



TWENTY FOURTH ANNUAL REPORT 2016-17



**NATURAL
CAPSULES
LIMITED**

CHAIRMAN'S ADDRESS



Dear Shareholders,

I have pleasure of announcing the completion of yet another eventful Financial Year 2016-17. The Financial Year had been a mix of challenges and your company has come out with results which are before you. The dip in turnover and profits are mainly due to slowdown in domestic / International markets, tight liquidity positions in the market.

Despite challenges, the company has taken all efforts for sustaining and improving its performance.

The company intends to maintain a decent return for shareholders and confidently looks forward for your continued support.

Thank You,

Srirangam Gopalan
Chairman

FROM MANAGING DIRECTOR'S DESK



Dear Shareholders,

Working results for the Financial Year 2016-17 are before the members for consideration. It has been a year of mixed performance. The profit before tax has reduced by almost 55 % compared to the previous year, which was mainly due to slowdown in international market and payment crisis etc. We are continuously working to arrest this slide and bounce back.

Despite difficult situation on the cash flow front, we propose to declare dividend of Rs.1.00 per equity share, if approved at the AGM.

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

Thank You,

Sunil L Mundra,
Managing Director

BOARD OF DIRECTORS

Shri Srirangam Gopalan	:	Chairman & Independent Director
Shri C.P Rangachar	:	Independent Director
Dr. C.M Gurumurthy	:	Independent Director
Shri Laxminarayan Moondra	:	Whole Time Director
Shri Satyanarayan Mundra	:	Whole Time Director
Shri Sunil Laxminarayan Mundra	:	Managing Director
Shri Sushil Kumar Mundra	:	Director
Smt. Jyothi Mundra	:	Director

COMPANY SECRETARY
AND COMPLIANCE OFFICER : Shri Skandan. P. Jain

CHIEF FINANCIAL OFFICER : Shri Prasanna. B. Junnarkar

BANKERS : M/s. State Bank of India
Bangalore Commercial Branch
Hudson Circle,
BENGALURU- 560 001.

SATUTORY AUDITORS : M/s. Gnanoba & Bhat
Chartered Accountants
45, Annamalai Arcade,
1st Cross, Wilson Garden,
BENGALURU - 560 027.

SECRETARIAL AUDITORS : R. Parthasarathi
188, 1st Floor, Aicoboonagar,
9th Main, BTM 2nd Stage, 11th Cross,
BENGALURU

REGISTERED OFFICE : 102, "Shreshta Bhumi" No. 87,
K. R. Road, BENGALURU - 560 004.
Tel. No. : 080-2667 1571/581/573,
2667 1573 / 2667 1581
Fax : 080-2667 1562
E-mail : info@naturalcapsules.com
URL : www.naturalcapsules.com
CIN : L85110KA1993PLC014742
ISIN : INE936B01015

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)
E-mail : cameo@cameoindia.com
Contact Person : Mrs. Kanthimathi Jayakumar
Executive - Shares

FINANCIAL HIGHLIGHTS (8 YEARS)

(Rupees in Lakhs)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Sales & Other Income	2,948.98	3,453.96	4,459.17	5,418.89	5,942.12	6,811.53	6,328.53	5,445.57
Exports	507.90	615.17	605.92	1,432.36	1,589.94	2,054.72	1,884.34	1,225.04
P B T	641.00	663.79	772.26	729.41	742.64	753.71	607.46	31.57
P A T	426.56	446.76	506.87	633.11	456.19	564.92	433.88	62.78
EPS	9.00	10.00	11.26	14.06	10.09	11.18	8.06	1.04
Dividend per share (Rs)	1.20	1.20	1.50	1.50	1.50	1.50	1.50	1.00
Reserves & Surplus	1,859.20	2,242.95	2,671.33	3,225.95	3,729.79	4,160.25	4,773.78	5,276.57
Share Capital	450.27	450.27	450.27	450.27	502.27	524.27	579.27	623.27
Share holders fund	2,309.47	2,693.22	3,121.60	3,676.22	4,232.06	4,684.52	5,353.05	5,899.84
R O I (%)	18.47	16.59	16.24	17.22	10.76	12.06	8.11	1.06

NOTICE

Notice is hereby given that the **24th Annual General Meeting** of the members of Natural Capsules Limited will be held on Tuesday, the **29th August, 2017** at 10.00 A.M. at **Kannada Sahithya Parishat**, Pampa Mahakavi Road, Chamarajpet, Bengaluru-560018 to transact the following business:-

Ordinary Business:

1. To receive, consider and adopt the Audited Financial Statements for the Financial Year ended 31st March 2017 together with the Reports of the Directors and the Auditors thereon.
2. To declare dividend for the Financial Year 2016-17.
3. To appoint a director in place of Mr. Sushil Kumar Mundra (DIN: 00214332), who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Satyanarayan Mundra (DIN: 00214349), who retires by rotation and being eligible, offers himself for re-appointment.
5. Appointment of Auditors of the company, and to fix their remuneration.

To consider and if thought fit, to convey assent or dissent to the following Ordinary Resolution:

“Resolved that pursuant to Section 139 of the Companies Act, 2013, and the rules framed there under M/s. P Chandrasekar, Chartered Accountants, (Firm Registration No. 000580S) Bengaluru, be and are hereby appointed as Statutory Auditors of the Company, in the place of M/s Gnanoba & Bhat, chartered Accountants, who have completed their tenure as per Section 139(2) of the Act, to hold office for a period of (5) five years from the accounting years **2017-18 to 2021-22**, to hold office till the conclusion of the Sixth Annual General Meeting, subject to ratification at every Annual General Meeting, on a remuneration to be fixed by Managing Director in consultation with the said Auditors”.

Special Business:

6. To revise the remuneration of Mr. Sunil L Mundra (Managing Director, DIN: 00214304).

To consider and if thought fit, to convey assent or dissent to the following Special Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 197 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (as amended from time to time), Clause 92 of the Company's Articles of Association and subject to such other approvals as may be required, the consent of the Company be and is hereby accorded for revision of remuneration of Mr. Sunil L Mundra (Managing Director) with effect from **1st June, 2017** for the remaining period of his tenure i.e upto **31st May 2019**, having been approved both by the Board and Nomination and Remuneration Committee, which is detailed hereunder :

1. Salary of Rs. 3,70,000/- Per month on the scale of pay of Rs. 3,70,000-15000-3,85,000
2. Car with the driver for official work
3. Medical reimbursement for self and dependent family members not exceeding 1 month's Salary in a year or 3 month's salary in block of 3 years
4. LTC once in a year not exceeding 1 month's salary for self and dependent family.
5. PF and Gratuity as applicable to the other officers of the company.
6. Commission of 1% of Profit

“RESOLVED FURTHER THAT the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits/ inadequate profits, except that the overall remuneration including perquisites will be restricted to the maximum permissible as per Schedule V and that the commission shall not be paid.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution.”

7. To re-appoint Mr. Laxminarayan Moondra (DIN: 00214298) as Whole Time Director and to fix his remuneration.

To consider and if thought fit, to convey assent or dissent to the following Special Resolution:

“RESOLVED THAT pursuant to Sections 196, 197 and 203 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (amended from time to time) Clause 92 and Clause 95 of the Company's Articles of Association and subject to such other approvals as may be required, the consent of the Company be and is hereby accorded for re-appointment of Laxminarayan Moondra as Whole time Director of the company for a period of 3 years, on the same terms and conditions of the earlier agreement except that his remuneration shall be as per the following terms (as approved by Nomination and Remuneration Committee) w.e.f. **1st September 2017**:

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1. Salary of Rs. 2,65,000/- Per month on the scale of pay of Rs. 2,65,000-15000-2,80,000
2. Car with the driver for official work
3. Medical re imbusement for self and dependent family members not exceeding 1 month's Salary in a year or 3 month's salary in block of 3 years
4. LTC once in a year not exceeding 1 month's salary for self and dependent family.
5. PF and Gratuity as applicable to the other officers of the company.
6. Commission of 1% of Profit

"RESOLVED FURTHER THAT the aforesaid remuneration shall be construed as minimum remuneration in the absence of profits/ inadequate profits, except that the overall remuneration including perquisites will be restricted to the maximum permissible as per Schedule V and that the commission shall not be paid."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take all such steps as may be necessary, proper and expedient to give effect to this resolution."

8. To revise the remuneration Mr. Satyanarayan Mundra (DIN: 00214349)

To consider and if thought fit, to convey assent or dissent to the following Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 197 read with Schedule V and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (amended from time to time) Clause 92 of the Company's Articles of Association and subject to such other approvals as may be required, the consent of the Company be and is hereby accorded for revised remuneration of Mr. Satyanarayan Mundra as for remaining part of the tenure, w.e.f 1st June 2017 up to 31st May 2019 as approved by Nomination and Remuneration Committee as per details furnished hereunder:

1. Salary of Rs. 2,65,000/- Per month on the scale of pay of Rs. 2,65,000-15000-2,80,000
2. Car with the driver for official work
3. Medical re imbusement for self and dependent family members not exceeding 1 month's Salary in a year or 3 month's salary in block of 3 years
4. LTC once in a year not exceeding 1 month's salary for self and dependent family.
5. PF and Gratuity as applicable to the other officers of the company.
6. Commission of 1% of Profit

9. To fix the remuneration of Non-Executive Directors

To consider and if thought fit, to convey assent or dissent to the following Special Resolution:

"RESOLVED THAT pursuant to Sections 197, 198 and all other applicable provisions of the Companies Act, 2013 and relevant rules made thereunder (amended from time to time), consent of the Company be and is hereby accorded for the payment of remuneration to Non Executive Directors (Including Independent Directors)of the Company, for a period of 3 years from the current financial year 2017-18 for a sum not exceeding 1% of the net profits of the Company, in addition to the fee payable to them for attending the meetings of the Board or any committee (s) thereof or reimbursement of expenses if any as the Board of Directors may, from time to time, determine and in default of such determination equally and that Mr. Sunil L Mundra, Managing Director, be authorized to take all steps necessary for giving effect to this resolution".

By Order of the Board

Skandan.P. Jain
Company Secretary.

Place: Bangalore
Date: July 29, 2017

Note

1. The statement pursuant to Section 102 (1) of the Companies Act, 2013 with respect to the special business set out in the notice is annexed.
2. A member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote in the meeting instead of himself / herself, and the proxy need not be member of the company. A person can act as a proxy on behalf of not exceeding fifty (50) members and holding in aggregate not more than ten (10) percent of the total share capital of the company.
3. Corporate members intending to send their authorised representatives to attend the meeting shall be supported by appropriate resolutions/authority as applicable.
4. The instrument appointing the proxy, duly completed, must be deposited at the Company's registered office not less than 48 hours before the commencement of the meeting. A proxy form for the AGM is enclosed.
5. Members / proxies / authorised representatives should bring the duly filled attendance slip enclosed herewith to attend the meeting.
6. The register of members and share transfer books will remain closed from **22nd August 2017 to 29th August 2017** (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31-03-2017.
7. Subject to the provisions of the Companies Act, 2013, dividend as recommended by the Board of Directors viz. Rs. 1 per share, if declared at the meeting, will be paid within a period of 30 days from the date of declaration, to those members whose names appear on the Register of Member as on the date of the AGM.
8. Members holding shares in dematerialised form are requested to intimate all changes pertaining to their bank details. National Electronic clearing service (NECS), Electronic Clearing Service (ECS), mandates nominations, power of attorney, change of address, change of name, e-mail address, contact numbers, etc., to their Depository Participant (DP) . Changes intimated to the DP will then be automatically reflected in the Company's records which will help the Company and the Company's registrars and Transfer Agents, CAMEO CORPORATE SERVICES LIMITED (CCSL) to provide efficient and better services. Members holding shares in physical form are requested to intimate such changes to CCSL.
9. Members are requested to address all correspondence, including dividend-related correspondence, to the Registrar and Share Transfer Agents, M/s. CAMEO CORPORATE SERVICES LIMITED, Subramanian Building, No 1, Club House Road, Chennai – 600002. Ph# 28460390 (5 Lines) or to the Company.
10. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with Skandan.P.Jain (Company Secretary), at the Company's registered office. Members are requested to note that as per Section 124 of The Companies Act, dividends not claimed within **(7) Seven years** from the date of transfer to the Company's unpaid dividend account, shall be transferred to the investor education and protection Fund.
11. With a view to using natural resources responsibly as a part of Green Initiative, we request shareholders who have not registered their email to register the same with CCSL/Depositories to enable the company to send communications electronically.
12. The Annual report 2016-17 is being sent through electronic mode only to the members whose email addresses are registered with the Company / Depository participant(s), unless any member has requested for a physical copy of the report. For members who have not registered their email addresses, physical copies of the Annual Report 2016-17 are being sent by the permitted mode.
13. In compliance with Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 substituted by companies (Management and Administration) Amendment, Rules 2015, and Regulation 44 of SEBI (LODR) Regulations, 2015), the Company has provided a facility to the members to exercise their votes electronically through the electronic voting service facility arranged by National Securities Depository Limited (NSDL) and instructions for e-voting are given herein below. A resolution passed by members through e-voting is/are deemed to have been passed as if they've been passed at the AGM. The facility for voting, through polling paper (Form MGT-12), will also be made available at the AGM and for members who have not cast their votes by remote E-Voting.
14. The Notice of the 24th AGM and instructions for e-voting, along with the Attendance slip , Proxy form and other necessary documents is being sent by electronic mode to all members whose email addresses are registered with the Company / Depository Participant(s), unless a member has requested for a hard copy of the same. For members who have not registered their email addresses, physical copies of the documents are being sent by the permitted mode.
15. Members may also note that the Notice of the 24th AGM and the Natural Capsules Limited Annual Report 2016-17 will be available on the Company's website: www.naturalcapsules.com.
16. Additional information, as per SEBI (LODR) Regulations, 2015, in respect of the directors seeking appointment / re-appointment at the AGM is furnished as annexure to the Notice. The directors have furnished consent / declaration for their appointment / re-appointment as required under the Companies Act, 2013 and the Rules framed thereunder.
17. The Securities and Exchange Board of India (SEBI) has mandated the submission of the Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their Depository participant(s). Members holding shares in physical form are required to submit their PAN details to the company.

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18. All documents referred to in the Notice will be available for inspection at the Company's registered office during normal business hours on working days up to the date of the AGM.
19. Attendance registration:
 - a. Shareholders are requested to tender their attendance slips at the registration counters at the venue of the AGM and seek registration before entering the meeting hall.
20. Route map for the venue of the AGM to be held on 29th August 2017 is attached.

E-Voting Facility:

As per the section 108 of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014, e-voting facility is a mandatory requirement for listed companies.

The instructions for shareholders voting electronically are as under:

Voting through electronic means:

- I. In compliance with provisions of Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended by the Companies (Management and Administration) Amendment Rules, 2015 and Regulation 44 of SEBI(LODR) 2015, the Company is pleased to provide members facility to exercise their right to vote on resolutions proposed to be considered at the 24th Annual General Meeting by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
- II. The facility for voting through Polling paper (Form MGT-12) shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through Polling paper (Form MGT-12).
- III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV. The remote e-voting period commences on **August 26th, 2017 (10:00 am)** and ends on **August 28th, 2017 (5:00 pm)**. During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of **22nd August 2017**, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- V. The process and manner for remote e-voting are as under:
 - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/Depository Participants(s)] :
 - (i) Open email and open PDF file viz; "remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password/PIN for remote e-voting. Please note that the password is an initial password. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password.
 - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com>.
 - (iii) Click on Shareholder - Login.
 - (iv) Put User ID and password noted in step (1) above and Click Login.
 - (v) **NOTE: Shareholders who forgot the User Details/Password can use "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com.**

Demat Holders:

In case Shareholders are holding shares in demat mode, USER-ID is the combination of (DPID+ClientID).

Physical Shareholders:

In case Shareholders are holding shares in physical mode, USER-ID is the combination of (Even No+Folio No).

- (vi) After successful login, you can change the password with new password of your choice.
- (vii) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
- (viii) Select "EVEN" of "Natural Capsules Limited".
- (ix) Now you are ready for remote e-voting as Cast Vote page opens.
- (x) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
- (xi) Upon confirmation, the message "Vote cast successfully" will be displayed.
- (xii) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (xiii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to vijaypataliya@gmail.com with a copy marked to evoting@nsdl.co.in

- B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy] :

(i) Initial password is provided as below:

EVEN (Remote e-voting Event Number) USER ID PASSWORD/PIN

(ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.

Member may obtain a User ID and password for casting his /her vote by remote e-voting by sending a request at evoting@nsdl.co.in or by contacting NSDL at the toll free no. : 1800-222-990" providing the details such as Demat account no or Folio no, PAN no, etc.

Demat Holders:

Please note that In case Shareholders are holding shares in demat mode, User ID is the combination of (DPID+ Client ID) and

Physical Shareholders:

In case Shareholders are holding shares in physical mode, USER-ID is the combination of (Even No +Folio No.)

If you are already registered with NSDL for remote e-voting then you can use your existing User ID and password PIN for casting your vote.

NOTE: Shareholders who forgot the User Details/Password can use "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com.

- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com or call on toll free no. : 1800- 222- 990.
- VII. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- VIII. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of **22nd August 2017**.

Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. **22nd August 2017**, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or

Company : company.sec@naturalcapsules.com or

RTA email id : Kandhimathi@cameoindia.com

- X. However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.
- XI. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- XII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through Polling paper (Form MGT-12).
- XIII. Mr. Vijay Raj Pitliya (Membership No. 043441) representing M/s Pitliya & Associates, Chartered Accountants have been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XIV. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Remote E-voting" or "Polling Paper (Form MGT-12)" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XV. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or

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XVI. Against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

XVII. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company: <http://www.naturalcapsules.com> and on the website of NSDL immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the BSE Limited, Mumbai.

Explanatory Statement to Section 102(2) of the Companies Act, 2013:

Item No. 6:

The members of the Company at the 21st Annual General Meeting of the Company held on 27 August, 2014, had approved the appointment of Mr Sunil L Mundra as Managing Director of the Company and the terms of remuneration payable to him for a period of 5 Years w.e.f 01.06.2014. The members had inter alia approved salary in the scale of Rs.3,25,000-15,000-3,55,000 with the authority to the Board to fix the salary as recommended by Nomination and Remuneration Committee from time to time. Taking into consideration his present salary and future revisions, if any, and based on the recommendation of Nomination and Remuneration Committee, the Board of Directors on 27th May, 2017 decided to revise the salary scale applicable to Mr. Sunil L Mundra from the existing pay scale to Rs.3,55,000-15,000-3,80,000. The same increment of Rs.15000/- which was granted to him earlier is being continued. All other terms and conditions relating to his appointment and remuneration as approved earlier by the members remain unchanged. None of the Directors and Key Managerial Personnel of the Company or their respective relatives, except Mr. Sunil L Mundra, to whom the resolution relates, is concerned or interested in the Resolution mentioned at Item No. 6 of the Notice. Hence, The Board recommends the resolution set forth in Item No. 6 for the approval of the Members.

Background Details:

Mr. Sunil L Mundra is a Promoter Director having a professional Qualification as "Chartered Accountant" has immensely contributed to the progress of the company in the capacity of Managing Director and also considering his business experience and knowledge, the Board of Directors has determined it to be in the best interest of the company to revise the remuneration for remaining part of his tenure with effect from 1st June, 2017 upto 31st May 2019, having been approved both by the Board and Nomination and Remuneration Committee, which is set forth in the resolution.

Past Remuneration (2015-16)	Rs. 3,40,000
Recognition or Awards	Achieved Top 10 position in both Pre University and University Examination
Pecuniary relationship with the company	NIL
Relationship with KMP	Son of Laxminarayan Moondra (Wholetime Director), Nephew of Satyanarayan Mundra (Wholetime Director),
Proposed Remuneration	Rs. 3,70,000/- Per month on the scale of pay of Rs. 3,70,000-15000-3,85,000 Plus Perquisites as mentioned in the resolution.

Item No. 7:

The members of the Company at the 21st Annual General Meeting of the Company held on 27 August, 2014, had approved the appointment of Mr. Laxminarayan Moondra as Whole Time Director of the Company and the terms of remuneration payable to him for a period of 3 Years w.e.f 01st September 2014. The members had inter alia approved salary in the scale of Rs.2,20,000-15,000-2,50,000 with the authority to the Board to fix the salary as recommended by Nomination and Remuneration Committee from time to time. Taking into consideration his business acumen and in the best interest of the company and based on the recommendation of Nomination and Remuneration Committee, the Board of Directors on 27th May, 2017 decided to revise the salary of Mr. Laxminarayan Moondra for a period of 3 years commencing from 01st September 2017 in the scale of Rs. 2,80,000-15000-3,10,000. All other terms and conditions relating to his appointment and remuneration as approved earlier by the members remain unchanged. None of the Directors and Key Managerial Personnel of the Company or their respective relatives, except Mr. Laxminarayan Moondra, to whom the resolution relates, are concerned or interested in the Resolution mentioned at Item No. 7 of the Notice. Hence, The Board recommends the resolution set forth in Item No. 7 for the approval of the Members.

Background Details:

Mr Laxminarayan Moondra is a Promoter Director has immensely contributed to the progress of the company in the capacity of Whole Time Director and also considering his business experience and knowledge, the Board of Directors has determined it to be in the best interest of the company to revise the remuneration for remaining part of his tenure with effect from 1st June, 2017 upto 31st May 2019, having been approved both by the Board and Nomination and Remuneration Committee, which is set forth in the resolution.

