

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

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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 729.41 lacs 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

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

11. 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.

c. 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.

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 Steam 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.

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 |

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 |

7. AUDIT COMMITTEE / ATTENDANCE :

The role of Audit committee is to review the internal control procedures, internal audit system, financial reporting process, accounting policies, annual financial statements placed before the Board including other related aspects.

All the members of the Audit Committee have good knowledge of corporate and project finance, accounts, and company law. The Chairman of the committee, an engineer, was formerly the Executive Director of IDBI and has accounting and related financial management expertise. The committee holds four meetings during the year. The Audit Committee also advises the management on the areas where internal audit can be improved. The minutes of the meetings of the Audit Committee are placed before the Board. The terms of reference of the audit committee are in accordance with all the items listed in clause 49 (ii) (D) and (E) of the listing Agreement.

The Audit Committee has the following powers:

- i. to investigate any activity within its terms of reference.
- ii. to seek any information from any employee.
- iii. to obtain outside legal and professional advice.
- iv. to secure attendance of outsiders with relevant expertise, if it considers it necessary.

The members of the audit committee are Mr S. Gopalan, Chairman, Mr C. P. Rangachar, and Dr C. M. Gurumurthy.

Details of Audit committee meetings held during the year are as follows :

| Sl. No. | Date of meeting | Committee strength | No. of members present |
|---------|-----------------|--------------------|------------------------|
| 1. | 26-05-2012 | 3 | 3 |
| 2. | 26-07-2012 | 3 | 3 |
| 3. | 30-10-2012 | 3 | 3 |
| 4. | 21-01-2013 | 3 | 3 |

| Director's Name | No. of meetings attended |
|------------------|--------------------------|
| S. Gopalan | 4 |
| C. P. Rangachar | 4 |
| C. M. Gurumurthy | 4 |

8. REMUNERATION COMMITTEE :

The role of the Remuneration Committee is to fix, review & recommend the remuneration of all the Executive Directors and the members of the Senior Management of the company.

The Remuneration Committee was constituted on 26-7-2003. The members of the committee are Mr S. Gopalan, Chairman, Dr. C. M. Gurumurthy and Mr V. Subramony.

There was no circumstances warranting the meeting of remuneration committee during the year under consideration.

9. REMUNERATION OF DIRECTORS :

The details of remuneration drawn by the Executive & Non - executive Directors for the year 2012-13 are as follows:

(Rs. In lacs)

| Directors | Sitting fees | Salary and Perquisites | Commission | Total |
|----------------------------------|--------------|------------------------|------------|-------|
| Executive Directors : | | | | |
| 1. Sri Sunil L Mundra | ---- | 28.74 | 5.50 | 34.24 |
| 2. Sri Laxminarayan Moondra | ---- | 22.72 | --- | 22.72 |
| 3. Sri Satyanarayan Mundra | ---- | 22.52 | --- | 22.52 |
| Non Executive Directors : | | | | |
| 1. Sri S. Gopalan | 0.80 | ---- | 1.00 | 1.80 |
| 2. Sri Dr. C. M. GuruMurthy | 0.80 | ---- | 1.00 | 1.80 |
| 3. Sri V. Subramony | 0.20 | ---- | 1.00 | 1.20 |
| 4. Sri C. P. Rangachar | 0.80 | ---- | 1.00 | 1.80 |
| 5. Sri V. Balaji Bhat | 0.40 | ---- | 1.00 | 1.40 |
| 6. Sri Sushil Kumar Mundra | 0.40 | ---- | 1.00 | 1.40 |

Notes :

1. The salary and perquisites include all fixed elements of remuneration i.e, salary and other allowances and benefits.
2. The company has not paid bonus and any incentives to the Executive Directors. However, as per the resolution passed during the AGM, the Company has provided commission to the Managing Director and non-executive Directors as per the provision of Sec.349 of the Company's Act as shown in the above table.
3. The company has not entered into any pecuniary relationship or transactions with the non-executive directors- except business with Mr Sushilkumar Mundra, in respect of amount paid to M/s Mundra Enterprises, partnership firm in which Mr Sunil L Mundra, Managing Director and Mr Satyanarayan Mundra, Wholetime Director are interested partners, Rs.4.68 Lacs towards the rental charges for the 1200 SFT of office space rented to the company.
4. The company has so far not issued any stock options to executive directors.

Details of Service Contract

| Names | Current tenure | From | To |
|--------------------------|----------------|------------|-----------|
| Sri Sunil L Mundra | 3 years | 01.06.2011 | 31.5.2014 |
| Sri Laxminarayan Moondra | 3 years | 01.06.2011 | 31.5.2014 |
| Sri Satyanarayan Mundra | 3 years | 01.06.2011 | 31.5.2014 |

Notes :

1. The salary and perquisites include all fixed elements of remuneration i.e, salary and other allowances and benefits.
2. The company has not paid bonus and any incentives to the Executive Directors. However, as per the resolution passed during the AGM, the Company has provided commission to the Managing Director and non-executive Directors as per the provision of Sec 349 of the Company's Act as shown in the above table.
3. The company has not entered into any pecuniary relationship or transactions with the non-executive directors- except business with Mr Sushilkumar Mundra, in respect of amount paid to M/s Mundra Enterprises, partnership firm in which Mr Sunil L. Mundra, Managing Director and Mr Satyanarayan Mundra, Wholetime Director are interested partners, Rs.4.68 Lacs towards the rental charges for the 1200 SFT of office space rented to the company.
4. The company has so far not issued any stock options to executive directors.

Details of Service Contract

| Sl. No. | Date of meeting | Committee strength | No.of members present |
|---------|-----------------|--------------------|-----------------------|
| 1 | 30-05-2008 | 3 | 2 |
| 2 | 30-07-2008 | 3 | 3 |
| 3 | 25-10-2008 | 3 | 3 |
| 4 | 30-01-2009 | 3 | 3 |

Dr. C. M. Gurumurthy, non Executive Director, is the Chairman of the committee.

Mr. V. Lokesh, Sr. Manager - Administration is the Compliance Officer of the company.

11. STATUS OF INVESTOR GRIEVANCE/SHARE TRANSFERS AS ON 31-3-2013

1. No. of Grievances received : 11
2. No. of Grievances redressed : 10
3. No. of Grievances pending : 01
4. No. of Share transfers pending : Nil

12. GENERAL BODY MEETINGS :

Particulars of past three AGMs are as follows:

| AGM | YEAR | VENUE | DATE | TIME |
|------------------|------|----------------------------------------|------------|----------|
| 17 th | 2010 | Bangalore Gayana Samaja, Bangalore - 4 | 28-09-2010 | 10.30 am |
| 18 th | 2011 | Bangalore Gayana Samaja, Bangalore - 4 | 27-07-2011 | 10.00 am |
| 19 th | 2012 | Bangalore Gayana Samaja, Bangalore - 4 | 26-07-2012 | 10.00 am |

There was no special resolution requiring postal ballot in the last AGM. Similarly there is no special resolution requiring postal ballot proposed before the ensuing AGM.

During the year under review, No Extraordinary General Meeting was held.

13. CODE OF CONDUCT : The company has introduced code of conduct / Ethical Standard for behavior for Directors and Senior Management personnel. The details of the same are as follows :

A. POLICY :

We will comply fully with all laws governing our operations and conduct of our affairs in accordance with the highest ethical and legal standards. Compliance with this policy means not only observing the law but conducting the company's business at all its locations in such a manner as to ensure that NCL is recognized as an ethical, law abiding

13. CODE OF CONDUCT : The company has introduced code of conduct / Ethical Standard for behavior for Directors and Senior Management personnel. The details of the same are as follows :

A. POLICY :

We will comply fully with all laws governing our operations and conduct of our affairs in accordance with the highest ethical and legal standards. Compliance with this policy means not only observing the law but conducting the company's business at all its locations in such a manner as to ensure that NCL is recognized as an ethical, law abiding corporate citizen. The spirit of this Policy demands that the company maintains a high degree of integrity in its interactions with all its constituents customers, employees, shareholders, suppliers etc.,

B. ETHICAL STANDARDS OF BEHAVIOR:

1. Compliance with NCL Values, Policies and Standards should be in letter and in spirit.

Comply in letter and spirit with the Values, Policies and Standards of the company as mentioned here and in such other documents as may be specified from time to time.

2. The highest levels of honesty, integrity and confidentiality should be maintained in business dealings with customers, suppliers, fellow employees and all other stakeholders.

Act in the interest of the company in a fair manner and use discretionary powers and authority for the purposes for which these were conferred and not for personal gain or unjustified benefits for the company.

Engage only in business practices that are fair and aboveboard.

3. All statutory requirements should be complied with in letter and spirit.

Comply in letter and spirit with relevant legislation.

Disclose in advance, any interpretation not in consonance with the spirit of the law -

❖ In the case of Directors, to the Board of Directors.

❖ In the case of Chief Executive, to the Chairman / Managing Director.

❖ In the case of all other employees, to the senior in the company.

4. Speculative trading in the shares of the companies in the Group should not be done.

Do not engage in any form of speculative trading in the shares of the company. Lodge immediately for transfer company shares purchased. Do not use knowledge of company's workings for personal gains.

C. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING :

1. Other than for Directors of the company, employees should be considered as being full time unless otherwise stated.

Do not engage in any other employment or occupation-full time or part time- during employment with the company.

2. Situations giving rise to conflicts of interests in the discharge of official duties should be scrupulously avoided.

Do not get involved in situations or activities, which would lessen the impartiality, judgment, effectiveness or productivity necessary in the discharge of official duties.

3. Directors should not serve on the Boards or in management or consulting positions of direct competitors, which are likely to lead to conflict of interests.

4. Disclose in full, details of situations where there is a likelihood of potential for such conflicts of interests, for an objective assessment. Directors and senior management personnel should disclose their shareholding interest beyond 2% held with a direct competitor.

