

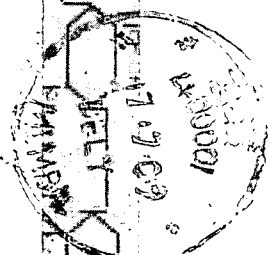
# SIXTEENTH ANNUAL REPORT 2008-2009

**VG-Caps<sup>®</sup>**



**NCL** NATURAL  
CAPSULES  
LIMITED

**BANGALORE**



**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  
V. Subramony Director  
V. Balaji Bhat 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

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

Notice is hereby given to all the members of the company that the 16th Annual General Meeting of the company will be held on Thursday, the 30th day of July 2009 at the Bangalore Gayana Samaja, K.R.Road, Basavanagudi, Bangalore - 560 004 at 10.30 A.M. to transact the following business:-

1. To consider and adopt the Audited Accounts for the period ended 31<sup>st</sup> March 2009, along with Directors' and Auditor's Reports thereon;
2. To declare a dividend.
3. To appoint a Director in the place of Mr.S.Gopalan, the retiring Director, who being eligible, offers himself for re-appointment.
4. To appoint a Director in the place of Mr.V.Balaji Bhat, 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 AGM and they are eligible for re-appointment.

For and on behalf of the Board,

Place : Bangalore  
Date : 30-05-2009

(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 should reach the Registered office not less than 48 hours before the Meeting.
2. Member register and transfer register will remain closed from 27<sup>th</sup> July, 2009 to 30<sup>th</sup> July, 2009 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31/03/2009.
3. Members are requested to bring duly filled in attendance slips at the time of meeting.
4. Proxy form is attached.
5. Explanatory Statement as per Section 173(2) of the Companies Act 1956 :-

**Information about other appointees :-**

1. Mr S. Gopalan is a top ranking Chemical Engineer with high academic honours and was executive director of IDBI. He has been the Chairman of this company for 15 years and has guided and steered several other companies too to great heights of success with his wide exposure, knowledge and capability. He has been of immense value for the company.
2. Mr V. Balaji Bhat is a Chartered Accountant and has been of high value for the Company. He is Chairman and Director of several other companies.

## SIXTEENTH ANNUAL REPORT 2008-2009

## DIRECTOR'S REPORT

## TO THE MEMBERS

Your directors hereby present the Sixteenth Annual Report together with the Audited Accounts of the company for the year ended 31<sup>st</sup> March 2009.

## 1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under:

	2008-09 (Rs. In lacs)	2007-08 (Rs. In lacs)
Sales & other income	2605.64	2033.01
Profit before Depreciation and interest	745.06	552.67
Depreciation & Preliminary exp	118.19	112.22
Interest	9.84	11.98
Profit/(Loss) before tax	616.33	428.47
Provision for taxation	213.72	140.47
Deferred tax	5.12	22.27
Profit/(Loss) after tax	397.51	265.73
Amount transferred to reserves	9.94	6.48

## 2. PERFORMANCE &amp; PROSPECTS :

During the year under review, the company's turnover increased by 29% and the company has earned a Net profit (before tax) of Rs.616.33 lacs as against the corresponding net profit of Rs.428.47 lacs in the previous year. The available profit has enabled the company to plough back an amount of Rs. 362.44 lacs for funding the ongoing expansion at Pondicherry. The export turnover of the company has increased by 40% during the year under consideration. Though there is drop in sales realization and rupee appreciation during current year, with the commissioning of additional machineries in phases in the current year, your Director's are hopeful of maintaining the performance.

## 3. SHARE WARRANTS :

The option on convertible Share Warrants issued to Promoters to the extent of Rs. 144 lacs was not exercised by the Promoters during the year under consideration, due to depressing capital market situation. However the same has not affected the funding of expansion due to ploughing back of the internal accruals.

## 4. IMPLEMENTATION OF ERP :

During the year under consideration, the company has successfully implemented SAP as the ERP solution, costing around Rs 52 lacs which will optimize the resource utilization of the company.