Past Remuneration (2015-16)	Rs.2,30,000
Recognition or Awards	N.A
Experience	Bank and Finance, Human Resource and Management
Pecuniary relationship with the company	NIL
Relationship with KMP	Father of Sunil L Mundra (Managing Director), Brother of Sathyanarayana Mundra (Wholetime Director)
Proposed Remuneration	Rs. 2,80,000-15000-3,10,000 Plus perquisites as mentioned in the resolution

Item No. 8:

The members of the Company at the 21st Annual General Meeting of the Company held on 27 August, 2014, had approved the appointment of Mr. Satyanarayan Mundra as Whole Time Director of the Company and the terms of remuneration payable to him for a period of 5 Years w.e.f 01st June 2014. The members had inter alia approved salary in the scale of Rs. 2, 20,000-15,000-2, 50,000 with the authority to the Board to fix the salary as recommended by Nomination and Remuneration Committee from time to time. Taking into consideration his present salary and future revisions, if any, and based on the recommendation of Nomination and Remuneration Committee, the Board of Directors on 27th May, 2017 decided to revise the salary scale applicable to Mr. Satyanarayan Mundra for remaining part of his tenure w.e.f 01st June 2017 up to 31st May 2019 in the scale of Rs. 2,80,000-15000-3,10,000. All other terms and conditions relating to his appointment and remuneration as approved earlier by the members remain unchanged. None of the Directors and Key Managerial Personnel of the Company or their respective relatives, except Mr. Satyanarayan Mundra, to whom the resolution relates, are concerned or interested in the Resolution mentioned at Item No. 8 of the Notice. Hence, The Board recommends the resolution set forth in Item No. 8 for the approval of the Members.

Background Details:

Mr. Satyanarayan Mundra is a Promoter Director has contributed to the progress of the company in the capacity of Whole Time Director and also considering his business experience and knowledge, the Board of Directors has determined it to be in the best interest of the company to revise the remuneration for remaining part of his tenure with effect from 1st June, 2017 upto 31st May 2019, having been approved both by the Board and Nomination and Remuneration Committee, which is set forth in the resolution.

Past Remuneration (2015-16)	Rs.2,30,000
Recognition or Awards	N.A
Experience	Quality Control and Logistics
Pecuniary relationship with the company	NIL
Relationship with KMP	Uncle of Sunil L Mundra (Managing Director) , Brother of Laxminarayan Moondra (Wholetime Director)
Proposed Remuneration	Rs. 2,80,000-15000-3,10,000 Plus perquisites as mentioned in the resolution

Item No.9:

Section 197 of the Companies Act, 2013 permits payment of remuneration to Non-Executive Directors not exceeding 1% of the net profits of the Company, in addition to the fee payable to them for attending the meetings of the Board of Directors of the Company or any Committee(s) thereof or reimbursement of expenses, if any, to be paid and distributed amongst the Non-Executive Directors including Independent Directors as aforesaid in such amounts or proportions and in such manner as the Board of Directors may, from time to time, determine. Hence approval is sought from Shareholders for the resolution for a period of 3 years from current financial year 2017-18. Considering the rich experience and expertise brought to the Board by the Non-Executive Directors, including Independent Directors it is proposed that, remuneration be calculated in accordance with provisions of the Act, be paid and distributed amongst the said Directors, of the Company. Such payment will be in addition to the sitting fees for attending Board/Committee meetings. Details of sitting fees paid to Non-Executive Directors during the Financial Year 2016-17 is provided in the annexure to the Directors Report and the Corporate Governance Report. None of the Directors, Key Managerial Personnel or their respective relatives, except all of the Non-Executive Directors of the Company to whom the resolution relates are concerned or interested in the Resolution mentioned at Item No. 9 of the notice. Hence, The Board recommends the resolution set forth in Item No. 9 for the approval of the Members.

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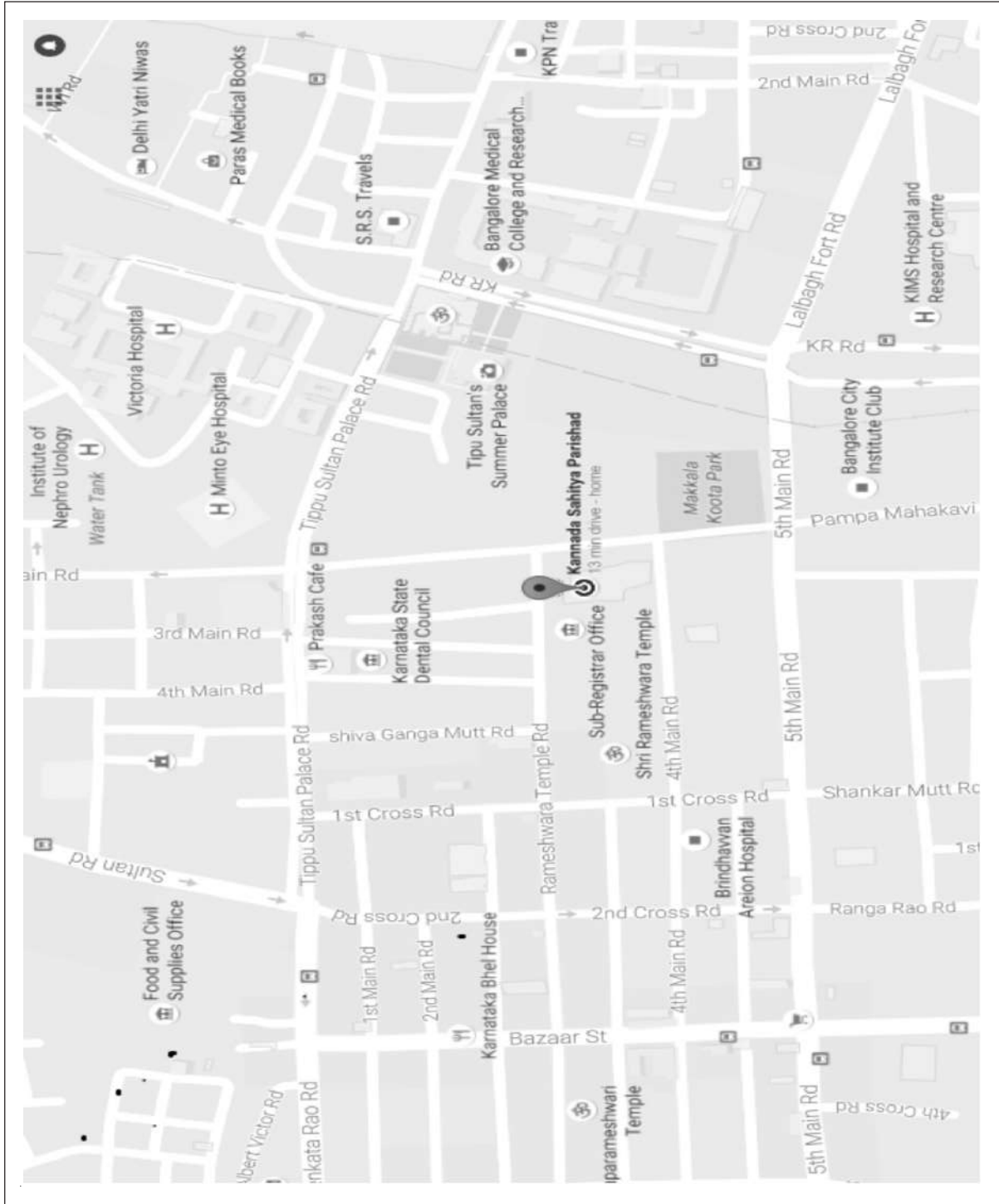
Details of Directors Seeking Appointment / Re-appointment at the Annual General Meeting:

Particulars	Laxminarayan Moondra	Satyanarayan Munda	Sushil Kumar Munda
Date of Birth	1st June 1943	22 nd April 1952	3 rd December 1969
Date of Appointment	1 st Sep 2014	01 st June 2014	20 th Sep 1993
DIN Number	00214298	00214349	00214332
Qualifications	B.COM	B.COM	B.COM
Expertise in specific functional areas	Bank and Finance, Human Resource and Management	Quality Control and Logistics	Active Pharmaceutical Ingredient (API)
Directorships held in other public companies (excluding foreign companies and Section 8 companies) Memberships/	1. Tajos Investments Private Limited 2. Square Plus Life Sciences Private Limited	1. Nandi Synthetics Private Limited 2. Square Plus Life Sciences Private Limited	1. Nandi Synthetics Private Limited 2. Square Plus Life Sciences Private Limited
Chairmanships of committees of other public companies (includes only Audit Committee and stakeholders relationship Committee).	N,A	N,A	N,A
Number of Equity Shares held in the Company as on 31 st March 2017	160294	123255	294400

Relationship amongst Promoter Directors:

SL No.	Name of Promoter Director	Other Promoter Director	Relationship Between Director and other Directors
1.	Sri Laxminarayan Moondra	Sri Sathyanarayana Munda Sri Sunil L Munda Sri Sushil Kumar Munda	Brother Son Son
2.	Sri Sathyanarayana Munda	Sri Laxminarayan Moondra Sri Sunil L Munda Sri Sushil Kumar Munda	Brother Brother's Son Brother's Son
3.	Sri Sushilkumar Munda	Sri Laxminarayan Moondra Sri Sathyanarayana Munda Sri Sushil Kumar Munda	Father Father's Brother Brother
4.	Sri Sunil L Munda	Sri Laxminarayan Moondra Sri Sathyanarayana Munda Sri Sushil Kumar Munda	Father Father's Brother Brother
5.	Smt. Jyothi Munda	Sri Sunil L Munda Sri Laxminarayan Moondra Sri Sathyanarayana Munda Sri Sushil Kumar Munda	Husband Husband's Father Husband's Uncle Husband's Brother

Route Map for Venue



TWENTY FOURTH ANNUAL REPORT 2016-2017

DIRECTOR'S REPORT TO THE MEMBERS:

Your Directors have pleasure in presenting their Twenty Fourth Annual Report together with the Audited Accounts of the company for the year ended 31st March, 2017.

FINANCIAL RESULTS:

The Company's financial performance, for the year ended March 31, 2017 is summarized below:

(Rs. In Lakhs)

Particulars	March 31, 2017	March 31, 2016
Gross Sales	5,838.54	6,683.18
Less : Excise duty	474.27	477.88
Net Sales	5,364.27	6,205.31
Other Income	81.30	123.23
Total	5,445.57	6,328.53
Profit before depreciation & taxation	463.32	1,024.24
Less : Depreciation	431.75	416.77
Less : Provision for taxation	—	167.59
Less: Prior period adjustment (Taxation)	0.43	0.29
Add: Deferred Tax withdrawn	(31.64)	1.85
Profit after taxation	62.78	433.88
Add: Balance brought forward from previous year	3,896.65	3,593.01
Surplus available for appropriation	3,959.43	4,026.89
Appropriations		
General Reserve	—	21.69
Proposed Dividend	62.33	90.19
Tax on Dividend	12.69	18.36
Additional depreciation on fixed asset as per Companies Act, 2013		—
Balance carried to Balance sheet	3,959.43	3,896.65
Total	4,034.45	4,026.89

The company proposes to transfer an amount of Rs. Nil to the General Reserves. An amount of Rs. **3,959.43** lakhs is proposed to be retained in the statement of Profit & Loss account.

Operational reviews:

The company had a gross turnover of Rs. **5,838.54** as against Rs. **6,683.18** lakhs in the previous year, a decline of **12.64%**. Profit before depreciation and taxation was Rs. **463.32** Lakhs against Rs. **1,024.24** lakhs in the previous year. After providing for depreciation and taxation of Rs. **431.75** & Rs. **(31.21)** respectively, the net profit of the Company for the year under review was placed at Rs. **62.78** lakhs as against Rs. **433.88** lakhs previous year.

Due to tough market conditions, increase in cost of inputs and reduction in margins, there was decline in profits as compared to the previous year, hence the profit after tax has reduced by **85.53** % during the year under review.

Dividend:

Based on the performance of the Company and the need for conservation of internal accruals, while maintaining the dividend for the shareholders, your Directors are pleased to recommend a final dividend of Rs. 1 per equity share at the rate of 10 % subject to the approval of members. The dividend, if approved by the Members, will result in the out flow of Rs.62.33 lakhs from the company in addition to Rs. 12.69 lakhs by way of dividend distribution tax. Dividend if declared will be paid to the Members whose names appear in the Register of Members as on the date of the AGM.

Share capital:

During the year under consideration, the paid up capital increased from Rs. 579.27 Lakhs to Rs. 632.00 Lakhs by conversion of 4, 40,000 share warrants into equity (which formed part of earlier preferential issue of equity shares to promoter group in the financial year 2015-16) and issue of additional 4,40,000 equity shares of Rs. 10/- each (at a premium of Rs. 70/- per equity share) by the way of preferential issue to non promoters.

During the year company received Rs. 2,64,00,000 towards 4,40,000 share warrants and issued shares for 4,40,000 share warrants in 1:1 ratio. For the balance number of 6,60,000 share warrants, the Non Promoters chose not to exercise the conversion of share warrants within the time stipulated under the Preferential allotment guidelines. Accordingly the initial amount of Rs. 20/- Paid per warrant on 6,60,000 share warrants stood lapsed and the upfront money amounting to Rs.1,32,00,000/- received against these warrants were forfeited and credited to Capital Reserve Account.

FINANCE:

Cash & Cash equivalents as at March 31, 2017 were Rs. 23.77 Lakhs. The company continues to focus on judicious management of its working capital, Receivables, Inventories and other working capital parameters were kept under strict check through continuous monitoring.

FIXED DEPOSITS:

Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The company has an robust internal control system, commensurate with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined in the Internal Audit Manual. To maintain its objectivity and independence, the internal auditor reports to the chairman of the audit committee and to the Chairman & Managing Director of the Company.

The Audit Committee monitors and evaluates the efficacy and adequacy of internal control system in the company, its compliance with operating systems, accounting procedures and policies at all locations of the company. Based on the report of internal auditor, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES:

As part of its initiatives under "corporate social responsibility" (CSR), the CSR committee has taken steps to find out such activities to contribute. The CSR committee has calculated the CSR fund amounting to Rs. 19.16Lakhs for the year ending as on March 31, 2017 and the amount will be spent on the CSR activities to be identified shortly. Identification of CSR activities is under process.

CONSERVATION OF ENERGY:

The Company ensures that the manufacturing operations are conducted in the manner whereby optimum utilization and maximum possible savings of energy is achieved.

TECHNOLOGY ABSORPTION:

The Company's products are manufactured by using in-house know how and no outside technology is being used for manufacturing activities. Therefore no technology absorption is involved. The company constantly strives for maintenance and improvement in quality of its products and entire Research & Development activities are directed to achieve the aforesaid goal. The company is having ongoing research and development activity to develop value added products.

FOREIGN EXCHANGE EARNINGS AND OUT-GO:

During the period under review, your company has gained Rs. 1.94 lakhs owing to foreign exchange fluctuations. Export revenue constituted 22.84% of Total Revenue as against 30.37% in the previous year.

Foreign Exchange Earnings : Rs. 12,49,90,273

Foreign Exchange Outgo : Rs. 51,29,007

INDUSTRIAL RELATIONS:

During the year under review, your company enjoyed cordial relationship with workers and employees at all levels.

DIRECTORS:

Mr. Satyanarayan Mundra and **Mr. Sushil Kumar Mundra**, Directors retire by rotation and being eligible, offer themselves for re appointment.

All independent directors have given declarations that they meet the criteria of independence as laid down under section 149 (6) of the Companies Act, 2013 and Regulation 25(3) of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

BOARD EVALUATION

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandates that the Board shall monitor and review the Board evaluation framework. The framework includes the evaluation of directors on various parameters such as:

- Board dynamics and relationships
- Information flows
- Decision-making
- Relationship with stakeholders

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- Company performance and strategy
- Tracking Board and committees effectiveness
- Peer evaluation

The Companies Act, 2013 states that a formal annual evaluation needs to be made by the Board of its own performance and that of its committees and individual directors. Schedule IV of the Companies act, 2013, states that the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

The evaluation of all the directors and the Board as a whole was conducted based on the criteria and framework adopted by the Board. The evaluation process has been explained in the corporate governance report. The Board approved the evaluation results as collated by the nomination and remuneration committee.

Pursuant to the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Audit, Appointment and Remuneration Committees. A structured questionnaire was prepared after taking into consideration inputs received from the Directors, covering various aspects of the Board' functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as level of engagement and contribution, independence of judgment, safeguarding the interest of the Company and its minority shareholders etc. The performance evaluation of the Independent Directors was carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Secretarial Department. The Directors expressed their satisfaction with the evaluation process.

PERFORMANCE EVALUATION COMMITTEE:

The company has formed a performance evaluation committee consisting of the following members from March 29, 2015.

Name of the Member	Designation
Laxminarayan Moondra	Whole time director
Satyanarayan Mundra	Whole time director
Sunil L Mundra	Managing Director

The committee met once during the financial year ended March 31, 2017 on 31st Jan 2017 The attendance record of the members at the meeting was as follows.

Name of the Member	Designation	No. of Meetings Attended
Laxminarayana Moondra	Whole time director	1
Satyanarayan Mundra	Whole time director	1
Sunil L Mundra	Managing Director	1

The Company has formed a BUSINESS RISK EVALUATION COMMITTEE consisting of following members

Name of the person	Designation	No of meetings attended
Shri Dr. C.M.Gurumurthy (Independent Director)	Chairman	1
Shri Sunil L Mundra (Managing Director)	Member	1
Shri Satyanarayan Mundra (Director)	Member	1
Shri Sushil Kumar Mundra (Director)	Member	1
Mr. MNV Kutty (COO)	Member	1

Business Risk Evaluation and Management is an ongoing process within the Organization. The Company has a robust risk management framework to identify, monitor and minimize risks as also identify business opportunities.

The objectives and scope of the Risk Management Committee broadly comprise of.

1. Oversight of risk management performed by the executive management;
2. Reviewing the BRM policy and framework in line with local legal requirements and SEBI guidelines;
3. Reviewing risks and evaluate treatment including initiating mitigation actions and ownership as per a pre-defined cycle;
4. Defining framework for identification, assessment, monitoring, mitigation and reporting of risks.
5. Within its overall scope as aforesaid, the Committee shall review risks trends, exposure, potential impact analysis and mitigation plan.

INDEPENDENT DIRECTORS MEETING:

During the year under review, the Independent Directors met on 31st Jan 2017, inter alia, to discuss:

1. Evaluation of the performance of Non Independent Directors and the Board of Directors as a Whole;
2. Evaluation of the performance of the Chairman of the Company, taking into account the views of the Executive and Non Executive Directors.
3. Evaluation of the quality, content and timelines of flow of information between the management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the independent Directors were present at the meeting.

POLICIES:

Name of the policy	Brief description	Web link
Whistle blower Policy (Policy on vigil Mechanism)	The company has adopted the whistle blower mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud, or violation of the Company's code of conduct and ethics. There has been no change to the Whistle blower Policy adopted by the Company during fiscal 2016. No employee has been denied access to the audit committee.	http://www.naturalcapsules.com/pdf/vigil-mechanism-and-whistle-blowers-policy.pdf
Nomination and Remuneration policy	This policy formulates the criteria for determining qualifications, competencies, positive attributes and independence for the appointment of a director (executive/non-executive) and also the criteria for determining the remuneration of the directors, key managerial personnel and other employees	http://www.naturalcapsules.com/pdf/nomination-and-remuneration-policy.pdf
Corporate Social Responsibility Policy	The policy outline the Company's strategy to bring about a positive impact on society through programs relating to hunger, poverty, education, healthcare, environment and lowering its resource footprint.	http://www.naturalcapsules.com/pdf/corporate-social-responsibility-policy.pdf
Determination of materiality for disclosures Policy	The information covered by this Policy shall include "information related to the Company's business, operations or performance which has a significant effect on securities investment decisions" that the company is required to disclose in a timely and appropriate manner by applying the guidelines for assessing materiality.	http://www.naturalcapsules.com/pdf/Determination-of-Materiality-for-Disclosures.pdf
Related Party Transaction Policy	The Policy regulates all transactions between the Company and its related parties.	http://www.naturalcapsules.com/pdf/policy-on-related-party-transactions.pdf
Insider Trading Policy	The policy provides the framework in dealing with securities of the Company	http://www.naturalcapsules.com/pdf/Code-of-Conduct-Insider-Trading.pdf
Document Retention and Archival Policy	The policy deals with the retention and archival of corporate records of Natural capsules limited.	http://www.naturalcapsules.com/pdf/Document-Retention-and-Archival-Policy.pdf

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MEETINGS:

During the year, 5 Board Meetings and 4 Audit committee meetings were convened and held. The details of which are given in the corporate governance report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

DIRECTOR'S RESPONSIBILITY STATEMENT:

In terms of Section 134 (5) of the Companies Act, 2013, the directors would like to state that:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- ii) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 or loss of the company for the year under review.
- iii) The directors have taken proper and sufficient care for the 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 fraud and other irregularities.
- iv) The directors have prepared the annual accounts on a going concern basis.
- v) The directors have laid down internal financial controls to be followed by the company and that such internal financial controls are operating effectively.
- vi) The directors had devised proper system to ensure compliance with the provisions of all applicable laws and that such system were adequate and operating effectively.

RELATED PARTY TRANSACTIONS:

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. There are no materially significant related party transactions made by the company with promoters, key managerial personnel or other designated persons which may have potential conflict with interest of the company at large.