5. In company matters, do not deal with members of your immediate family, near relatives, and close friends, e.g., by offering employment or contracts, purchasing assets, appointing as dealers, etc. where however, such a situation becomes obligatory, entrust the decision to the Chief Executive or the Board of Directors of the company.

6. Do not accept from present or prospective customers, suppliers or competitors any gifts, favours or complimentary items that go beyond the common courtesies usually associated with ethical business practices.

7. Refrain from lending to / borrowing from colleagues, competitors, customers, suppliers etc.,

14. DISCLOSURES :

a) Details of remuneration to Directors are furnished in para : 9 above.

15. MEANS OF COMMUNICATION :

- a) The quarterly and half yearly results are published in leading English and vernacular dailies. The printed annual report is dispatched to individual shareholder. The material disclosures are informed to the stock exchanges for publication on the announcement by the Board. The company is having its website posted at www.naturalcapsules.com
- b) Management Discussions Analysis (MDA) report which forms part of Annual Report is given in Annexure B.

16. GENERAL SHAREHOLDER INFORMATION :

- a) M/s Cameo Corporate Services Ltd, "Subramaniam building" No.1, Club house road, Chennai, are the registrars and share transfer agents and their registration no. is INE936B01015
- b) Majority of Company's shares being in Demat form the transfers are mainly on line.
- c) Stock Exchange Listing
The company's shares are presently listed on the Mumbai and Bangalore Stock Exchanges. The company has paid annual listing fee to both of these Stock Exchanges.
- d) Coimbatore Stock Exchang. where the Company's securities were listed, has conveyed their closure during the year.
- e) Scrip Code : Mumbai Stock Exchange code no. 524654
- f) Market price data

Stock Prices

Scrip Code : 524654 Company : : NATURAL CAPSULES LTD.

For the Period : April 2012 to March 2013

All Prices in Rupees

| Month | Open Price | High Price | Low Price | Close Price | No. of Shares | No. Of Trades | Total Turnover (Rs.) |
|----------|------------|------------|-----------|-------------|---------------|---------------|----------------------|
| Apr 2012 | 43.00 | 44.10 | 39.80 | 41.50 | 16,555 | 97 | 7,06,957 |
| May 12 | 41.50 | 42.70 | 38.00 | 39.00 | 34,190 | 164 | 13,70,046 |
| Jun 12 | 39.00 | 40.00 | 36.25 | 37.50 | 12,977 | 76 | 4,86,022 |
| Jul 12 | 37.50 | 40.10 | 35.75 | 37.50 | 25,079 | 133 | 9,51,677 |
| Aug 12 | 37.15 | 39.40 | 35.50 | 38.25 | 58,192 | 162 | 21,68,521 |
| Sep 12 | 37.50 | 47.50 | 36.05 | 43.40 | 93,747 | 476 | 40,13,448 |
| Oct 12 | 41.65 | 43.00 | 38.80 | 40.00 | 13,167 | 106 | 5,35,932 |
| Nov 12 | 40.05 | 41.95 | 38.00 | 38.35 | 23,635 | 220 | 9,24,915 |
| Dec 12 | 38.50 | 41.85 | 37.35 | 39.90 | 40,469 | 203 | 15,86,096 |
| Jan 13 | 38.05 | 41.00 | 37.00 | 37.25 | 44,209 | 310 | 16,96,420 |
| Feb 13 | 38.00 | 38.75 | 34.25 | 34.40 | 18,330 | 138 | 6,68,892 |
| Mar 13 | 34.25 | 35.95 | 32.55 | 32.60 | 3,75,012 | 134 | 1,24,83,554 |

f) The share transfer committee periodically attends to share transfer formalities. Demat requests are normally confirmed within an average of 15 days from the date of receipt.

g) Annual General Meeting :

The 20th Annual General Meeting will be held on Thursday the 25th July, 2013 at Bangalore.

h) Financial calendar for the year 2013-14 (provisional)

| | | |
|---|-------------------------------------------------------------------------------|----------------------|
| a | Results for the first quarter ending 30 th June 2013 | By end of July, 2013 |
| b | Results for the 2nd quarter ending 30 th Sept. 2013 | By end of Oct. 2013 |
| c | Results for the 3 rd quarter ending 31 st December 2013 | By end of Jan, 2014 |
| d | Results(Audited) for the financial year ending 31 st March, 2014 | By end of May, 2014 |
| e | Annual General Meeting for the year ending March, 2014 | By end of July, 2014 |

i) Dates of book closure:

The register of members and share transfer books of the company will remain closed from 23.7.2013 to 25.7.2013 (both the days inclusive) for the purpose of AGM.

j) Statistics of share holders

| Year | No. of shareholders |
|------------|---------------------|
| 31-03-2011 | 4,660 |
| 31-03-2012 | 4,434 |
| 31-03-2013 | 4,318 |

k) Dividend Payment Date:

The Dividend as approved by the share holders in the AGM, will be paid within 30 days from the date of AGM.

Share holding pattern:

| Category | No. of shares | % holding |
|--------------------------|------------------|-----------------|
| 1. Resident | 17,12,486 | 38.0324 |
| 2. FII | 300 | 0.0066 |
| 3. NRI | 36,654 | 0.8140 |
| 4. Corporate Body | 6,37,994 | 14.1691 |
| 5. Clearing member | 1,600 | 0.0355 |
| 6. Mutual Funds | 3,700 | 0.0821 |
| 7. Promoters | 21,06,166 | 46.7756 |
| 8. Directors / Relatives | 3,800 | 0.0843 |
| Total | 45,02,700 | 100.0000 |

Distribution of holdings:

| Share holding nominal | | Share holders | | Share amount | |
|-----------------------|-------------|----------------|----------------|-----------------|--|
| Value of | Number | % to total | Rs. | % to total | |
| 1-100 | 2670 | 60.3751 | 209616 | 4.6553 | |
| 101-500 | 1219 | 28.2309 | 333677 | 7.4612 | |
| 501-1000 | 242 | 5.6044 | 200876 | 4.4612 | |
| 1001-2000 | 105 | 2.4316 | 157592 | 3.4999 | |
| 2001-3000 | 54 | 1.2505 | 136502 | 3.0315 | |
| 3001-4000 | 13 | 0.0301 | 45948 | 1.0204 | |
| 4001-5000 | 16 | 0.3705 | 74790 | 1.6610 | |
| 5001-10000 | 27 | 0.6252 | 206808 | 4.5929 | |
| 10001- and above | 35 | 0.8105 | 3136891 | 69.6668 | |
| | 4318 | 100.000 | 4502700 | 100.0000 | |

l) Mr V. Lokesh is the Compliance Officer within the meaning of relevant requirements of SEBI and Stock Exchanges.

m) Company's plants are located at:

i) Plot No. 7A2, KIADB Industrial Area, Attibele - 562 107, and

ii) RS No. 84, Perambai Road, Pitchaveerampet, Pondicherry - 10

17. COMPLIANCE CERTIFICATE OF THE AUDITORS:

The company has obtained a certificate from the statutory auditors certifying compliance of condition of Corporate Governance as stipulated in clause 49 of the Listing Agreement with the Stock Exchanges and the same is annexed to this report.

Place: Bangalore

Date : 25-5-2013

(S.Gopalan)

Chairman

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Natural Capsules Limited

We have examined the compliance of conditions of corporate governance by Natural Capsules Limited for the year ended on 31st March 2013 as stipulated in clause 49 of the Listing Agreement of the company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company

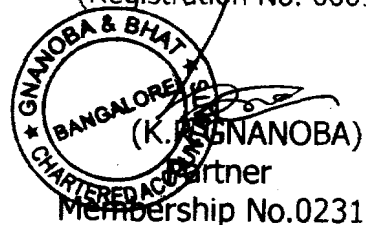
In our opinion and to the best of our information and according to the explanations given to us, we certify that company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the Share Transfer cum Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For and on behalf of
GNANOBA & BHAT
CHARTERED
ACCOUNTANTS

(Registration No. 000939S)


(K. GNANOBA)
Partner
Membership No.023137

Place: Bangalore

Date: 25th May 2013

**ANNEXURE B
MANAGEMENT DISCUSSION AND ANALYSIS**

1. INDUSTRY STRUCTURE AND DEVELOPMENTS :

During the year under review in spite of the difficult situation both domestic and on the international front, Indian Pharmaceutical Industry has grown by around 9 to 10%. However, Pharma exports have grown at a much higher rate than the domestic market. Company is hopeful of maintaining the top line growth rate in the coming year.

2. OPPORTUNITIES AND THREATS:

Capsules:

a) Opportunities

- i) Good export market for Gelatin capsules in South East, Far East, African and Latin America countries.
- ii) Expansion of the existing markets for Vege capsules within the country.
- iii) Free Trade Agreement with European Union may provide better market access.

b) Threats:

- i) Expansion of capacities by other major players and entry of new players.
- ii) Over capacity may lead to drop in sales realization.
- iii) Conversion of Gelatin capsules products into other dosage forms.
- iv) Shortage of raw-materials may cause disruption of production.

Formulation:

a) Opportunities

- i) Job work for exporters and other MNC companies
- ii) Completion of Excise Exemption in Excise free zones will increase job work opportunities in other states.

b) Threats:

- i) New GMP requirements may warrant modernization of our existing plant.
- ii) Implementation of DPCO may lead to loss of business.

3. RISKS AND CONCERNS:

Risk of competition and exchange fluctuations may have an adverse impact on the projections.

4. OUTLOOK:

Based on the company's performance up to the date of this report, current market scenarios, orders on hand and commissioning of the new machines at Pondicherry, company is hopeful of achieving a turnover of around Rs. 54 to 56 crores in the current year. However due to drop in sales realization of capsules in domestic market, company may have to face stagnation in profits.

5. DISCUSSION OF FINANCIAL PERFORMANCE:

During the year under review the company had discharged all its institutional repayment liabilities on time. Over and above of this, the company has ploughed back Rs. 554.62 lacs for Capital Investment at Pondicherry for the expansion Project.

