

17th

**ANNUAL
REPORT**

2011-12

SOURCE NATURAL

FOODS AND HERBAL SUPPLEMENTS LIMITED

BOARD OF DIRECTORS:

MR. ARVIND VARCHASWI N.	MANAGING DIRECTOR
MR. NARAYANAN NARASIMHAN	NON-EXECUTIVE CHAIRMAN & DIRECTOR
MR. GOWRA SRINIVAS	INDEPENDENT DIRECTOR
MR. NIKHIL SEN	INDEPENDENT DIRECTOR
MR. SRIRAM CHANDRASEKARAN	INDEPENDENT DIRECTOR
MR. RAMESH CHANDRA AGARWAL	INDEPENDENT DIRECTOR
MR. DIGVIJAY CHOUDARI	INDEPENDENT, ADDITIONAL DIRECTOR
MR. CHANDRAKANT L. RATHI	INDEPENDENT, ADDITIONAL DIRECTOR

REGISTERED OFFICE	PLOT NO. 22 & 23, SVCIE, BACHUPALLY, QUTHBULLAPUR MANDAL, HYDERABAD – 500 090
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INVESTORS CONTACT EMAIL ID	investor_relations@source-natural.com
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AUDITORS	VIJAY NARAYAN AND CO., CHARTERED ACCOUNTANTS, 5-4-776, 1 ST FLOOR, LANE OPP. G. PULLAREDDY SWEETS, STREET NO. 4, ABIDS, HYDERABAD – 500 001.
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SHARE TRANSFER AGENTS	VENTURE CAPITAL & CORPORATION INVESTMENTS PRIVATE LIMITED, 12-10-167, BHARATNAGAR, HYDERABAD – 500 018.
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NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of Members of **SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED** will be held on Monday the 27th Day of September, 2012 at 11.00 AM at Crystal Palace, Hotel Fortune Manohar, Begumpet, Hyderabad – 500 016 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance sheet as on 31st March, 2012 and the Audited Profit and Loss Account for the year ended 31st March, 2012 together with reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Sriram Chandrasekaran who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Nikhil Sen, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint the Auditors and fix their Remuneration and for this purpose pass the following resolution as Ordinary resolution:-

"RESOLVED THAT M/s. VIJAY NARAYAN & CO., Chartered Accountants, Hyderabad, retiring auditors of the Company be and are hereby re- appointed as Auditors of the Company pursuant to the provisions of Section 224 of the Companies Act, 1956 to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the company be and are hereby authorized to fix their remuneration including for other services and out of pocket expenses"

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. C. L. Rathi, who was appointed as an Additional Director with effect from December 26, 2011 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article No. 97 of Article of Association of the Company and who holds office up to the date of this Annual General Meeting, and in respect of whom a notice has been received from a Member in writing, under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a director of the company liable to retire by rotation."

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Digvijay Choudari, who was appointed as an Additional Director with effect from December 26, 2011 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article No. 97 of Article of Association of the Company and who holds office up to the date of this Annual General Meeting, and in respect of whom a notice has been received from a Member in writing, under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a director of the company liable to retire by rotation."

Place: Hyderabad

Date: August 14, 2012

For Source Natural Foods And Herbal Supplements Limited

By Order of the Board

Sd/-

Arvind Varchaswi N.

Managing Director

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
2. Proxy Form duly executed should be deposited at the Registered Office of the Company at least FORTY EIGHT hours before the commencement of the meeting.
3. The Register of Members and Share Transfer Books shall remain closed from September 20, 2012 to September 27, 2012 (both days inclusive) for the purpose of Annual General Meeting.
4. Members are requested to notify their change of address, if any.
5. Members, who are holding shares in identical order of names in more than one folio, are requested to write to the Company to enable the Company to consolidate their holdings in one folio.
6. Members are requested to write to the Company for any queries, regarding Accounts, so as to reach the Company at least ten days before the meeting, to enable the management to keep the information ready at the Meeting.
7. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of Item Nos. 5 and 6 is annexed hereto.

Explanatory Statement**(pursuant to Section 173(2) of the Companies Act, 1956)****Item No. 5**

Mr. C. L. Rathi was appointed as an Additional Director of the Company with effect from December 26, 2011 by the Board of Directors of the Company. As per the provisions of Section 260 of the Companies Act, 1956, Mr. C. L. Rathi holds office up to the date of forthcoming Annual General Meeting. The Company has received notice in writing under Section 257 of the Companies Act, 1956, along with a requisite deposit, proposing his candidature for the office of Director liable to retire by rotation.