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

Name of Related Party	Nature of Relationship
M/s Mundra Enterprises	Entity in which Director or KMP is related: Mr.Sunil L Mundra Mr. Laxminarayan Moondra Mr. Sathyanarayana Mundra

(B) (i) Related Party Transactions:

Name of Related Party	Nature of Transaction	Amount of Transaction Current Year\ (Previous Year)	Amount Outstanding at the end of year	
			Credit (Rs.) Current Year\ (Previous Year)	Debit (Rs.) Current Year\ (Previous Year)
M/s Mundra Enterprises	Operating Lease Rental Payments	6,12,000 (5,76,000)	45,900	

There were no material significant related party transactions having potential conflict with the interest of company.

SUBSIDIARY COMPANIES:

The company does not have any subsidiary.

CODE OF CONDUCT:

The Board of Directors has approved a code of conduct which is applicable to the members of the Board/committees and all employees in the course of day to day business operations of the company. The company believes in "Zero Tolerance" against bribery, corruption and unethical dealings / behaviors of any form and the Board has laid down the directives to counter such acts. The code laid down by the Board is known as "code of business conduct" which forms an appendix to the code. The code has been posted on the company's website www.naturalcapsules.com.

The code lays down the standard procedure of business conduct which is expected to be followed by the Directors and the designated employees in their business dealings and in particular on matters relating to integrity in the work place, in business practices and in dealing with stakeholders. The code gives guidance through examples on the expected behavior from an employee in a given situation and the reporting structure.

All the Board members and the senior management personnel have confirmed compliance with the code. All management staff was given appropriate training in this regard.

PREVENTION OF INSIDER TRADING:

The Board of Directors has adopted the Insider Trading Policy in accordance with the requirements of the SEBI (Prohibition of Insider Trading) Regulation, 2015. The Insider Trading Policy of the Company lays down guidelines and procedures to be followed and disclosures to be made while dealing with shares of the Company, as well as the consequences of violation. The policy has been formulated to regulate, monitor, and ensure reporting of deals by employees and to maintain the highest ethical standards of dealing in Company securities. The Insider Trading Policy of the Company covering code of practices and procedures for fair disclosure of unpublished price sensitive information and code of conduct for the prevention of insider trading is available on our website [http:// www.naturalcapsules.com/pdf/Code-of-Conduct-Insider-Trading.pdf](http://www.naturalcapsules.com/pdf/Code-of-Conduct-Insider-Trading.pdf).

All Board of Directors and the designated employees have confirmed compliance with the Code.

AUDITOR'S REPORT/ SECRETARIAL AUDIT REPORT:

Regarding the observation made in the Secretarial Auditors' Report relating to not spending full CSR amount, It is clarified that the company has spent Marginal amount on CSR, and the company still in the process of identifying proper areas of CSR, hence the remaining amount was not spent.

Regarding the observations pertaining to delay in filing of the Annual Return with BSE, it is clarified that the delay was due to change in online forms prescribed by the BSE.

AUDITORS:

The existing Statutory Auditors M/s Gnanoba and Bhat, Bengaluru informed the Board that their tenure as per Companies Act has been concluded. Accordingly the Board as per the recommendation of Audit Committee appointed M/s. P Chandrasekar, Chartered Accountants, (Firm Reg No. 000580S)Bengaluru as Statutory Auditors of the company for a period of Five (5) years commencing from Financial Year 2017-18 Subject to approval of the members at the 24th Annual General Meeting of the Company.

SECRETARIAL AUDIT:

Pursuant to provisions of section 204 of the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the company has appointed Mr. R. Parthasarathi, Company Secretary in practice to undertake the Secretarial Audit of the Company for the financial year 2017-18 in the board meeting held on 27th May, 2017. The Secretarial Audit report for the financial year 2016-17 is annexed herewith as "Annexure B"

EXTRACT OF ANNUAL RETURN:

The details forming part of the extract of the Annual Return in form MGT-9 is annexed herewith as "Annexure C".

BUSINESS RISK MANAGEMENT:

Pursuant to section 134 (3) (n) of the Companies Act, 2013 & Regulation 17(9) (b) of SEBI (LODR) Regulations, 2015, the company has constituted a business risk management committee. The details of the committee and its terms of reference are set out in the corporate governance report forming part of the Boards report. At present the company has not identified any element of risk which may threaten the existence of the company.

PARTICULARS OF EMPLOYEES:

The information required pursuant to Section 197 read with rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of Directors and KMP are given in **Corporate Governance Report**, which form an integral part of this Report, are set out in **Annexure-E**.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION & ANALYSIS REPORTS:

The Corporate Governance and Management Discussion & Analysis Report, which form an integral part of this Report, are set out as separate Annexure, together with the Certificate from the auditors of the Company regarding compliance with the requirements of Corporate Governance as stipulated in Scheduled V (E) of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

There were no material changes and commitments affecting the financial position of the company from the end of financial year 2016-2017 up to the date of this report.

ACKNOWLEDGEMENTS:

Your Company and its Directors wish to extend their sincerest thanks to the Members of the Company, Bankers, State Government, Local Bodies, Customers, Suppliers, Executives, Staff and workers at all levels for their continuous cooperation and assistance.

For and on Behalf of the Board

Sd/-

Sd/-

Place: Bengaluru
Date : May 27th 2017

Sunil L Mundra
Managing Director

S Gopalan
Chairman

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ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

A brief outline of the companies CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.

CSR policy is stated herein below:

Annexure A to Board's Report
Annual Report on CSR Activities
CSR Policy

(Approved by the Board of Directors)

Our aim is to be one of the respected companies in India delivering superior and everlasting value to all our customers, associates, shareholders, employees and Society at large.

The CSR initiatives focus on holistic development of host communities and create social, environmental and economic value to the society.

To pursue these objectives we will continue to:

- 1) Work actively in areas of eradication of hunger and poverty, provide opportunity and financial assistance for the promotion of education, provide medical aid to the needy and down trodden.
- 2) Collaborate with likeminded bodies like Voluntary organizations, charitable trusts, governments and academic institutes in pursuit of our goals.
- 3) Interact regularly with stakeholders, review and publicly report our CSR initiatives.

Web Link: <http://www.naturalcapsules.com/pdf/corporate-social-responsibility-policy.pdf> 2.

Composition of CSR committee

Name of the Member	Designation
Dr. C.M.Gurumurthy	Chairman
Mr. Sunil L Mundra	Member
Mr. Sushil Kumar Mundra	Member

Corporate Social Responsibility (CSR) committee:

As required under section 135 of the Companies Act, 2013 the company has formed a CSR committee consisting of the following Members from May 28th, 2014.

SL. No.	Name of the Member	Designation
1	Shri Dr. C.M.Gurumurthy	Chairman
2	Shri Sunil L Mundra	Member
3	Shri Sushil Kumar Mundra	Member

The committee met on 31st Jan 2017 during the financial year ended March 31st, 2017. The attendance record of the members at the meeting was as follows.

Name of the Member	Designation	No. Meetings of Attended
Shri Dr. C.M.Gurumurthy	Chairman	2
Shri Sunil L Mundra	Member	2
Shri Sushil Kumar Mundra	Member	2

3. Average net profit of the company for last three financial years:

Average net profit: Rs. 958.14 Lakhs.

4. Prescribed CSR Expenditure (Two percent of the amount as in item 3 above)

The company is required to spend Rs. 19.16 Lakhs.

5. Details of CSR spend for the financial year:

- a) Total amount spent for the year: Rs. 10,000/- (CSR committee is working on to identify the suitable projects to spend CSR amount)
- b) Amount unspent if any: Rs. 19.06 Lakhs
- c) Reason for not Spending in CSR Expenditure : in the process of identifying proper areas of CSR

NATURAL CAPSULES LIMITED

1	2	3	4	5	6	7	8	9	10	11
NAME OF THE COMPANY	CIN	COMPANY CLASS (PUBLIC LIMITED/ PRIVATE LIMITED)	COMPANY TYPE (GOVERNMENT /)	DATE OF INCORPORATION / REGISTRATION	ROC	ADDRESS OF REGISTERED OFFICE	MAIN BUSINESS ACTIVITY OF THE COMPANY	PRESCRIBED CSR BUDGET (2% OF AVERAGE NET PROFIT FOR F.Y. 2013-14, 2014-15 AND 2016-17)	ALLO-CATED CSR BUDGET	ACTUAL CSR SPENT IN F.Y 2016-17
M/S. NATURAL CAPSULES LIMITED	L85110KA 1993PL C014742	PUBLIC LIMITED	NON - GOVERNMENT)	20/09/ 1993	Bangalore	SHRESHTA BHUMIB. NO.102, NO.87 K.R.ROAD BANGALORE KA 560004 IN	MANUFACTURING OF CAPSULES	Rs. 19,16,000/-	Rs. 19,16,000/-	Rs. 10,000/-

12	13	14	15	16	17	18	19	20	21	22	23
ADMINISTRATIVE OVER-HEAD EXPENDITURE	REASON FOR UNDER SPENDING / NOT SPENDING	DETAILS OF CSR PROG RAMMES / PROJECTS / ACTIVITIES	PROJECT DESCRIPTION	SECTOR (S) COVERED WITHIN SCHEDULE VII	GEO-GRAPHICAL AREAS WHERE PROJECT WS IMPLEMENTED	STATES WHERE UNDERTAKEN	DISRICTS WHERE UNDERTAKEN	OUTLAY (PROG. RAMME / PROJECT WISE)	EXPENDITURE ON PROG- RAMME OR PROJECT	MODE OF IMPLEMENTATION (DIRECT OR THOROUGH IMPLEMENTING AGENCIES)	DETAILS OF IMPLEMENTING AGENCIES
NIL	IN THE PROCESS OF IDENTIFYING	---	---	---	---	---	---	---	NIL	---	---

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Annexure B to Board's Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies

(Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

Natural Capsules Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Natural Capsules Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Natural Capsules Limited (name of the company's) books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2017 has in general complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Natural Capsules Limited ("the Company") for the financial year ended on 31st March, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (f) The Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015 from the effective date of notification during the period under review
- (vi) Company specific Laws like; Drug Control Act, 1950

Drugs and Cosmetic Act, 1940

I/We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange and I have verified the compliance under;

During the period under review and as per the explanations and representations received from the Management, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations :-

- a) The Company has not spent the amount as prescribed under Section 135 of the Companies Act, 2013 and the rules framed thereunder relating to Corporate Social Responsibility

I further report that based on the information provided and representation made by the Company and on the basis of Compliance report taken on record by the Board, in my opinion adequate systems and processes exist in the Company to monitor and ensure Compliance with Other laws applicable, rules, regulations and guidelines.

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

In general, adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the Minutes of the Meetings recorded, the decisions of the Board were unanimous and no dissenting views have been recorded.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines subject to the observations mentioned above.

I further report that during the audit period the company has

- a) The Company has converted share warrants issued on preferential basis within stipulated time after obtaining in principal approval from stock exchange for listing and has since obtained final approval for listing with Bombay Stock Exchange.
- b) Received final approval from BSE for listing of 440000 Equity shares issued on preferential basis on conversion of Equity warrants and also the trading approval thereon. However, 660000 Equity warrants issued on 09.09.2015 with an option to convert the same in to equity within the stipulated time has lapsed on 26.02.2017 due to non payment of balance amount by non promoters as per the terms of issue and amount paid on the said warrants stands forfeited.
- c) Show cause Notice received from ROC for not disclosing reasons for not spending CSR amount in Directors report and the Company submitted reply stating compliance with the requirements.
- d) There was a delay in filing Annual report with Bombay Stock Exchange.

R.Parthasarathi

Practicing Company Secretary

Memb No. 3667

Certificate of Practice No. : 838

Date : 27-05-2017

Place: Bengaluru

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**Annexure C to Boards Report
Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on
31st March, 2017**

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION & OTHER DETAILS:

- | | |
|---|---|
| 1. CIN | L85110KA1993PLC014742 |
| 2. Registration Date | 20-09-1993 |
| 3. Name of the Company | NATURAL CAPSULES LIMITED |
| 4. Category/Sub-category of the Company | Company Limited by shares |
| 5. Address of the Registered office & contact details | SHRESHTABHUMI, NO.102,
NO.87 K.R.ROAD, BENGALURU, Karnataka – 560004
PH # 080-26671571, 26671573, 26671581.
Email: company.sec@naturalcapsules.com |
| 6. Whether listed company | YES |
| 7. Name, Address & contact details of the Registrar & Transfer Agent, if any. | CAMEO CORPOTATE SERVICES LIMITED
Subramanian Building, No. 1, Club House Road,
Chennai – 600 002. Ph. No. 2846 0390 (5 lines) |

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	E.H.G.CAPSULES	21001	99%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	NIL	NIL	NIL

VI. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. SHAREHOLDING OF PROMOTER AND PROMOTER GROUP									
1. INDIAN									
a. INDIVIDUALS/HINDU UNDIVIDED FAMILY	1734529	0	1734529	29.9433	1954729	0	1954729	31.3624	1.4191
b. CENTRAL GOVERNMENT /STATE GOVERNMENT	0	0	0	0.0000	0	0	0	0.0000	0.0000
c. BODIES CORPORATE	1073354	0	1073354	18.5294	1293354	0	1293354	20.7511	2.2216

NATURAL CAPSULES LIMITED
VI. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)
(cont..)
Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
d. FINANCIAL INSTITUTIONS/BANKS	0	0	0	0.0000	0	0	0	0.0000	0.0000
e. ANY OTHER DIRECTORS AND THEIR RELATIVES	0	3800	3800	0.0655	0	3800	3800	0.0609	-0.0046
SUB - TOTAL (A)(1)	2807883	3800	2811683	48.5383	3248083	3800	3251883	52.1745	3.6361
2. FOREIGN INDIVIDUALS (NON-RESIDENT INDIVIDUALS/FOREIGN INDIVIDUALS)	0	0	0	0.0000	0	0	0	0.0000	0.0000
b. BODIES CORPORATE	0	0	0	0.0000	0	0	0	0.0000	0.0000
c. INSTITUTIONS	0	0	0	0.0000	0	0	0	0.0000	0.0000
d. QUALIFIED FOREIGN INVESTOR	0	0	0	0.0000	0	0	0	0.0000	0.0000
e. ANY OTHER	0	0	0	0.0000	0	0	0	0.0000	0.0000
SUB - TOTAL (A)(2)	0	0	0	0.0000	0	0	0	0.0000	0.0000
TOTAL SHARE HOLDING OF PROMOTER AND PROMOTER GROUP (A) = (A)(1)+(A)(2)	2807883	3800	2811683	48.5383	3248083	3800	3251883	52.1745	3.6361
B. PUBLIC SHAREHOLDING									
1. INSTITUTIONS									
a. MUTUAL FUNDS/UTI	0	3700	3700	0.0638	0	3700	3700	0.0593	-0.0045
b. FINANCIAL INSTITUTIONS/BANKS	0	0	0	0.0000	0	0	0	0.0000	0.0000
c. CENTRAL GOVERNMENT /STATE GOVERNMENT(S)	0	0	0	0.0000	0	0	0	0.0000	0.0000
d. VENTURE CAPITAL FUNDS	0	0	0	0.0000	0	0	0	0.0000	0.0000
e. INSURANCE COMPANIES	0	0	0	0.0000	0	0	0	0.0000	0.0000
f. FOREIGN INSTITUTIONAL INVESTORS	0	300	300	0.0051	0	300	300	0.0048	-0.0003
g. FOREIGN VENTURE CAPITAL INVESTORS	0	0	0	0.0000	0	0	0	0.0000	0.0000
h. QUALIFIED FOREIGN INVESTOR	0	0	0	0.0000	0	0	0	0.0000	0.0000
i. ANY OTHER	0	0	0	0.0000	0	0	0	0.0000	0.0000
SUB - TOTAL (B)(1)	0	4000	4000	0.0690	0	4000	4000	0.0641	-0.0048
2. NON-INSTITUTIONS									
a. BODIES CORPORATE	819583	2700	822283	14.1951	763380	2700	766080	12.2913	-1.9038
b. INDIVIDUALS - INDIVIDUAL SHARE HOLDERS HOLDING NOMINAL SHARE CAPITAL UPTO RS. 1 LAKH	884288	273941	1158229	19.9946	835563	261141	1096704	17.5959	-2.3986

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VI. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(cont..)

Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the				No. of Shares held at the end of the year				% Change
	Demat	Physical	Total	% of	Demat	Physical	Total	% of	
INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL IN EXCESS OF RS. 1 LAKH	738651	0	738651	12.7514	851387	0	851387	13.6600	0.9085
c. QUALIFIED FOREIGN INVESTOR	0	0	0	0.0000	0	0	0	0.0000	0.0000
d. ANY OTHER CLEARING MEMBERS	948	0	948	0.0163	0	0	0	0.0000	-0.0163
HINDU UNDIVIDED FAMILIES	220950	0	220950	3.8142	228762	0	228762	3.6703	-0.1439
NON RESIDENT INDIANS	22756	13200	35956	0.6207	20684	13200	33884	0.5436	-0.0770
	244654	13200	257854	4.4513	249446	13200	262646	4.2140	-0.2373

B) Shareholding of Promoter

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during theyear
		No of shares	% of total shares of the company	% of shares pledged / encumbered total shares	No of shares	% of total shares of the company	% of shares pledged / encumbered total shares	
1	TAJOS INVESTMENTS PRIVATE LIMITED	539000	10.2809	0.0000	659000	11.3763	0.0000	2.0715
2	NANDI SYNTHETICS PVT LTD	414354	7.9034	0.0000	414354	7.1530	0.0000	0.0000
3	SUNIL LAXMINARAYAN MUNDRA	336003	6.4089	0.0000	416003	7.1815	0.0000	1.3810
4	INDRA MUNDRA	216200	4.1238	0.0000	216200	3.7322	0.0000	0.0000
5	SUSHIL KUMAR MUNDRA	214400	4.0894	0.0000	294400	5.0822	0.0000	1.3810
6	LAXMINARAYAN M00NDRA	160294	3.0574	0.0000	160294	2.7671	0.0000	0.0000
7	SHARADA MUNDRA	129414	2.4684	0.0000	129414	2.2340	0.0000	0.0000
8	JYOTI MUNDRA	124463	2.3740	0.0000	204463	3.5296	0.0000	1.3810
9	SATYANARAYAN MUNDRA	123255	2.3509	0.0000	123255	2.1277	0.0000	0.0000
10	RADHA S MUNDRA	79600	1.5183	0.0000	159600	2.7551	0.0000	1.3810
11	TAJOS INVESTMENTS PVT LTD	60000	1.1444	0.0000	0	0.0000	0.0000	-1.0357
12	SUNIL L MUNDRA	40000	0.7629	0.0000	0	0.0000	0.0000	-0.6905
13	SUSHIL KUMAR MUNDRA	40000	0.7629	0.0000	0	0.0000	0.0000	-0.6905
14	JYOTHI MUNDRA	40000	0.7629	0.0000	0	0.0000	0.0000	-0.6905
15	RADHA S MUNDRA	40000	0.7629	0.0000	0	0.0000	0.0000	0.6905
16	JYOTSANA DAGA	20900	0.3986	0.0000	20900	0.3607	0.0000	-0.0000
17	NIDHI	10000	0.1907	0.0000	10000	0.1726	0.0000	0.0000
18	DEEPAK KABRA	1200	0.0228	0.0000	1200	0.0207	0.0000	0.0000
19	CHANDRA R LADDHA	1000	0.0190	0.0000	1000	0.0172	0.0000	0.0000
20	B SAMPATHLAL	500	0.0095	0.0000	500	0.0086	0.0000	0.0000
21	MUKUND GATTANI	500	0.0095	0.0000	500	0.0086	0.0000	0.0000
22	DAMANI VIJAYJT1 : DAMANI SHASHI	200	0.0038	0.0000	200	0.0034	0.0000	0.0000
23	BHAGYALAXMI GURUMURTHY	200	0.0038	0.0000	200	0.0034	0.0000	0.0000
24	C M GURUMURTHY	200	0.0038	0.0000	200	0.0034	0.0000	0.0000
25	RADHA S MUNDRA	0	0.0000	0.0000	40000	0.7629	0.0000	0.7629

C) Change in Promoters' Shareholding (please specify, if there is no change)

Sl	Name of the Share holder	Shareholding at thebeginning of the year		Cumulative Shareholding during the year	
		No of shares'	% of total shares of the company	No of shares	% of total shares of the company
1	TAJOS INVESTMENTS PRIVATE LIMITED At the beginning of the year 01-Apr-2016 Purchase 28-Oct-2016 At the end of the Year 31-Mar-2017	659000 110000 769000	11.3763 1.7648 12.3381	659000 769000 769000	11.3763 12.3381 12.3381
2	SUNIL LAXMINARYAN MUNDRA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	416003 416003	7.1815 6.6745	416003 416003	7.1815 6.6745
3	NANDI SYNTHETICS PVT LTD At the beginning of the year 01-Apr-2016 Purchase 28-Oct-2016 At the end of the Year 31-Mar-2017	414354 110000 524354	7.1530 1.7648 8.4129	414354 524354 524354	7.1530 8.4129 8.4129
4	SUSHIL KUMAR MUNDRA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	294400 294400	5.0822 4.7234	294400 294400	5.0822 4.7234
5	INDRA MUNDRA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	216200 216200	3.7322 3.4688	216200 216200	3.7322 3.4688
6	JYOTI MUNDRA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	204463 204463	3.5296 3.2804	204463 204463	3.5296 3.2804
7	LAXMINARAYAN MOONDRA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	160294 160294	2.7671 2.5718	160294 160294	2.7671 2.5718
8	RADHA S MUNDRA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	159600 159600	2.7551 2.5606	159600 159600	2.7551 2.5606
9	SHARADA MUNDRA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	129414 129414	2.2340 2.0763	129414 129414	2.2340 2.0763
10	SATYANARAYAN MUNDRA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	123255 123255	2.1277 1.9775	123255 123255	2.1277 1.9775
11	JYOTSNA DAGA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	20900 20900	0.3607 0.3353	20900 20900	0.3607 0.3353
12	NIDHI SETHIA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	10000 10000	0.1726 0.1604	10000 10000	0.1726 0.1604

