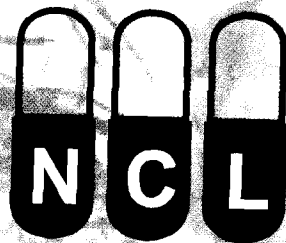


TWENTIETH ANNUAL REPORT

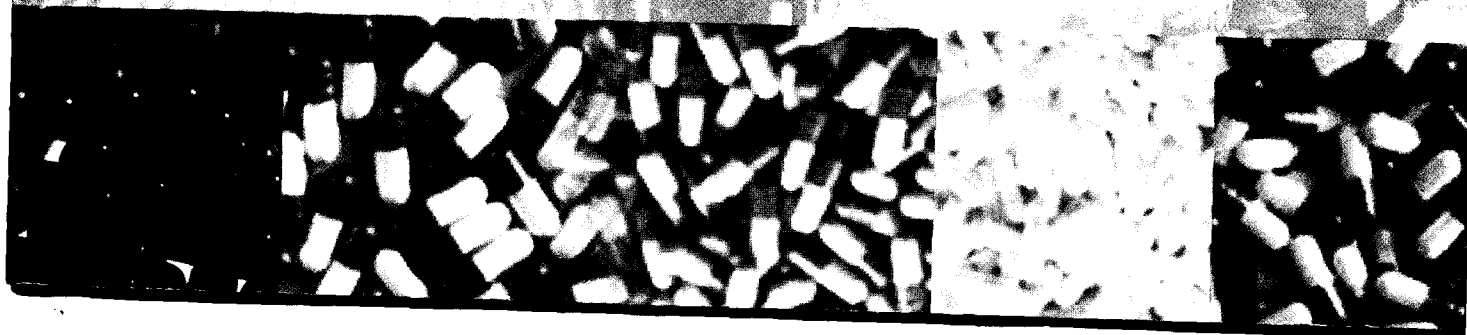
2012-2013

VG-Caps®



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LIMITED

BANGALORE



CHAIRMAN'S ADDRESS



Dear Shareholders,

I am announcing with immense pleasure the completion of yet another financial year which has ended on 31st March 2013. The financial year had been of lot of challenges and opportunities etc and your Company faced the situations with aplomb and courage and the result is there for all of you to see. There has been raise in sales and turn over though there has been marginal dip in percentage of profit before tax.

In spite of hike in operational cost, overheads and bank charges, the growth of company has continued unperturbed. The rating companies have reaffirmed their faith in your company and have awarded very high rating for short term and long term financial stability for fifth continuous year.

The company intends to maintain the same rate of dividend and confidently looks forward for your continued support.

Thank you,

Srirangam Gopalan
Chairman

FROM MANAGING DIRECTOR'S DESK



Dear Shareholders,

I am happy to present the working results for the financial year 2012-13. It has been a year of mixed performances. Even though our top line has grown by over 22% our profit before tax has decreased by 5.50%. We are relentlessly working to arrest this slide. The sales and other income have reached Rs 5,419 lakhs and we have continued to plough back of Rs. 555 lakhs towards the expansion. The raw material supply source is a matter of concern and we are looking for alternate supply sources. In the coming financial year we will complete our current expansion project at Pondicherry plant and the same will give incremental revenue.

Despite difficult situation on the cash flow front, we propose to declare a dividend of Rs 1.50 per equity share, if approved during the AGM.

I will be much obliged to have your valuable suggestions and look forward for your continued support.

Sunil L Mundra
Managing Director

TWENTIETH ANNUAL REPORT 2012-2013



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

Contents

1. Board of Directors	: 1
2. Financial Highlights	: 2
3. Notice	: 3
4. Director's Report	: 4
5. Auditor's Report	: 17
6. Balance Sheet	: 21
7. P & L Account	: 33
8. Cash Flow Statement	: 40
9. Proxy Form	: 43