Mr. C. L. Rathi is holding Directorship in the following companies:-

- Advanced Enzyme Technologies Limited.
- Atharva Capital Ventures Private Limited
- Chandrakant Rathi Finance And Investment Company Private Limited
- Advanced Vital Enzymes Limited
- Advanced Enzytech Solutions Limited

None of the Directors of the Company except Mr. C. L. Rathi is in any way concerned or interested in this Resolution.

The Board of Directors of your Company is of the opinion that his appointment would be beneficial to the Company and hence recommend the Resolution at item no. 5 for your approval.

Item No. 6

Mr. Digvijay Choudari was appointed as an Additional Director of the Company on December 26, 2011 with effect from December 26, 2011 by the Board of Directors of the Company. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Digvijay Choudari holds office up to the date of forthcoming Annual General Meeting. The Company has received notice in writing under Section 257 of the Companies Act, 1956, along with a requisite deposit, proposing his candidature for the office of Director liable to retire by rotation.

Mr. Digvijay Choudari is also holding Directorship in the following company:-

- Sri Sumeru Realty Private Limited

None of the Directors of the Company except Mr. Digvijay Choudari is in any way concerned or interested in this Resolution.

The Board of Directors of your Company is of the opinion that his appointment would be beneficial to the Company and hence recommend the Resolution at item no. 5 for your approval.

BRIEF PROFILES OF DIRECTORS SEEKING RE- APPOINTMENT OR BEING APPOINTED:

Mr. Sriram Chadrasekharan

Mr. Sriram Chadrasekharan is Engineering graduate from BITS, Pilani and a Management graduate from IIM, Lucknow. He has been associated with Tata Administrative Services at Leadership cadre and has worked as GM (Sales & Marketing) with Taj Group of Hotels, Manager (Brand)Tata Sons and Manager (Marketing) with Tata Motors. He has also been Business Productivity Advisor with Microsoft Corporation and, is now the Chief Executive Officer and Director with Broadvision Group of companies specializing in Brand advisory services and People transformation strategies. He brings a rich marketing branding experience of over 15 years to the Company.

Mr. Nikhil Sen

Mr. Nikhil Sen is a Management Post Graduate having about 30 years of business experience, He started as Management trainee with Britannia Industries Limited and rose to the position of COO. He has been instrumental in many path breaking strategies at Britannia, including the launch of the now famous TIGER brand. He is now the Managing Director of Unibic Biscuits India Private Limited. He brings to the Company very rich experience in launching multi brand products, FMCGs etc which will enable the Company immensely to launch consumer products.

Mr. C. L. Rathi

Mr. C. L. Rathi a graduate in Chemical Engineering has been in the business of enzymes from the past 30 years. He started his career with the manufacturing of papain enzyme later he established Advanced Enzymes Technologies Limited which is one of the top 10 enzyme manufacturing Companies.

A stalwart in the field of enzymes, Mr Rathi has been called upon for many special assignments. These include:-

- 1) Consultant to the Kerala State Government on the formation of Kerala's biotechnology policy in 2003.
- 2) Speaker at the DECHEMA conference 2005 at Frankfurt for 'White Biotechnology' to discuss the potential of industrial biotechnology. Sharing the dais with Kiran Mazzumdar Shaw and others in the field of research, Mr Rathi was called upon by the Government of India to share his views on India's progress and growth in the area of Biotechnology.
- 3) Panelist at the CII seminar on "Bio Business Opportunities in Maharashtra" exchanging notes with Ernst and Young, ICICI Bank and MIDC.

Mr. Digvijay Choudari

Mr. Digvijay Choudari has completed his graduation from Indian Institute & Technology, Bombay and MS in Electrical & Computer Engineering from 'The University of Texas at Austin'. He has expertise in various arenas like Project Management, Business Development, Negotiation and Contracts Management. He has widely travelled and attended as faculty at various conferences and seminars on youth empowerment.

He is director in Sri Sumeru Realty Private Limited and has undertaken various prestigious construction projects successfully.

DIRECTORS' REPORT

To,
Members,
Source Natural Foods and Herbal Supplements Limited.

Your Directors are pleased to present 17th Annual Report of the Company together with Audited Balance Sheet and Profit and Loss Account for the year ended 31st March 2012.