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13	DEEPAK KABRA				
	At the beginning of the year 01-Apr-2016	1200	0.0207	1200	0.0207
	At the end of the Year 31-Mar-2017	1200	0.0192	1200	0.0192
14	CHANDRA R LADDHA				
	At the beginning of the year 01-Apr-2016	1000	0.0172	1000	0.0172
	At the end of the Year 31-Mar-2017	1000	0.0160	1000	0.0160
15	B SAMPATHLAL				
	At the beginning of the year 01-Apr-2016	500	0.0086	500	0.0086
	At the end of the Year 31-Mar-2017	500	0.0080	500	0.0080
16	MUKUND GATTANI				
	At the beginning of the year 01-Apr-2016	500	0.0086	500	0.0086
	At the end of the Year 31-Mar-2017	500	0.0080	500	0.0080
17	DAMANI VIJAYJT1 : DAMANI SHASHI				
	At the beginning of the year 01-Apr-2016	200	0.0034	200	0.0034
	At the end of the Year 31-Mar-2017	200	0.0032	200	0.0032
18	BHAGYALAXMI GURUMURTHY				
	At the beginning of the year 01-Apr-2016	200	0.0034	200	0.0034
	At the end of the Year 31-Mar-2017	200	0.0032	200	0.0032
19	CM GURUMURTHY				
	At the beginning of the year 01-Apr-2016	200	0.0034	200	0.0034
	At the end of the Year 31-Mar-2017	200	0.0032	200	0.0032
20	SHREY MUNDRA				
	At the beginning of the year 01-Apr-2016	100	0.0017	100	0.0017
	Purchase 28-Oct-2016	110000	1.7648	110100	1.7664
	At the end of the Year 31-Mar-2017	110100	1.7664	110100	1.7664
21	MADHAV MUNDRA				
	At the beginning of the year 01-Apr-2016	100	0.0017	100	0.0017
	Purchase 28-Oct-2016	110000	1.7648	110100	1.7664
	At the end of the Year 31-Mar-2017	110100	1.7664	110100	1.7664

NATURAL CAPSULES LIMITED

D) Shareholding of pattern of top ten shareholders (other than Directors, promoters and Holders of GDRs and ADRs)

Sl	Name of the Share holder	Shareholding at thebeginning of the year		Cumulative Shareholding during the year	
		No of shares'	% of total shares ofthe company	No of shares	% of total shares ofthe company
1	VIVOG COMMERCIAL LIMITED At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	345000 345000	5.9557 5.5353	345000 345000	5.9557 5.5353
2	MAHENDRALABS PVT LTD At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	300000 300000	5.1789 4.8133	300000 300000	5.1789 4.8133
3	SANJAY KOTHARIJT1 :MEENAKSHIKOTHARI At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	166000 166000	2.8656 2.6633	166000 166000	2.8656 2.6633
4	LAXMIPAT DUDHERIA HUF At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	165000 165000	2.8484 2.6473	165000 165000	2.8484 2.6473
5	NISHA DUDHERIA At the beginning of the year 01-Apr-2016 At the end of the Year 31-Mar-2017	165000 165000	2.8484 2.6473	165000 165000	2.8484 2.6473
6	Vishwa Prakash Mundra At the beginning of the year 01-Apr-2016 Sale 18-Aug-2016 Sale 26-Aug-2016 Sale 23-Sep-2016 Sale 30-Sep-2016 Sale 07-Oct-2016 Sale 14-Oct-2016 Sale 21-Oct-2016 Sale 28-Oct-2016 Sale 04-Nov-2016 Sale 06-Jan-2017 At the end of the Year 31-Mar-2017	95433 -1092 -1612 -366 -2246 -6000 -11200 -18699 -4277 -30 -2525 47386	1.6474 0.0175 0.0258 0.0058 0.0360 0.0962 0.1796 0.3000 0.0686 0.0004 0.0405 0.7602	95433 94341 92729 92363 90117 84117 72917 54218 49941 49911 47386 47386	1.6474 1.5136 1.4877 1.4819 1.4458 1.3496 1.1699 0.8698 0.8012 0.8007 0.7602 0.7602
7	SATHYA S At the beginning of the year 01-Apr-2016 Purchase 17-Jun-2016 Purchase 08-Jul-2016 Purchase 22-Jul-2016 Purchase 29-Jul-2016 Purchase 12-Aug-2016 Purchase 18-Aug-2016 Purchase 23-Sep-2016 Purchase 30-Sep-2016 Sale 14-Oct-2016 At the end of the Year 31-Mar-2017	70000 140 850 1800 900 1800 540 1117 1223 -78370 0	1.2084 0.0022 0.0136 0.0288 0.0144 0.0288 0.0086 0.0179 0.0196 1.2574 0.0000	70000 70140 70990 72790 73690 75490 76030 77147 78370 0 0	1.2084 1.1253 1.1389 1.1678 1.1823 1.2111 1.2198 1.2377 1.2574 0.0000 0.0000

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Sl	Name of the Share holder	Shareholding at thebeginning of the year		Cumulative Shareholding during the year	
		No of shares ¹	% of total shares of	No of shares	% of total shares of
8	ASHOK MALHOTRA				
	At the beginning of the year 01-Apr-2016	60030	1.0363	60030	1.0363
	Purchase 08-Apr-2016	3465	0.0555	63495	1.0187
	Purchase 15-Apr-2016	1300	0.0208	64795	1.0395
	Purchase 22-Apr-2016	215	0.0034	65010	1.0430
	Purchase 29-Apr-2016	5585	0.0896	70595	1.1326
	Purchase 06-May-2016	715	0.0114	71310	1.1441
	Purchase 13-May-2016	315	0.0050	71625	1.1491
	Purchase 20-May-2016	2125	0.0340	73750	1.1832
	Purchase 27-May-2016	800	0.0128	74550	1.1961
	Purchase 03-Jun-2016	405	0.0064	74955	1.2026
	Purchase 10-Jun-2016	44	0.0007	74999	1.2033
	Purchase 17-Jun-2016	1	0.0000	75000	1.2033
	Purchase 13-Jan-2017	1000	0.0160	76000	1.2193
	At the end of the Year 31-Mar-2017	76000	1.2193	76000	1.2193
9	SANGEETHA S				
	At the beginning of the year 01-Apr-2016	51485	0.8887	51485	0.8887
	Purchase 17-Jun-2016	900	0.0144	52385	0.8404
	Purchase 08-Jul-2016	825	0.0132	53210	0.8537
	Purchase 29-Jul-2016	680	0.0109	53890	0.8646
	Purchase 05-Aug-2016	1800	0.0288	55690	0.8935
	Purchase 12-Aug-2016	900	0.0144	56590	0.9079
	Purchase 09-Sep-2016	900	0.0144	57490	0.9223
	Sale 14-Oct-2016	-57490	0.9223	0	0.0000
	Purchase 06-Jan-2017	2500	0.0401	2500	0.0401
	Purchase 20-Jan-2017	2699	0.0433	5199	0.0834
	Purchase 10-Feb-2017	451	0.0072	5650	0.0906
	Purchase 31-Mar-2017	1000	0.0160	6650	0.1066
	At the end of the Year 31-Mar-2017	6650	0.1066	6650	0.1066
10	INDIA INFOLINE LIMITED				
	At the beginning of the year 01-Apr-2016	44976	0.7764	44976	0.7764
	Sale 12-Aug-2016	-22476	0.3606	22500	0.3609
	Sale 02-Dec-2016	-22500	0.3609	0	0.0000
	At the end of the Year 31-Mar-2017	0	0.0000	0	0.0000
	NEW TOP 10 AS ON (31-Mar-2017)				
11	SUBRAMANIAN P				
	At the beginning of the year 01-Apr-2016	12130	0.2094	12130	0.2094
	Purchase 14-Oct-2016	135860	2.1797	147990	2.3744
	Purchase 21-Oct-2016	3534	0.0567	151524	2.4311
	Purchase 28-Oct-2016	1800	0.0288	153324	2.4599
	Purchase 04-Nov-2016	6676	0.1071	160000	2.5671
	Purchase 11-Nov-2016	2000	0.0320	162000	2.5991
	Purchase 18-Nov-2016	1408	0.0225	163408	2.6217
	Purchase 25-Nov-2016	20	0.0003	163428	2.6221
	Purchase 02-Dec-2016	2250	0.0360	165678	2.6582
	Purchase 09-Dec-2016	6622	0.1062	172300	2.7644
	Purchase 16-Dec-2016	696	0.0111	172996	2.7756
	Purchase 30-Dec-2016	827	0.0132	173823	2.7888

NATURAL CAPSULES LIMITED

SI	Name of the Share holder	Shareholding at thebeginning of the year		Cumulative Shareholding during the year	
		No of shares	% of total shares of	No of shares	% of total shares of
	Purchase 06-Jan-2017	831	0.0133	174654	2.8022
	Purchase 13-Jan-2017	1352	0.0216	176006	2.8239
	Purchase 20-Jan-2017	500	0.0080	176506	2.8319
	Purchase 27-Jan-2017	253	0.0040	176759	2.8359
	Purchase 10-Feb-2017	350	0.0056	177109	2.8416
	Purchase 03-Mar-2017	200	0.0032	177309	2.8448
	Purchase 31-Mar-2017	3000	0.0481	180309	2.8929
	At the end of the Year 31-Mar-2017	180309	2.8929	180309	2.8929
12	CRYSTAL TIE UP PRIVATE LTD				
	At the beginning of the year 01-Apr-2016	30641	0.5289	30641	0.5289
	At the end of the Year 31-Mar-2017	30641	0.4916	30641	0.4916
13	RUCHIR INFOTECH PVT LTD				
	At the beginning of the year 01-Apr-2016	24833	0.4286	24833	0.4286
	At the end of the Year 31-Mar-2017	24833	0.3984	24833	0.3984

E) Shareholding of Directors and Key Managerial Personnel:

SI	Name of the Share holder	Shareholding at thebeginning of the year		Cumulative Shareholding during the year	
		No of shares	% of total shares of the company	No of shares	% of total shares of the company
1	SUSHIL KUMAR MUNDRA				
	At the beginning of the year 01-Apr-2016	294400	5.0822	294400	5.0822
	At the end of the Year 31-Mar-2017	294400	4.7234	294400	4.7234
2	SATYANARAYAN MUNDRA				
	At the beginning of the year 01-Apr-2016	123255	2.1277	123255	2.1277
	At the end of the Year 31-Mar-2017	123255	1.9775	123255	1.9775
3	CM GURUMURTHY				
	At the beginning of the year 01-Apr-2016	200	0.0034	200	0.0034
	At the end of the Year 31-Mar-2017	200	0.0032	200	0.0032
4	SUNILL MUNDRA				
	At the beginning of the year 01-Apr-2016	416003	7.1815	416003	7.1815
	At the end of the Year 31-Mar-2017	416003	6.6745	416003	6.6745
5	Laxminarayan Moondra				
	At the beginning of the year 01-Apr-2016	160294	2.7671	160294	2.7671
	At the end of the Year 31-Mar-2017	160294	2.5718	160294	2.5718
6	Jyothi Mundra				
	At the beginning of the year 01-Apr-2016	204463	3.5296	204463	3.5296
	At the end of the Year 31-Mar-2017	204463	3.2804	204463	3.2804

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V) INDEBTEDNESS -

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Rs. In lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	552.3	NIL	NIL	552.3
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	552.3	NIL	NIL	552.3
Change in Indebtedness during the financial year				
* Addition	6.03	NIL	NIL	6.03
* Reduction	(274.56)	NIL	NIL	(274.56)
Net Change	(268.53)	NIL	NIL	(268.53)
Indebtedness at the end of the financial year				
i) Principal Amount	283.77	NIL	NIL	283.77
ii) Interest due but not paid	NIL	NIL	NIL	NIL
iii) Interest accrued but not due	NIL	NIL	NIL	NIL
Total (i+ii+iii)	283.77	NIL	NIL	283.77

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

(Rs. In lakhs)

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		Sunil L Mundra	Laxminarayan Moondra	Satyanarayan Mundra	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	40.81	28.20	28.20	97.21
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	NIL	NIL	NIL	NIL
2	Stock Option				
3	Sweat Equity				
4	Commission- as % of profit- others, specify...	NIL	NIL	NIL	NIL
5	Others, please specify	NIL	NIL	NIL	NIL
	Total (A)	40.81	28.20	28.20	97.21
	Ceiling as per the Act				126.00

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B. Remuneration to other directors

(Rs. In lakhs)

SN. Particulars of Remuneration	Name of Directors					Total Amount
	S.Gopalan	Dr. C.M.Guru Murthy	C.P Rangachar	Sushil Kumar Mundra	Jyothi Mundra	
1 Independent Directors Fee for attending board committee meetings	1.05	1.35	1.35	NIL	NIL	3.75
Commission	NIL	NIL	NIL	NIL	NIL	NIL
Others, please specify						
Total (1)	1.05	1.35	1.35	NIL	NIL	3.75
2 Other Non-Executive Directors Fee for attending board committee meetings	NIL	NIL	NIL	0.75	0.75	1.50
Commission	NIL	NIL	NIL	NIL	NIL	NIL
Others, please specify	NIL	NIL	NIL	NIL	NIL	NIL
Total (2)	NIL	NIL	NIL	0.75	0.75	1.50
Total (B)=(1+2)	1.50	1.35	1.35	0.75	0.75	5.25
Total Managerial Remuneration						102.46
Overall Ceiling as per the Act						126.00

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN - MD/MANAGER/WTD

(Rs. In lakhs)

SN	Particulars of Remuneration	Key Managerial Personnel			Total
		CEO	CS	CFO	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
	*(D R Anand resigned from the company w.e.f 10.03.17)	NIL	*8.61	8.96	17.57
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	NIL	NIL	NIL	NIL
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	NIL	NIL	NIL	NIL
2	Stock Option	NIL	NIL	NIL	NIL
3	Sweat Equity	NIL	NIL	NIL	NIL
4	Commission	NIL	NIL	NIL	NIL
	- as % of profit	NIL	NIL	NIL	NIL
	others, specify...	NIL	NIL	NIL	NIL
5	Others, please specify	NIL	NIL	NIL	NIL
	Total	NIL	8.61	8.96	17.57

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VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority[RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. DIRECTORS					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. OTHER OFFICERS IN DEFAULT					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

CORPORATE GOVERNANCE

PHILOSOPHY:

The Company's philosophy on Corporate Governance has been developed with a tradition of fair and transparent governance even before they were mandated by the legislation. Transparency, integrity, professionalism and accountability - based values form the basis of the Company's philosophy for Corporate Governance. The Company believes that good Corporate Governance is a continuous process and strives to improve the Corporate Governance practices to meet shareholder's expectations. Your company has fulfilled all the existing guidelines mandated under SEBI (LODR) Regulations, 2015.

Name of the Director	Category of Directorship	No. of Directorship in other Public & Pvt. Ltd. Companies	Director identification number
Shri. Sunil Laxminarayana Mundra	Executive (Managing Director)	4	00214304
Shri. Satyanarayan Mundra	Executive(Whole time Director)	3	00214349
Shri. Laxminarayan Moondra	Executive(Whole time Director)	3	00214298
Shri. Sushil Kumar Mundra	Non - Executive(Promoter Director)	3	00214332
Shri. Srirangam Gopalan	Non - Executive(Independent Director)	0	00287219
Shri. Chikkanayakanahalli Muddulingaiah Gurumurthy	Non - Executive(Independent Director)	0	00287294
Shri. Cattancoletore Padmanabhan Rangachar	Non –Executive(Independent Director)	9	00310893
Smt. Jyoti Mundra	Non-Executive Director	1	07143035

b) Number of Board Meetings:

During the year ended March 31, 2017, Five (5) Board Meetings were held on the following dates:

Board Meeting No.	Date of Board Meeting	Board Strength	No. of Director's Present	Leave of Absence given to :
1) 115 th	Saturday, 28 th May 2016	7	7	Mr. Satyanarayan Mundra
2) 116 th	Saturday, 30 th July 2016	8	8	N.A
3) 117 th	Friday, 26 th August 2016	8	8	N.A
4) 118 th	Thursday, 27 th October 2016	6	6	Mr. S Gopalan and Mr. Sushil Kumar Mundra
5)119 th	Tuesday, 31 st January 2017	8	8	N.A

c) Directors' attendance record:

Name of the Director	Board Meetings Attended during the F.Y Year : 2016-17	Whether attended Last AGM
Shri. Sunil Laxminarayana Mundra	5	Yes
Shri. Satyanarayan Mundra	4	Yes
Shri. Laxminarayan Mundra	5	Yes
Shri. Sushil Kumar Mundra	4	Yes
Shri. Srirangam Gopalan	4	Yes
Shri. Chikkanayakanahalli Muddulingaiah Gurumurthy	5	Yes
Shri. Cattancoletore Padmanabhan Rangachar	5	Yes
Smt. Jyothi Mundra	5	Yes

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d) Relationship between directors:

The names of Directors who are related inter se are :

1. Mr. Sunil L Mundra,
2. Mr. Laxminaryan Mundra,
3. Mr. Sushil Kumar Mundra,
4. Mr. Sathyanarayan Mundra
5. Mrs. Jyothi Mundra.

None of the other directors are related each other.

3. Committees Of The Board

a) Audit Committee

i) Terms of Reference:

Apart from all the matters provided in LODR Regulations and section 177 of the Companies Act 2013, the Audit committee reviews reports of the internal auditor, meets statutory auditors as and when required and discusses their findings, suggestions, observations and other related matters. It also reviews major accounting policies followed by the company.

ii) Composition:

The Audit committee consists of 3 Independent Directors:

1. Shri. S.Gopalan
2. Shri. C.P.Rangachar
3. Shri. Dr.C.M.Gurumurthy.

Shri. S.Gopalan has been designated as chairman of the committee. The committee met Four (4) times during the financial year ended March 31, 2017. The attendance record of the members at the meeting were as follows :

Name of the Member	Designation	No. of Meeting Attended
Shri. Srirangam Gopalan	Chairman	3
Shri. Cattancoletore Padmanabhan Rangachar	Member	4
Shri. Chikkanayakanahalli Muddulingaiah Gurumurthy	Member	4

During the year ended March 31, 2017, Four (4) Audit Committee Meetings were held on the following dates.

Meeting No.	Date of Meeting	Committee Strength	No. of members present
1) 53 rd	Saturday, 28th May 2016	3	3
2) 54 th	Saturday, 30 th July 2016	3	3
3) 55 th	Thursday, 27th October 2016	3	2
4) 56 th	Tuesday, 31 st January 2017	3	3

b) Nomination& Remuneration Committee and policy:

The Nomination& remuneration committee for appointment & remuneration of executive directors was constituted with effect from 26th July, 2003 with Mr. S.Gopalan, Chairman, Dr.C.M.Gurumurthy and Mr. C.P. Rangachar.

Name of the Member	Designation
Mr. S.Gopalan	Chairman
Dr. C.M.Gurumurthy	Member
Mr. Rangachar	Member

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The details of remuneration for the year ended March 31st, 2017 to the Executive & Non-Executive Directors are as follows.

(In Lakhs)

Directors	Sitting Fees	Salary and Perquisites	Commission	Total
Executive Directors:				
Sri Sunil L Mundra	NIL	40.80	NIL	40.80
Sri Laxminarayan Moondra	NIL	28.20	NIL	28.20
Sri Satyanarayan Mundra	NIL	28.20	NIL	28.20
Non-Executive Directors:				
Sri S.Gopalan	1.05	NIL	NIL	1.05
Sri Dr. C.M.Gurumurthy	1.35	NIL		1.35
Sri C.P.Rangachar	1.35	NIL	NIL	1.35
Sri Sushil Kumar Mundra	0.75	NIL		0.75
Smt. Jyothi Mundra	0.75	NIL	NIL	0.75

Pecuniary / Transactions of the non-executive directors are given in related party transactions forming part of Directors Report.

The criteria of making payments to non-executive directors has been disclosed in the company's website.

The terms and notice period for executive directors / other directors as per appointment letters issued.

Policy for Selection And Nomination Of Directors And Their Remuneration:

The Nomination and Remuneration (N&R) Committee has adopted a Charter which, inter alia, deals with the manner of selection of Board of Directors and CEO & Managing Director and their remuneration. This Policy is accordingly derived from the said Charter.

Criteria of selection of Non-Executive Directors:

The Non-Executive Directors shall be of high integrity with relevant expertise and experience so as to have a diverse Board with Directors having expertise in the fields of manufacturing, marketing, finance, taxation, law, governance and general management.

In case of appointment of Independent Directors, the N&R Committee shall satisfy itself with regard to the independent nature of the Directors vis-à-vis the Company so as to enable the Board to discharge its function and duties effectively.

