai, Bangalore, Coimbatore stock exchanges.
The company has paid annual listing fee to each of these stock exchanges.

NATURAL CAPSULES LIMITED**d) Stock Code :**

Mumbai Stock Exchange Code No. is 524654

e) Market Price Data :

Scrip Code : 524654 Company Name : NATURAL CAPS for the period April 2003 to March 2004

Month	Open (Rs)	High (Rs)	Low (Rs)	Close (Rs)	No. of shares	No. of trades	Net T/o (Rs)
April 03	5.95	7.40	3.90	4.45	10452	101	53053.00
May 03	3.75	5.85	3.75	5.45	14074	124	71788.00
June 03	4.65	6.30	4.25	6.12	9870	69	51007.00
July 03	5.98	12.04	5.05	11.80	42644	363	372482.00
Aug 03	11.80	12.98	10.00	10.65	94232	614	1088962.00
Sep 03	11.55	11.79	9.00	9.00	39556	257	414387.00
Oct 03	9.10	10.40	7.50	9.79	27280	142	247922.00
Nov 03	9.00	10.95	7.26	9.24	38614	194	345402.00
Dec 03	10.16	23.40	9.10	17.00	284931	1170	5203524.00
Jan 04	16.00	19.35	10.55	13.70	116729	710	1730708.00
Feb 04	14.00	18.00	12.55	16.24	84223	532	1247700.00
Mar 04	17.50	19.00	11.00	13.00	80093	418	1039848.00

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 11th Annual General Meeting will be held on Friday 23rd July 2004 at Bangalore.

h) Financial calendar for the year 2004-05 (provisional)

a	Results for the 1st quarter ending 30th June, 2004	By end of July, 2004
b	Results for the 2nd quarter ending 30th Sept., 2004	By end of Oct., 2004
c	Results for the 3rd quarter ending 31st December, 04	By end of Jan., 2005
d	Results (Audited) for the financial year ending 31st March, 2005	By end of May, 2005
e	Annual General Meeting for the year ending March, 2005	By end of July, 2005

i) Dates of Book Closure :

The register of members and share transfer books of the company will remain closed from 16-7-04 to 23-7-04 (both the days inclusive) for the purpose of AGM.

j) Statistics of share holders 2003-04

Year	No. of Shareholders
31-3-2004	5354
31-3-2003	5912

Share holding pattern :

Category	No. of shares	% holding
A. Promoters holding	1751950	50.42
B. Non Promoters holding		
Mutual funds and UTI	10100	0.29