1. FINANCIAL RESULTS:

(Rs. Lakhs)

Particulars	31.03.2012	31.03.2011
Sales	1,54,93,397	45,19,785
Profit/ (Loss) before exceptional and extraordinary items and tax	(48,34,991)	(1,30,04,720)
Exceptional Items	16,78,845	-
Profit before extraordinary items and tax	-	-
Extraordinary Items	-	-
Tax expenses	-	-
Net Profit/Loss) carried to Balance Sheet	(65,13,836)	(1,30,04,720)
Earnings Per Share (Basic/ Diluted)	(1.45)	(2.89)

2. OPERATIONS:

The Total revenue of the Company for the year ended 31st March, 2012 was Rs. 1,54,93,397 which has increased approximately 3.4 times when compared to the Total revenue of the previous year which was Rs. 45,19,785/-. The increase in revenue is due to the increased sales. The loss of the Company has decreased from Rs. 1,30,04,720 to 65,13,836 in the current financial year. The Company has made an additional investment of Rs. 10,50,000 in the plant & machinery during the current year as the Company intends to improvise and standardise the production process.

3. CHANGE OF NAME:

During the year, the name of the company has changed from 'Inwinex Pharmaceuticals Limited' to 'Source Natural Foods and Herbal Supplements Limited' vide special resolution passed by the members of the Company through Postal Ballot on May 17, 2012 and approval of the Registrar of Companies, Andhra Pradesh granted on June 06, 2012.

4. FUTURE OUTLOOK:

Company's vision is to make the Ayurveda reach the mass across the globe. Your Company focuses on such products which will bring Ayurveda in to individual's daily diet. We provide various Ayurvedic products in form of medicines and herbal supplements.

The Company intends to focus on the standardisation of production and related processes. It also intends to invest in the Research and Development to achieve wider product portfolio.

4. DIVIDEND:

In view of the losses suffered during the year and in order to conserve resources, your Directors do not recommended any Dividend for the Financial year ended 31.03.2012.

5. DIRECTORS:

Pursuant to the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Sriram Chandrasekaran and Mr. Nikhil Sen retire by rotation at the conclusion of the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

During the year, Mr. Chandrakant Laxminarayan Rathi and Mr. Digvijay Choudhari have given their consents to act as Directors and pursuant to Section 264, the Board appointed them as Additional Directors in their meeting held on December 26, 2011 and their term expires at the ensuing Annual General Meeting. The Board recommends their appointment as

Directors by passing the requisite resolutions at the ensuing Annual General meeting. Notices have been received from a Member in writing, under Section 257 of the Companies Act, 1956, proposing their candidature for the office of a Director.

The profiles of Directors retiring by rotation and of those proposed to be appointed are given elsewhere in the Annual Report.

6. AUDITORS:

M/s. Vijay Narayan & Co., Chartered Accountants retire as the Statutory Auditors of the Company at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment for holding office until the conclusion of next Annual General Meeting. Pursuant to the provisions of Section 224(ID) of the Companies Act, 1956. Their remuneration shall be fixed by the Board of Directors as per the terms of arrangement agreed upon.

7. FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits from the Public or its shareholders within the meaning of the section 58A of the Companies Act, 1956, during the year under review.

8. COMPLIANCE CERTIFICATE UNDER SECTION 383A OF THE COMPANIES ACT, 1956:

Pursuant to Section 383A of the Companies Act, 1956, the company is required to obtain compliance certificate from a Practicing Company Secretary certifying that the company has duly complied with all applicable statutory regulations and requirements and file the same with the Registrar of Companies, Andhra Pradesh. In this connection, a Compliance Certificate issued by Mr. Ajay S. Shrivastava, a Practicing Company Secretary has been obtained and is attached hereto.

9. DIRECTORS RESPONSIBILITY STATEMENT:

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, in respect of the financial statements as at 31st March, 2012, Your Directors state:

- (i) That in the preparation of the Annual accounts, the applicable accounting standards have been followed.
- (ii) That your Directors have selected appropriate accounting policies and applied them consistently and diligently so as to depict a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss account for that period.
- (iii) That your Directors have taken proper and sufficient care with respect to the maintenance of required and mandated records under the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and preventing any frauds and irregularities.
- (iv) That your Directors have prepared the Annual Accounts for the Financial Year ended 31.03.2012 as per the going concern concept.

10. PARTICULARS OF EMPLOYEES:

During the year under review, all the employees have drawn their salaries within the Limits specified under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time.

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Pursuant to the provisions of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, the particulars of conservation of energy and technology absorption are annexed hereto and Foreign exchange earnings and outgo are NIL.

