

EIGHTEENTH ANNUAL REPORT 2010-2011

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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

NOTICE

Notice is hereby given to all members of the Company that the 18th Annual General Meeting of the Company will be held on Wednesday, 27th July 2011 at Bangalore Gayana Samaja, K R Road, Basavanagudi, Bangalore - 560 004 at 10.00AM to transact the following business:-

ORDINARY BUSINESS:

1. To consider and adopt the Audited Accounts for the period ended 31st March 2011 along with Director's and Auditor's Report.
2. To declare a dividend.
3. To appoint a Director in place of Mr. C. P. Rangachar, the retiring Director, who being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. C. M. Gurusamy, the retiring Director, who being eligible, offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration. M/s Gnanoba and Bhat, Chartered Accountants, Bangalore retire at this AGM and they are eligible for re- appointment.

SPECIAL BUSINESS:

- i. To consider and if thought fit to pass with or without modification the following as a Special Resolution:

"Resolved that pursuant to the provisions of Sections.269, 309 and 19 read with Schedule.XIII and all other applicable provisions if any of the Companies Act, 1956, Clause 95 of the company's Articles of Association and subject to the approval of Central Government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are hereby authorized to accept, the consent of the Company be and is hereby granted for the reappointment of Mr Sunil L Mundra, as Managing Director of the Company w.e.f 01.06.2011 for a period of three years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per following terms:-

- (a) Salary of Rs 2,25,000/-pm on the scale of pay of Rs 2,25,000-15,000-2,55,000
- (b) Car with the driver for official work.
- (c) Medical re-imbursement for self and dependent family members not exceeding one month's salary in year or three months' salary in block of three years.
- (d) LTC once in a year not exceeding one month's salary for self and dependent members of family.
- (e) P F and Gratuity as applicable to the other officers of the Company.
- (f) Commission of 1% on profit."

"Resolved further that the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits/inadequacy of profits except that commission will not be paid."

- ii. To consider and if thought fit to pass with or without modification the following as a Special Resolution:

"Resolved that pursuant to the provisions of Sections.269, 309 and 19 read with Schedule.XIII and all other applicable provisions if any of the Companies Act, 1956, Clause 95 of the company's Articles of Association and subject to the approval of Central Government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are hereby authorized to accept, the consent of the Company be and is hereby granted for the reappointment of Mr Lakshminarayan Mundra, Wholetime Director of the Company w.e.f 01.06.2011 for a period of three years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per following terms:-

- (a) Salary of Rs 1,75,000/-pm on the scale of pay of Rs 1,75,000-15,000-2,05,000
- (b) Car with the driver for official work.
- (c) Medical re-imbursement for self and dependent family members not exceeding one month's salary in year or three months' salary in block of three years.

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- (d) LTC once in a year not exceeding one month's salary for self and dependent members of family.
- (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 profits/inadequacy of profits except that commission will not be paid."

iii. To consider and if thought fit to pass with or without modification the following as a Special Resolution:

"Resolved that pursuant to the provisions of Sections.269, 309 and 19 read with Schedule.XIII and all other applicable provisions if any of the Companies Act, 1956, Clause 95 of the company's Articles of Association and subject to the approval of Central Government if necessary, and such modifications and conditions as the Central Government may direct or suggest and which the Board of Directors are hereby authorized to accept, the consent of the Company be and is hereby granted for the reappointment of Mr Satyanarayan Mundra, as Managing Director of the Company w.e.f 01.06.2011 for a period of three years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per following terms:-

- (a) Salary of Rs 1,75,000/-pm on the scale of pay of Rs 1,75,000-15,000-2,05,000
- (b) Car with the driver for official work.
- (c) Medical re-imbursement for self and dependent family members not exceeding one month's salary in year or three months' salary in block of three years.
- (d) LTC once in a year not exceeding one month's salary for self and dependent members of family.
- (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 profits/inadequacy of profits".

Place : Bangalore

Date : 28-05-2011

For and on behalf of the Board

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 shall be effective to reach the Registered office not less than 48 hours before the meeting.

2. Member Register and Transfer Register will remain closed from 22nd July 2011 to 27th July 2011 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31-03-2011.

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 Company's Act 1956.