The N&R Committee shall ensure that the candidate identified for appointment as a Director is not disqualified for appointment under Section 164 of the Companies Act, 2013.

The N&R Committee shall consider the following attributes / criteria, whilst recommending to the Board the candidature for appointment as Director.

- Qualification, expertise and experience of the Directors in their respective fields;
- Personal, Professional or business standing;
- Diversity of the Board.

In case of re-appointment of Non-Executive Directors, the Board shall take into consideration the performance evaluation of the Director and his engagement level.

Remuneration:

The Non-Executive Directors shall be entitled to receive remuneration by way of sitting fees, Commission and reimbursement of expenses for participation in the Board meetings.

A Non-Executive Director shall be entitled to receive sitting fees for each meeting of the Board attended by him, of such sum as may be approved by the Board of Directors within the overall limits prescribed under the Companies Act, 2013 and The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014;

Managing Director - Criteria for selection / appointment:

For the purpose of selection of the MD, the N&R Committee shall identify persons of integrity who possess relevant expertise, experience and leadership qualities required for the position and shall take into consideration recommendation, if any, received from any member of the Board.

The Committee will also ensure that the incumbent fulfils such other criteria with regard to age and other qualifications as laid down under the Companies Act, 2013 or other applicable laws.

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Remuneration for the Managing Director and Whole Time Director:

At the time of appointment or re-appointment, the CEO & Managing Director shall be paid such remuneration as may be mutually agreed between the Company (which includes the A&R Committee and the Board of Directors) and the CEO & Managing Director within the overall limits prescribed under the Companies Act, 2013.

The remuneration shall be subject to the approval of the Members of the Company in General Meeting.

The remuneration of the CEO & Managing Director comprises only of fixed component. The fixed component comprises salary, allowances, perquisites, amenities and retire benefits.

Remuneration Policy for the Senior Management Employees:

In determining the remuneration of the Senior Management Employees (i.e. KMPs and Executive Committee Members) the N&R Committee shall ensure the relationship of remuneration and performance benchmark is clear.

The Managing Director will carry out the individual performance review based on the standard appraisal matrix and shall take into account the appraisal score card and other factors mentioned herein-above, whilst recommending the annual increment and performance incentive to the N&R Committee for its review and approval.

Annexure E

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO PROVISION OF RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014:

1. Ratio of remuneration of each director to median remuneration of the employee for the Financial Year:

SL No.	Name	Designation	Ratio of Remuneration
1	Mr. Sunil L Mundra	Managing Director	8.16
2	Mr. Laxminarayan Moondra	Executive Director	5.64
3	Mr. Satyanarayan Mundra	Executive Director	5.64

The aforesaid details are calculated on the basis of remuneration paid during the financial year 2016-17.

Median remuneration of the Company for all employees who were there in employment throughout the year (141 employees) is Rs. 4, 99, 43,077 for the financial year 2016-17.

2. The percentage increase in remuneration of each Director, CFO, CS in the financial year

Sl. No.	Name	Designation	% Increase
1	Mr. Sunil L Mundra	Managing Director	0.74%
2	Mr. Laxminarayan Moondra	Executive Director	2.73%
3	Mr. Sathyanarayan Mundra	Executive Director	1.08%
4	Mr. D R Anand (Resigned w.e.f 10 th March 2017)	Company Secretary (upto 10 th March 2017)	N.A
5	Mr Prasanna B Junnarkar	Chief Financial Officer	N.A
6	Mr. Skandan.P.Jain	Company Secretary	N.A

3. The Percentage increase in the median remuneration of employees in the Financial Year:

The median remuneration of the Employees in the F.Y 2016-17 was increased by 8.87 %

4. The explanation on the relationship between average increase in remuneration and company performance:

The increase in the average remuneration of employees was in line with the average increase in the industry.

5. Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company:

The increase affected in the remuneration to Key Managerial Personnel is in line with the increased revenues and profitability of the company.

The total revenues of the company Rs. 5364.27 Lakhs The net profit of the company 62.78 Lakhs The table below depicts the details of the employee remuneration as against the performance of the company.

Particulars	2016-17	2015-16
Total Operating revenues	5,364.27 Lakhs	6,205.30 lakhs
Profit before tax and exceptional items	90.00 Lakhs	607.47 lakhs
Profit after tax	62.78 Lakhs	433.88 lakhs

9. Affirmation that the remuneration is as per the remuneration policy of the company.
The remuneration paid is in accordance with the remuneration policy of the company.

Details of Employees:- There are no employee drawing a remuneration of Rs. 102 lakhs or more as per company's appointment and remuneration rules, 2014.

c) Shareholders/ Investors' Grievance Committee:

The Investor Grievance committee of the company was formed on 25th March, 2003 to oversee redressal of shareholders and Investor grievances. The composition of Grievance committee is as follows:

1. Shri Dr.C.M. Gurumurthy, Chairman
2. Shri Laxminarayan Moondra, Member
3. Shri Sunil L Mundra, Member

Sl No.	Date of Meeting	Committee Strength	No. of Members Present
1	Wednesday, 25 th May 2016	3	3

Status of shareholders/Investors Grievance and Share Transfers as on 31-03-2017

No. of Grievances received	3
No. of Grievances redressed	3
No. of Grievances pending	0
No. of share transfers pending	0

Management discussion and analysis report forms part of this Annual Report by Annexure-

4. Shareholders:

a. (i) Means of Communication:

The Quarterly Un-Audited (Provisional) Results and the Annual Audited Financial results of the company are sent to the stock exchanges immediately after they are approved by the Board and are also published in one vernacular news paper viz."Sanjevani" and one English news paper viz."Business Line". Also they are uploaded on the company's website www.naturalcapsules.com. The results are published in accordance with the guidelines of the Stock Exchanges. In line with the existing provisions of the (LODR) Regulation, 2015, the Company has created a separate e-mail address viz: company.sec@naturalcapsules.com to receive complaints and grievances of the investors. Further, No official news releases were made.

b. Share Transfers Agents:

M/s. Cameo Corporate Services Limited. "Subramanian Building", No.1, Club House Road, Chennai – 600 002. Ph# 044 28460390 (6 lines) Fax: 044 – 2846 0129

c. Share Transfer System:

All physical share transfers are affected within 15days of lodgment, subject to the documents being in order. The Board has delegated the authority for approval of transfer, transmission etc. to a committee comprising of two Non-Executive Directors and one executive director. A summary of transfer/transmission of shares so approved by the committee is placed before the Board.

d. General Body Meetings:

Details of last three Annual General Meetings are as under.

Financial Year	Date	Time	Venue
2015-16	26th August 2016	10.00 A M	Kannada Sahithya Parishat, Bengaluru-18
2014-15	27th August, 2015	10.00 A M	Bengaluru Gayana Samaja, Bengaluru - 4
2013-14	27th August, 2014	10.00 A M	Bengaluru Gayana Samaja, Bengaluru - 4

Special resolutions passed in the last three AGMs: 6 (Six)

For the year ended March 31, 2017 there have been no ordinary or special resolutions passed by the Company's Share-holders through postal ballot.

5. Additional shareholders information:

a) Annual General Meeting

Date: 29th August 2017

Venue: Kannada Sahithya Parishat, Bengaluru-18

Time: 10.00 A.M.

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b) Book Closure:

The register of members and share transfer books of the company shall remain closed 22nd August 2017 to 29th August 2017 (both days inclusive) for payment of dividend.

c) Dividend Payment Date:

Dividend declared will be paid on or before 29th September 2017 (30 days of the approval of the same in the Annual General Meeting)

d) Listing in stock exchanges and stock codes

The names of stock exchanges at which the equity shares are listed and respective stock codes are asunder:

Name of the Stock Exchange Stock: The Bombay Stock Exchange Code No: 524654

e) The ISN number allotted to the company for demat of share are as under:

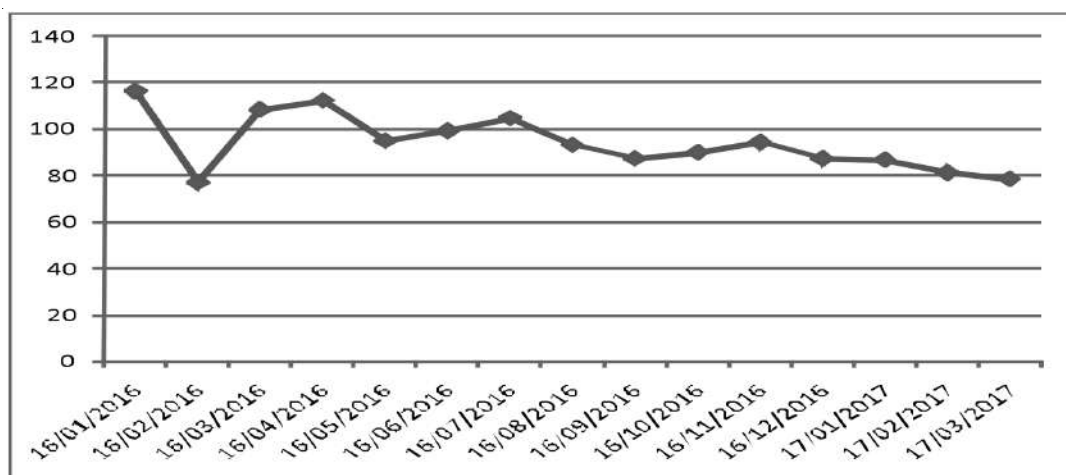
CAMEO: INE936B01015

CDSL: INE936B01015

f) Stock data:

High/Low of Market price of Company's equity shares traded on the **Bombay Stock Exchange Ltd.** during the financial year ended on March 31, 2017 was as follows:

Month	Open Price	High Price	Low Price	Close Price	No. of Shares	No. of Trades	Total Turnover
Jan-16	145.3	163.1	115.9	115.9	39186	466	53,30,194
Feb-16	110.2	115.7	76.9	76.9	73975	462	73,40,331
Mar-16	80.6	108	76.3	108	30925	274	29,41,617
Apr-16	109.9	120.4	99	111.9	18228	239	20,20,436
May-16	112	119	90.2	94.65	15639	280	15,87,676
Jun-16	91.1	110	78	99	65540	805	59,63,341
Jul-16	103.8	110	94.1	104.5	37828	536	39,02,086
Aug-16	97.8	100	82	93	63699	820	57,32,451
Sep-16	93	96	80	87	41874	523	37,16,116
Oct-16	85.5	98.9	85	89.75	78221	518	69,84,090
Nov-16	92.95	99	75.05	93.95	97904	448	91,72,067
Dec-16	93	98	82	87	17180	196	15,51,546
Jan-17	85.5	96.7	76	86.65	75693	919	62,52,481
Feb-17	84.5	89.65	78.8	81.2	18019	236	14,95,715
Mar-17	87	91.9	76	78.4	35731	480	28,61,022



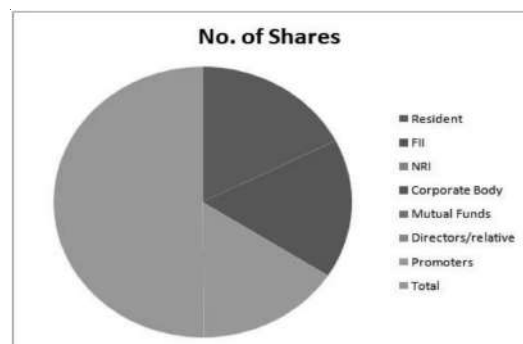
NATURAL CAPSULES LIMITED

g) Distribution of shareholding as on March 31, 2017.

No. of Shares	No. of share holders	% Share holders	No. of shares	% of Holders
1-100	2719	63.0273	204760	3.2852
101-500	1140	26.4255	310703	4.985
501-1000	211	4.891	172797	2.7724
1001-2000	105	2.4339	160966	2.5826
2001-3000	46	1.0622	114435	1.836
3001-4000	16	0.3708	57994	0.9304
4001-5000	15	0.3477	71401	1.1455
5001-10000	23	0.5331	161300	2.5879
10001& Above	29	0.904	4978344	79.8745
TOTAL	4314	100	6232700	100

h) Share Holding Pattern:

Category	No. of shares	% of Holding
Resident	21,76,853	34.9263
FII	300	0.0048
NRI	3384	0.5436
Corporate Body	20,59,434	33.0424
Mutual Funds	3,700	0.0593
Directors/relative	3,800	0.0609
Promoters	19,54,729	31.3624
Total	6,232,700	100



i) Shares held in physical and dematerialized form:

As on March 31, 2017, 94.11 % (5947859) of shares were held in dematerialized form and the rest 4.53% (372141) of shares held in physical form.

j) Plant Location

- Plot No. 7A2, KIADB Industrial Area, Attibele – 562 107, and
- R.S. No. 84, Perambai Road, Pitchaiveerampet, Pondicherry -10

k). Address for correspondence

102, "SHRESHTA BHUMI", # 87, K.R.Road, Bengaluru – 560 004. Telephone: 080 -26671571, 26671573, 26671581.

E-mail: company.sec@naturalcapsules.com Website: www.naturalcapsules.com

l) Shares held in electronic form

Shareholders holding shares in the electronic form may give instruction regarding bank details, which they wish to incorporate on their dividend warrants to their depository participants. As per the regulations of CAMEO and CDSL the company is required to print the bank details on the dividend warrants, as furnished by these depositories to the Company.

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6. Other Disclosures:

The company has not entered into any transaction of a material nature with the Promoters, the Directors or the Management, their relatives etc. that may have any potential conflict with the interests of the company. The company has complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters related to capital markets during the last three years.

7. Compliance Certificate of the Auditors:

The Company has obtained a certificate from the statutory auditors certifying compliance of conditions of Corporate Governance as stipulated in clause 49 of the Listing Agreement / SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 the same is annexed to this report.

Other corporate benefits

The company has followed the provisions relating to transfer of unclaimed dividend to investor education protection fund after the period of seven years.

Pursuant to the provisions of Section 124(6) of the Companies Act, 2013 read with The Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, all the shares in respect of which dividend has been unclaimed/unpaid for 7 (seven) consecutive years or more, are required to be transferred in favour of Investor Education and Protection Fund ("IEPF").

In pursuance of the said rules, the company has sent necessary intimation to the concerned shareholders whose shares are liable to be transferred to IEPF and the details of such shareholders have been uploaded in our website under the head "Investors" and sub head "BSE Compliance".

The concerned shareholders are requested to make their claim for the dividends remaining unclaimed/unpaid for 7 (seven) consecutive years from 2008-09, by making an application to our Registrar and Share Transfer Agents i.e. M/s Cameo Corporate Services Limited, "Subramanian Building" #1, Club House Road, Chennai 600 002, (Tel : 91-44 - 2846 0390, Email: Kandhimathi@cameoindia.com)

In case, a valid claim for the same is not received by our Registrar and Share Transfer Agents, the company shall transfer such shares to IEPF a/c, in accordance with procedure prescribed under the said rules.

Shareholders may kindly note that shares transferred to IEPF including benefits accruing on such shares, if any, can be claimed from IEPF Authority after following the procedure prescribed under IEPF Rules. No claim shall lie against the Company or the Registrar and Share Transfer Agents in respect of unclaimed dividend amount and shares transferred to IEPF pursuant to the said rules.

In case of any queries in this regard, the shareholders may contact the Company at its Registered Office at 102, "Shreshta Bhumi" 87, K R Road, Bengaluru-560 004, (Tel: 080-26671571/080-26671573, Email: company.sec@naturalcapsules.com) Contact Person: Mr. Skandan.P.Jain, Company Secretary /Compliance Officer.

Management Discussion & Analysis Report

Your Directors have pleasure in presenting the management discussion and analysis report for the year ended on March 31, 2016.

1. Industry structure and developments:

During the year under review, pharma business in both domestic and international economies has been affected due to issues of currency fluctuations and availability. Fall in commodity and oil prices, intense competition from Chinese supplier's impact on in tradition demand of Gelatin. Domestic pharmaceutical industry had also slowed down due to control on pricing of finished formulations, slowing exports and ban on fixed dose combination products. As a result your company The company had a gross turnover of Rs. 5838.54 as against Rs. 6683.18 lakhs in the previous year, a decline of 12.64%. Profit before depreciation and taxation was Rs. 463.32Lakhs against Rs. 1024.24lakhs in the previous year. After providing for depreciation and taxation of Rs. 431.75& Rs. (31.21) respectively, the net profit of the Company for the year under review was placed at Rs. 62.78lakhs as against Rs. 433.88 lakhs previous year. Due to tough market conditions, increase in cost of inputs and reduction in margins, there was decline in profits as compared to the previous year, hence the profit after tax has reduced by 85.53 % during the year under review.

2. Opportunities and Threats:

a). Opportunities

1. Opening of export opportunities for HPMC capsules in various countries.
2. Expansion of the existing markets for HPMC capsules within the country due to proposed conversion of gelatin capsules to Hydroxypropyl methylcellulose (HPMC) Capsules.
3. New dosage formulations using hard capsules.

b). Threats:

1. Aggressive expansion & price competition from Chinese suppliers.
2. Stagnant payments from international customers.

3. Conversion of Gelatin capsules products into other dosage forms due to government guidelines on gelatine.
4. Slowdown in exports due to slowing international economy.

3 Segment –wise or product wise performance is not relevant in view of the company having single product.

4. Outlook”

Based on the company's performance up to the date of this report, orders on hand and realizing the additional capacity installed during last year, company is hopeful of achieving a turnover of around Rs. 60 to 62 crores in the current year. However due to fall in sales realization company may have to face fall in profits.

5. Risks & Concerns:

Risk of competition and exchange fluctuations may have an adverse impact on the projections. Risk of delay in receiving payments for both local & international customers can lead to higher finance cost.

Indian Pharmaceutical Industry – Recent Trends:

For Indian Pharmaceutical Industry 2016-17 had been a difficult year. Pricing pressures in US -the world's largest market for generic drugs, tighter regulatory scrutiny by the US FDA and thereby higher compliance costs, global macro-economic uncertainty and price controls back home had affected the industry. These factors are expected to continue to affect the industry in the next year.

The year 2016-17 was a tough year for the pharma sector, which normally has a reputation for delivering credible returns even in tough market conditions. Pharma companies finished among the worst performers of 2016, alongside sectors like IT, power, real estate and capital goods. Some of the salient features of working of the Indian Pharmaceutical Industry during the year 2016-17 are summarised as below:

Generic pricing uncertainty in US:

Profit margins of Indian companies selling generics in the US will remain under pressure in 2017 with channel consolidation and USFDA fast tracking approvals through Generic Drug User Fee Act (GDUFA). Despite that US still remains a lucrative market with margins upwards of 20 percent. In fact in FY16 – Indian companies have clocked EBITDA margins of 27 percent – the highest over previous four years. Generic price deflation was significantly worse than expected in 2016, ranging anywhere from down 5-25 percent and resulted in several manufacturers lowering guidance. Further, the generic environment remains challenging with increased competitive pressures from new entrants and buying consortiums, and recent results suggest these challenges will continue well into 2017. It is also expected that companies with new approvals, differentiated and specialty product portfolio are the ones better positioned to thrive in 2017 – which means that companies will incur higher expenses on R&D as was the case in 2016.

Regulatory scrutiny:

Indian drug makers were kept busy throughout 2016 with adverse observations, warning letters and a few import alerts in extreme cases from US drug regulator. There are no two thoughts about – the rising expectation of compliance to current good manufacturing practices (cGMP) by USFDA. Companies have learnt the hard way – the downsides of non-compliance – that include loss of market value, fresh approvals getting stuck and the cost of remediation. For instance, the number of sites receiving import alerts is down to three vs. 12

in 2015. Similarly, the number of Indian sites receiving warning letters is eight (15 percent of all warning letters) in 2016 vs. 12 (32 percent of all warning letters in 2015).

Price controls in local market:

Domestic pharmaceutical market - despite heavy competition was a safe bet to drug makers – given the fact that market grew at 24 percent to USD 26.1 billion in 2016 and is insulated to some extent from external shocks such as currency volatility and other macro uncertainties. It is expected that in 2017 government will continue to keep pressure on drug price control policies, and aim to improve quality and streamline the approval process will continue. Margins in the industry will continue to reduce, if the government's zeal of pricing key drugs expands.

Mergers and acquisitions (M&As):

The year 2016 was a busy years for mergers and acquisitions, 2017 is expected to be no different – as Indian companies try to expand into new markets, deepen their presence in existing ones, get access to manufacturing assets and fill their portfolio and technology gaps. With organic-growth rates moderating and profitability plateauing, Indian companies are exploring M&A that could serve as a springboard for growth .

6. Internal Control System And Their Adequacy:

The Company has engaged the services of an Independent Chartered Accountant to carry out the internal audit and ensure that recording and reporting are adequate and proper, the internal controls exist in the system and that sufficient measures are taken to update the internal control system. The system also ensures that all transaction are appropriately authorized, recorded and reported. Exercises for safeguarding assets and protection against unauthorized use are undertaken from time to time. The company has also installed an extensive CCTV Surveillance system to cover the entire factory premises. All these measures are continuously reviewed by the management and as and when necessary improvements are affected.

7. Discussion On Financial Performance With Respect To Operational Performance

The financial performance during the year under reference has to be evaluated in light of overall market conditions. Due to slowdown in exports in last 6 quarters and fall in sales realization both sales & profits has reduced as compared to previous year.

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8. Material developments in human resources/industrial relations front, including number of people employed.