Power and Fuel Consumption

		Current Year
Electricity		
a) Purchased	Units (Kwh)	68,466
	Total Amount (Rs.)	446259
	Rate/Unit (Rs.)	6.52
b) Own Generation	Through Diesel Generator	2,405
	Units (Kwh)	
	Total Amount (Rs.)	75,520
	Cost/Unit (Rs.)	31.40

12. RESEARCH AND DEVELOPMENT:

Research & Development is a core activity in any pharma industry. Your Company is currently involved in carrying out various Research & Development to bring more herbal and organic products in to the existing/new product portfolio and to add more value to the existing products. The Company is also emphasizing on organic food and nutritional supplements with an optimum mix of naturally available ingredients for attaining a sustainable improvement in the Health of all age Groups

13. LISTING:

The shares of your Company are listed in the Bombay Stock Exchange.

14. CODE OF CONDUCT:

The Company has adopted a uniform Code of Conduct for Directors, Senior Management Personnel and other Executive level officers to ensure proper ethical standards and further ensure due compliance to such established standards.

15. SUBSIDIARY/ HOLDING COMPANIES:

There are no subsidiaries to your Company as on the date of report. In terms of the shareholding, the Company is a subsidiary of Sumeru Ayurveda Private Limited.

16. CORPORATE GOVERNANCE REPORT:

The Code of Corporate Governance as per Clause 49 of the Listing Requirement is attached herewith. The Compliance Certificate on Corporate Governance received from the Statutory Auditors is also given as an Annexure to this report.

17. COST AUDITOR APPOINTMENT

Pursuant to Section 233B of the Companies Act, 1956 and General Circular No. 15/2011 [52/5/CAN-2011], Mr. Nagendra S. has been appointed as cost auditor of the Company with effect from July 22, 2012 for conducting Cost Audit and issue of Cost Compliance Certificate of the Company for the financial year 2011-12.

18. ACKNOWLEDGEMENTS:

Your Directors take this opportunity to express their gratitude for continuous support and co-operation extended by Government Authorities, Bankers and other business associates along with our esteemed Shareholders and employees.

Place: Hyderabad

Date: August 14, 2012

On Behalf of the Board

Sd/-

Arvind Varchaswi N.
Managing Director

Sd/-

Narayanan Narasimhan
Director

FORM
(See Rule 3)

Company Registration No: L24231AP1995PLC019106
Authorized Share Capital: Rs. 9,00,00,000/-
Paid Up Share Capital: Rs. 4,50,00,400/-

COMPLIANCE CERTIFICATE

To,

The Members of

SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED

(Formerly Inwinex Pharmaceuticals Limited)

Plot No.22&23, SVCIE, Bachupally, Miyapur,

Hyderabad- 500 325, A.P.

I have examined the Registers, records, books and papers of **M/s SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED** (Formerly Inwinex Pharmaceuticals Limited) (hereinafter called Source Natural) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2012 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by SOURCE NATURAL, its Directors, officers and agents, I certify that in respect of the aforesaid financial year:

1. SOURCE NATURAL has kept and maintained all Registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. SOURCE NATURAL has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities, as required under law, within the time prescribed under the Act and the rules made there under.
3. SOURCE NATURAL being a Public Limited Company has the minimum prescribed paid-up capital.
4. The Board of Directors duly met 5 times respectively on May 23, 2011, August 13, 2011, November 14, 2011, February 09, 2012 and March 31, 2012 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed, in the Minutes Book maintained for the purpose.
5. SOURCE NATURAL being a listed company has closed its Register of members and Share transfer books for the purpose of Annual General Meeting from 21st September, 2011 to 26th September, 2011 (both days inclusive) for complying with Section 154 and the Listing Agreement.
6. The Annual General Meeting for the financial year ended on 31st March, 2011 was held on 26th September, 2011 after giving due notice to the members of SOURCE NATURAL and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.

No Extra Ordinary General Meeting of members was held during the financial year 2011-12. However, the Company has conducted Postal Ballot by issuing Notice on 31st March, 2012 and the result was announced on 17th May, 2012 for the Change of Main Objects of the Company, Change of Name of the Company and Remuneration to the Mr. Arvind Varchaswi N., Managing Director of the Company.

7. SOURCE NATURAL has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act during the year.

SOURCE NATURAL has entered into contracts falling within the purview of Section 297 of the Act, the value of the Contracts is Rs. 46,09,461/- have been duly approved by the Board and Central Government under the said provisions of the Act. Company during the year has filed compounding application with the Company Law Board (ROC, Hyderabad) for entering into transactions u/s 297 in the previous years.