

NINETEENTH ANNUAL REPORT

2011-2012

VG-Caps®



NCL NATURAL
CAPSULES
LIMITED

BANGALORE

CHAIRMAN'S ADDRESS



Dear Shareholders,

I am happy to announce that your Company has completed yet another successful and fruitful financial year on 31st March 2012. When I look back thru the happenings of last one year I get a mixed feeling. The year was of high achievement in spite of challenging conditions on cost factors of raw material, hike in power and fuel costs, increase in maintenance and overheads and administration costs. We had cyclone menace during December 2011 which only added to our woes. In spite of these adversities there has been increase in sales and other income, progress of expansion on planned lines, retention of SME Credit rating for fourth successive year justifying the faith reposed by you on your Company.

The Company also proposes to increase the dividend for the year and looks forward to your continued support and best wishes.

I thank you one and all.

Srirangam Gopalan
Chairman

FROM MANAGING DIRECTOR'S DESK



Dear Shareholders,

I am glad and privileged to present the saga of yet another satisfying financial year 2011-12. When the world is reeling under financial crisis your Company has achieved the increase in turn over of almost 30%. The sales and other income have reached Rs 4,459 lakhs and we have continued with plough back of Rs 539 lakhs towards expansion and international financial crisis, raw material shortage have not bothered us much. We have installed one of the improvised machines as a pilot plant and necessary modifications will be carried on remaining 3 machines too to increase the capacity to 7.35 billion capsules per annum.

The exchange fluctuation has also contributed its bit and we have come out unscathed in spite of difficult situation and propose to declare a dividend of Rs 1.50 per equity share if approved during AGM.

I am obliged to have your valuable suggestions and sure of your continued co-operation.

Sunil L Mundra
Managing Director



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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

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FINANCIAL HIGHLIGHTS (8 YEARS)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Sales & Other Income	1199.86	1571.26	1782.62	2033.01	2605.64	2948.98	3453.96	4459.17
Exports	66.74	170.23	193.35	272.82	382.72	507.90	615.17	605.92
P B T	253.02	357.85	360.09	428.47	616.33	641.00	663.79	772.26
P A T	146.10	239.97	246.19	265.73	397.51	426.56	446.76	506.87
E P S	3.87	5.60	5.75	5.75	8.83	9.00	10.00	11.26
Dividend per share (Rs)	1.0	1.0	1.0	1.0	1.0	1.2	1.2	1.5
Reserves & Surplus	515.64	700.94	897.03	1161.57	1495.85	1859.2	2242.95	2671.33
Share Capital	428.27	428.27	428.27	450.27	450.27	450.27	450.27	450.27
Share holders fund	943.91	1129.21	1325.30	1611.84	1946.12	2309.47	2693.22	3121.6
R O I	15.48	21.25	18.58	16.49	20.43	18.47	16.59	16.24

NOTICE

Notice is hereby given to all members of the Company that the 19th Annual General Meeting of the Company will be held on Thursday, 26th July 2012 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 2012 along with Director's and Auditor's Report.
2. To declare a dividend.
3. To appoint a Director in place of Mr. S. Gopalan, the retiring Director, who being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. V. Balaji Bhat 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:

6. To consider and if thought fit to pass with or without modification, the following as a Special Resolution : " Resolved that pursuant to Sec. 209 (4) (b) and other applicable provisions if any, of the companies act. 1956, remuneration by way of commission not exceeding 1% of the net profits be paid to Non Executive Directors for a period of 3 years from the current financial year 2011-12 and that Mr. Sunil L Mundra, Managing Director be authorised to take all step necessary for giving effect to this resolution."

Place : Bangalore

Date : 26-05-2012

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's Register and Transfer Register will remain closed from 24th July 2012 to 26th July 2012 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31-03-2012.
3. Members are requested to bring duly filled-in attendance slips at the time of meeting.
4. Proxy form is attached.
5. **Information about the appointees:**
 - A Mr. S. Gopalan is a top ranking Chemical Engineer with high academic honours and was executive director of Industrial Development Bank of India. He has been the Chairman of this Company for 18 years and has guided and steered several other companies too to great heights of success with his wide exposure, vision, knowledge and capability. He has been the knowledge bank of the Company.
 - B Mr. V. Balaji Bhat is a Chartered Accountant and has been of immense value to the company with his financial expertise and updated knowledge of statutory matters. He is also director of many other companies.
6. **Explanatory Statement as per Section 173(2) of the Company's Act 1956.**

Regarding agenda 6 of Special Business, the Board in its meeting held on 26-5-2012 decided to recommend a remuneration not exceeding 1% on net profits to Non-Executive Directors including Independent Directors, considering their valuable contribution to the progress of the Company. The Company owes its growth and comfortable financial position due to the expert advice, constant interaction and guidance given by these Directors, who have rich experience, qualification and technical expertise. Hence, the resolution is commended for members approval. All Directors may be taken as interested Directors in this item of Business.

DIRECTOR'S REPORT

TO THE MEMBERS :

Your directors are pleased to present the Nineteenth Annual Report together with the Audited Accounts of the company for the year ended 31st March 2012.