## 5. PERFORMANCE CREDIT RATING :

Your Directors are pleased to inform you that the Company has obtained "CRISIL" rating of "SE-1A" indicating HIGHEST PERFORMANCE CAPACITY AND HIGH FINANCIAL STRENGTH.

## 6. DIVIDEND:

Considering the need for conservation of resources for ongoing expansion, your Directors are pleased to

recommend a dividend of Rs 1.20 per equity share of Rs 10/- each for the year ended 31-3-2009 for the members whose names appear in the register of members as on the date of AGM viz., 30.7.2009.

## 7. EXPANSION :

During the year under consideration, the company has imported 9 capsule making machines costing Rs 612 lacs which will result in increasing the capacity from 3.6 billion to 7.35 billion capsules per annum. Out of these machines, one machine has already been commissioned. Civil works to accommodate additional machinery are expected to be completed by December 2009 and commissioning of all machinery is expected to be completed by June 2010.

## 8. DIRECTORS :

Mr.S.Gopalan and Mr.V.BalajiBhat, retire at this Annual General Meeting and being eligible, offer themselves for re-appointment.

## 9. DISCLOSURE OF PARTICULARS AS PER BOARD'S REPORT RULES1988 :

## A. CONSERVATION OF ENERGY

The particular 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 been successfully exporting Gelatine capsules to many countries across the world. During the year under review, export growth was more than that of last year. The trend is likely to be maintained in the coming year in spite of prevailing global recession.

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

Foreign exchange earning : Rs. 382.72 lacs  
Foreign exchange outgo : Rs. 4.90 ..

## 10. 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

**NATURAL CAPSULES LIMITED**

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 and they are eligible for re-appointment.

**12. REPORT ON CORPORATE GOVERNANCE :**

A separate review 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:
  - i) Bangalore Stock Exchange Ltd, 51, Stock Exchange Towers, 1<sup>st</sup> cross, JC Road, Bangalore 560 027
  - ii) Bombay Stock Exchange Limited, PJ 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

**14. 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 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**

**S. GOPALAN  
CHAIRMAN**

**Place : Bangalore  
Date : 30<sup>th</sup> May, 2009**

**ANNEXURE TO DIRECTOR'S REPORT**

**FORM A ( SEE RULE 2)**

Form for disclosure of particulars with respect to conservation of energy

**POWER & FUEL CONSUMPTION:**

		Current Year 2008-09	Previous Year 2007-08
1. Electricity:			
a) Purchased :	Units(KWH)	47,24,716	37,23,960
b) Total amount	(Rs.in lac)	162.28	122.01
c) Rate/Unit	(Rs.)	3.43	3.57
d) Own Generation:			
i) Through diesel generator			
Units	(KWH)	3,15,636	1,87,244
Unit per Ltr.of diesel oil(KWH)		3.17	3.23
Oil cost/Unit	(Rs.)	0.65	0.75
ii) Through Stem turbine/generator		-	-
2. Coal		-	-
3. Furnase oil		-	-
4. Other/Internal generations		-	-

**SIXTEENTH ANNUAL REPORT 2008-2009****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 of Capsules (KWH)	-	118.85	135.82	-	721	625
Furnace 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 STRENGTH AND REPRESENTATION :**

As at 31<sup>st</sup> March, 2009, the Board consisted of nine 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 Directors	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

**NATURAL CAPSULES LIMITED****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.	30-05-2008	9	7
2.	30-07-2008	9	8
3.	25-10-2008	9	8
4.	17-11-2008	9	6
5.	30-01-2009	9	8

**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	4	Yes
3. C.P.Rangachar	3	Yes
4. V.Subramony	5	Yes
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	Nil	No



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## 5. OTHER DIRECTOR SHIP :

Name of Directors	No. of other Directorship excluding NCL	Membership of committee including NCL	
		Membership	Chairmanship
1. S.Gopalan	1	-	1
2. Dr C.M.Gurumurthy	Nil	1	-
3. C.P.Rangachar	5	3	2
4. V.Subramony	1	-	-
5. Sunil L Mundra	1	1	-
6. Laxminarayan Moondra	1	1	-
7. Satyanarayan Mundra	1	-	-
8. Sushil Kumar Mundra	1	-	-
9. V.Balaji Bhat	7	2	3

