

# TWELFTH ANNUAL REPORT 2004-2005

VG-Caps<sup>®</sup>



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
V. Balaji Bhat	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

## NOTICE

NOTICE is hereby given to the members of the Company that the Twelfth Annual General Meeting will be held on Friday, 29th July 2005, at Kuvempu Kalakshetra, Vokkaligara Sangha, K.R. Road, Bangalore - 560 004, at 11.00 a.m. to transact the following business :-

**ORDINARY BUSINESS :**

1. To consider and adopt the Audited Accounts for the year ended 31st March, 2005 along with the Directors' and Auditor's Reports thereon.
2. To declare a dividend.
3. To appoint a director in the place of Mr. C. P. Rangachar, the retiring Director who being eligible offer himself for re-appointment.
4. To appoint a director in the place of Dr. C.M. Gurusurthy, the retiring Director who being eligible offers himself for re-appointment.
5. 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 re-appointment.

**SPECIAL BUSINESS :**

6. To Consider and if thought fit to pass with or without modification the following as an ordinary resolution:-  
"Resolved that a notice having been received under section 257 read with section 190 of the companies Act, 1956, from a member, Mr. V. Balaji Bhat, be and is hereby appointed as a Director of the Company, whose period of office shall be subject to retirement by rotation".

Date : 29th July 2005

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 to be effective shall reach the Registered Office of the Company not less than 48 hours before the meeting.
2. Members are requested to bring duly filled-in attendance slips at the time of meeting.
3. The members and transfer registers will remain closed from Saturday 23rd July 2005 to Friday, 29th July 2005 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31-3-2005. Dividends if declared will be paid to those members whose names appear in the register of members as on 29-7-2005.
4. Proxy form is attached.

**EXPLANATORY STATEMENT AS PER SECTION 173(2) OF THE COMPANIES ACT, 1956****AGENDA No. 6**

Mr. Balaji Bhat is a Chartered Accountant, Management Consultant and Director in a number of Companies. Considering his rich experience as a professional and his exposure in business and industry, he was co-opted as an additional Director. As such he vacates office at this AGM. A notice has been received from a member u/s 257 read with sec.190 of the Companies Act, 1956, proposing his appointment as a Director. Hence the resolution is commended for member's approval.

## DIRECTOR'S REPORT

## TO THE MEMBERS

Your directors hereby present the Twelfth Annual Report together with the Audited Accounts of the company for the year ended 31st March 2005.

## 1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under :

	2004-05 (Rs. In Lacs)	2003-04 (Rs. In Lacs)
Net Sales & Other Income	1199.86	1045.26
Profit before Depreciation and Interest	358.63	368.34
Depreciation & Preliminary exp	81.20	74.81
Interest	2.41	30.30
Profit/ (Loss)	253.02	263.23
Provision for taxation	106.92	67.85
Profit/(Loss) after tax	146.10	195.38
Transfer to Reserve	3.65	---

## 2. PREFORMANCE &amp; PROSPECTS :

During the year under review, the company has earned a Net profit (after tax) of Rs. 146.10 lacs as against the corresponding Net profit of Rs. 195.38 lacs in the previous year. This has enabled the company to plough back an amount of Rs.130.00 lacs for funding the second expansion at Pondicherry. The performance of the company during the last quarter was affected because of poor offtake of capsules by pharma industry due to uncertainties in their sales arising out of introduction of VAT and Excise duty on MRP. Further erosion in margin due to competition in domestic market, coupled with reduction in export market for the company led to reduction in net profits for the year.

## 3. DIVIDEND :

Having regard to the profits earned, liquidity position and the need for conservation of resources for expansion, your Directors are pleased to recommend a maiden dividend of 10% payable pro rata, for the year ended 31-3-2005 for the members whose names appear in the register of members as on the date of AGM..viz 29.7.2005.

## 4. CAPITAL :

During the year under consideration, company has increased its Authorised Capital from Rs.4 crores to Rs.5 crores and paid up capital from Rs.347.47 lac to Rs.428.27 lacs, with Share premium of Rs. 161.60 lacs by issue of 8,08,000 Equity Shares of Rs.10/- each at a premium of Rs.20/- each. The final approval for the listing of the above said shares on the Mumbai Stock Exchange has been received.