6. SEGMENT WISE PERFORMANCE:

(Rs. in lacs)

| Sl. No. | Particulars | For the year ended 31-3-13 Audited | For the year ended 31-3-12 Audited |
|---------|------------------------------------------------------------------------|------------------------------------|------------------------------------|
| 1. | SEGMENT REVENUE | | |
| | Capsules | 5,215.36 | 4,138.63 |
| | Formulation | 158.64 | 285.65 |
| | Others | 71.62 | 83.05 |
| | Total | 5,445.62 | 4507.33 |
| | Less: Inter segment revenue | 26.73 | 48.16 |
| | Net income from operation | 5,418.89 | 4459.17 |
| | SEGMENT RESULTS | | |
| | Profit/(Loss) before depreciation, tax and interest from each segment. | | |
| 2. | Capsules | 1,114.50 | 1088.53 |
| | Formulation | 6.60 | 11.13 |
| | Others | 43.05 | 77.63 |
| | Total | 1,164.15 | 1177.29 |
| | Less: i) Depreciation and Amortisation | 311.30 | 270.30 |
| | ii) Interest | 123.43 | 134.73 |
| | iii) Other un-allocable expenditure / income | 96.31 | 265.39 |
| | Total profit after tax | 633.11 | 506.87 |

INDEPENDENT AUDITOR'S REPORT**To the Members of M/s Natural Capsules Limited****Report on the Financial Statements**

We have audited the accompanying financial statements of **M/s Natural Capsules Limited ("the Company")**, which comprise the Balance Sheet as at 31st March, 2013, and the Statement of Profit and Loss and Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("The Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and the best of our information and according to

the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013
- (b) In the case of the Statement of Profit & Loss, of the Profit for the year ended on that date.
- (c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the order.
2. As required by Section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from the examination of the books.
 - c. The Balance Sheet, Statement of Profit and Loss dealt with by this Report are in agreement with the books of account
 - d. In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors as on 31st March, 2013, and taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For GNANOBA & BHAT
CHARTERED ACCOUNTANTS
(Registration No. 000939S)**

**PLACE : BANGALORE
DATE : 25.05.2013**

**(K.R. GNANOBA)
PARTNER
Membership No: 023137**

ANNEXURE TO AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE.

- 1) In respect of its fixed assets
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - b) The fixed assets have been physically verified by the management. In our opinion the frequency of verification is reasonable. According to the information and explanation given to us no material discrepancies were noticed on such verification.
 - c) The company has not disposed off its substantial part of fixed assets during the year.
- 2) In respect of inventories
 - a) As explained to us inventories were physically verified by the management at reasonable intervals.
 - b) In our opinion, and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the company and the nature of the business.
 - c) In our opinion, and according to the information and explanation given to us, the company has maintained proper books of its inventories and no material discrepancies were noticed on physical verification.
- 3) In respect of loans, secured or unsecured, granted or taken by the Company to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, according to the information and explanation given to us
 - a) During the year, the company has not granted or taken any loans to/from firms or other parties recorded in register maintained under section 301 of the Act.
 - b) Since no loans are granted / taken sub-clause (b), (c) & (d) of clause iii of paragraph 4 of the order are not applicable to the company.
- 4) In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. According to the explanation given to us, there are no failures to correct the major weaknesses observed in the internal control;
- 5) In respect of transactions entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956
 - a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that needed to be entered into the register have been so entered.
 - b) The company has not entered in to any transactions exceeding the value of five lakh rupees in respect of each party and hence we are not required to comment on such transactions.
- 6) As per the records and according to the information given to us, the company has not accepted any deposits from the public. The Company Law Board has not passed any order on the company.
- 7) In our opinion, the internal audit functions carried out during the period by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.
- 8) According to the records produced and information given to us, we have seen that cost records and accounts as prescribed by the Central Government under Section 209 (1)(d) of the Act have been made and maintained by the Company to the extent applicable but no examination of such records and accounts has been carried out by us.
- 9) According to the information and explanations given to us, in respect of statutory dues and other dues
 - a) The company has *been* generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Investor Education and Protection Fund, Income Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues with appropriate authorities during the period.
 - b) Disputed income tax of Rs.4.26 lacs is pending before Commissioner Appeals. The company has deposited Rs.0.50 lakhs against disputed income tax liability.
 - c) Central sales tax amount of Rs.0.80 Lacs of 2008-09 is showing as the payable from the year 2008-2009 for which the demand order has not received.
- 10) There are no accumulated losses at the end of the year and hence clause (x) of the Order is not applicable for the company;
- 11) Based on our audit procedures and according to the information and explanation given by the management, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- 12) According to the information furnished to us and verified by us, the company has not granted loans and advances

on the basis of security by way of pledge of shares, debentures and other securities and hence clause (xi) of the Order is not applicable to the company;

13) In our opinion, the company is not a Chit fund or a Nidhi/Mutual Benefit Fund/Society. Therefore, the provisions of clause (xiii) of the Order are not applicable to the company;

14) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments and accordingly provisions of clause (xiv) of the Order are not applicable to the company;

15) According to the information and explanation given by the management, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

16) To the best of our knowledge and belief and according to the information and explanation given to us, terms loans availed by the Company were, *Prima facie*, applied by the Company during the period for the purpose for which the loans were obtained.

17) According to the cash flow statement and other records examined by us, and the information and explanations given to us, on an overall basis, funds raised on short term basis have, *Prima facie* not been used during the period for long term investment and vice versa.

18) During the year the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act and hence clause (xviii) of the Order is not applicable to the company.

19) The company has not issued any debentures during the year and hence clause (xix) of the Order is not applicable to the company.

20) The company has not raised any money by way of public issue during the year under report and hence clause (xx) of the Order is not applicable.

21) To the best of our knowledge and belief and according to the information and explanation given to us, no fraud on or by the Company was noticed or reported during the year.

**For GNANOBA & BHAT
CHARTERED ACCOUNTANTS
(Registration No. 000939S)**

**PLACE : BANGALORE
DATE : 25.05.2013**

**(K.R. GNANOBA)
PARTNER
Membership No: 023137**

BALANCE SHEET AS AT 31st MARCH 2013

| | Particulars | Note No. | Rupees | AS AT 31-03-2013 | AS AT 31-03-2012 |
|-----------|--------------------------------------------------|----------|-------------|--------------------|--------------------|
| I | EQUITY AND LIABILITIES | | | | |
| (1) | Shareholder's Funds | | | | |
| | (a) Share Capital | 1 | 45,027,000 | | 45,027,000 |
| | (b) Reserves and Surplus | 2 | 322,595,549 | | 267,133,989 |
| | | | | 367,622,549 | 312,160,989 |
| (2) | Share application money pending allotment | | | --- | --- |
| (3) | Non-Current Liabilities | | | | |
| | (a) Long-term borrowings | 3 | 89,981,912 | | 92,942,699 |
| | (b) Deferred tax liabilities (Net) | 4 | 16,814,677 | | 18,914,140 |
| | (c) Other Long term liabilities | 5 | 1,483,882 | | 1,594,318 |
| | (d) Long term provisions | 6 | 4,097,684 | | 3,943,448 |
| | | | | 112,378,155 | 117,394,605 |
| (4) | Current Liabilities | | | | |
| | (a) Short Term Borrowings | | 292,133 | | --- |
| | (b) Trade payables | 7 | 46,452,560 | | 36,661,781 |
| | (c) Other current liabilities | 8 | 23,239,137 | | 14,648,735 |
| | (d) Short-term provisions | 9 | 12,740,826 | | 15,404,017 |
| | | | | 82,824,657 | 66,714,532 |
| | Total | | | 562,825,361 | 496,270,127 |
| II | ASSETS | | | | |
| (1) | Non-current assets | | | | |
| | (a) Fixed assets | | | | |
| | (i) Tangible assets | 10 | 292,297,239 | | 264,140,433 |
| | (ii) Intangible assets | | --- | | --- |
| | (iii) Capital work-in-progress | | 28,596,470 | | 36,919,861 |
| | (iv) Intangible assets under development | | --- | | --- |
| | | | | 320,893,709 | 301,060,294 |
| | (a) Long term loans and advances | 11 | 10,036,424 | | 1,159,754 |
| | (b) Other non-current assets | 12 | 12,848,393 | | 16,019,664 |
| | | | | 22,884,817 | 17,179,418 |
| (2) | Current assets | | | | |
| | (a) Current investments | | --- | | --- |
| | (b) Inventories | 13 | 35,211,394 | | 25,248,377 |
| | (c) Trade receivables | 14 | 171,394,499 | | 138,777,016 |
| | (d) Cash and Cash Equivalents | 15 | 2,886,101 | | 1,989,417 |
| | (e) Short-term loans and advances | 16 | 5,854,260 | | 9,366,839 |
| | (f) Other current assets | 17 | 3,700,582 | | 2,648,766 |
| | | | | 219,046,835 | 178,030,415 |
| | Total | | | 562,825,361 | 496,270,127 |

SEE ACCOMPANYING NOTES (1 TO 25) TO THE FINANCIALS STATEMENTS

In terms of our report attached
For **GNA NOBA & BHAT**
CHARTERED ACCOUNTANTS
(Firm Regn No 000939 S)

