

24th ANNUAL REPORT

2018-19



SOURCE NATURAL
FOODS AND HERBAL SUPPLEMENTS LIMITED

BOARD OF DIRECTORS:

MR. ARVIND VARCHASWI N.	MANAGING DIRECTOR
MR. NARAYANAN NARASIMHAN	NON-EXECUTIVE CHAIRMAN & DIRECTOR
MR. TEJAGNA KASHMIRA KATPITIA	EXECUTIVE DIRECTOR
MR. SRINIVAS GOWRA	INDEPENDENT DIRECTOR
MR. SRIRAM CHANDRASEKARAN	INDEPENDENT DIRECTOR
MR. CHANDRAKUMAR L. RATHI	INDEPENDENT DIRECTOR
MRS. BHARATHY	INDEPENDENT DIRECTOR

KEY MANAGERIAL PERSONNEL:

MR. SESHADRI RAMASWAMY	CHIEF FINANCIAL OFFICER
MRS. SWETA JOSHI	COMPLIANCE OFFICER AND COMPANY SECRETARY

REGISTERED OFFICE

201, II Floor, Sumeru Towers, #54/46, 39th A Cross, 11th Main Road, Jayanagar 4th T Block, Bangalore-560 041, Karnataka, India

CIN: L24231KA1995PLC101742,
Phone: 080 26087733
Web: www.source-natural.com,
E Mail: info@source-natural.com

INVESTORS CONTACT EMAIL ID investor_relations@source-natural.com

AUDITORS

SRINAGA & GIRIDHARAN
CHARTERED ACCOUNTANTS
136/1, I FLOOR, 5TH MAIN,
CHAMARAJPETBANGALORE -560018

SHARE TRANSFER AGENTS

VENTURE CAPITAL & CORPORATE INVESTMENTS
PRIVATE LIMITED, 12-10-167, BHARATNAGAR,
HYDERABAD – 500 018.

NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of **SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED** will be held on Saturday, 21st September, 2019 at 11:00 A.M. at **Hotel Pai Comforts #1319, 100 Feet Road, J. P. Nagar II Phase, Bangalore – 560 078**. Bangalore to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Financial Statements for the financial year ended on 31st March, 2019 together with the Reports of Directors, Auditors and such other Reports annexed thereon.
2. To appoint a Director in place of Shri Narayanan Narasimhan (DIN: 00143620) who retires by rotation and being eligible offers himself for re-appointment
3. To declare final Dividend (Rs. 1 per Equity Share) on Equity Shares of Rs. 10/- each, for the Financial Year ended March 31, 2019.

SPECIAL BUSINESS:

4 APPROVAL FOR RELATED PARTY TRANSACTIONS WITH DIVINE SERVICES ,SUMERU TRAVEL SOLUTIONS LLP, ARVIND EXPORTS AND SRIVEDA SATTVA PRIVATE LIMITED

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions of the Companies Act, 2013 and Companies (Meetings of Board and its powers) Rules 2014 (including any statutory modifications(s) or re-enactment thereof, for the time being in force) the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter called ‘ the Board’ which term shall be deemed to include any committee which the Board may constitute for this purpose) for execution of contracts with the related parties as set out below and in which Chairman of the Company is interested, for the purpose of purchase or sale of any goods or materials or for the purpose of receiving services, as the Board in its discretion deem proper, as per the terms and conditions:

Sl. No.	Name of Contracting Entity	Period of Contract	Value of Contract (Rs.)
1	Divine Services	01/10/2019 to 30/09/2022	25 Lakhs per annum

2	Sumeru Travel Solutions LLP	01/10/2019 30/09/2022	to	50 Lakhs per annum
3	Arvind Exports	01/10/2019 30/09/2022	to	50 Lakhs per annum
4	Sriveda Sattva Private Limited	01/10/2019 30/09/2022	to	25 Crores per annum

“RESOLVED FURTHER THAT the Audit committee and the Board of Directors of the Company be and is hereby authorized to determine the actual sums to be involved in the transaction, and to finalize the terms and conditions including the period of transactions and all other matters arising out of or incidental to the proposed transactions and generally to do all acts, deeds and things that may be necessary, proper, desirable or expedient and to execute all documents, agreements and writings as may be necessary, proper, desirable or expedient to give effect to this resolution”.

5. RE-APPOINTMENT OF MR. SRINIVAS GOWRA AS INDEPENDENT DIRECTOR OF THE COMPANY

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Mr. Srinivas Gowra Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto five consecutive years.”

“RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”) and the Companies (Appointment and Qualification of Directors) Rules, 2014 and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Mr. Srinivas Gowra (DIN: 00286986), who was appointed as an Independent Director and who holds office of Independent Director up to 15.09.2019 and being eligible, and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director and recommendation of the Nomination and Remuneration Committee of the Board, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of 5 (five) consecutive years on the Board of the Company.”

6. RE-APPOINTMENT OF MR. SRIRAM CHANDRASEKARAN AS INDEPENDENT DIRECTOR OF THE COMPANY

To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149 and 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Shri. Sriram Chandrasekaran Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto five consecutive years.”

“RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 (“the Act”) and the Companies (Appointment and Qualification of Directors) Rules, 2014 and the applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), Mr. Sriram Chandrasekaran (DIN: 00286986), who was appointed as an Independent Director and who holds office of Independent Director up to 15.09.2019 and being eligible, and in respect of whom the Company has received a notice in writing under Section 160 of the Act from a member proposing his candidature for the office of Director and recommendation of the Nomination and Remuneration Committee of the Board, be and is hereby re-appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of 5 (five) consecutive years on the Board of the Company.”

Date: 05.08.2019

Regd. Office: 201, II Floor, Sumeru Towers,
#54/46, 39th A Cross, 11th Main Road,
Jayanagar, 4th T Block, Bangalore - 560041

By Order of the Board

(Arvind Varchaswi N.)
Managing Director
DIN: 00143713

NOTES

1. A member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy / proxies to attend and vote on a poll instead of him/ her and such proxy / proxies need not be a member of the company. The instrument of proxy / proxies, in order to be effective must be deposited at the registered office of the company, duly completed and signed, not less than forty eight hours before the commencement of the meeting. A proxy form is enclosed with this notice.
2. A person can act as proxy on behalf of members not exceeding fifty and holding in aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company

carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

3. The notice of AGM is being sent to those members / beneficial owners whose name will appear in the register of members / list of beneficiaries received from the depositories as on **16th August, 2019**.
4. The copy of annual report, notice of Annual General Meeting, notice of e-voting, etc. are being sent to the members through e-mail who have registered their email ids with the Company / depository participant (DPs) / Company's Registrar and Transfer Agent (RTA).
5. The full version of the Annual Reports is also available on the website of the Company www.source-natural.com.
6. The Register of Members and Share Transfer Books of the Company will remain closed from **Monday, 16th September, 2019 to Saturday, 21st September, 2019(both days inclusive)**, in accordance with the provisions of the Companies Act, 2013 and the Listing Agreement with the Stock Exchanges, where the equity shares of the Company are listed, for the purpose of AGM.
7. The results of voting shall simultaneously be communicated to the Stock Exchanges. The resolutions will be deemed to be passed on the date of AGM subject to receipt of the requisite number of votes in favor of the resolutions.
8. The Register of Directors and Key Managerial Personnel and their shareholding, Register of Contracts or Arrangements in which Directors are interested and documents referred to in the notice are open for inspection at the Registered Office of the Company on all working days (Monday to Friday) between 11.00 a.m. and 1.00 p.m. upto the date of AGM and will also be available for inspection at the venue of the meeting.
9. Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send to the Company a certified copy of the Board Resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.
10. Members are requested to update their preferred e-mail ids with the Company / DPs / RTA, which will be used for the purpose of future communications. Members whose e-mail id is not registered with the Company are being sent physical copies of the Notice of Annual General Meeting, Annual Report, notice of e-voting etc. at their registered address through Courier mode.

11. Members whose e-mail ids are registered with the Company and who wish to receive printed copy of the abridged / full version of the Annual Report may send their request to the Company at its registered office address or to the RTA, M/s. Venture Capital & Corporate Investments Private Limited, 12-10-167, Bharat Nagar Colony, Hyderabad- 500018 (Telangana).
12. In terms of provisions of Section 107 of the Companies Act, 2013, since the Company is providing the facility of remote e-voting to the shareholders, there shall be no voting by show of hands at the AGM. The facility for Poll / polling paper shall be made available at the Meeting and the members attending the Meeting who have not cast their vote by remote e-voting shall be able to vote at the Meeting through polling paper.
13. In compliance with the provisions of Section 108 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Management and Administration) Rules, 2014, as amended and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide to its members facility to exercise their right to vote on resolutions proposed to be passed in the Meeting by electronic means. The members may cast their votes using an electronic voting system from a place other than the venue of the Meeting ("remote e-voting").

EXPLANATORY STATEMENT

[Pursuant to Section 102(2) of the Companies Act, 2013]

Item No. 4:

The Members are informed that the Company has been carrying on transactions with the following Related parties and it is proposed that the same shall continue after the expiration of the present approval from Members in September, 2019.

The proposed transactions limits as mentioned below are proposed for approval:

1. **Divine Services** is engaged in trading products. It is partnership firm in which Mr. Narayanan Narasimhan, Chairman & Director of Source Natural Foods and Herbal Supplements Limited is a Partner.

Source Natural has a wide network of distributors and retailers and further sells the products of Divine Services through its network.

2. **Sumeru Travel Solutions LLP**, is a Limited Liability Partnership which is engaged in providing travelling services in which Mr. Narayanan Narasimhan, Chairman & Director of Source Natural Foods and Herbal Supplements Limited is a Designated Partner

Source Natural avails travel related services from Sumeru Travel Solutions LLP at arm's length basis.

3. **Sriveda Sattva Private Limited** is engaged in the trading of Ayurvedic and Food Supplements in India. It is private limited company, promoter and holding company of Source Natural in which Mr. Arvind Varchaswi N, Managing Director and Mr. Narayanan Narasimhan, Chairman/Director respectively of the Company are Directors.