1. FINANCIAL RESULTS :

The Comparative financial results for the period are as under:

	2011-12	2010-11
	(Rs. In lacs)	(Rs. In lacs)
Sales & other income	4,459.17	3,453.96
Profit before Depreciation and interest	1,177.29	931.87
Depreciation & Preliminary exp	270.30	187.33
Interest	134.73	80.76
Profit/(Loss) before tax	772.26	663.79
Provision for taxation	232.55	174.51
Deferred tax	10.53	40.92
Prior period expenses	22.29	1.60
Profit/(Loss) after tax	506.87	446.76
Amount transferred to reserves	25.34	11.17

2. PERFORMANCE & 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. 772 lacs as against the corresponding net profit of Rs. 664 lacs in the previous year. An amount of Rs. 539 lacs was ploughed back from profits for funding the ongoing expansion at Pondicherry. The exports of the company has remained almost at same level due to difficult situations on international front. Though the sales turnover has increased by 29%, the profit after tax has increased by only 16% mainly due to increase in raw material costs, depreciation, interest, fuel and power costs etc.

3. FLUCTUATION IN FOREIGN EXCHANGE.

The Company has benefited to an extent of Rs. 28 lacs owing to foreign exchange fluctuation.

4. 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 fourth successive year.

5. DIVIDEND:

While considering the need for conservation of resources for ongoing expansion, your Directors are pleased to recommend a dividend of Rs. 1.50 per equity share of Rs 10/- each for the year ended 31-3-2012, to the

members whose names appear in the register of members as on the date of AGM viz., 26-7-2012.

6. EXPANSION:

During the year under consideration, the company has improvised / modified one of the imported machines and installed it as Pilot plant. Company is yet to commission 3 machines out of 9 machines imported earlier. With the commissioning of all these machines the installed capacity of the company will increase to 7.35 billion capsules per annum.

7. DIRECTORS:

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

8. 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 as per details given in Form-B attached to this report.

C. FOREIGN EXCHANGE, EARNINGS & OUTGO:

Foreign exchange earning : Rs. 640.66 lacs
Foreign exchange outgo : Rs. 23.29 lacs

9. 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.

10. AUDITORS:

M/S. Gnanoba & Bhat, Chartered Accountants, Bangalore retire at the ensuing Annual General Meeting. It is proposed to re-appoint them.

11. REPORT ON CORPORATE GOVERNANCE:

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

12. 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, 1st cross, JC Road, Bangalore 560 027
 - ii) The Stock Exchange Mumbai, 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.

13. AUDITOR'S REMARKS:

- (a) Reg. Para 9(b), (c) of Annexure to Auditors Report,

relating to disputed excise and income tax liabilities, the management is of the view that the Company is likely to win the appeal.

- (b) Reg. Para 9 (d) of the report, the management is of the view that the liability on account of above said statutory dues are insignificant.

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: 26th May, 2012

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 2011-12	Previous Year 2010-11
1. Electricity:			
a) Purchased :	Units(KWH)	79,44,502	60,17,966
b) Total amount	(Rs.in lacs)	320.62	239.30
c) Rate/Unit	(Rs.)	4.03	3.98
d) Own Generation:			
i) Through diesel generator			
Units	(KWH)	4,24,236	3,98,204
Unit per Ltr. of diesel oil(KWH		3.31	3.11
Oil cost/Unit	(Rs.)	0.67	0.63

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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 of Capsules (KWH)	-----	144.25	136.39	-----	NA	675

FORM-B

Form of Disclosure of particulars with respect to technology absorption and Research and Development.
Research and Development (R&D) and benefits derived thereon.

a. Specific areas in which R&D carried out by the Company.

- Development of new and better quality of Capsules.
- Development of new processes and technologies for Capsules generation.
- Introduced new and wide range of Capsules for different applications.
- Development of Capsules of different sizes for various applications.

b. Benefits derived as result of the above R&D

- Improved delivery pattern to benefit in formulation development.
- Newer design of capsules to give wider choice for customer marketing.

c. Future Plan & Action

- Development of temperature and bacterial resistant capsules through purified galactomenon (derived from guar gum).
- Development of new and better quality of Capsules.
- Development of Capsules of PVA (Polyvinyle acrylamide) for moisture resistance.
- Development of Enteric coated capsules (Delayed dissolution capsules).
- Development of new processes and technologies for Capsules generation.
- Introduce new and wide range of Capsules for different applications.
- Development of Capsules of different sizes for various applications.

d. Expenditure on R&D

	2011-12 (Rs. In lacs)	2010-11 (Rs. In lacs)
Capital Expenditure	125.25	60.92
Recurring Expenditure	70.96	42.88
Total R&D Expenditure	196.21	103.80
 R&D Expenditure as a percentage of Turn Over	 4.40	 3.00

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, 2012, 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.

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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.	28-05-2011	9	8
2.	27-07-2011	9	8
3.	22-10-2011	9	8
4.	30-01-2012	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	4	Yes
2. Dr. C. M.Gurumurthy	4	Yes
3. C. P. Rangachar	4	Yes
4. V. Subramony	2	Yes
5. Sunil L Mundra	4	Yes
6. Laxminarayan Mundra	4	Yes
7. Satyanarayan Mundra	4	Yes
8. Sushil Kumar Mundra	3	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	Nil	Nil	1
2. Dr. C. M.Gurumurthy	Nil	1	Nil
3. C. P. Rangachar	5	3	2
4. V. Subramony	1	Nil	Nil
5. Sunil L Mundra	1	1	Nil
6. Laxminarayan Moondra	1	1	Nil
7. Satyanarayan Mundra	1	Nil	Nil
8. Sushil Kumar Mundra	1	Nil	Nil
9. V. Balaji Bhat	7	2	3