For and on behalf of the Board

K.R. GNA NOBA
PARTNER
Membership No:023137

Srirangam Gopalan
CHAIRMAN

Satyanarayan Mundra
DIRECTOR

Sunil L. Mundra
MANAGING DIRECTOR

Date : 25.05.2013
Place : Bangalore

Date : 25.05.2013
Place : Bangalore

NOTE 1 - SHARE CAPITAL

| | As at 31st March 2013 Rs. | As at 31st March 2012 Rs. |
|-------------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Authorised: 50,00,000 (Previous period 50,00,000) equity shares of Rs.10 each. | 50,000,000 | 50,000,000 |
| | 50,000,000 | 50,000,000 |
| Issued:Subscribed and Paidup Capital 45,02,700 (Previous period 45,02,700) equity shares of Rs.10 each. | 45,027,000 | 45,027,000 |
| Total | 45,027,000 | 45,027,000 |
| | As at 31st March 2013 No of shares | As at 31st March 2012 No of shares |
| Reconciliation of the no. of shares outstanding at the beginning and at the end of the year: | | |
| No of shares outstanding at the beginning of the year | 4,502,700 | 4,502,700 |
| Add: Additional shares issued during the year | --- | --- |
| Less: Shares forfeited/Bought back during the year | --- | --- |
| No of shares outstanding at the end of the year | 4,502,700 | 4,502,700 |

i) Number of shares held by each shareholder holding more than 5% shares in the company are as follows:

| Particulars | Number of shares as at 31st March, 2013 | Number of shares as at 31st March, 2012 |
|---------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Equity Shares: | | |
| Tajos Investments Pvt. Ltd | 479,000 | 461,500 |
| Nandhi Synthetics Pvt. Ltd. | 414,354 | 398,354 |
| Vivog Commercial Ltd | --- | 347,220 |
| Sunil Kumar Mundra | 261,000 | 261,000 |
| Anand Rathi Share & Stock Brokers Ltd. | 347,320 | --- |
| i) Dividend proposed to be distributed to Equity Shareholders Rs.1.5 per share. | | |

TWENTIETH ANNUAL REPORT 2012-2013

NOTE 2 - RESERVES AND SURPLUS

| | Rs. | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|--------------------------------------------|-------------|---------------------------------|---------------------------------|
| Capital Reserves: | | | |
| As per last Balance Sheet | 1,440,000 | | 1,440,000 |
| Additions during the year | - | | - |
| | | 1,440,000 | 1,440,000 |
| Securities Premium Account: | | | |
| As per last Balance Sheet | 19,832,800 | | 19,832,800 |
| Additions on shares issued during the year | - | | - |
| | | 19,832,800 | 19,832,800 |
| General Reserve: | | | |
| As per last Balance Sheet | 7,939,948 | | 5,405,557 |
| Add: Transfer from Profit & Loss Account | 3,165,564 | | 2,534,391 |
| | | 11,105,512 | 7,939,948 |
| Surplus: | | | |
| As per last Balance Sheet | 237,921,241 | | 197,617,539 |
| Add: Profit/(Loss) for the period | 63,311,286 | | 50,687,819 |
| Less : Appropriations | | | |
| Proposed Dividend | 6,754,050 | | 6,754,050 |
| Tax on Proposed Dividend | 1,095,676 | | 1,095,676 |
| Transfer to reserves | 3,165,564 | | 2,534,391 |
| | | 290,217,237 | 237,921,241 |
| Total | | 322,595,549 | 267,133,989 |

NOTE 3 - LONG TERM BORROWINGS

| | Rs. | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|------------------------------------------|------------|---------------------------------|---------------------------------|
| Term Loans | | | |
| - from Banks | | | |
| Secured | | | |
| State Bank of India CC A/c -10242758678 | 40,046,293 | | 21,530,530 |
| SBI Exchange Packing Credit -30698350106 | 10,082,948 | | --- |
| State Bank of India Term Loan | 39,852,671 | | 71,412,169 |
| | | 89,981,912 | 92,942,699 |
| Total | | 89,981,912 | 92,942,699 |

NOTE 3a:

1. Long-term loans from State Bank of India are secured by first and joint equitable mortgage on pari-passu basis on Land, Building, Plant & Machinery / equipments, furniture & Computers situated at Attibele Industrial Area, Bangalore & at Pondichery and collateral security of entire stocks of raw materials, semi-finished goods and finished goods, book debts, receivable, other current assets etc. Long-term loans obtained from State Bank of India are secured by land and building situated at Pondichery and hypothecation of plant and Machinery/equipments/furniture & computers. In addition collateral securities consist 3.67 lacs equity shares of NCL held by M/s. Nandi Synthetic Pvt Ltd and extension of charge on current asset.
2. Term Loan repayable within a year is Rs. 334Lacs(Previous Year Rs.272Lacs)
3. The Secured term Loans from banks are repayable over a period of 2 to 3 years.
4. There are no continuing default in repayment of loans and interest.
5. Working Capital loan from State Bank of India is secured by hypothecation of stock of raw materials; work in process, finished goods, book debts, bills and other movable assets of the company.
6. All the secured loans are further secured by the personal guarantees of promoter directors.

NOTE 4 - DEFERRED TAX LIABILITY (NET)

| | AS AT 31st March 2013 Rs. |
|---------------------------------------------|---------------------------------|
| Deferred Tax Liability | |
| Related To Fixed Assets | 15,955,230 |
| Current Year Depreciation | 1,254,931 |
| Allowance Under the Income Tax Act, 1961 | 2,319,254 |
| Deferred Tax Asset | |
| Disallowance Under the Income Tax Act, 1961 | (2,714,738) |
| Total | 16,814,677 |

NOTE 5 - OTHER LONG TERM LIABILITIES

| | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|----------------------------|------------------------------------------|------------------------------------------|
| Trade Payables | | |
| For Capital Goods | 30,000 | --- |
| For Expenses | 389,330 | 353,890 |
| For Others | 152,700 | 420,539 |
| For Purchases | 674,823 | 582,861 |
| Others | | |
| Sundry Advances | --- | --- |
| J Raj & Co Deposit Account | 237,028 | 237,028 |
| Total | 1,483,882 | 1,594,318 |

NOTE 6 - LONG- TERM PROVISIONS

| | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|----------------------------------------|------------------------------------------|------------------------------------------|
| Provision for Gratuity | - | 2,667 |
| Other Provisions | | |
| Service Tax Payable (Freight Outwards) | 226,747 | 226,747 |
| Penalty Payable on Service Tax | 258,935 | 258,935 |
| Cenvat Payable | - | 202,522 |
| Penalty Payable on Cenvat | - | 202,522 |
| Bonus Payable | 2,119,369 | 1,891,501 |
| Exgratia Contract Labour | 1,373,027 | 1,079,285 |
| CST Payable 2008-09 | 79,269 | 79,269 |
| Cst Payable 2009-2010 | 40,337 | |
| Total | 4,097,684 | 3,943,448 |

**NOTE - DETAILS OF EMPLOYEE BENEFITS AS REQUIRED BY THE ACCOUNTING STANDARD 15 (REVISED)
EMPLOYEE BENEFITS ARE AS UNDER:**

- (A) The disclosure required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006 are as given below
Defined Contribution Plan :

Contribution to Defined Contribution Plan recognised are charged off for the year are as follows:

| | |
|-----------------------------------------------------|-----------|
| Employers Contribution to Provident Fund | 1,056,671 |
| Employers Contribution to Employees State Insurance | 335,091 |

The company has applied for exemption of its Provident Fund under section 17 of Employers Provident Fund and Miscellaneous Provisions Act 1952. Conditions for grant of exemptions stipulates that employer shall make good deficiency, if any, in the interest rate declared by trust vis-à-vis statutory rate.

- (B) Defined Benefit Plan

The Employees Gratuity Fund Scheme managed by Life Insurance Corporation of India is a Defined Benefit Plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

ii) The Defined Benefit Plans comprise of Gratuity

Gratuity is a benefit to an employee based on 15/20/25/30 days (depending on the grade/ category of employee and the completed years of service) last drawn salary for each completed year of service.
The plan is funded

| | | Particulars | Gratuity |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|
| (C) | Changes in the present value of defined obligation representing reconciliation of opening and closing balances thereof are as follows : | Current year | Previous Year |
| 1 | Present Value of Defined Benefit Obligation as on 1st April | 5,091,457 | 3,886,636 |
| 2 | Current Service cost | 598,877 | 428,946 |
| 3 | Interest Cost | 407,317 | 310,931 |
| 4 | Losses (gains) on Curtailment | --- | --- |
| 5 | Liabilities extinguished on settlements | --- | --- |
| 6 | Plan amendments | --- | --- |
| 7 | Actuarial (gains) / losses | (423,438) | 464,944 |
| 8 | Benefits paid | --- | --- |
| 9 | Present value of Defined Benefit Obligation as on Balance Sheet date. | 5,674,213 | 5,091,457 |

| (D) | Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows : | Current year | Previous Year |
|-----|-------------------------------------------------------------------------------------------------------------------------------|--------------|---------------|
| 1 | Fair value of Plan assets as on 1st April... | 5,094,124 | 3,799,239 |
| 2 | Expected return on plan assets | 477,505 | 373,431 |
| 3 | Actuarial gains and losses | --- | --- |
| 4 | Actual contributions by employers | 834,215 | 921,454 |
| 5 | Benefits paid | --- | --- |
| 6 | Plan assets as on 31st March... | 6,405,844 | 5,094,124 |

| (E) | Analysis of Defined Benefit Obligation : | Current Year | Previous Year |
|-----|----------------------------------------------------------------------------|--------------|---------------|
| 1 | Defined Benefit Obligation as at 1st April... | 5,091,457 | 3,886,636 |
| 2 | Fair Value of Plan assets at the end of the year | 6,405,844 | 5,094,124 |
| 3 | Net (Asset)/Liability recognized in the Balance Sheet as at 31st March.... | (1,314,387) | (1,207,488) |

| (F) | Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognized in the Balance Sheet : | Current Year | Previous Year |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| 1 | Present value of Defined Benefit Obligation | 5,674,213 | 5,091,457 |
| 2 | Fair value of plan assets | 6,405,844 | 5,094,124 |
| 3 | Funded status [Surplus/(Deficit)] | 731,631 | (2,667) |
| 4 | Unrecognized Past Service Costs | --- | --- |
| 5 | Net asset/(Liability) recognized in Balance Sheet | 731,631 | (2,667) |

| (G) | Components of employer expenses recognized in the statement of profit and loss for the year ended 31st March. | Current Year | Previous Year |
|-----|----------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| 1 | Current Service cost | 598,877 | 428,946 |
| 2 | Interest cost | 407,317 | 310,931 |
| 3 | Expected return on plan assets | (477,505) | (373,431) |
| 4 | Curtailment cost/(credit) | - | - |
| 5 | Settlement cost/(credit) | - | - |
| 6 | Past Service cost | - | - |
| 7 | Actuarial Losses/(Gains) | (423,438) | 464,944 |
| 8 | Total expense recognised in the Statement of Profit & Loss under Contribution to Provident Fund and other Funds | 105,251 | 831,390 |