Source Natural has a wide network of distributors and retailers and further sells the products of Sriveda Sattva Private Limited through its network.

- 4 Arvind Exports is a merchant exporter which has established market in many countries. Arvind Exports purchases products from Source Natural and further sells through its marketing network across the world.

Arvind Exports is a partnership firm in which Mr. Arvind Varchaswi N., Managing Director and Mr. Narayanan Narasimhan, Chairman/Director are partners.

The Particulars of the transactions pursuant to Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014 are as under:

Name of the Party	Name of the Director Interested	Nature of Relationship	Particulars of Contract or arrangement	Material or Monetary Value of Contract	Duration of Contract
Divine Services	Mr. Narayanan Narasimhan (DIN: 00143620) – Chairman & Director	Director being Partner in Divine Services	Purchase of Products	Rs. 25 Lakhs per annum (from 1 st October of the year to 30 th September of the next year)	01/10/2019 to 30/09/2024
Sumeru Travel Solutions LLP	Mr. Narayanan Narasimhan (DIN: 00143620) – Chairman & Director	Director being Designated Partner in Sumeru Travel Solutions LLP	Availing of travel related services	Rs. 50 Lakhs per annum (from 1 st October of the year to 30 th September of the next year)	01/10/2019 to 30/09/2024
Sriveda Sattva Private Limited	Mr. Narayanan Narasimhan (00143620) – Chairman Mr. Arvind Varchaswi N (00143713) - Director	Promoter and Holding Company	Purchase of goods and services	Rs. 25 Crores Per annum	01/10/2019 to 30/09/2024
Arvind Exports	Mr. Narayanan Narasimhan (00143620) – Chairman Mr. Arvind Varchaswi N	Directors being Partners in Arvind Exports	Sale of goods and services	Rs. 50 Laks Per annum	01/10/2019 to 30/09/2024

	(00143713) - Managing Director				
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Terms of Contract or Arrangement:

1. DIVINE SERVICES :

It buys products from Source Natural Foods and Herbal Supplements Limited as may be decided by both the parties from time to time. Divine Services further sells these products to the Customers using its existing distribution network throughout India.

Source Natural Foods and Herbal Supplements Limited sell the products to Divine Services at market rate/arm's length price in the ordinary course of business.

2. SUMERU TRAVEL SOLUTIONS LLP

It provides travel related services when required by Source Natural Foods and Herbal Supplements Limited at market rate/arm's length price in the ordinary course of business.

Your Board of Directors request the members to approve the transactions by passing it as a Special resolution.

3. SRIVEDA SATTVA PRIVATE LIMITED

It buy products from Source Natural under the brand name or trademark as may be decided by both the parties from time to time. Sriveda further sells these products to the Customers using its existing distribution network throughout the India.

Source Natural sells the products to Sriveda Sattva Private Limited at market rate/arms length price in ordinary course of business.

Your Board of Directors request the members to approve the transactions by passing it as a Special resolution.

None of the Directors, Key Managerial Personnel of Company and their relatives other than Mr. Narayanan Narasimhan are concerned or interested in the said resolution

4 ARVIND EXPORTS

Source Natural sells its products to Arvind Exports under the brand name as may be decided by both the parties time to time. Arvind Exports further sells these products to the Customers using its existing distribution network outside the India.

Source Natural sells products to Arvind Exports at market rate/arms length price in ordinary course of business.

Your Board of Directors request the members to approve the transactions by passing it as a Special resolution.

None of the Directors of the Company other than Mr. Narayanan Narasimhan, Chairman and Mr. Arvind Varchaswi N, Managing Director are interested in this resolution.

Item No. 5

RE-APPOINTMENT MR. SRINIVAS GOWRA AS INDEPENDENT DIRECTOR OF THE COMPANY

Mr. Srinivas Gowra was appointed as independent director of the Company on 15th September, 2014. As per the provisions of the Section 149 of the Companies Act, 2013, the term of the Independent director shall be for five consecutive years and shall be eligible for re-appointment on passing of a special resolution by the Company.

In accordance with Section 149(6) of the Act and provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), Mr. Srinivas Gowra meets the criteria of independence as prescribed.

Section 149(10) of the Act provides that an independent director shall hold office for a term of up to five consecutive years on the Board and shall be eligible for re-appointment on passing a special resolution by the Company and disclosure of such appointment in its Board's report. Section 149(11) provides that an independent director may hold office for up to two consecutive terms.

In the opinion of the Nomination & Remuneration Committee and the Board, Mr. Srinivas Gowra fulfils the conditions as specified in the Companies Act, 2013 for his appointment as Independent Director of the Company.

The profile of Mr. Srinivas Gowra is provided in this notice.

Your Directors recommend the Resolution set out in item No 5 for the approval of the members as a Special Resolution.

No Director or other Key Managerial Personnel (KMP) and no relatives of Directors or KMP are concerned or interested financially or otherwise in this resolution

Item No. 6

RE-APPOINTMENT MR. SRIRAM CHANDRASEKARAN AS INDEPENDENT DIRECTOR OF THE COMPANY