## 6. RELATIONSHIP AMONGST PROMOTER DIRECTORS :

Sr no.	Name of Promoter Director	Other Promoter Directors	Relation between Director and other Directors
1	Laxminarayan Moondra	Satyanarayana Mundra Sunil L Mundra Sushil Kumar Mundra	Brother Son Son
2	Satyanarayan Mundra	Laxminarayan Moondra Sunil L Mundra Sushil Kumar Mundra	Brother Brother's son Brother's son
3	Sunil L Mundra	Laxminarayan Moondra Satyanarayan Mundra Sushil Kumar Mundra	Father Father's brother Brother
4	Sushil Kumar Mundra	Laxminarayan Moondra Satyanarayan Mundra 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 as follows :

- i. Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial information is correct, sufficient and credible.
- ii. Approve payment for any other services by statutory auditors.
- iii. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - a) Matters required to be included in the Director's responsibility statement included in the report of the Board of Directors.
  - b) Any changes in accounting policies and practices.
  - c) Major accounting entries based on exercise of judgement by management
  - d) Qualifications in draft audit report.
  - e) Significant adjustments arising out of audit
  - f) Compliance with listing and other legal requirements concerning financial statements.
  - g) Any related party transactions.
- iv. Reviewing with the management the quarterly financial statements before submission to the Board for approval.
- v. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- vi. Reviewing the adequacy of internal audit function.
- vii. Discussions with internal auditors any significant findings and follow up thereon.
- viii. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- ix. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- x. To review the functioning of the Whistle Blower mechanism.
- xi. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- xii. Review the following information :
  - a) Management Discussion and Analysis of Financial Condition and Results of Operations.
  - b) Internal audit reports relating to internal control weaknesses.
  - c) Management letter / letter of internal control weakness issued by statutory/internal auditors.
  - d) Statement of significant related party transactions.
  - e) The appointment, removal and terms of remuneration of the Internal auditor shall be subject to review by the Audit committee.

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 are as follows :

Sl no.	Date of meeting	Committee strength	No. of members present
1.	30-05-2008	3	2
2.	30-07-2008	3	3
3.	25-10-2008	3	3
4.	30-01-2009	3	3

Director	No. of meetings attended
Mr S. Gopalan	4
Mr C. P. Rangachar	3
Dr C. M. Gurumurthy	4

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### 8. 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 circumstance 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 2008-09 are as follows :

			(Rs. In lacs)
Directors	Sitting fees	Salary and perquisites	Total
Executive Directors :			
1. Sunil L Mundra	-	13.90	13.90
2. Laxminarayan Moondra	-	13.90	13.90
3. Satyanarayan Mundra	-	13.90	13.90
Non Executive Directors :			
1. S. Gopalan	0.90	-	0.90
2. Dr. C.M.GuruMurthy	0.80	-	0.80
3. V. Subramony	0.50	-	0.50
4. C.P. Rangāchar	0.60	-	0.60
5. V. Balaji Bhat	-	-	-
6. Sushil Kumar Mundra	0.50	-	0.50

#### Notes :

1. The salary and perquisites include all fixed elements of remuneration i.e. salary and other allowances and benefits.
2. The company does not pay bonus and any incentives to the executive directors.
3. The company has not entered into any pecuniary relationship or transactions with the non-executive directors.
4. The company had issued o promoters convertible share warrants to the extent of Rs. 144 lacs, however the same were not exercised by them.

#### Details of Service Contract

Names	Current tenure	From	To
Sunil L Mundra	3 years	01.06.2008	31.5.2011
Laxminarayan Moondra	3 years	01.06.2008	31.5.2011
Satyanarayan Mundra	3years	01.06.2008	31.5.2011

There is no provision for notice period by either side mentioned in the service contract.

### 10. INVESTOR'S GRIEVANCES COMMITTEE :

The Investor's 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	30-05-2008	3	2
2	30-07-2008	3	3
3	25-10-2008	3	3
4	30-01-2009	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.