(H) In respect of Funded Benefits with respect to gratuity and superannuation, the fair value of Plan assets represents the amounts invested through "Insurer Managed Funds"

| (I) | Principal Actuarial Assumptions : | Gratuity | |
|-----|------------------------------------|----------|-----|
| 1 | Discount Rate (%) | 8% | 8% |
| 2 | Expected Return on plan assets (%) | --- | --- |
| 3 | Salary Escalation (%) | 7% | 7% |
| 4 | Medical cost inflation | | |

NOTE 7 - TRADE PAYABLES

| | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|------------------------------|---------------------------------|---------------------------------|
| Trade payables (see note 9a) | | |
| For Capital Goods | 1,621,938 | 3,101,020 |
| For Expenses | 7,222,396 | 4,817,339 |
| For Purchases | 34,446,184 | 26,348,101 |
| For Others | 3,162,042 | 2,395,321 |
| Total | 46,452,560 | 36,661,781 |

NOTE :

- (a) In the absence of necessary information with the Company relating to the registration status of the Suppliers under the Micro, Small and Medium Enterprises Development Act, 2006, the information required under the said Act could not be compiled and disclosed.
- (b) The total outstanding due to Small Scale Industrial undertakings is Rs. 0.43 lakhs (Previous Year 0.80 lakhs) and the same is due to M/s Benaka Mudran and M/s Trisiris industries.

NOTE 8 - OTHER CURRENT LIABILITIES

| | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|-------------------------------------------------|------------------------------------------|------------------------------------------|
| Current maturities of long-term debt | | |
| SBI Long Term Loan | 11,100,000 | 7,400,000 |
| Unpaid dividends | 1,376,857 | 1,273,654 |
| Sales Tax deferment loan | | - |
| Professional Tax payable | 6,950 | 6,250 |
| TDS Commission Payable | 34,593 | 39,947 |
| TDS - Contractors Payable | 124,715 | 80,424 |
| TDS Professional Charges Payable | 116,776 | 83,358 |
| TDS Rent Payable | 12,743 | 6,690 |
| TDS Salaries Payable | 543,039 | 294,010 |
| Interest on Income tax payable | 429,990 | - |
| ESI Payable | 36,246 | 175,142 |
| PF Payable | 307,631 | 294,419 |
| Service Tax on reverse Charges for sitting fees | 74,160 | - |
| Vat Payable 2011-12 | - | 284,311 |
| Vat Payable 2012-13 | 527,808 | - |
| Rent Payable | 311,566 | 251,233 |
| Salary Payable-Director-SLM | 548,560 | 154,200 |
| Salary Payable-Director-LNM | 136,780 | 120,800 |
| Salary Payable-Director- SM | 138,360 | 122,500 |
| Salary Payable | 1,822,665 | 1,840,681 |
| Commission payable to Non-Executive Director | 540,000 | - |
| CST Payable | 383,374 | 390,166 |
| Advance Received from Customers | 4,766,324 | 1,830,948 |
| Total | 23,339,137 | 14,648,735 |

NOTE 9 - SHORT-TERM PROVISIONS

| | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|--------------------------|------------------------------------------|------------------------------------------|
| Proposed Dividend | 6,754,050 | 6,754,050 |
| Tax on proposed dividend | 1,095,676 | 1,095,676 |
| Other Provisions | | |
| Outstanding Expenses | 4,891,101 | 7,554,291 |
| Total | 12,740,826 | 15,404,017 |

NOTE 10 - FIXED ASSETS

| | Cost | | | Depreciation / Amortization/ Diminution | | | Net Block | | | |
|------------------------------------|-------------------------------|----------------------------------|-----------------------------------|-----------------------------------------|------------------------------|---------------------|----------------------|------------------------------|-------------------------------|-------------------------------|
| | As at 31st March, 2012 Rs. | Additions during the year Rs. | Deductions during the year Rs. | As at 31st March, 2013 Rs. | Upto 31st March, 2012 Rs. | For the year Rs. | On Deductions Rs. | Upto 31st March, 2013 Rs. | As at 31st March, 2013 Rs. | As at 31st March, 2012 Rs. |
| TANGIBLE ASSETS | | | | | | | | | | |
| Land | 5,111,730 | 1,604,787 | - | 6,716,517 | - | - | - | - | 6,716,517 | 5,111,730 |
| Improvements to Leasehold Premises | - | - | - | - | - | - | - | - | - | - |
| Buildings | 114,014,655 | 14,764,425 | - | 128,779,081 | 18,526,557 | 3,953,016 | - | 22,479,573 | 106,299,508 | 95,488,098 |
| Plant & Equipment | 285,217,538 | 42,672,512 | 1,485,879 | 326,404,171 | 129,489,204 | 25,614,507 | 1,252,495 | 153,851,216 | 172,552,955 | 155,728,334 |
| Computers | 6,564,983 | 129,791 | - | 6,694,774 | 3,388,295 | 1,058,906 | - | 4,447,201 | 2,247,573 | 3,176,688 |
| Furniture & Fixtures | 3,794,340 | 208,078 | - | 4,002,418 | 1,622,752 | 241,884 | - | 1,864,635 | 2,137,783 | 2,171,589 |
| Vehicles | 2,066,291 | - | - | 2,066,291 | 432,295 | 193,164 | - | 625,459 | 1,440,832 | 1,633,996 |
| Office Equipment | 1,100,662 | 124,166 | - | 1,224,828 | 270,663 | 52,093 | - | 322,757 | 902,072 | 829,999 |
| Total (A) | 417,870,200 | 59,503,759 | 1,485,879 | 475,888,079 | 153,729,767 | 31,113,569 | 1,252,495 | 183,590,840 | 292,297,239 | 264,140,433 |
| INTANGIBLE ASSETS | | | | | | | | | | |
| Technical Knowhow | 300,000 | - | - | 300,000 | 300,000 | - | - | 300,000 | - | - |
| Total (B) | 300,000 | | | 300,000 | 300,000 | | | 300,000 | | |
| Total (A+B) | 418,170,200 | 59,503,759 | 1,485,879 | 476,188,079 | 154,029,767 | 31,113,569 | 1,252,495 | 183,890,840 | 292,297,239 | 264,140,433 |
| Previous year | 362,417,185 | 56,965,568 | 1,212,553 | 418,170,200 | 127,910,755 | 27,030,641 | 911,631 | 154,029,767 | 264,140,433 | 234,506,430 |

NOTE 10a - Amount of borrowing costs capitalised during the year Rs. Nil (31st March, 2012- Rs. Nil)

NOTE 11 - LONG TERM LOANS AND ADVANCES

| | Rs. | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|------------------------------------------------------|-----------|---------------------------------|---------------------------------|
| (Unsecured, considered good unless otherwise stated) | | | |
| Capital Advances: | | | |
| Considered Good | 2,184,629 | | 1,702,260 |
| Considered Doubtful | --- | | --- |
| | | 2,184,629 | 1,702,260 |
| Less: Provision for Doubtful Capital Advances | | | |
| Taxes paid in advance less provisions (current tax) | | 5,851,795 | (2,542,506) |
| Inter Corporate Deposit | | 2,000,000 | 2,000,000 |
| Total | | 10,036,424 | 1,159,754 |

NOTE 12 - OTHER NON CURRENT ASSETS

| | Rs. | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|------------------------------------------------------|-----------|---------------------------------|---------------------------------|
| (Unsecured, considered good unless otherwise stated) | | | |
| a) Deposits with more than 12 months maturity | | | |
| Rent Deposit | 1,948,335 | | 1,724,455 |
| Other Deposit | 5,617,855 | | 4,152,855 |
| Fixed Deposits | 1,202,800 | | 1,202,800 |
| Interest On FD Receivable | 1,483,710 | | 965,874 |
| | | 10,252,700 | |
| b) Others (specify nature) | | | |
| Salary Advance To Staff | | 174,000 | 133,700 |
| Tour Advance | | --- | --- |
| c) Advance Paid to Sundry Creditors | | | |
| For Expenses | 1,389,602 | | 1,341,001 |
| For Purchases | 919,394 | | 3,536,391 |
| For Others | 112,697 | | 2,962,588 |
| | | 2,421,693 | |
| Total | | 12,848,393 | 16,019,664 |

NOTE 13 - INVENTORIES

| | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|------------------------------------------------|---------------------------------|---------------------------------|
| Raw materials (including GIT Rs.28,33,792/-) | 16,852,740 | 12,618,987 |
| Work - in - Process | 9,261,374 | - |
| Finished Goods | 7,550,251 | 5,980,890 |
| Stores and spares including GIT Rs.1,07,005/-) | 1,500,424 | 6,648,500 |
| Goods In Transit-Others | 46,605 | - |
| Total | 35,211,394 | 25,248,377 |

NOTE 14 - TRADE RECEIVABLES

| | Rs. | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|------------------------------------------------------|-------------|---------------------------------|---------------------------------|
| (Unsecured, considered good unless otherwise stated) | | | |
| 1) Debts due for a period exceeding six months | 8,788,228 | | 5,403,531 |
| Considered Good | --- | | --- |
| Considered Doubtful | | 8,788,228 | 5,403,531 |
| 2) Other Debts. | | | |
| Considered Good | 170,726,959 | | 134,651,897 |
| Considered Doubtful | --- | | --- |
| | 170,726,959 | 134,651,897 | |
| Less: Provision for Doubtful Debts | | 8,120,687 | 1,278,413 |
| Total | | 171,394,499 | 138,777,016 |