As on March 31, 2017 the company had 141 permanent employees at its manufacturing plants and administrative office. The company recognizes the importance of human value and ensures that proper encouragement both moral and financial is extended to employees to motivate them. The company has provided rent free accommodation to all its staff & workers adjacent to the factory premises of the company. The company enjoyed excellent relationship with workers and staff during the last year.

Cautionary Statement

The statements in the "Management Discussion and Analysis Report" section describes the Company's objectives, projections, estimates, expectations and predictions, which may be "forward looking statements" within the meaning of the applicable laws and regulations. The annual results can differ materially from those expressed or implied, depending upon the economic and climatic conditions, Government policies and other incidental factors.

Certificate of Chief Financial Officer on corporate governance as per Regulation 17 (8) of SEBI (LODR) regulations, 2015:

The Board of Directors

M/s. Natural Capsules Limited

We have reviewed the financial statements and the cash flow statement of Natural Capsules Limited for the financial year 2016-17 and certify that:

A. These statements to the best of our knowledge and belief:

- I. Do not contain any materially untrue statements or omit any material facts or contain statements that might be misleading;
 - II. Present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. To the best of our knowledge and belief, there are no transactions entered into by the Directors and Senior Management Personnel during the year, which are fraudulent, illegal or violative of the company's Code of Conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of the internal control systems of the Company for such reporting. We have disclosed to the Auditors and the Audit Committee, deficiencies, if any, in the design or operation of such internal controls, of which we are aware of and the steps taken and/or proposed to be taken to rectify these deficiencies.
- D. We have also indicated to the Auditors and the Audit Committee.
- i. Significant changes in Internal Controls with respect to financial reporting during the year.
 - ii. Significant changes in accounting policies during the Year and these have been disclosed in the notes to the financial statements.
- E. To the best of our knowledge and belief, there are no instances of significant fraud involving either the management or employees having a significant role in the Company's internal control systems with respect to financial reporting.

Place: Bengaluru
Date: 27th May 2017

Prasanna B Junnarkar
Chief Financial Officer

K.R. GNANOBA B.Com., F.C.A.
R. UMESH B.Com., F.C.A.
PHALGUNA B. N. B.Com., F.C.A., D.I.S.A (ICAI)

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AUDITORS' COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

Auditor's certificate on compliance with the conditions of corporate governance under Schedule V (E) of SEBI (LODR) Regulations, 2015

To the Members of Natural Capsules Limited.

We have examined the compliance of conditions of Corporate Governance of Natural Capsules Limited for the year ended March 31, 2017 stipulated in clause 49 of the Listing Agreement / Schedule V(E) of SEBI (LODR) Regulations, 2015 of the said Company with Stock Exchange(s) in India.

The Compliance of condition of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the Compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of an 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 and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Schedule V (E) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

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. 000939C)

(K R Gnanoba)
Partner

Membership number: 023137



Place : Bangalore
Date : 27th May 2017

K.R. GNANOBA B.Com., F.C.A.
R. UMESH B.Com., F.C.A.
PHALGUNA B. N. B.Com., F.C.A., D.I.S.A (ICAI)

GNANOBA & BHAT
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INDEPENDENT AUDITOR'S REPORT

To the Members of Natural Capsules Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Natural Capsules Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used

1st Floor, "Annamalai Arcade", # 45, 1st Cross, Wilson Garden, Hosur Main Road, Bengaluru - 27. Tel : 22132191, 92, 93



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and the reasonableness of the accounting estimates made by Company's Directors, 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 on the financial statements.

Opinion

In our opinion and the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31st March, 2017 and its profit and its 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, 2016, issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure – A, a statement on the matters specified in paragraphs 3 and 4 of the order.
2. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of 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 our examination of these books;
 - c. The Balance Sheet, the Statement of Profit & Loss, and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - e. On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
 - f. With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure – B"
 - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:



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- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 26(iii) to the financial statements;
- ii. The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There has been no delay in transferring amount, required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. The Company has provided requisite disclosures in the financial statements as to holdings as well as dealings in Specified bank notes during the period from 8th November 2016 to 30th December 2016. Based on the audit procedures and relying on the management representations we report that the disclosures were in accordance with the books of accounts produced to us by the Management [Refer Note- 27]

Place: Bangalore
Date : 27.05.2017

**For GNANOBA & BHAT,
Chartered Accountants,
Firm Regn No. 0009395**



GNANOBA K R
Partner
M.No. 023137

GNANOBA & BHAT
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ANNEXURE - A TO AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE

- (i) In respect of its fixed assets :
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed Assets.
 - b) As explained to us, the fixed assets were physically verified during the year by the Management with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, material discrepancies were noticed on such verification and the same is properly dealt with in the books of account.
 - c) According to the information and explanation given to us, the title deeds in respect to immovable properties are held in the name of Company.
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (iii) The Company has not granted any loan, secured or unsecured, to the Companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Hence reporting under this clause is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, the Company has not entered into transactions which come under the purview of Section 185 however company made a loan to other company and the same is in compliance with provisions of section 186 of Companies Act 2013.
- (v) In our opinion and according to the information and explanations given to us, the Company has not accepted any Deposits in terms of directives issued by Reserve Bank of India and under provisions of Section 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under, during the year. Hence reporting under this clause is not applicable.
- (vi) According to the records produced and information given to us, the provisions of Section 148(1) of the Companies Act, 2013 regarding maintenance of cost records is not applicable to the company and hence reporting under this clause is not applicable.
- (vii) According to the information and explanations given to us and according to the books and records as produced and examined by us, in respect of statutory dues and other dues :
 - a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Income Tax, Sales Tax, Excise Duty, Custom Duty, Service Tax, Cess, Value Added Tax and other statutory dues with the appropriate authorities during the period wherever applicable.



- b) According to the information and explanation given to us, there are no material dues of Provident Fund, Income Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other statutory dues which have not been deposited with the appropriate authorities on account of any dispute. However, according to information and explanation given to us, the following dues of Service Tax have not been deposited by the company on account of disputes :

Name Of Statute	Nature of Dues	Amount (in Rs.)	For the Period	Forum Where dispute is Pending
Service Tax	Service tax	22,08,074	Nov,2009 to Oct, 2012	Commissioner of Central Excise
Service Tax	Penalty on Service Tax	22,08,948	Nov,2009 to Oct, 2012	Commissioner of Central Excise
Service Tax	Penalty and Interest on Service Tax	2,95,907	April, 2011 to March, 2012	Commissioner of Central Excise
Service Tax	Service Tax	4,08,755	April 2007 to March 2008	Commissioner of Central Excise
Service Tax	Penalty on Service Tax	2,49,636	April 2007 to March 2008	Commissioner of Central Excise

- (viii) According to the information and explanation given to us, the Company has not defaulted in repayment of dues to a Financial Institutions or Banks. There are no outstanding dues to debenture holders during the year.
- (ix) According to the information and explanation given to us, the Company has not raised any public offer (including debt instruments) or term loans during the year and hence reporting under this clause is not applicable.
- (x) To the best of our knowledge and belief, according to the information and explanation given to us by the Management, and according to the books and records as produced and examined by us, no frauds were noticed or reported during the year.
- (xi) According to the information and explanation given to us, the managerial remuneration has been paid in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule-V to the Companies Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause (xii) are not applicable to the company.
- (xiii) In our opinion and according to the information and explanation provided, the company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all



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transaction with related parties and the details of related party transaction have been disclosed in the financial statements as required by the applicable accounting standards.

- (xiv) Company has made preferential allotment during year and requirement of sec 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purpose for which the funds were raised.
- (xv) In our opinion and according to the information and explanation provided, the company has not entered into any non-cash transactions with the directors or persons connected to the director/s in terms of Section 192 of the Companies Act, 2013 and hence reporting under this clause is not applicable.
- (xvi) According to the information and explanation given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

Place: Bangalore
Date : 27.05.2017

For GNANOBA & BHAT,
Chartered Accountants,
Firm Regn No. 000939S,


GNANOBA K R,
Partner.
M.No. 023137



Annexure – B

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of M/s Natural Capsules Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



GNANOBA & BHAT
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A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: Bangalore
Date : 27.05.2017

For GNANOBA & BHAT,
Chartered Accountants,
Firm Regn No. 0009395



GNANOBA K R
Partner
M.No. 023137

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BALANCE SHEET AS AT MARCH 31, 2017

(Amount in Rs.)

Particulars	Note No.	Rupees	As at 31.03.2017	Rupees	As at 31.03.2016
I EQUITY AND LIABILITIES					
(1) Shareholder's Funds					
(a) Share Capital	1	6,23,27,000		5,79,27,000	
(b) Reserves and Surplus	2	52,76,57,200		47,73,78,431	
(c) Money Received Against Share Warrants	3	—		2,20,00,000	
			58,99,84,200		55,73,05,431
(2) Non-Current Liabilities					
(a) Deferred tax liabilities (Net)	4	2,00,21,000		2,31,85,265	
(b) Long term provisions	5	9,29,316		4,96,089	
			2,09,50,316		2,36,81,354
(3) Current Liabilities					
(a) Short Term Borrowings	6	2,83,76,494		5,52,29,895	
(b) Trade payables	7	10,24,95,075		10,08,80,734	
(c) Other current liabilities	8	1,76,83,980		2,14,63,959	
(d) Short-term provisions	9	29,66,697		1,57,40,242	
			15,15,22,246		19,33,14,829
Total			76,24,56,761		77,43,01,614
II ASSETS					
(1) Non-current assets					
(a) Fixed assets					
(i) Tangible assets	10	26,06,99,443		30,16,01,200	
(ii) Intangible assets		—		—	
(iii) Capital work-in-progress		11,76,440		—	
(iv) Intangible assets under development		—		—	
			26,18,75,883		30,16,01,200
(b) Non-current investments	11	5,07,35,709		5,07,35,709	
(c) Long term loans and advances	12	1,60,72,438		1,47,89,622	
(d) Other non-current assets	13	39,87,554		32,18,167	
			7,07,95,701		6,87,43,498
(2) Current assets					
(a) Inventories	14	9,88,20,034		10,05,91,834	
(b) Trade receivables	15	31,20,24,207		28,37,81,694	
(c) Cash and Cash Equivalents	16	23,77,044		19,24,684	
(d) Short-term loans and advances	17	1,65,63,893		1,76,58,704	
			42,97,85,178		40,39,56,916
Total			76,24,56,761		77,43,01,614

SEE ACCOMPANYING NOTES (1 TO 28) TO THE FINANCIALS STATEMENTS

As per our report of even date

For and on behalf of the Board of Directors

For Gnanoba & Bhat
Chartered Accountants
Firm Regn No 000939S

Chairman
Srirangam Gopalan
DIN : 00287219

Managing Director
Sunil L Mundra
DIN : 00214304

K R Gnanoba
Partner
Membership No 023137
Date : 27.05.2017
Place : Bengaluru

Whole Time Director
Satyanarayan Mundra
DIN : 00214349

Company Secretary
Skandan P Jain
M.No : A47677

Chief Financial Officer
Prasanna Junnarkar

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

Particulars	Note No.	For the year ended on 31st March, 2017	For the year ended on 31st March, 2016
I. Revenue from operations	18	53,64,27,652	62,05,30,573
II. Other Income	19	81,29,737	1,23,22,780
III. Total Revenue (I +II)		54,45,57,389	63,28,53,353
IV. Expenses:			
Cost of materials consumed	20	25,30,30,826	29,41,67,243
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	21	(1,07,86,835)	(4,51,13,349)
Employee benefit expense	22	5,96,63,077	6,47,81,258
Finance costs	23	58,29,869	48,86,247
Depreciation and amortization expense	10	4,31,75,695	4,16,76,804
Other expenses	24	18,46,34,319	21,17,08,392
CSR Expenditure	25	10,000	—
Total Expenses		53,55,56,952	57,21,06,594
V. Profit before exceptional and extraordinary items and tax (III - IV)		90,00,437	6,07,46,758
VI. Exceptional Items			
Prior Period item			
i) Prior Period Income		1,23,986	66,218
ii) Prior Period expenses		(59,66,929)	(4,51,416)
VII. Profit before extraordinary items and tax (V - VI)		31,57,495	6,03,61,561
VIII. Extraordinary Items		—	—
IX. Profit before tax (VII - VIII)		31,57,495	6,03,61,561
X. Tax expense:			
(1) Current tax		—	1,67,58,549
(2) Prior Year tax		42,991	29,318
(3) Deferred tax/(withdrawn)		(31,64,265)	1,85,34
XI. Profit/(Loss) for the period from continuing operations (IX-X)		62,78,769	4,33,88,345
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)		62,78,769	4,33,88,345
XVI. Earning per equity share:			
(1) Basic		1.04	8.06
(2) Diluted		1.04	6.69

SEE ACCOMPANYING NOTES (1 TO 28) TO THE FINANCIALS STATEMENTS

As per our report of even date

For and on behalf of the Board of Directors

For Gnanoba & Bhat
Chartered Accountants
Firm Regn No 000939S

Chairman
Srirangam Gopalan
DIN : 00287219

Managing Director
Sunil L Mundra
DIN : 00214304

K R Gnanoba
Partner
Membership No 023137
Date : 27.05.2017
Place : Bengaluru

Whole Time Director
Satyanarayan Mundra
DIN : 00214349

Company Secretary
Skandan P Jain
M.No : A47677

Chief Financial Officer
Prasanna Junnarkar

TWENTY FOURTH ANNUAL REPORT 2016-2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

(Amounts in Rs.)

Particulars	For the year ended 31 March, 2017	For the year ended 31 March, 2016
A. Cash flow from operating activities		
Net Profit / (Loss) before extraordinary items and tax	31,57,495	6,03,61,561
<i>Adjustments for:</i>		
Depreciation and amortisation	4,31,75,695	4,16,76,804
(Profit) / loss on sale / write off of assets	—	(18,957)
Finance costs	58,29,869	48,86,247
Interest income	(13,92,266)	(16,14,879)
Liabilities / provisions no longer required written back	(23,49,514)	(9,93,868)
Provision for doubtful trade and other receivables, loans and advances	—	2,32,491
Sundry Debit Balance W/o	2,58,596	5,10,837
Gratuity provision	(8,00,744)	38,39,944
Prior period income	(1,23,986)	(66,218)
Net unrealised exchange (gain) / loss	—	—
	4,45,97,650	4,84,52,400
Operating profit / (loss) before working capital changes	4,77,55,145	10,88,13,961
<i>Changes in working capital:</i>		
<i>Adjustments for (increase) / decrease in operating assets:</i>		
Inventories	17,71,800	(501,86,091)
Trade receivables	(2,85,01,108)	(5,45,48,213)
Short-term loans and advances	30,51,820	(91,62,626)
Long-term loans and advances	(12,82,816)	29,09,521
Other non-current assets	(7,69,387)	(6,33,108)
<i>Adjustments for increase / (decrease) in operating liabilities:</i>		
Trade payables	16,14,341	4,42,02,002
Other current liabilities	(37,79,979)	83,38,463
Other long-term liabilities	—	(2,37,028)
Short-term provisions	(23,15,609)	(10,21,026)
Long-term provisions	35,83,485	11,73,778
	(2,66,27,454)	(5,91,64,329)
	2,11,27,691	4,96,49,632
Cash flow from extraordinary items	—	—
Cash generated from operations	2,11,27,691	4,96,49,632
Net income tax (paid) / refunds	(20,00,000)	(1,50,29,318)
Net cash flow from / (used in) operating activities (A)	1,91,27,691	3,46,20,314
B. Cash flow from investing activities		
Capital expenditure on fixed assets, including capital advances	(22,73,938)	(5,11,94,577)
Change in Capital Work in progress	(11,76,440)	2,49,46,954
Proceeds from sale of fixed assets	—	24,053
Interest income (includes Prior period income)	15,16,252	16,81,097
Purchase of long-term investments	—	(5,07,35,709)
	(19,34,126)	(7,52,78,181)
Net cash flow from / (used in) investing activities (B)	(19,34,126)	(7,52,78,181)
C. Cash flow from financing activities		
Proceeds from issue of equity shares	33,00,000	49,50,000
Proceeds from Premium on issue of equity shares	2,31,00,000	2,73,90,000
Amount paid to Investor Education & protection fund (unclaimed dividend 2006-07)	—	—
Proceeds from issue of share warrants	—	2,20,00,000
(Repayment)/ Proceeds of Short-term borrowings	(2,68,53,400)	10,45,897
Finance cost	(58,29,869)	(48,86,247)
Dividends paid	(86,89,050)	(79,07,199)
Tax on dividend	(17,68,886)	(16,68,116)
	(1,67,41,205)	4,09,24,335
Net cash flow from / (used in) financing activities (C)	(1,67,41,205)	4,09,24,335

NATURAL CAPSULES LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017 (cont..)**

(Amounts in Rs.)

Particulars	For the year ended 31 March, 2017	For the year ended 31 March, 2016
Net increase / (decrease) in Cash and cash equivalents (A+B+C)	4,52,360	2,66,468
Cash and cash equivalents at the beginning of the year	19,24,684	16,58,216
Cash and cash equivalents at the end of the year	23,77,044	19,24,684
Reconciliation of Cash and cash equivalents with the Balance Sheet:		
Cash and cash equivalents as per Balance Sheet	23,77,044	19,24,684
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 <i>Cash Flow Statements</i> (give details)	—	—
Net Cash and cash equivalents (as defined in AS 3 <i>Cash Flow Statements</i>) included in Note 19	23,77,044	19,24,684
Add: Current investments considered as part of Cash and cash equivalents (as defined in AS 3 <i>Cash Flow Statements</i>) (Refer Note (ii) to Note 16 Current investments)	—	—
Cash and cash equivalents at the end of the year *	23,77,044	19,24,684
* Comprises:		
(a) Cash on hand	14,716	23,536
(b) Balances with banks - in current accounts	23,62,328	19,01,148

As per our report of even date

For Gnanoba & Bhat
Chartered Accountants
 Firm Regn No 000939S

K R Gnanoba
 Partner
 Membership No 023137
 Date : 27.05.2017
 Place : Bengaluru

For and on behalf of the Board of Directors

Chairman
Srirangam Gopalan
 DIN : 00287219

Whole Time Director
Satyanarayan Mundra
 DIN : 00214349

Company Secretary
Skandan P Jain
 M.No : A47677

Managing Director
Sunil L Mundra
 DIN : 00214304

Chief Financial Officer
Prasanna Junnarkar

TWENTY FOURTH ANNUAL REPORT 2016-2017

NOTE 1 - SHARE CAPITAL

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Authorised: 70,00,000 (Previous period 60,00,000) equity shares of Rs.10 each	7,00,00,000	6,00,00,000
	7,00,00,000	6,00,00,000
Issued,Subscribed and Fully Paidup Capital 62,32,700 (Previous period 57,92,700) equity shares of Rs.10 each	6,23,27,000	5,79,27,000
Total	6,23,27,000	5,79,27,000

Note 1a - Reconciliation of the no. of shares outstanding at the beginning and at the end of the year :

Particulars	As at 31st March 2017 No. of shares	As at 31st March 2017 Rs.	As at 31st March 2016 No. of shares	As at 31st March 2016 Rs.
No of shares outstanding at the beginning of the year	57,92,700	5,79,27,000	52,42,700	5,24,27,000
Add: Additional shares issued during the year	4,40,000	44,00,000	5,50,000	55,00,000
Less: Shares forfeited/Bought back during the year	-	-	-	-
No of shares outstanding at the end of the year	62,32,700	6,23,27,000	57,92,700	5,79,27,000

Note 1b - 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, 2016	Percentage of Holding	Number of shares as at 31st March, 2015	Percentage of Holding
Equity Shares:				
Tajos Investments Pvt. Ltd	7,69,000	12.34%	6,59,000	11.38%
Nandhi Synthetics Pvt. Ltd.	5,24,354	8.41%	4,14,354	7.15%
Vivog Commercial Ltd	3,45,000	5.54%	3,45,000	5.96%
Sunil L Mundra	4,16,003	6.67%	4,16,003	7.18%

NOTE 2 - RESERVES AND SURPLUS

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Capital Reserves:		
As per last Balance Sheet	14,40,000	14,40,000
Additions during the year	1,32,00,000	—
	1,46,40,000	14,40,000
Securities Premium Account:		
As per last Balance Sheet	6,78,92,800	3,90,72,800
Additions on shares issued during the year	3,08,00,000	2,88,20,000
	9,86,92,800	6,78,92,800
General Reserve:		
As per last Balance Sheet	1,83,80,498	1,62,11,081
Add: Transfer from Profit & Loss Account	—	21,69,417
	1,83,80,498	1,83,80,498
Surplus:		
As per last Balance Sheet	38,96,65,132	35,93,01,321
Add: Profit/(Loss) for the period	62,78,769	4,33,88,345
Less: Appropriation	—	—
Proposed Dividend	—	90,19,050
Tax on Proposed Dividend	—	18,36,066
Transfer to reserves	—	21,69,417
	39,59,43,902	38,96,65,132
Total	52,76,57,200	47,73,78,431

NOTE 3 - Money Received Against Share Warrants/ Convertible Securities

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Money Received Against Share Warrants	2,20,00,000	19,80,000
Add: Received During year	2,64,00,000	2,20,00,000
Less : Shares issued during the year	3,52,00,000	19,80,000
Less : Share warrants forfeited	1,32,00,000	—
Total	—	2,20,00,000

Note 3a:

- As per the Special Resolution passed in the Extra Ordinary General Meeting held during the year 2015-16, 11,00,000 Warrants/ Convertible securities are allotted with an option to convert them in to Equity Shares within 18 months from the date of allotment of warrants at a price of Rs.80/- per share. The amount received during the year 2015-16 against share warrants/ Convertible securities represents 25% of the value of approved conversion price.If the option of conversion is not exercised 25% of the value approved for conversion price is to be forfeited.
- As per the above said resolution, during the year company received Rs. 2,64,00,000 towards 4,40,000 share warrants and issued shares for 4,40,000 share warrants in 1:1 ratio. For the balance number of 6,60,000 share warrants ,Non Promoters chose not to exercise the conversion of share warrants within the time stipulated under the Preferential allotment guidelines.Accordingly the initial amount Rs. 20/- per warrant on 6,60,000 share warrants stood lapsed and the upfront money amounting to Rs.1,32,00,000/- received against these warrants were forfeited and credited to Capital Reserve Account.