6. The Board of Directors felt the need for increasing the remuneration being paid to Managing Director and Whole time Directors considering their significant contributions towards the performance of the Company. Keeping in mind the following factors which are relevant to the revision of salary while re-appointing them as Managing Director / Whole time Directors.

I. General Information:

The Company is an existing unit of Pharma Industry manufacturing capsules and had commenced and expanded commercial production from time to time which has resulted in significant increase in turn over which has reached to Rs. 3452 lakhs. The Company had a sustained and steady growth in terms of turnover which has increased by 17% though there is marginal dip in profit as compared to previous year. The Company has also increased it's export performance by 21% in the year ended 31-03-2011.

II. Information about the appointees:

a) Mr Sunil L Mundra is a Chartered Accountant with over 25 years of experience in Pharma Industry which includes 18 years of experience as Managing Director of NCL. He is responsible for entire commercial operations and the backbone of marketing activities. He is in charge of day to day affairs of the Company subject to the supervision and control of Board of Directors. Under his able stewardship the company is scaling new heights and is in last phase of completion of its prestigious expansion programme in Pondicherry Unit. Now it is proposed to reappoint him with revised remuneration as stated in the resolution. The proposed remuneration compares well but still below the remuneration being paid to the Managing Director in the industry in a company of our size which is around Rs 3,50,000/- per month. The Managing Director is related to Mr Laxminarayan Mundra and Mr Satyanarayan Mundra who are the whole time Directors of the Company.

b) Mr Laxminarayan Mundra is a seasoned businessman with over four decades of experience in business out of which over 15 years is with this company as wholetime Director. His perfect control over finance, HR and Management issues have immensely helped the company and his vast experience is a treasure in formulating policies of the company. He is a commerce graduate.

Now it is proposed to reappoint him with revised remuneration as stated in the resolution. The proposed remuneration is below than what is being paid to the Executive / Finance Directors of other companies in the same industry. Mr Laxminarayan Mundra is related to Managing Director and Mr Satyanarayan Mundra, the whole time Director of the Company.

c) Mr Satyanarayan Mundra is an experienced businessman with over four decades of experience in business out of which over 15 years is with this company as wholetime Director. He is responsible for quality control of products, logistics management and project co-ordination. He is a live wire in and among the dedicated leaders of the company. Now it is proposed to reappoint him with revised remuneration as stated in the resolution. The proposed remuneration is below than what is being paid to the Executive / Finance Directors of other companies in the same industry. Mr Satyanarayan Mundra is related to Managing Director and Mr Laxminarayan Mundra, the whole time Director of the Company.

Information about the other appointees.

1. Mr C P Rangachar is a qualified Engineer with widest of exposure and has traveled to most of the countries in the world and is the Chairman of M/s Sai India Ltd and Yuflow Engineering Pvt Ltd. He is also the Managing Director of M/s Yuken India limited and Director of 5 other companies besides NCL. He is a member in Audit / Shares committee of 3 other companies. His expertise, timely advice and active involvement in spite of his tightest of schedules are invaluable asset to the company.
2. Dr C M Gurumurthy is a highly respected medical practitioner and renowned ENT Surgeon. He was on the panel of various committees and boards and has worked with topmost intellectuals of the country including present Prime Minister of India, Dr Manmohan Singh. He was also the Vice-Chancellor of Devraj Urs University, Kolar.

DIRECTOR'S REPORT**TO THE MEMBERS :**

Your directors hereby present the Eighteenth Annual Report together with the Audited Accounts of the company for the year ended 31st March 2011.

1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under:

	2010-11 (Rs. In lacs)	2009-10 (Rs. In lacs)
Sales & other income	3,453.96	2,948.98
Profit before Depreciation and interest	931.87	817.41
Depreciation & Preliminary exp	187.33	145.87
Interest	80.76	30.53
Profit/(Loss) before tax	663.79	641.00
Provision for taxation	174.51	205.72
Deferred tax	40.92	8.71
Prior period expenses	1.60	-
Profit/(Loss) after tax	446.76	426.56
Amount transferred to reserves	11.17	10.66

2. PERFORMANCE & PROSPECTS :

During the year under review, the company's turnover increased by 17% and the company has earned a Net profit (before tax) of Rs 663.79lacs as against the corresponding net profit of Rs 641.00lacs in the previous year. An amount of Rs.665lacs was ploughed back from profits for funding the ongoing expansion at Pondicherry. The exports of the company has increased by 21% during the year under consideration. Though the sales turnover has increased by 17%, there was slight dip in profit as compared to previous year, mainly due to increase in depreciation and interest on account of commissioning of New machines and credit facilities.