NOTE 15 - CASH AND CASH EQUIVALENTS

| | Rs. | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|------------------------------------------------------------|-----------|---------------------------------|---------------------------------|
| Balances with banks in - | | | |
| Earmarked balances | | | |
| - in Current Account | 59,208 | | 54,418 |
| - Dividend Distribution Account | 1,376,857 | | 1,273,654 |
| - in EEFC Account | 289,075 | | 634,652 |
| - Margin Money | 1,129,500 | | --- |
| | | 2,854,641 | |
| Cash on hand | | 31,460 | 26,693 |
| Fixed Deposit With Banks - Maturity of More than 12 Months | | --- | --- |
| Total | | 2,886,101 | 1,989,417 |

NOTE 16 - SHORT TERM LOANS AND ADVANCES

| | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|---------------------------------------------------------|---------------------------------|---------------------------------|
| (Unsecured, considered good unless otherwise stated) | | |
| Balances with Central Excise, Customs, Port trust, etc. | 1,840,367 | 1,769,307 |
| Gratuity Paid In Advance (Actuarial Advance) | 731,631 | --- |
| Advances Paid to Suppliers | 3,282,262 | 7,597,532 |
| Total | 5,854,260 | 9,366,839 |

NOTE 17 - OTHER CURRENT ASSETS

| | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|--------------------------------------|------------------------------------------|------------------------------------------|
| Other current assets | | |
| Prepaid Expenses | 1,129,776 | 843,427 |
| Tour Advance | 10,000 | 12,000 |
| Tour Advance - Foreign | --- | 256,615 |
| Saalry Advances | 112,012 | 213,998 |
| Service Tax - HO | 74,160 | --- |
| Export Duty Drawback Receivable | 733,605 | --- |
| Interest Recievable - Bescom Deposit | 85,576 | --- |
| DEPB License Receivable | 1,306,572 | 1,306,572 |
| Interest Recievable | 248,881 | 16,154 |
| Total | 3,700,582 | 2,648,766 |

**NATURAL CAPSULES LIMITED
STATEMENT OF PROFIT AND LOSS**

Profit and Loss statement for the year ended 31st March, 2013

Rupees

| | Particulars | Note No. | For the year ended on 31st March, 2013 | For the year ended on 31st March, 2012 |
|-------------|-------------------------------------------------------------------------------|----------|----------------------------------------|----------------------------------------|
| I. | Revenue from operations | 18 | 534,726,334 | 437,612,389 |
| II. | Other Income | 19 | 7,162,835 | 8,304,977 |
| III. | Total Revenue (I +II) | | 541,889,169 | 445,917,366 |
| IV. | Expenses: | | | |
| | Cost of materials consumed | 20 | 217,075,687 | 161,610,557 |
| | Purchase of Stock-in-Trade | | - | - |
| | Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | 21 | (10,830,735) | 142,594 |
| | Employee benefit expense | 22 | 38,306,626 | 31,196,305 |
| | Finance costs | 23 | 12,343,107 | 13,473,279 |
| | Depreciation and amortization expense | 10 | 31,113,569 | 27,030,645 |
| | Other expenses | 24 | 180,848,751 | 135,237,704 |
| | Total Expenses | | 468,857,004 | 368,691,084 |
| V. | Profit before exceptional and extraordinary items and tax (III - IV) | | 73,032,164 | 77,226,282 |
| VI. | Exceptional Items | | - | - |
| | Prior Period item | | 90,426 | - |
| VII. | Profit before extraordinary items and tax (V - VI) | | 72,941,738 | 77,226,282 |
| VIII. | Extraordinary Items | | - | - |
| IX. | Profit before tax (VII - VIII) | | 72,941,738 | 77,226,282 |
| X. | Tax expense: | | | |
| | (1) Current tax | | 19,005,752 | 23,255,285 |
| | (2) Prior Year tax | | (7,275,837) | 2,229,627 |
| | (3) Deferred tax | | (2,099,463) | 1,053,551 |
| XI. | Profit(Loss) for the period from continuing operations (IX-X) | | 63,311,286 | 50,687,819 |
| XII. | Profit/(Loss) from discontinuing operations | | - | - |
| XIII. | Tax expense of discontinuing operations | | - | - |
| XIV. | Profit/(Loss) from Discontinuing operations (after tax) (XII - XIII) | | - | - |
| XV. | Profit/(Loss) for the period (XI + XIV) | | 63,311,286 | 50,687,819 |
| XVI. | Earning per equity share: | | | |
| | (1) Basic | | 14.06 | 11.26 |
| | (2) Diluted | | 14.06 | 11.26 |

SEE ACCOMPANYING NOTE (1 TO 25) TO THE FINANCIALS STATEMENTS

In terms of our report attached
For **GNANOBA & BHAT**
CHARTERED ACCOUNTANTS
(Firm Regn No 000939 S)

K.R. GNANOBA
PARTNER
Membership No:023137

Date : 25.05.2013
Place : Bangalore

For and on behalf of the Board

Srirangam Gopalan
CHAIRMAN

Satyanarayan Mundra
DIRECTOR

Sunil L. Mundra
MANAGING DIRECTOR

Date : 25.05.2013
Place : Bangalore

NOTE 18 - REVENUE FROM OPERATIONS

| Particulars | Rs. | For the year ended on 31st March, 2013 Rs. | For the year ended on 31st March, 2012 Rs. |
|--------------------------|-------------|-----------------------------------------------|-----------------------------------------------|
| Sale of products | 558,756,852 | | 456,447,784 |
| Sale of services | - | | - |
| Other operating revenues | 18,769,731 | | 12,953,816 |
| Less: | | 577,526,583 | 469,401,601 |
| Excise duty | | 42,800,250 | 31,789,211 |
| Total | | 534,726,334 | 437,612,389 |

NOTE 18 a - EARNINGS IN FOREIGN EXCHANGE

| Particulars | For the year ended on 31st March, 2013 Rs. | For the year ended on 31st March, 2012 Rs. |
|----------------------|-----------------------------------------------|-----------------------------------------------|
| FOB Value of exports | 143,236,528 | 60,592,799 |
| Total | 143,236,528 | 60,592,799 |

NOTE 19 - OTHER INCOME

| Particulars | For the year ended on 31st March, 2013 Rs. | For the year ended on 31st March, 2012 Rs. |
|------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Interest income | 1,062,061 | 100,410 |
| Sundry provisions and credit balances no longer required, written back | 1,361,069 | 1,823,757 |
| Net gain on foreign currency transaction and translation | 2,316,311 | 2,800,451 |
| Other non-operating income (net of expenses directly attributable to such income). | 2,423,393 | 3,580,359 |
| Total | 7,162,835 | 8,304,977 |

NOTE 19a. EARNINGS IN FOREIGN EXCHANGE

| Particulars | For the year ended on 31st March, 2013 Rs. | For the year ended on 31st March, 2012 Rs. |
|-----------------------|-----------------------------------------------|-----------------------------------------------|
| Interest and dividend | | |
| Other income | 2,316,311 | 2,800,451 |
| Total | 2,316,311 | 2,800,451 |

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Note 20 - On Raw materials, goods purchased and Work in Progress

| Particulars | Raw Material Opening Stock | | Goods Purchased | | Consumption | | Raw Material Closing Stock | | WIP Opening Stock | | WIP Closing Stock | |
|---------------|----------------------------|------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|
| | As at 1st April, 2012 | As at 31st March, 2011 | For the year ended on 31st March, 2012 | For the year ended on 31st March, 2013 | For the year ended on 31st March, 2012 | For the year ended on 31st March, 2013 | As at 1st April, 2012 | As at 31st March, 2012 | As at 1st April, 2012 | As at 31st March, 2011 | As at 1st April, 2013 | As at 31st March, 2012 |
| Raw materials | Rs. 12,587,326 | Rs. 8,649,949 | Rs. 219,882,912 | Rs. 165,547,934 | Rs. 217,075,687 | Rs. 161,610,557 | Rs. 15,394,550 | Rs. 12,587,326 | Rs. | Rs. | Rs. | Rs. |
| Total | | | | | | | | | | | | |

Note 20 a

| Particulars | Raw Material Opening Stock | | Goods Purchased | | Consumption | | Raw Material Closing Stock | |
|-----------------|----------------------------|------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|----------------------------|------------------------|
| | As at 1st April, 2011 | As at 31st March, 2010 | For the year ended on 31st March, 2013 | For the year ended on 31st March, 2012 | For the year ended on 31st March, 2013 | For the year ended on 31st March, 2012 | As at 1st March, 2013 | As at 31st March, 2012 |
| Geletin | Rs. 8,000,055 | Rs. 5,215,660 | Rs. 188,839,126 | Rs. 131,420,658 | Rs. 190,692,348 | Rs. 128,738,503 | Rs. 6,146,833 | Rs. 5,215,660 |
| Dextropropylene | - | - | Rs. 4,800,909 | Rs. 6,482,899 | Rs. 4,800,909 | Rs. 6,482,899 | - | - |
| Paracetamol | - | - | Rs. 3,088,887 | Rs. 4,893,622 | Rs. 3,088,887 | Rs. 4,893,622 | - | - |
| HPMC | - | - | - | - | - | - | - | - |
| Others | Rs. 4,587,271 | Rs. 3,434,289 | Rs. 23,153,990 | Rs. 22,750,755 | Rs. 18,493,543 | Rs. 21,495,533 | Rs. 9,247,717 | Rs. 7,371,666 |
| Total | 12,587,326 | 8,649,949 | 219,882,912 | 165,547,934 | 217,075,687 | 161,610,557 | 15,394,550 | 12,587,326 |

Note 20 b

| Particulars | For the year ended on 31st March, 2013 | | For the year ended on 31st March, 2012 | |
|-------------------------------------|----------------------------------------|----------------|----------------------------------------|----------------|
| | Value (Rs.) | Percentage (%) | Value (Rs.) | Percentage (%) |
| Imported | 735,041 | 0% | 1,444,379 | 1% |
| Indigenously obtained Raw materials | 216,340,646 | 100% | 159,357,455 | 99% |
| Total | 217,075,687 | 100% | 161,610,557 | 100% |