FINANCIAL HIGHLIGHTS (8 YEARS)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Sales & Other Income	1,571.26	1,782.62	2,033.01	2,605.64	2,948.98	3,453.96	4,459.17	5,418.89
Exports	170.23	193.35	272.82	382.72	507.90	615.17	605.92	1,432.36
P B T	357.85	360.09	428.47	616.33	641.00	663.79	772.26	729.41
P A T	239.97	246.19	265.73	397.51	426.56	446.76	506.87	633.11
E P S	5.60	5.75	5.75	8.83	9.00	10.00	11.26	14.06
Dividend per share (Rs.)	1.00	1.00	1.00	1.00	1.20	1.20	1.50	1.50
Reserves & Surplus	700.94	897.03	1,161.57	1,495.85	1,859.20	2,242.95	2,671.33	3,225.95
Share Capital	428.27	428.27	450.27	450.27	450.27	450.27	450.27	450.27
Share holders fund	1,129.21	1,325.30	1,611.84	1,946.12	2,309.47	2,693.22	3,121.60	3,676.22
R O I	21.25	18.58	16.49	20.43	18.47	16.59	16.24	17.22

NOTICE

Notice is hereby given to all members of the Company that the 20th Annual General Meeting of the Company will be held on Thursday, 25th July 2013 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 2013 along with Director's and Auditor's Report.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Sushilkumar Mundra, the retiring Director, who being eligible, offers himself for re appointment.
4. To appoint a Director in place of Dr. C. M. Gurumurthy 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.

Place : Bangalore

Date : 25-05-2013

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 23rd July 2013 to 25th July 2013 (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31-03-2013.
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.

Information about the appointees:

1. Mr. Sushilkumar Mundra, is a seasoned businessman and is associated with the company from the very beginning and is instrumental in every way with the progress of NCL. His guidance and regular involvement is one of the guiding force in the company.
2. Dr. C. M. Gurumurthy is a highly respected and well known ENT Surgeon. He has been associated with high intellectuals of the country like Dr. Manmohan Singh, Prime Minister of India, and Mr. Azim Premji, the CEO of M/s. Wipro Ltd. Recently he has visited China as a member of delegation of Government of India.

DIRECTOR'S REPORT

DIRECTOR'S REPORT

TO THE MEMBERS

Your directors hereby present the twentieth Annual Report together with the Audited Accounts of the company for the year ended 31st March 2013.

1. FINANCIAL RESULTS:

The Comparative financial results for the period are as under:

	2012-13	2011-12
	(Rs. In lacs)	(Rs. In lacs)
Sales & other income	5,418.89	4,459.17
PBDI	1,163.97	1,177.29
Depreciation & Preliminary exp	311.13	270.30
Interest	123.43	134.73
Profit/(Loss) before tax	729.41	772.26
Provision for taxation	190.05	232.55
Deferred tax	(20.99)	10.53
Prior period taxes	(72.75)	22.29
Profit/(Loss) after tax	633.11	506.87
Amount transferred to reserves	31.66	25.34

2. PERFORMANCE & PROSPECTS:

During the year under review, the company's turnover increased by 22.22% and the company has earned a Net profit (before tax) of Rs 729.41lacs as against the corresponding net profit of Rs 772.26 lacs in the previous year. An amount of Rs.554.62 lacs was ploughed back from profits for funding the ongoing expansion at Pondicherry. The export turnover of the company has increased significantly due to continuous efforts being made by sales team. At the same time even though the overall sales turnover has increased by 22.22%, the profit before tax has decreased by 5.54%, mainly due to increase in all input costs.

3. FLUCTUATION IN FOREIGN EXCHANGE: The Company has benefitted to an extent of Rs 23.16 lacs owing to foreign exchange fluctuation.

4. PERFORMANCE CREDIT RATING:

Your Directors are pleased to inform you that the Company has obtained "ICRA" rating of "A3 +" indicating short term and long term financial stability. This has helped in reduction in interest rate charged by the Company's bankers.

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 31-3-2013 for the members whose names appear in the register of members as on the date of AGM viz., 25.7.2013.

6. EXPANSION:

During the year under consideration the company has commissioned one of the imported machines after modification. Company is yet to commission 2 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 V. Subramony has resigned as a Director effective from 15/05/2013 due to his ill health and the Board wishes to place on record his invaluable contribution to the company in his capacity as Director. Dr C M Gurumurthy and Mr Sushilkumar Mundra, 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 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 as per details given in Form-B attached to this report.