3. PERFORMANCE CREDIT RATING:

Your Directors are pleased to inform you that the Company has obtained "CRISIL" rating of "SME-1" indicating HIGHEST PERFORMANCE CAPACITY AND HIGH FINANCIAL STRENGTH for third successive year

4. DIVIDEND:

While 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 31-3-2011 the members whose names appear in the register of members as on the date of AGM viz., 27-7-2011.

5. EXPANSION:

During the year under consideration, the company has installed four imported machinery at Pondicherry. 5 out of

9 machines have been commissioned and balance 4 are at various stages of commissioning. With the commissioning of all these machines the installed capacity of the company will increase to 7.35 billion capsules per annum.

6. DIRECTORS:

Mr C P Rangachar and Dr C M Gurumurthy, Directors retire at this Annual General Meeting and being eligible, offer themselves for re-appointment.

7. DISCLOSURE OF PARTICULARS AS PER BOARD'S REPORT RULES 1988:**A. CONSERVATION OF ENERGY:**

The particular 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. FOREIGN EXCHANGE, EARNINGS & OUTGO:

Foreign exchange earning : Rs. 563.65 lacs
Foreign exchange outgo : Rs. 16.95 "

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. It is proposed to re-appoint them.

10. REPORT ON CORPORATE GOVERNANCE:

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

11. Clause 49 of the Listing Agreement:

- 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, 1st cross, JC Road, Bangalore 560 027
- ii) The Stock Exchange Mumbai, PJ Towers, Dalai 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.

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

Place: Bangalore
Date: 28th May, 2011

S.GOPALAN
CHAIRMAN

12. 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

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 2010-11	Previous Year 2009-10
1. Electricity:			
a) Purchased :	Units(KWH)	60,17,966	52,84,711
b) Total amount	(Rs.in lacs)	239.30	188.89
c) Rate/Unit	(Rs.)	3.98	3.57
d) Own Generation:			
i) Through diesel generator			
Units	(KWH)	3,98,204	3,90,754
Unit per Ltr.of diesel oil(KWH)		3.11	3.28
Oil cost/Unit	(Rs.)	0.63	0.41
ii) Through Stem turbine/generator		-	-
2. Coal		-	-
3. Furnase oil		-	-
4. Other/Internal generations		-	-

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)	-----	136.39	134.14	-----	675	710
Furnace oil						
Coal						
Others						

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 31st March, 2011, 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 Director	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

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 & reviews 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.	22-05-2010	9	9
2.	30-07-2010	9	9
3.	23-10-2010	9	8
4.	28-01-2011	9	9

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	4	Yes
2. Dr C.M.Gurumurthy	4	Yes
3. C.P.Rangachar	4	Yes
4. V.Subramony	4	Yes
5. Sunil L Mundra	4	Yes
6. Laxminarayan Mundra	4	Yes
7. Satyanarayan Mundra	4	Yes
8. Sushil Kumar Mundra	4	Yes
9. V.Balaji Bhat	3	No

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 :

Sl. No.	Name of Promoter Director	Other Promoter Directors	Relation between Director and Other Directors
1.	Sri Laxminarayan Moondra	Sri Satyanarayana Mundra Sri Sunil L Mundra Sri Sushilkumar Mundra	Brother Son Son
2.	Sri Satyanarayan Mundra	Sri Laxminarayan Moondra Sri Sunil L Mundra Sri Sushilkumar Mundra	Brother Brother's son Brother's son
3.	Sri Sunil L Mundra	Sri Laxminarayan Moondra Sri Satyanarayan Mundra Sri Sushilkumar Mundra	Father Father's brother Brother
4.	Sri Sushilkumar Mundra	Sri Laxminarayan Moondra Sri Satyanarayan Mundra Sri Sunil L Mundra	Father Father's brother Brother