25c. CIF Value of Imports

| Particulars | For the year ended on 31st March, 2013 Rs. | For the year ended on 31st March, 2012 Rs. |
|----------------------------|-----------------------------------------------|-----------------------------------------------|
| Excipients | 387,415 | 145,156 |
| Raw Material | 74,021 | - |
| Components and Spare Parts | 273,605 | 1,299,223 |
| Capital Goods | 1,212,391 | 808,723 |
| Total | 1,947,432 | 2,253,102 |

NOTE 21 - (INCREASE) / DECREASE STOCKS OF FINISHED GOODS AND WORK - IN - PROGRESS

| Particulars | Rs. | For the year ended on 31st March, 2013 Rs. | For the year ended on 31st March, 2012 Rs. |
|----------------------|-----------|-----------------------------------------------|-----------------------------------------------|
| Opening stock | | | |
| Work - in - progress | --- | | 392,000 |
| Finished goods | 5,980,890 | 5,980,890 | 5,731,484 |
| | | | 6,123,484 |
| Closing stock | | | |
| Work - in - progress | 9,261,374 | | - |
| Finished goods | 7,550,251 | | 5,980,890 |
| | | 16,811,625 | 5,980,890 |
| Total | | (10,830,735) | 142,594 |

NOTE 22 - EMPLOYEE BENEFIT EXPENSE

| Particulars | For the year ended on 31st March, 2013 Rs. | For the year ended on 31st March, 2012 Rs. |
|-------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Salaries and wages | 23,732,752 | 19,823,301 |
| Director Remuneration | 7,900,000 | 6,680,000 |
| Contribution to provident and other funds | 2,506,970 | 2,868,968 |
| Staff welfare expenses | 4,166,904 | 1,824,036 |
| Total | 38,306,626 | 31,196,305 |

NOTE 23 - FINANCE COSTS

| Particulars | For the year ended on 31st March, 2013 Rs. | For the year ended on 31st March, 2012 Rs. |
|-----------------------|-----------------------------------------------|-----------------------------------------------|
| Interest expense | 12,343,107 | 12,131,359 |
| Other borrowing costs | --- | --- |
| Total | 12,343,107 | 13,473,279 |

NOTE 24 - OTHER EXPENSES

| | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|-----------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| Consumption of stores and spare parts | 15,090,032 | 9,438,543 |
| Power and fuel | 62,869,840 | 44,715,263 |
| Rent | 4,253,814 | 3,738,014 |
| Repairs and maintenance - | | |
| Buildings | 6,278,924 | 3,511,071 |
| Machinery | 6,614,603 | 9,496,356 |
| Furniture | 1,132,734 | --- |
| Others | 2,104,780 | 2,219,192 |
| Rates & Taxes (excluding taxes on income) | 410,037 | 369,205 |
| Net loss on foreign currency transaction and translation (other than considered as finance cost) | --- | --- |
| Provision for doubtful debts & advances (net) | 7,191,909 | 931,506 |
| Contract Labour Charges | 15,669,813 | 13,211,884 |
| Professional Charges | 1,998,096 | 1,458,789 |
| Travelling Expenses & Conveyance | 3,859,531 | 5,021,786 |
| Freight Charges | 17,434,010 | 13,397,927 |
| Travelling Expenses - Foreign | 3,259,236 | 1,757,715 |
| License Fee | 789,318 | 1,247,922 |
| Director Sitting Fee | 340,000 | 340,000 |
| Commission to Non-Executive Directors | 600,000 | --- |
| Exhibition Expenses | 2,342,075 | 1,757,163 |
| Research & Development Expenditure - Revenue in Nature | 7,384,506 | 7,096,629 |
| Bank Charges | 1,831,690 | 7,910,751 |
| Miscellaneous expenses | 19,393,803 | 15,528,740 |
| Total | 180,848,751 | 135,237,704 |

NOTE 24a - MISCELLANEOUS EXPENSES INCLUDE PAYMENT TO AUDITORS (NET OF SERVICE TAX)

| Particulars | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|-----------------------------------|------------------------------------------|------------------------------------------|
| Audit fees | 120,000 | 120,000 |
| Tax Audit fees | 30,000 | 30,000 |
| Taxation matters | --- | --- |
| Company law matters | --- | --- |
| Management expenses | --- | --- |
| Other services | 28,500 | 30,000 |
| Out of pocket expenses reimbursed | - | - |
| Total | 178,500 | 180,000 |

NOTE 24b - EXPENDITURE IN FOREIGN CURRENCY

| Particulars | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|-------------------|---------------------------------|---------------------------------|
| Consultation Fees | - | 44,141 |
| Other matters | 5,143,855 | 2,285,417 |
| Total | 5,143,855 | 2,329,558 |

NOTE 24c - THE TOTAL OF FUTURE MINIMUM LEASE PAYMENTS UNDER NON-CANCELLABLE OPERATING LEASE

| Particulars | AS AT 31st March 2013 Rs. | AS AT 31st March 2012 Rs. |
|---------------------------------------------------------|---------------------------------|---------------------------------|
| (i) Not later than one year | 504,000 | 324,000 |
| (ii) Later than one year and not later than five years. | 2,016,000 | 1,872,000 |
| (iii) Later than five years | - | - |
| Total | 2,520,000 | 2,196,000 |

a) Lease payments recognised in the profit and loss account for the year Rs.4,68,000/- (31st March, 2012 Rs. 3,24,000).

NOTE24d - Research and Development expenditure debited to the Profit and Loss Account aggregating Rs.73,84,506/- (31st March, 2012 Rs70,96,629/-) has been incurred by the company and disclosed under appropriate account heads.

The figures have been regrouped as required for the year 2011-12 and 2012-13.

NOTE 25:

- (i). Segment Information:
- The companies operation are basically identified into two segments namely Capsules and Formulations
 - The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record Income and expenditure in individual segments.
 - Income and direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of the cost are categorized equally among the segments. Certain expenses such as Depreciation, R&D Expenses, Finance cost, which form a significant component of the total cost are not specifically allocable to specific segments as the same is used interchangeably.
 - Fixed assets used in the company's business or liabilities contracted have not been identified to any of the reportable segments since the same are used interchangeably between the segments.
 - All the inter segment transfers are made at cost price.

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(A) Primary segments - Business Segments

| Particulars | Capsules | | Formulations | | Others | | Elimination | | Total Amount | |
|---------------------------------------------------------------------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| a | | | | | | | | | | |
| Segment Revenue | 5,215.36 | 4,138.63 | 158.64 | 285.65 | 71.62 | 83.05 | - | - | 5,418.89 | 4,459.17 |
| Sales to External Customers | | | | | | | | | | |
| Inter Segment Revenue | | | | | | | 26.73 | 48.16 | | |
| Total Segment Revenue | 5,215.36 | 4,138.63 | 158.64 | 285.65 | 71.62 | 83.05 | 26.73 | 48.16 | 5,418.89 | 4,459.17 |
| b | | | | | | | | | | |
| Segment Results | | | | | | | | | | |
| Unallocated Corporate expenses | | | | | | | | | | |
| Interest expense | | | | | | | | | | |
| Depreciation | | | | | | | | | | |
| Income / Profit from investments | | | | | | | | | | |
| Surplus on pre-payment of sales tax deferral | | | | | | | | | | |
| Profit before tax | 1,141.23 | 1,136.71 | 6.60 | 11.13 | 43.05 | 77.63 | 26.73 | 48.16 | 729.42 | 772.25 |
| Income taxes | | | | | | | | | | |
| Deferred Tax | | | | | | | | | | |
| Fringe benefit tax | | | | | | | | | | |
| Profit after tax | 1,141.23 | 1,136.71 | 6.60 | 11.13 | 43.05 | 77.63 | 26.73 | 48.16 | 560.36 | 529.17 |
| Excess/(short) provision for current taxation in respect of earlier years | | | | | | | | | (72.75) | 22.30 |
| Net profit | 1,141.23 | 1,136.71 | 6.60 | 11.13 | 43.05 | 77.63 | 26.73 | 48.16 | 633.11 | 506.87 |
| c | | | | | | | | | | |
| Segment Assets | | | | | | | | | | |
| Unallocated Corporate Assets | | | | | | | | | | |
| Total Assets | | | | | | | | | | |
| d | | | | | | | | | | |
| Segment Liabilities | | | | | | | | | | |
| Unallocated Corporate liabilities | | | | | | | | | | |
| Total Liabilities | | | | | | | | | | |
| e | | | | | | | | | | |
| Cost incurred during the period to acquire Segment fixed assets | | | | | | | | | | |
| f | | | | | | | | | | |
| Depreciation / Amortisation | | | | | | | | | | |
| g | | | | | | | | | | |
| Non-cash expenses other than depreciation/amortisation | | | | | | | | | 311.30 | 270.30 |
| | | | | | | | | | (72.75) | 22.30 |

Note: Capital Employed by the Company for its different segment is interchangeable and hence Capital Employed for segment reporting has not been made.