## 5. EXPANSION :

During the year under review company acquired 5 capsule making machines at a cost of approx. Rs.185 lacs. The total cost of commissioning these would be around Rs. 405 lacs. The same has been funded partly by Preferential issue of Equity Shares, new term loan and internal accruals.

## 6. DIRECTORS :

Mr C.P.Rangachar & Dr C.M.Gurumurthy retire at this Annual General Meeting and being eligible, offer themselves for reappointment. Mr V.Balaji Bhat Chartered accountant and Management consultant was co opted to Board as an Additional Director. As such he vacates office at this AGM. A notice has been received from a member proposing his appointment as a regular director at this AGM and he is eligible for appointment as a Director.

## 7. 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 &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 mainly South East Asian countries and with second expansion being established at Pondicherry, your directors are hopeful of improving the export part.

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

Foreign exchange earning : Rs. 64.41 Lacs

Foreign exchange outgo : Rs. 4.57 Lacs

## 8. 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.

## 9. AUDITORS :

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

## 10. REPORT ON CORPORATE GOVERNANCE :

As per clause 49 of the listing agreement with Stock Exchanges, Report on Corporate Governance, Management Discussion & Analysis, and Auditor's Certificate regarding compliance of conditions of

## NATURAL CAPSULES LIMITED

Corporate Governance form part of the Annual Report and the same are in the Annexure A & B.

**11. CLAUSE 49 OF THE LISTING AGREEMENT :**

- a) During the year under report the trading of the company's securities has not been suspended by the Stock Exchanges with whom the shares are listed.
- b) The names and addresses of the Stock Exchanges with whom 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, 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

**12. Particulars of employees under sec.217 (2A) :**

As there is no employee drawing a remuneration of Rs.24 Lacs or more for the year or Rs.2 Lacs or more per month during the part of the year, no details are given as per Companies (Particulars of Employees) Rules, 1975.

**13. 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

Place : Bangalore  
Date : 26th May, 2005

**S. GOPALAN**  
CHAIRMAN

**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 2004-05	Previous Year 2003-04
1	Electricity:		
a)	Purchased :		
b)	Total amount	Units(KWH) 22,40,023	14,92,112
c)	Rate/Unit	(Rs.in lac) 88.54	65.65
d)	Own Generation:	(Rs.) 3.95	4.40
i)	Through diesel generator		
	Units	(KWH) 7,22,036	7,50,374
	Unit per Ltr.of diesel oil	(KWH) 3.65	3.74
	Oil cost/Unit	(Rs.) 6.45	6.74
ii)	Through Steam turbine/generator	-	-
2	Coal	-	-
3	Furnase 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	-	177	165	-	723	765
Furnase oil	-	-	-	-	-	-
Coal	-	-	-	-	-	-
Others	-	-	-	-	-	-

For and behalf of the Board

**S. Gopalan**  
Chairman

**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 nine out of which six including the chairman, are non executive directors. The following is the composition of the Board as at 31<sup>st</sup> March, 2005. 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 five independent directors.

Sl.No.	Director	Category of Director	No. of other Directorship	No. of membership / Chairmanship of other board committes
<b>Executive Directors</b>				
1.	Sunil L Mundra	Managing Director	1	1
2.	Laxminarayan Mundra	Wholetime Director	1	1
3.	Satyanarayan Mundra	Wholetime Director	1	1
<b>Non- Executive Directors</b>				
1.	S. Gopalan	Chairman	4	1
2.	Dr. C.M. Gurumurthy	Director	-	2
3.	C.P. Rangachar	Director	2	2
4.	V. Subramony	Director	1	1
5.	V. Balaji Bhat	Director	9	4
6.	Sushil Kumar Mundra	Director	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 present
1.	28-04-2004	8	8
2.	16-06-2004	8	4
3.	23-07-2004	8	6
4.	20-10-2004	8	8
5.	29-11-2004	8	8
6.	29-01-2005	9	9

**4. ATTENDANCE OF DIRECTORS AT THE BOARD MEETING 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	4	Yes
5.	Sunil L Mundra	6	Yes
6.	Laxminarayan Mundra	6	Yes
7.	Satyanarayan Mundra	6	Yes
8.	Sushil Kumar Mundra	6	Yes
9.	V. Balaji Bhat	1	N.A



**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 present
1.	28-04-2004	3	3
2.	20-10-2004	3	3
3.	29-01-2005	3	3

Sl. No.	Director	No. of meetings attended
1.	S. Gopalan	3
2.	C.P. Rangachar	3
3.	Dr. C.M.Gurumurthy	3

**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. There were no circumstances warranting the meeting of remuneration committee during the year under consideration.