TWENTY FOURTH ANNUAL REPORT 2016-2017

NOTE 4 - DEFERRED TAX LIABILITY (NET)

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Deferred Tax Liability On difference between book balance and tax balance of fixed assets	2,57,98,300	2,26,47,471
Allowance Under the Income Tax Act, 1961	12,11,700	5,89,359
Deferred Tax Asset Disallowance Under the Income Tax Act, 1961	(30,32,800)	12,46,537
Current Year Depreciation	(39,56,200)	—
Total	2,00,21,000	(12,98,102)
		2,31,85,265

NOTE 5 - LONG - TERM PROVISIONS

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Provision for employee benefits Gratuity Payable	9,26,316	-
Provision- Others Service Tax Payable (Freight Outwards)	—	2,26,747
Penalty Payable on Service Tax	—	2,58,935
CST Payable	3,000	10,407
Total	9,29,316	4,96,089

NOTE 6 - SHORT - TERM PROVISIONS

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Secured Loan From Banks	—	17,01,512
Term Loans	2,77,73,139	5,35,28,383
Cash Credit	6,03,355	—
Letter of Credit		
Total	2,83,76,494	5,52,29,895

NOTE 6a:

- 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 Pondicherry and hypothecation of plant and Machinery/equipments/furniture & computers. In addition collateral securities consist of second charge on fixed assets by shares of NCL held by M/s.Nandi Synthetic Pvt Ltd to the tune of Rs.36.70 lacs and extension of charge on current asset.
- The Secured term Loans from banks are repayable over a period of 2 to 3 years.
- There are no continuing default in repayment of loans and interest.
- 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.
- All the secured loans are further secured by the personal guarantees of promoter directors.

NOTE 7 - TRADE PAYABLES

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Trade payables for		
Purchases	8,34,93,598	7,94,46,586
Expenses	1,50,48,524	1,79,41,315
Capital goods	14,40,818	17,81,632
Others	25,12,134	17,11,201
Total	10,24,95,075	10,08,80,734

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. 0.00 lakhs (Previous Year 0.00 lakhs).

NOTE 8 - OTHER CURRENT LIABILITIES

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Unpaid dividends	17,73,188	17,37,780
Other payables		
Statutory remittances	24,86,551	26,84,878
Others (comprising of Accrued Expenses and other Contractual Payments)	1,13,14,463	1,37,47,174
Advance Received from Customers	21,09,777	32,94,127
Total	1,76,83,980	2,14,63,959

Note 8a :

Unclaimed Dividends of Rs. 2,04,824/- pertaining to FY 2008-09 is transferred to Investor education and protection fund as per the requirement Sec 125 of Companies Act, 2013.

NOTE 9 - SHORT-TERM PROVISIONS

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Employee Benefits		
Bonus Payable	12,68,000	36,64,677
Exgratia to Contract labour	16,98,697	16,17,629
Proposed Dividend	-	86,89,050
Tax on proposed dividend	-	17,68,886
Total	29,66,697	1,57,40,242

NOTE 10 - FIXED ASSETS

Particulars	Cost			Depreciation / Amortization/ Diminution					Net Block	
	As at 1st April 2016	Additions during the year	Deductions during the year	As at 31st March, 2017	Upto 1st April 2016	For the year	Deletion	Upto 31st March, 2017	As at 31st March, 2017	As at 31st March, 2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TANGIBLE ASSETS										
TANGIBLE ASSETS										
Land	82,65,028	—	—	82,65,028	—	—	—	—	82,65,028	82,65,028
Buildings	13,13,59,382	7,99,529	—	13,21,58,911	3,71,62,010	52,26,959	—	4,23,88,969	8,97,69,942	9,41,97,372
Plant & Equipment	45,15,41,504	13,49,237	—	45,28,90,741	25,59,48,307	3,57,52,018	—	29,17,00,325	16,11,90,415	19,55,93,196
Computers	1,12,03,905	—	—	1,12,03,905	1,00,73,112	10,65,548	—	1,11,38,660	65,246	11,30,793
Furniture & Fixtures	40,48,268	—	—	40,48,268	30,75,531	3,23,111	—	33,98,642	6,49,626	9,72,737
Vehicles	30,14,050	—	—	30,14,050	21,47,949	6,78,274	—	28,26,222	1,87,828	8,66,101
Office Equipment	14,20,426	1,25,172	—	15,45,598	8,44,454	1,29,786	—	9,74,240	5,71,358	5,75,972
Total (A)	61,08,52,563	22,73,938	—	61,31,26,501	30,92,51,363	4,31,75,695	—	35,24,27,059	26,06,99,443	30,16,01,200
INTANGIBLE ASSETS										
Technical Knowhow	3,00,000	—	—	3,00,000	3,00,000	—	—	3,00,000	—	—
Total (B)	3,00,000	—	—	3,00,000	3,00,000	—	—	3,00,000	—	—
Total (A+B)	61,11,52,563	22,73,938	—	61,34,26,501	30,95,51,363	4,31,75,695	—	35,27,27,059	26,06,99,443	30,16,01,200
Previous year	56,01,13,083	5,11,94,577	1,55,096	61,11,52,563	26,80,24,560	4,16,76,804	1,50,000	30,95,51,363	30,16,01,200	

NATURAL CAPSULES LIMITED**NOTE 11 - Non Current Investments**

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Unquoted		
Investment in equity shares of M/s.Supreme Pharmaceuticals Mysore Pvt Ltd:		
Fully Paid Equity Shares (170455 @ 88 Per Share)	1,50,00,040	1,50,00,040
Partly Paid Equity Shares (1160249 @ 30.8 Per Share)	3,57,35,669	3,57,35,669
Total	5,07,35,709	5,07,35,709

Note 11a :

Face value of equity share is Rs. 10 Per share and Premium is Rs. 78

NOTE 12 - LONG TERM LOANS AND ADVANCES

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
(Unsecured, considered good unless otherwise stated)		
Capital Advances	46,84,338	35,26,590
Security Deposit	93,88,100	92,63,032
Inter Corporate Deposit	20,00,000	20,00,000
Total	1,60,72,438	1,47,89,622

NOTE 13 - OTHER NON CURRENT ASSETS

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Accruals		
Interest On Deposits	39,87,554	32,18,167
Total	39,87,554	32,18,167

NOTE 14 - INVENTORIES

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Raw materials	1,04,58,055	2,01,96,037
Work - in - Process	3,67,44,872	2,70,23,103
Finished Goods	4,96,64,105	4,85,99,039
Stores and spares	14,34,066	16,18,972
Goods In Transit-Others	5,18,936	31,54,683
Total	9,88,20,034	10,05,91,834

NOTE 14a : Note on Valuation

Inventories are valued at lower of cost and net realizable value

Raw materials and Packing material : On First - in - First out basis

Work - in - Process and Finished Goods : at material cost and an appropriate share of production cost

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NOTE 15 - TRADE RECEIVABLES

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
(Unsecured, considered good unless otherwise stated)		
1) Debts due for a period exceeding six months		
Considered Good	7,73,65,370	6,17,16,301
Considered Doubtful	69,55,218	69,55,218
	8,43,20,588	6,86,71,519
2) Other Debts:		
Considered Good	23,46,58,836	22,20,65,393
Considered Doubtful	0	0
	23,46,58,836	22,20,65,393
	31,89,79,425	29,07,36,912
Less: Provision for Doubtful Debts	69,55,218	69,55,218
Total	31,20,24,207	28,37,81,694

NOTE 16 - CASH AND CASH EQUIVALENTS

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
Cash In hand	14,716	23,536
Balances with banks in		
In Current Account	(18,58,964)	(1,96,933)
In EEFC Account	24,46,103	3,58,301
In earmarked balances		
Unpaid Dividend Account	17,73,188	17,37,780
Margin Money	2,000	2,000
Total	23,77,044	19,24,684

NOTE 17 - SHORT TERM LOANS AND ADVANCES

Particulars	As at 31st March 2017 Rs.	As at 31st March 2016 Rs.
(Unsecured, considered good unless otherwise stated)		
Balances with Central Excise, Customs, Port trust, etc.	87,93,937	84,74,620
Prepaid Expenses	13,92,100	16,01,341
Loan and advances to Employees	3,10,456	46,62,443
Trade Advances	4,17,328	7,10,521
Other Advances	0	25,793
Advance Tax Paid (Net of provision for tax)	56,50,071	21,83,986
Total	1,65,63,893	1,76,58,704

NOTE 18 - REVENUE FROM OPERATIONS

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Sale of products	51,36,66,184	59,48,90,277
Add : Excise duty	4,74,27,141	4,77,88,257
Revenue from sale of Product	56,10,93,325	64,26,78,534
Sale of services	0	0
Other operating revenues	2,27,61,469	2,56,40,296
Less:	58,38,54,794	66,83,18,830
Excise duty	4,74,27,141	4,77,88,257
Total	53,64,27,652	62,05,30,573

NOTE 19 - OTHER INCOME

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Interest income	13,92,266	16,14,879
Sundry provisions and credit balances no longer required, written back	23,49,514	9,93,868
Net gain on foreign currency transaction and translation	1,93,828	33,72,647
Other non-operating income (net of expenses directly attributable to such income)	41,94,129	63,41,386
Total	81,29,737	1,23,22,780

Note 20 - Cost of material consumed

	Raw Material Opening Stock		Goods Purchased		Consumption		Raw Material Closing Stock	
	As at 1st April, 2016	As at 1st April, 2015	For the year ended on 31st March, 2017	For the year ended on 31st March, 2016	For the year ended on 31st March, 2017	For the year ended on 31st March, 2016	As at 1st April, 2017	As at 1st April, 2016
Rawmaterials	2,01,96,037	1,75,87,611	24,32,92,844	29,67,75,669	25,30,30,826	29,41,67,243	1,04,58,055	2,01,96,037
Total	2,01,96,037	1,75,87,611	24,32,92,844	29,67,75,669	25,30,30,826	29,41,67,243	1,04,58,055	2,01,96,037

Note 20a- Sub schedule to cost of material consumed

	Raw Material Opening Stock		Goods Purchased		Consumption		Raw Material Closing Stock	
	As at 1st April, 2016	As at 1st April, 2015	For the year ended on 31st March, 2017	For the year ended on 31st March, 2016	For the year ended on 31st March, 2017	For the year ended on 31st March, 2016	As at 1st April, 2017	As at 1st April, 2016
Gelatin	1,46,82,109	1,35,61,842	20,21,16,872	26,12,11,709	21,13,76,339	26,00,91,432	54,22,642	1,46,82,119
HPMC	8,50,828	-	67,07,473	31,68,516	75,58,301	23,17,688	-	8,50,818
Others	46,63,100	40,25,769	3,44,68,499	3,23,95,444	3,40,96,186	3,17,58,123	50,35,413	46,63,100
Total	2,01,96,037	1,75,87,611	24,32,92,844	29,67,75,669	25,30,30,826	29,41,67,243	1,04,58,055	2,01,96,037

TWENTY FOURTH ANNUAL REPORT 2016-2017

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

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Opening stock		
Work - in - progress	2,70,23,103	1,58,11,395
Finished goods	4,85,99,039	1,46,97,398
	7,56,22,142	3,05,08,793
Closing stock		
Work - in - progress	3,67,44,872	2,70,23,103
Finished goods	4,96,64,105	4,85,99,039
	8,64,08,977	7,56,22,142
Total	(1,07,86,835)	(4,51,13,349)

NOTE 22 - EMPLOYEE BENEFIT EXPENSE

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Salaries and wages	4,21,76,077	4,60,93,434
Director Remuneration	97,20,000	95,85,000
Contribution to provident and other funds	28,87,788	33,13,021
Staff welfare expenses	48,79,212	57,89,803
Total	5,96,63,077	6,47,81,258

NOTE 23 - FINANCE COSTS

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Interest expense	58,29,869	48,86,247
Total	58,29,869	48,86,247

NOTE 24 - OTHER EXPENSES

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Consumption of stores and spare parts	79,24,988	90,65,034
Power and fuel	7,86,82,521	7,78,82,677
Rent	13,72,497	13,75,067
Repairs and maintenance -		
Buildings	12,25,411	29,28,773
Machinery	35,89,068	45,38,662
Others	40,62,342	61,44,857
Security Charges	12,86,444	13,95,518
Rates & Taxes (excluding taxes on income)	5,21,026	9,55,084
Provision for doubtful debts & advances (net)	0	2,32,491
Contract Labour Charges	2,24,23,460	2,18,70,834
Commission on Export sales	26,22,852	79,50,252
Professional Charges	31,09,084	46,65,520
Travelling Expenses & Conveyance	47,79,851	71,16,031
Frieght Charges	2,37,82,957	3,16,57,517
Travelling Expenses - Foreign	34,40,465	34,96,582
Insurance	7,48,892	12,33,220
Director Sitting Fee	5,25,000	5,55,000
Commission to Non-Executive Directors	0	5,88,024
Exhibition Expenses	23,75,859	42,14,738
Research & Development Expenditure - Revenue in Nature	1,28,63,371	92,58,494
Bank Charges	14,93,550	25,73,631
Miscellaneous expenses	78,04,682	1,20,10,386
Total	18,46,34,319	21,17,08,392

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

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Audit fees	1,75,000	1,75,000
Tax Audit fees	75,000	75,000
Taxation matters	0	0
Company law matters	0	0
Management expenses	0	0
Other services	48,000	19,960
Out of pocket expenses reimbursed	0	0
Total	2,98,000	2,69,960

NOTE 24b - EXPENDITURE IN FOREIGN CURRENCY

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Travelling expenses-Foreign	11,06,198	10,18,189
Commission on exports	8,803	7,90,087
Exhibition charges	0	4,27,899
	11,15,001	22,36,175

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

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
(i) Not later than one year	6,48,000	6,12,000
(ii) Later than one year and not later than five years.	29,52,000	20,52,000
(iii) Later than five years	0	0
Total	36,00,000	26,64,000

a) Lease payments recognised in the profit and loss account for the year Rs.6,12,000/- (31st March, 2016 Rs.5,76,000)

NOTE 24d - Research and Development expenditure debited to the Profit and Loss Account aggregating Rs.1,28,63,371/- (31st March, 2016 Rs 92,58,494/-) has been incurred by the company and disclosed under appropriate account heads.

NOTE 25 - CSR EXPENDITURE

a. Gross Amount required to be spent by the company during the year.19,16,283

b. Amount Spent during the year on :

Particulrs	In cash	Yet to be paid in Cash	Total
i) Construction /acquisition of any assets		-	-
ii) On purpose other than (i) above	10,000	-	10,000
Total	10,000	-	10,000

Note : 26

Note (i) - Related Party Disclosures:

Related Party Transactions Description of Relationship :	2016-17	2015-16
Key Management Personnel	Mr. Sunil Laxminarayana Mundra Mr. Laxminarayana Mundra Mr. Satyanarayana Mundra	Mr. Sunil Laxminarayana Mundra Mr. Laxminarayana Mundra Mr. Satyanarayana Mundra
Directors	Mr . Sushil Kumar mundra Mrs. Jyothi Mundra	Mr . Sushil Kumar mundra Mrs. Jyothi Mundra
Enterprise in which Directors have significant Control	M/s.Mundra Enterprises M/s.Balurghat Technologies Ltd M/s.Minakshi Enamels	M/s.Mundra Enterprises M/s.Balurghat Technologies Ltd M/s.Minakshi Enamels

Details of Transactions	Amount in Rs.	Amount in Rs.
Remuneration Paid		
Mr. Sunil Laxminarayana Mundra	40,80,000	40,50,000
Mr. Laxminarayana Mundra	28,20,000	27,45,000
Mr. Satyanarayana Mundra	28,20,000	27,90,000
Sitting Fees Paid		
Mr . Sushil Kumar mundra	75,000	75,000
Mrs. Jyothi Mundra	75,000	90,000
Rent Paid		
M/s.Mundra Enterprises	6,12,000	5,76,000
Purchase		
M/s.Minakshi Enamels	-	19,085
Travel Expenses		
M/s.Balurghat Technologies Ltd	-	2,36,557
Balances outstanding at the end of the year		
Payables		
Mr. Sunil Laxminarayana Mundra	2,56,610	2,32,144
Mr. Laxminarayana Mundra	1,42,840	1,67,308
Mr. Satyanarayana Mundra	1,60,280	1,65,730
M/s.Mundra Enterprises	45,900	43,200

NATURAL CAPSULES LIMITED

NOTE (ii) - 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 60,55,495.

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Income Tax matters	4,26,000	4,26,000
Service Tax matters	53,71,320	58,85,791
Total	57,97,320	63,11,791

NOTE (iv) -

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.Nil/-. (31st March 2016-Rs 13.79 Lacs).

NOTE (v)-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	2016-17	2015-16
Capital Expenditure	-	-
Revenue Expenditure	1,28,63,371	92,58,494
Total	1,28,63,371	92,58,494

NOTE (vi) -

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 2017 to the tune of Rs. 30.60 Lacs

NOTE (vii) -

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

NOTE (viii) - Information of installed and utilised capacity

Capacity & Production	2016-17	2015-16
Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity (In Lacs)		
Capsules	71,000.00	71,000.00
Actual Production (Qty. in Lacs)		
Capsules	61,534.84	64,692.37
Turnover (Qty. in Lacs)		
Capsules	60,214.44	61,506.16
Turnover (Rs. In Lacs)		
Capsules	5,364.27	6,205.11

Finished Goods

Particulars	2016-17		2015-16	
	Qty (Lacs)	Value (Rs in Lacs))	Qty (Lacs)	Value (Rs in Lacs))
Opening Stock				
Capsules	5,008.20	485.99	1,822.01	146.97
Closing Stock				
Capsules	6,328.60	496.64	5,008.20	485.99

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Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
FOB Value of exports	12,25,04,713	18,84,34,208
Total	12,25,04,713	18,84,34,208

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Other income	1,93,828	33,72,647
Total	1,93,828	33,72,647

Note (xi) - Value of imported and indigenous raw materials, spare parts and components consumed:

Particulars	For the year ended on 31st March, 2017		For the year ended on 31st March, 2016	
	Value (Rs.)	Percentage (%)	Value (Rs.)	Percentage (%)
Imported	8,31,434	0%	2,10,02,540	7%
Indigenously obtained Raw materials	26,01,24,381	100%	28,22,29,737	93%
Total	26,09,55,815	100%	30,32,32,277	100%

Particulars	For the year ended on 31st March, 2017 Rs.	For the year ended on 31st March, 2016 Rs.
Excipients	4,07,809	4,17,885
Raw Material	-	2,02,29,635
Components and Spare Parts	4,23,625	3,55,020
Capital Goods	-	1,48,24,000
Total	8,31,434	3,58,26,540

Statute	Nature of dues	Amt.(Rs.)	Interest	Period to which dues relates	
Karnataka Vat Act	Tax Collected	1,492	-	2015-16	January 2016 April 2013
Central Sales Tax Act	Tax Collected	3,000	-	2012-13	
Service Tax	Tax payable	22,08,074		Nov 09 - Oct 12	Appeal filed before the Commissioner of Central Excise
Service Tax	Penalty on S T payable	22,08,948		Nov 09 - Oct 12	
Service Tax	Penalty on S T payable	2,08,506	87,401	2011-12	Appeal filed before the Customs, Excise & Service Tax Appellate Tribunal
Service Tax	Tax payable	1,71,530	2,37,225	April 2007 to March 2008	
Service Tax	Penalty on S T payable	2,49,636	-	April 2007 to March 2008	Appeal filed before the Commissioner of Central Excise

NATURAL CAPSULES LIMITED**Note (xiv) - Legal case filed to court / Notices sent to recover money from following customers**

Name of Customers	Place	Outstanding Amount
Indswift Limited	Chandigarh	10,26,231
Aglowmed Limited	Mumbai	36,69,516
Shreya Life Sciences Pvt Ltd	Mumbai	4,58,451
Legend Drugs & Formulations P Ltd	Nagpur	2,95,272
Chemcaps Limited	Delhi	5,03,604
Bafna Pharmaceuticals Ltd	Chennai	35,28,116

Note (xv) - Proposed Dividend

The Board of Directors have proposed a dividend at 10% on the Face Value of Equity Shares. The Total Dividend amount proposed is Rs. 62,32,700/-. Dividend proposed is in compliance with Sec 123 of Companies Act, 2013 and rules framed there under. Proposed dividend need not be recognised as liability as on the balance sheet date and disclosure is made as per Revised AS 4.

NOTE (xvi) - Prior Period Expenses includes gratuity provision of Rs. 56,07,090/-. Provision is made based on revised actuarial statement provided by LIC for accounting year 2015-16.