C. FOREIGN EXCHANGE, EARNINGS & OUTGO DURING THE YEAR:

Foreign exchange earning : Rs.1,211.53 Lacs
Foreign exchange outgo : Rs. 51.43 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.

9. AUDITORS:

M/S. Gnanoba & Bhat, Chartered Accountants, Bangalore retire at the ensuing Annual General Meeting. Being eligible for re-appointment, 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.
- The names and addresses of the Stock Exchanges with which the company's Securities are listed are as follows:
 - Bangalore Stock Exchange Ltd, 51, Stock Exchange Towers, 1st cross, JC Road, Bangalore 560 027.
 - The Stock Exchange Mumbai, PJ Towers, Dalal Street, Mumbai-400 001.
- Coimbatore Stock Exchange Ltd. with whom company's Securities were listed earlier, has informed the Company that they have ceased to exist from 4th April 2013.

- The annual listing fees of the above Stock Exchanges have been paid.

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 continued 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: 25th May, 2013**

**ANNEXURE TO DIRECTOR'S REPORT
FORM A (SEE RULE 2)**

Form of disclosure of particulars with respect to conservation of energy.

POWER & FUEL CONSUMPTION

		Current year 2012-13	Previous year 2011-12
1. Electricity			
a) Purchased:	Units(KWH)	77,27,307	79,44,502
b) Total amount	(Rs. In lakhs)	384.15	320.62
c) Rate/Unit	(Rs)	4.97	4.03
d) Own generation:			
i) Through diesel generator	Units(KWH)	16,20,373	4,24,236
KWH per litre of diesel oil		2.98	3.31
Oil cost/unit	(Rs)	0.69	0.67
ii) Through Stem turbine/generator		-	-

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)	135	155.32	144.25	500	NA*	675
Others	---	---	---	---	---	---

* During the year 2012-13, there was no production of Veg capsules.

For & on behalf of the Board

**S.GOPALAN
CHAIRMAN**

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.

- i. Development of new and better quality of Capsules.
- ii. Development of new processes and technologies for Capsules generation.
- iii. Development of Enteric coated capsules (Delayed dissolution capsules)
- iv. Development of Capsules of different sizes for various applications.

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

- i. Improved delivery pattern to benefit in formation development.
- ii. Started Temperature resistant capsules.

c. Future Plan & Action

- i. Development of temperature and bacterial resistant capsules through purified galactomenon (derived from guar gum).
- ii. Development of new and better quality of capsules.
- iii. Development of new processes and technologies for Capsule generation.
- iv. Introduce new and wide range of Capsules for different applications.
- v. Development of capsules of different sizes for various application.

d. Expenditure on R&D

	2012-13 (Rs. In lacs)	2011-12 (Rs. In lacs)
Capital Expenditures	53.30	125.25
Recurring	73.84	70.96
Total R&D Expenditure	127.14	196.21
 R&D Expenditure as a percentage of Turn Over	 2.35	 4.40

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, 2013, 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 (*) Since resigned.

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.

TWENTIETH ANNUAL REPORT 2012-2013**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

SL No.	Date of meeting	Board strength	No. of Directors present
1.	26-05-2012	9	9
2.	26-07-2012	9	9
3.	30-10-2012	9	8
4.	21-01-2013	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 Moondra	4	Yes
7. Satyanarayan Mundra	4	Yes
8. Sushil Kumar Mundra	4	Yes
9. V. Balaji Bhat	4	No

5. OTHER DIRECTORSHIP :

Name of Directors	Number of Directorship excluding NCL	Membership of committee including NCL	
		Membership	Chairmanship
1. S. Gopalan	Nil	1	1
2. Dr. C. M. Gurumurthy	Nil	1	Nil
3. C. P. Rangachar	4	3	2
4. V. Subramony	Nil	1	Nil
5. Sunil L Mundra	1	1	Nil
6. Laxminarayan Moondra	1	1	11
7. Satyanarayan Mundra	1	Nil	Nil
8. Sushil Kumar Mundra	1	Nil	Nil
9. V. Balaji Bhat	5	3	2