NOTE (ii) - Related Party Disclosures:

A) Name of the related party and nature of relationship where control exists:

| Name of Related Party | Nature of Relationship |
|--------------------------|------------------------------------------------------|
| M/s Mundra Enterprises | Key Management Personnel Having Substantial Interest |
| Mr. Sunil Mundra | Key Management Personnel |
| Mr. Laxminarayana Mundra | Key Management Personnel |
| Mr. Satyanarayana Mundra | Key Management Personnel |

B) Related Party Transactions:

| Name of Related Party | Description of Relationship | Nature of Transactions | Amount of Transactions (Rs.) | Amount Outstanding at the end of year | |
|--------------------------|------------------------------------------------------|---------------------------------|---------------------------------|---------------------------------------|-------------|
| | | | | Credit (Rs.) | Debit (Rs.) |
| M/s Mundra Enterprises | Key Management Personnel Having Substantial Interest | Operating Lease Rental Payments | 468,000 | 35,100 | --- |
| Mr. Sunil Mundra | Key Management Personnel | Managerial Remuneration | 3,400,000 | 548,560 | --- |
| Mr. Laxminarayana Mundra | Key Management Personnel | Managerial Remuneration | 2,250,000 | 136,780 | --- |
| Mr. Satyanarayana Mundra | Key Management Personnel | Managerial Remuneration | 2,250,000 | 138,360 | --- |

NOTE (iii) - Earning per Share

- (a) The amount used as the numerator in calculating basic and diluted earnings per share is the net profit after tax for the year disclosed in the Profit and Loss Account.
- (b) The weighted average number of equity shares used as the denominator in calculating both basic and diluted earnings per share is 45,02,700

NOTE (iv) - Contingent Liability:

| Particulars | As at 31st March, 2013 Rs. | As at 31st March, 2012 Rs. |
|-------------------------------------------------------|----------------------------------|----------------------------------|
| Income Tax matters | 426,000 | 426,000 |
| Sales Tax matters | --- | --- |
| Excise Duty | --- | 126,000 |
| Service Tax Claims | | --- |
| Labour matters | | |
| Guarantees | | |
| Claims against the company not acknowledged as debts | | |
| Other matters for which money is contingently payable | | |
| Total | 426,000 | 552,000 |

NOTE (v) -

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.99.75/-Lacs. (31st March 2012-Rs 127.42/-Lacs).

NOTE (vi) - Research & Development Expenditure

- The capital Expenditure in relation to fixed assets has been capitalised and depreciation is provided at applicable rates.
- The amount spent on Capital Expenditure which are capitalised have been identified and certified by the Management.
- The details of Expenditures are given below

| Nature of Expenditure | 2012-13 | 2011-12 |
|-----------------------|-------------------|-------------------|
| Capital Expenditure | 5,330,749 | 12,525,664 |
| Revenue Expenditure | 7,384,506 | 7,096,629 |
| Total | 12,715,255 | 19,622,293 |

NOTE (vii) -

The company has not made provision for Excise liability on goods manufactured but not cleared, as these are accounted on clearance of goods.

This practice has no impact on profit. Excise Duty payable on removal of goods outstanding as on 31st March 2012 to the tune of Rs.9.91 Lacs

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

(Amounts in Rs.)

| Particulars | For the year ended 31 March, 2013 | | For the year ended 31 March, 2012 | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------|--------------------------------------|--------------|
| | | | | |
| A. Cash flow from operating activities | | | | |
| Net Profit / (Loss) before extraordinary items and tax | | 73,485,702 | | 77,226,282 |
| Adjustments for: | | | | |
| Depreciation and amortisation | 31,113,569 | | 27,030,645 | |
| Provision for impairment of fixed assets and intangibles | --- | | --- | |
| Amortisation of share issue expenses and discount on shares | --- | | --- | |
| (Profit) / loss on sale / write off of assets | (351,616) | | (68,671) | |
| Expense on employee stock option scheme | --- | | --- | |
| Finance costs | 12,349,143 | | 13,473,279 | |
| Interest income | (1,062,061) | | (100,410) | |
| Dividend income | --- | | --- | |
| Liabilities / provisions no longer required written back | (1,320,027) | | (734,319) | |
| Adjustments to the carrying amount of investments | --- | | --- | |
| Provision for losses of subsidiary companies | --- | | --- | |
| Provision for doubtful trade and other receivables, loans and advances | 6,982,128 | | 663,443 | |
| Provision for estimated loss on derivatives | --- | | --- | |
| Provision for warranty | --- | | --- | |
| Provision for estimated losses on onerous contracts | --- | | --- | |
| Provision for contingencies | --- | | --- | |
| Other non-cash charges (specify) | 288,310 | | 26,772 | |
| Provision for gratuity & Leave Encashment | --- | | --- | |
| Other non-cash charges (specify) | --- | | --- | |
| Net unrealised exchange (gain) / loss | (355,133) | | (632,675) | |
| | | 47,644,312 | | 39,658,064 |
| Operating profit / (loss) before working capital changes | | 121,130,014 | | 116,884,346 |
| Changes in working capital: | | | | |
| Adjustments for (increase) / decrease in operating assets: | | | | |
| Inventories | (9,963,018) | | (6,465,054) | |
| Trade receivables | (39,532,789) | | (28,075,267) | |
| Short-term loans and advances | 3,512,580 | | (2,562,357) | |
| Long-term loans and advances | (8,727,559) | | 8,108,954 | |
| Other current assets | (1,051,815) | | (1,056,271) | |
| Other non-current assets | 3,171,271 | | (7,838,072) | |
| Adjustments for increase / (decrease) in operating liabilities: | | | | |
| Trade payables | 9,790,779 | | (3,280,994) | |
| Other current liabilities | 8,146,439 | | 2,914,268 | |
| Other long-term liabilities | 1,104,532 | | (2,625,749) | |
| Short-term provisions | (2,558,132) | | 5,519,300 | |
| Long-term provisions | 154,236 | | 58,512 | |
| | | (35,953,476) | | (33,302,730) |
| | | 85,176,538 | | 83,581,617 |
| Cash flow from extraordinary items | | --- | | --- |
| Cash generated from operations | | 85,176,538 | | 83,581,617 |
| Net income tax (paid) / refunds | | (11,879,026) | | (20,015,841) |
| Net cash flow from / (used in) operating activities (A) | | 73,297,512 | | 63,565,776 |
| B. Cash flow from investing activities | | | | |
| Capital expenditure on fixed assets, including capital advances | (51,180,368) | | (52,356,257) | |
| Proceeds from sale of fixed assets | 585,000 | | 333,894 | |
| Inter-corporate deposits (net) | --- | | (2,000,000) | |
| Interest received | --- | | --- | |
| - Others | 1,062,061 | | 100,410 | |
| Other income received | --- | | --- | |
| | | (49,533,307) | | (53,921,953) |
| Net cash flow from / (used in) investing activities (B) | | (49,533,307) | | (53,921,953) |
| C. Cash flow from financing activities | | | | |
| Proceeds from issue of equity shares | --- | | --- | |
| Proceeds from issue of preference shares | --- | | --- | |
| Redemption / buy back of preference / equity shares | --- | | --- | |
| Proceeds from issue of share warrants | --- | | --- | |
| Share application money received / (refunded) | --- | | --- | |
| Proceeds from long-term borrowings | --- | | 7,290,168 | |
| Repayment of long-term borrowings | (2,960,788) | | --- | |
| Net increase / (decrease) in working capital borrowings | --- | | --- | |
| Proceeds from other short-term borrowings | --- | | --- | |
| Proceeds from Short-term borrowings | 292,133 | | --- | |
| Repayment of other short-term borrowings | --- | | --- | |
| Finance cost | (12,349,143) | | (13,473,279) | |
| Dividends paid | (6,754,050) | | (5,403,240) | |
| Tax on dividend | (1,095,676) | | (897,411) | |
| | | (22,867,524) | | (12,483,761) |
| Net cash flow from / (used in) financing activities (C) | | (22,867,524) | | (12,483,761) |
| Net increase / (decrease) in Cash and cash equivalents (A+B+C) | | 896,682 | | (2,839,939) |
| Cash and cash equivalents at the beginning of the year | | 1,989,417 | | 4,829,356 |
| Cash and cash equivalents at the end of the year | | 2,886,101 | | 1,989,417 |
| Reconciliation of Cash and cash equivalents with the Balance Sheet: | | | | |
| Cash and cash equivalents as per Balance Sheet | | 2,886,101 | | 1,989,417 |
| Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements (give details) | | --- | | --- |
| Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note 19 | | 2,886,101 | | 1,989,417 |
| Add: Current investments considered as part of Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) (Refer Note (ii) to Note 16 Current investments) | | --- | | --- |
| Cash and cash equivalents at the end of the year * | | 2,886,101 | | 1,989,417 |
| * Comprises: | | | | |
| (a) Cash on hand | | 31,460 | | 26,693 |
| (b) Balances with banks - in current accounts | | 2,854,641 | | 1,962,724 |

NOTE (viii) -

As per the Industrial policy of Government of India, the activity of the company does not require any licensing.

NOTE (ix) - Information pursuant to provisions of Part II of Schedule VI to the Companies Act 1956.

| Capacity & Production | 2012-13 | 2011-12 |
|-----------------------------------------|----------------|----------------|
| Licensed Capacity | Not Applicable | Not Applicable |
| Installed Capacity (In Lacs) | | |
| Capsules | 62,700.00 | 54,000.00 |
| Formulations | 2,700.00 | 2,700.00 |
| Actual Production (Qty. in Lacs) | | |
| Capsules | 60,182.59 | 58,014.63 |
| Formulations | 263.11 | 512.18 |
| Turnover (Qty. in Lacs) | | |
| Capsules | 60,189.86 | 57,856.45 |
| Formulations | 263.11 | 512.18 |
| Turnover (Rs In Lacs) | | |
| Capsules | 5,188.61 | 4,090.48 |
| Formulations | 158.65 | 285.65 |

Finished Goods

| | 2012-13 | | 2011-12 | |
|----------------------|-------------------|---------------------------|-------------------|---------------------------|
| | Qty (Lacs) | Value (Rs in Lacs) | Qty (Lacs) | Value (Rs in Lacs) |
| Opening Stock | | | | |
| Capsules | 1,344.20 | 59.80 | 1,186.02 | 57.31 |
| Formulations | --- | --- | --- | --- |
| Closing Stock | | | | |
| Capsules | 1,336.93 | 75.50 | 1,344.20 | 59.80 |
| Formulations | --- | --- | --- | --- |

NOTE (x) - The previous years figures have been regrouped/restated wherever necessary to conform with current years classification.

In terms of our report attached
For GNANOBA & BHAT
 CHARTERED ACCOUNTANTS
 (Firm Regn No 000939 S)

K.R. GNANOBA
 PARTNER
 Membership No:023137

Date : 25.05.2013
Place : Bangalore

For and on behalf of the Board

Srirangam Gopalan
 CHAIRMAN

Satyanarayan Mundra
 DIRECTOR

Sunil L. Mundra
 MANAGING DIRECTOR

Date : 25.05.2013
Place : Bangalore