NOTE (xvii) - The previous years figures have been regrouped/restated wherever necessary to conform with current years classification. In terms of our report attached

Note 27 - Details of Cash transactions for the period 09.11.2016 to 30.12.2016:

Particulars	SBN Amount	Other Denomination Notes Amount	Total Amount
Closing Balance as at 8 November 2016	52,000.00	45,185.00	97,185.00
Transactions between 9th November 2016 and 30th December 2016		-	-
Add: Withdrawal from Bank accounts	-	4,75,000.00	4,75,000.00
Add: Receipts for permitted transactions	-	-	-
Add : Receipts for non-permitted transactions (if any) [Refer reporting scenario 6]	-	-	-
Less : Paid for permitted transactions	-	4,81,773.00	4,81,773.00
Less : Paid for non-permitted transactions (if any) [Refer reporting scenario 6]	-	-	-
Less: Deposited in bank accounts	52,000.00	24,791.00	76,791.00
Closing balance	-	13,621.00	13,621.00

As per our report of even date

For Gnanoba & Bhat
Chartered Accountants
Firm Regn No 000939S

K R Gnanoba
Partner
Membership No 023137
Date : 27.05.2017
Place : Bengaluru

For and on behalf of the Board of Directors

Chairman
Srirangam Gopalan
DIN : 00287219

Whole Time Director
Satyanarayan Mundra
DIN : 00214349

Company Secretary
Skandan P Jain
M.No : A47677

Managing Director
Sunil L. Mundra
DIN : 00214304

Chief Financial Officer
Prasanna Junnarkar

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Note 28 - SIGNIFICANT ACCOUNTING POLICIES:

A. METHOD OF ACCOUNTING:

The financial statements have been prepared under the historical cost convention and on the basis of the going concern, with revenues recognized and expenses accounted on their accrual, including provisions/adjustments for committed obligations and amounts determined as payable or receivable during the year.

The preparation of financial statements in conformity with Generally Accepted Accounting Practices requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of financial statements, and the reported amounts of revenue and expenses during the reported year. Actual results could differ from those estimates.

The financial statements generally prepared in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

B. FIXED ASSETS:

Fixed Assets are stated at cost of acquisition inclusive of freight, duties, taxes and incidental expenditure relating to the acquisition, such as cost of installation / erection and interest up to the date of commissioning of the asset as applicable. Excise duty paid on Fixed Assets to the extent eligible for claiming of Cenvat credit has been separately debited to Cenvat credit receivable account and disclosed under current assets.

Cost includes related pre-operative project expenditure and other related indirect / incidental expenses attributable to the cost of construction, including borrowing cost, allocated based on best estimate of the management. Subsequent expenditures related to an item of fixed assets are added to its book value only if they increase the future benefits from the existing assets beyond its previously assessed standard of performance.

Projects under which assets are not ready for their intended use are disclosed under Capital Work-in-Progress.

C. CAPITAL WORK IN PROGRESS:

Capital Work-in-progress inclusive of advances to supplier of capital equipments/buildings are carried at cost, comprising direct cost, related incidental expenses pending allocation / capitalization to the related projects / assets and interest on borrowings.

D. DEPRECIATION:

Depreciation on Fixed Assets is provided to the extent of depreciable amount on the Straight Line Method (SLM). Depreciation is provided based on useful life of the assets as prescribed in schedule II to the companies Act, 2013 except in respect of the following assets, where useful life is different than those prescribed in schedule II are used.

Particulars	Useful Life as per Schedule II of Company Act, 2013	Useful Life as technically assessed by Company
Plant and machinery	15 Years	10 Years
Office Equipment	5 Years	10 Years
Motor Vehicle	8 Years	6 years
Computers	3 Years	3 Years

E. INVENTORIES:

Inventories Comprise of raw materials, packing materials, work in process and finished goods. These are valued at lower of cost or net realizable value. Cost is determined as follows:

Raw Materials and Packing Materials: On First-In-First-Out basis.

Work in Process and Finished Goods: at Material cost and an appropriate share of production overheads

F. REVENUE RECOGNITION:

Sales are recognised, net of returns and trade discounts, on transfer of significant risks and rewards of ownership to the buyer, which coincides with the delivery of goods to customers. Sales exclude excise duty, sales tax and value added tax.

G. CASH FLOW STATEMENT:

Cash flow statement has been prepared under the "Indirect Method" as set out in the Accounting Standard – 3 on Cash Flow Statements, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transaction of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the company are segregated based on the available information.

H. FOREIGN CURRENCY TRANSACTIONS:

All transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Current assets and liabilities denominated in foreign currency as at the year-end are restated as at the year-end rate. Exchange differences on settlement / restatement of foreign currency transactions relating to fixed assets are adjusted to the cost of the respective assets. Exchange differences relating to other transactions are charged to the Profit and Loss Account.

I. EMPLOYEE BENEFITS:**(a) Defined Contribution Plans**

Under the Provident Fund plan, the company contributes to a government administered provident fund on behalf of its employees and has no further obligation beyond making its contribution.

The Company makes contributions to state plans namely Employee's state insurance Fund and Employee's pension scheme 1995 and has no further obligation beyond making the payment to them. The Company's contributions to the above funds are charged to revenue every year.

(b) Defined Benefit Plan

The company has a Defined Benefit plan namely Gratuity for all its employees. The Liability for the defined benefit plan of gratuity is determined on the basis of an actuarial valuation at the year end. The company has taken a group gratuity policy with Life Insurance Corporation Limited and is funded. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense.

J. ACCOUNTING FOR TAXES ON INCOME:

(a) Income Tax has been accounted for as per payable method.

(b) Deferred Tax is provided on all timing differences, which are recognized during the year after utilizing the deferred assets (carried forward depreciation as per Income tax), on the basis of estimate of income during future years received from the Management. The provision of deferred tax is after netting the deferred tax liability with deferred tax asset.

K. BORROWING COST:

Borrowing cost incurred up to date of commencement of commercial production / intended use of fixed assets are capitalized in accordance with the Accounting Standard 16 on "Borrowing Cost".

Borrowing costs other than attributable to a qualifying asset are expensed as and when incurred.

L. IMPAIRMENT OF ASSETS:

If the carrying amount of fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

L. RESEARCH AND DEVELOPEMNT EXPENDITURE:

The capital expenditure in relation to fixed assets has been capitalized and depreciation is provided on the applicable rates. The expenditure which are revenue in nature has been considered as expenses and debited to Profit & Loss Account.

M. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS:

A Provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

N. PRIOR PERIOD AND EXTRAORDINARY ITEMS:

Prior period and extraordinary items, and changes in accounting policies, having a material impact on the financial affairs of the company are disclosed.

As per our report of even date

For Gnanoba & Bhat
Chartered Accountants
Firm Regn No 000939S

K R Gnanoba
Partner
Membership No 023137
Date : 27.05.2017
Place : Bengaluru

For and on behalf of the Board of Directors

Chairman
Srirangam Gopalan
DIN : 00287219

Whole Time Director
Satyanarayan Mundra
DIN : 00214349

Company Secretary
Skandan P Jain
M.No : A47677

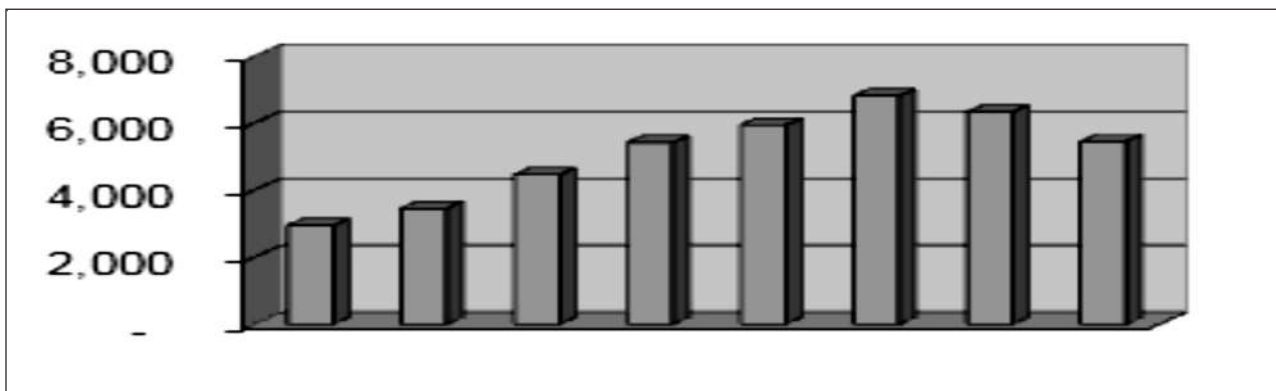
Managing Director
Sunil L Mundra
DIN : 00214304

Chief Financial Officer
Prasanna Junnarkar

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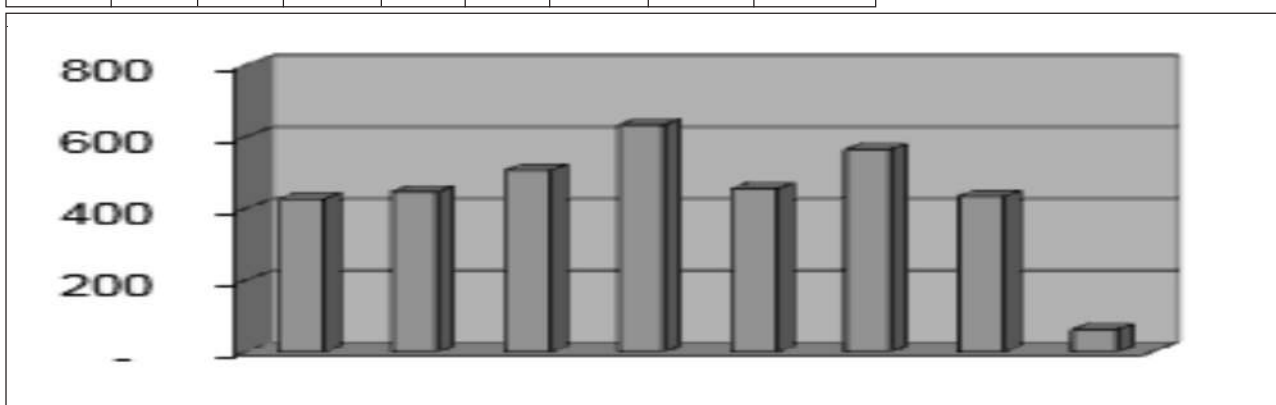
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Sales	2,949	3,455	4,459	5,419	5942	6812	6329	5446

SALES



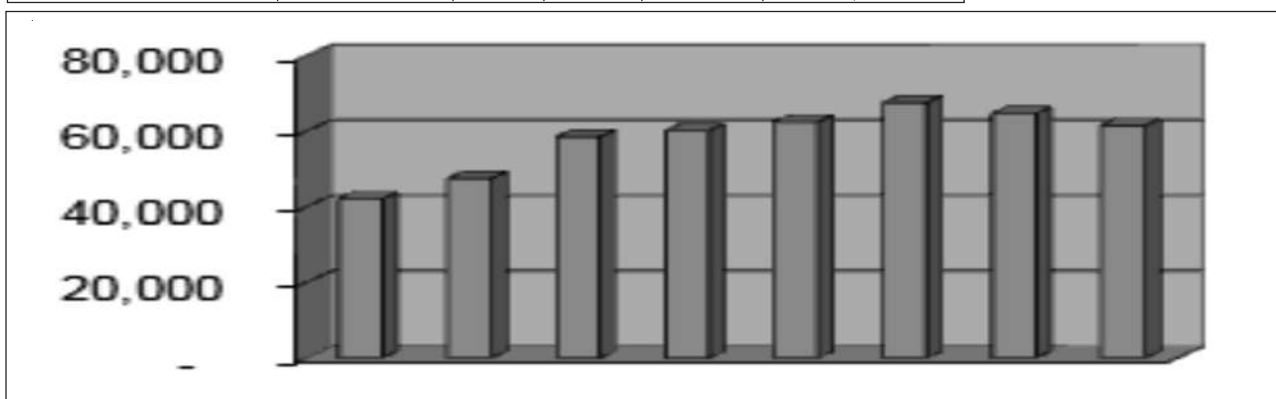
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
PROFIT AFTER TAX	427	447	507	633	456	565	434	63

PROFIT AFTER TAX



	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
PRODUCTION	42,096	47,507	58,527	60,183	62,467	67,542	64,692	61,535

PRODUCTION



NATURAL CAPSULES LIMITED**NATURAL CAPSULES LIMITED****Regd. Office: 102, "SHRESHTA BHUMU", #87, K.R.Road, Bengaluru – 560004****PROXY FORM****Form No. MGT-11**

(Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies
(Management and Administration) Rules, 2014)

Name of the member(s):.....

Registered Address :

Email Id : Folio No./Clint ID: DPID:.....

I/We being Member(s) ofshares of Natural Capsules Limited, hereby appoint

1) Name:.....

Address:

Having Email id..... Signature or failing him/her

2) Name:.....

Address:

Having Email id..... Signature or failing him/her

3) Name:.....

Address:

Having Email id..... Signature or failing him/her

my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held on Tuesday, 29th August, 2017 at 10.00 Hrs. (IST) at **Kannada Sahithya Parishat**, Pampa Mahakavi Road, Chamarajpet, Bengaluru-560018 and at any adjournment thereof in respect of such resolutions as are indicated below.

Sl. No.	Subject matter of resolutions
	Ordinary Business:
1.	To receive, consider and adopt the Audited Financial Statements for the Financial Year ended 31 st March 2017 together with the Reports of the Directors and the Auditors thereon.
2.	To declare dividend for the Financial Year 2016-17.
3.	To appoint a director in place of Mr. Sushil Kumar Mundra (DIN: 00214332), who retires by rotation and, being eligible, offers himself for re-appointment.
4.	To appoint a director in place of Mr. Satyanarayan Mundra (DIN: 00214349), who retires by rotation and being eligible, offers himself for re-appointment.
5.	Appointment of Auditors of the company, and to fix their remuneration.
	Special Business:
6.	To revise the remuneration of Mr. Sunil L Mundra (Managing Director, DIN: 00214304) .
7.	To re-appoint Mr. Laxminarayan Moondra (DIN: 00214298) as Whole Time Director and to fix his remuneration.
8.	To revise the remuneration Mr. Satyanarayan Mundra (DIN: 00214349) .
9.	To fix the remuneration of Non-Executive Directors.

Signed this _____ day of _____ 2017.

Affix
Revenue
Stamp
Signature

Notes:

This form of Proxy in order to be effective should be duly completed and deposited at the registered office of the Company, not less than 48 hours before the commencement of the Meeting. It is optional to indicate your preference. If you leave the for, against or obtained column blank against any or all resolution, your proxy will be entitled to vote in the manner as he /she may deem appropriate. Members are requested to note that a person can act as a proxy on behalf of members not exceeding 50 and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a member holding more than 10% of the total share capital of the Company carrying voting right, than such proxy shall not act as a proxy for any other person or Member. A Proxy need not be a member of the Company.

Signature of the Shareholder

**‘Green Initiative’ – A Corporate Governance Measure
Service of Documents through e-mode**

Dear Shareholder(s)

The Ministry of Corporate Affairs (MCA) has taken up “Green Initiative Measure” as part of Corporate Governance by allowing paperless compliance by Companies vide Circular No. 17/2011 dated 21/4/2011 stating that the Company would have complied with Section 20 of the Companies Act, 2013, if service of documents are made through electronic mode. In such case, the Company is required to obtain e-mail addresses of its Member(s) for sending Notices/Documents/Financial Reports through e-mail by giving an advance opportunity to every Shareholder to register his/her e-mail address and changes thereon, if any, from time to time.

To take part in the same, we propose to send documents like Notice convening the General Meetings, Financial Statements, Annual Reports etc. in electronic form to the e-mail address of the Members available/registered with the Company.

As you are one of the Shareholder(s), you are requested to participate in this ‘Green Initiative’, by providing your e-mail address and other details mentioned herein below:

Name of the Company	Natural Capsules Limited
Name of the Shareholder(s)	
Folio (If shares are held in physical form)	
E-mail address to which Documents/Notices can be served electronically(Only for shareholders holding shares in physical form).	
PAN Card (Copy/scanned document to be attached)	

Signature of the Shareholder(s)

The above information duly filled to be sent to:

Cameo Corporate Services Limited

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)

**The Shareholder(s) holding shares in electronic form are requested
to update their e-mail id’s with the Depository Participant,
where de-mat accounts are held.**

NATURAL CAPSULES LIMITED**NATURAL CAPSULES LIMITED**

Regd. Office : 102 "Shreshta Bhumi", #87, K.R.Road, Bengaluru - 560004
 CIN# L85110KA1993PLC014742 / Phone: 080-26671571, 26671581, Website : www.naturalcapsules.com

Form MGT-12 Polling Paper
[Pursuant to section 109(5) of the Companies Act, 2013 and rule 21(1) (c)
of the Companies (Management and Administration) Rules, 2014]

1. Name and Registered address of the sole/first named shareholder :
(in block letters)
2. Name of the joint holder (s), if any :
3. Registered Folio No./DP ID No.* & Client ID No.* :
(* Applicable to investors holding shares in dematerialized form)
4. Number of equity share(s) held :
5. I/We hereby exercise my /our vote(s) in respect of the following resolutions to be passed at 24th Annual General Meeting of the Company to be held on Tuesday, 29th August 2017, for business stated in the Notice dated July 29th 2017, sending my/ our assent to the said resolutions by placing the tick () mark at the appropriate box below.

Item No.	Description of the Resolution	No. of Equity Shares	Type of Resolution	(For)/I/We assent to the Resolution	(Against)/I/We dissent to the Resolution
1.	Ordinary Business: To receive, consider and adopt the Audited Financial Statements for the Financial Year ended 31 st March 2017 together with the Reports of the Directors and the Auditors thereon.		Ordinary Resolution		
2.	To declare dividend for the financial year 2016-17.		Ordinary Resolution		
3.	To appoint a director in place of Mr Sushil Kumar Mundra (DIN: 00214332), who retires by rotation and, being eligible, offers himself for re-appointment.		Ordinary Resolution		
4.	To appoint a director in place of Mr. Satyanarayan Mundra (DIN: 00214349), who retires by rotation and being eligible, offers himself for re-appointment.		Ordinary Resolution		
5.	Appointment of Auditors of the company, and to fix their remuneration.		Ordinary Resolution		
6.	Special Business: To revise the remuneration of Mr. Sunil L Mundra (Managing Director, DIN: 00214304) .		Special Resolution		
7.	To re-appoint Mr. Laxminarayan Moondra (DIN: 00214298) as Whole Time Director and to fix his remuneration.		Special Resolution		
8.	To revise the remuneration Mr. Satyanarayan Mundra (DIN: 00214349) .		Special Resolution		
9.	To fix the remuneration of Non-Executive Directors.		Special Resolution		

Place:
Date:

(Signature of the Shareholders)

TWENTY FOURTH ANNUAL REPORT 2016-2017

Note: Please read the Instructions given overleaf carefully before exercising your vote.

E-voting facility particulars (to be retained with the shareholder)

INSTRUCTIONS:

This Polling Paper is provided for the benefit of Members who do not have access to e-voting facility.

A Member can opt for only one mode of voting i.e. either through e-voting or by Polling Paper at the AGM Venue. If a Member casts votes by both modes, then voting done through e-voting shall prevail and Polling Paper shall be treated as invalid.

For detailed instructions on e-voting, please refer to the notes appended to the Notice of the AGM.

The Scrutinizer will collate the votes downloaded from the e-voting system, votes received through Polling Paper at the AGM venue, to declare the final result for each of the Resolutions forming part of the Notice of the AGM. This Polling Form is provided for the benefit of members who do not have access to E-Voting Facility.

For detailed instructions on E-Voting, please refer to the notes appended to the notice of the meeting.

This Polling Paper is for the members who have not voted through remote e-voting facility. A member can opt for only one mode of voting i.e. either through remote e-voting or by Polling Paper at the AGM Venue. If a Member casts votes in both the modes, then vote cast through remote e-voting shall prevail and Polling paper shall be treated as invalid.

The vote should be cast either in favour or against by putting tick (") mark in the column provided for assent or dissent.

This form should be completed and signed by the Member/Proxy Holder as per the specimen signatures registered with the Company/ Depository. In case of joint holding, this form should be completed and signed by the first named member.

Unsigned, incomplete, improperly or incorrectly tick marked Polling Paper will be rejected. A Polling Paper will also be rejected if it is received torn, defaced or mutilated to an extent which makes it difficult for the Scrutinizer to identify either the member or as to whether the votes are in favour or against or if the signature cannot be verified

The decision of Scrutinizer on the validity of the **Polling Paper** and any other related matter shall be final.

The Scrutinizer will collate the votes downloaded from the remote e-voting system and votes cast through Polling Paper to declare the final result for each of the Resolutions enumerated above.

The Results shall be declared on the company's website www.naturalcapsules.com and on the website of National Securities Depository limited within Two (2) days of passing of resolutions at the AGM of the company on 29th August 2017 and communicated to BSE Limited, where the shares of the company are listed.

NCL's (Unit 1) - WHO-GMP Certified Facility at Bangalore



NCL's (Unit 2) - WHO-GMP Certified Facility at Pondicherry



BOOK-POST

If not delivered, please return to:
NATURAL CAPSULES LIMITED.
CIN#L85110KA1993PLC014742
Regd. Office :
102, "SHRESHTA BHUMI"
87, K.R. ROAD
BANGALORE - 560 004.