**7. REMUNERATION OF DIRECTORS :**

The details of remuneration drawn by the Executive Directors for the year 2004-05 are as follows:

Sl. No.	Executive Director	Salary	PF contribution	Total Remuneration
1.	Sunil L. Mundra	4,80,000/-	12,000/-	4,92,000/-
2.	Laxminarayan Mundra	4,80,000/-	12,000/-	4,92,000/-
3.	Satyanarayan Mundra	4,80,000/-	12,000/-	4,92,000/-
				<u>14,76,000/-</u>

**8. INVESTOR'S 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:

Sl. No.	Date of Meeting	Committee Strength	No. of Members Present
1.	28-04-2004	3	3
2.	16-06-2004	3	3
3.	20-10-2004	3	3
4.	29-01-2005	3	3

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

Mr K.A. Nagendra, Manager-Accounts, is the compliance officer of the company.

## TWELFTH ANNUAL REPORT 2004-2005

**9. STATUS OF INVESTOR GRIEVANCE / SHARE TRANSFERS AS ON 31-3-2005**

1. No. of grievances received : 25
2. No. of grievances redressed : 25
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
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
11th	2004	Bangalore Gayana Samaj, Bangalore - 4	23-7-2004	10.00 am

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

During the year under review, an Extra-ordinary General Meeting was held on 18-11-2004 for consideration of Preferential issue of Equity shares.

**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, & Satyanarayan Mundra, Wholetime Director are interested partners, Rs. 2,16,000/- 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 or any 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](http://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.
- d) **Stock Code :**  
Mumbai Stock Exchange Code No. 524654



## NATURAL CAPSULES LIMITED

## e) Market Price Data :

Scrip Code : 524654 Company Name : NATURAL CAPS for the period April 2004 to March 2005

Month	Open (Rs)	High (Rs)	Low (Rs)	Close (Rs)	No. of shares traded	No. of trades	Net T/o (Rs)
April 04	12.00	19.50	12.00	18.23	100214	678	15,48,790
May 04	18.40	20.80	13.05	14.50	88403	539	14,77,588
June 04	13.54	15.35	12.75	12.80	47081	255	6,40,112
July 04	13.11	18.98	12.92	16.20	64835	456	10,49,839
Aug 04	16.20	23.50	15.10	19.30	121450	910	22,40,139
Sep 04	19.35	24.50	18.70	22.80	164032	1147	34,49,187
Oct 04	22.00	37.00	21.05	32.70	644921	5261	20,189,978
Nov 04	32.70	64.00	32.70	47.65	1171778	10128	61,886,745
Dec 04	48.00	53.20	41.10	44.15	196997	2042	91,12,367
Jan 05	46.00	47.50	40.00	46.00	169171	1360	73,11,471
Feb 05	45.10	47.50	41.45	45.00	176402	1403	79,29,307
Mar 05	44.90	46.85	36.10	40.25	181145	677	78,96,200

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 12th Annual General Meeting will be held on Friday, the 29th July, 2005 at Bangalore.

## h) Financial calendar for the year 2005-06 (provisional)

a	Results for the 1st quarter ending 30th June, 2005	By end of July, 2005
b	Results for the 2nd quarter ending 30th Sept., 2005	By end of Oct, 2005
c	Results for the 3rd quarter ending 31st December, 05	By end of Jan, 2005
d	Results (Audited) for the financial year ending 31st March, 2006	By end of May, 2005
e	Annual General Meeting for the year ending March, 2006	By end of July, 2006

## i) Dates of Book Closure :

The register of members and share transfer books of the company will remain closed from 23-7-05 to 29-7-05 (both the days inclusive) for the purpose of declaration of dividend at AGM.

## j) Statistics of share holders 2004-05

Year	No. of Shareholders
31-3-2004	5354
31-3-2005	4805

## Share holding pattern :

Category :	No. of shares	% holding
A. Promoters holding	1921639	44.87
B. Non Promoters holding :		
Mutual funds and UTI & FII	434546	10.15
Private corporate bodies	192543	4.50
Indian public	1589645	37.12