



Regd. Office :
102, 'SHRESHTA BHUMI', 1st Floor,
No. 87, K.R. ROAD, BANGALORE - 560 004.
Tel : 080-26671573, 26671571, 26671581,
Fax : 080-26671562
Email - info@naturalcapsules.com
URL - http://www.naturalcapsules.com
CIN No. : L85110KA1993PLC014742



01st August, 2016

The Manager – Listing
BSE Limited
(BSE-524654)

Dear Sir /Madam,

Sub: Annual Report of AGM-2015-2016

Please find attached the Annual report of the 23rd Annual General Meeting. This is also placed on our website.

<http://www.naturalcapsules.com/pdf/Annual-Report-2015-16.pdf>

This is for your information and records

Yours Sincerely,
For Natural Capsules Limited

D R Anand
Company Secretary.



BOARD OF DIRECTORS

| | | |
|---------------------------|---|---------------------|
| Shri Srirangam Gopalan | : | Chairman |
| Shri Laxminarayan Moondra | : | Whole-time Director |
| Shri Satyanarayan Mundra | : | Whole-time Director |
| Shri C.P. Rangachar | : | Director |
| Dr. C. M. Gurumurthy | : | Director |
| Shri Sunil L. Mundra | : | Managing Director |
| Shri Sushil Kumar Mundra | : | Director |
| Smt. Jyoti Mundra | : | Director |
| Shri D. R. Anand | : | Company Secretary |

BANKERS & FINANCIAL : **M/s. State Bank of India**
Bangalore Commercial Branch
Hudson Circle,
BANGALORE - 560 001.

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

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

REGISTERED OFFICE : 102, "Shreshta Bhumi" No. 87,
K. R. Road, **BANGALORE - 560 004.**
Tel. No. : 080-2667 1571,
2667 1573 / 2667 1581
Fax : 080-2667 1562
E-mail : info@naturalcapsules.com
URL : www.naturalcapsules.com

**REGISTRAR AND
TRANSFER AGENTS** : **M/s. Cameo Corporate Services Ltd.**
Subramanian Building,
No. 1, Club House Road,
CHENNAI - 600 002.
Tel : 91-044-28460390 (5 Lines)
Fax : 91-044-28460129
Grams : CAMEO
E-mail : cameo@cameoindia.com
Contact Person : Mrs. Kanthimathi Jayakumar
Executive - Shares
ISIN CODE No : INE936B01015

FINANCIAL HIGHLIGHTS (9 YEARS)

(Rupees in Lakhs)

| Particulars | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-------------------------|----------|----------|----------|----------|----------|----------|----------|----------|-----------------|
| Sales & Other Income | 2,033.01 | 2,605.64 | 2,948.98 | 3,453.96 | 4,459.17 | 5,418.89 | 5,942.12 | 6,811.53 | 6,328.53 |
| Exports | 272.82 | 382.72 | 507.90 | 615.17 | 605.92 | 1,432.36 | 1,589.94 | 2,054.72 | 1,884.34 |
| P B T | 428.47 | 616.33 | 641.00 | 663.79 | 772.26 | 729.41 | 742.64 | 753.71 | 607.46 |
| P A T | 265.73 | 397.51 | 426.56 | 446.76 | 506.87 | 633.11 | 456.19 | 564.92 | 433.88 |
| E P S | 5.75 | 8.83 | 9.00 | 10.00 | 11.26 | 14.06 | 10.09 | 11.18 | 8.06 |
| Dividend per share (Rs) | 1.00 | 1.00 | 1.20 | 1.20 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| Reserves & Surplus | 1,161.57 | 1,495.85 | 1,859.20 | 2,242.95 | 2,671.33 | 3,225.95 | 3,729.79 | 4,160.25 | 4,773.78 |
| Share Capital | 450.27 | 450.27 | 450.27 | 450.27 | 450.27 | 450.27 | 502.27 | 524.27 | 579.27 |
| Share holders fund | 1,611.84 | 1,946.12 | 2,309.47 | 2,693.22 | 3,121.60 | 3,676.22 | 4,232.06 | 4,684.52 | 5,353.05 |
| R O I (%) | 16.49 | 20.43 | 18.47 | 16.59 | 16.24 | 17.22 | 10.76 | 12.06 | 8.11 |

TWENTY THIRD ANNUAL REPORT 2015-2016



Regd. Office :
102, 'SHEESHITA BHUMI', 1st Floor,
No. 87, K.R. ROAD, BANGALORE - 560 004.
Tel : 080-26671573, 26671571, 26671581,
Fax : 080-26671562
Email - info@naturalcapsules.com
URL - <http://www.naturalcapsules.com>
CIN No. : LK5110KA1993PLC014742



01st August, 2016

The Manager – Listing
BSE Limited
(BSE-524654)

Dear Sir /Madam,

Sub: Notice of AGM-2015-2016

Please find attached the Notice of the 23rd Annual General Meeting. This is also placed on our website.

<http://www.naturalcapsules.com/pdf/AGM-Notice-2015-16.pdf>

<http://www.naturalcapsules.com/pdf/Annual-Report-2015-16.pdf>

This is for your information and records

Yours Sincerely,
For Natural Capsules Limited

D R Anand
Company Secretary.



Unit - I : Plot No. 7A2, KIADB Industrial Area, Attibele-562 107, Bangalore. Tel : 08110-645068, Fax : 080-27820325
Unit- II : R.S. No. 84, Perambai Road, Pitchaiveeranpet, Pondicherry - 605 010. Tel : 0413-2290833, Fax : 0413-2293251



**NATURAL
CAPSULES
LIMITED**

Regd. Office :
102, 'SHRESHTA BHUMI', 1st Floor,
No. 87, K.R. ROAD, BANGALORE - 560 004.
Tel : 080-26671573, 26671571, 26671581,
Fax : 080-26671562
Email - info@naturalcapsules.com
URL - http://www.naturalcapsules.com
CIN No. : L85110KA1993PLC014742



01st August, 2016

Dear Member,

You are cordially invited to attend the 23rd Annual General meeting of the members of Natural Capsules Limited ("the company") to be held on Friday, 26th August, 2016 at 10 A.M. IST at the Shri Krishnaraja Parishanmandira, Kannada Sahithya Parishat, Pampa Mahakavi Road, Chamarajpet, Bangalore-560018, Karnataka, India.

The notice of the meeting, containing the business to be transacted, is enclosed herewith. As per Section 108 of the Companies Act, 2013, read with the related Rules and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is pleased to provide its members the facility to cast their vote by electronic means on all resolutions set forth in the Notice. The instructions for e-voting are enclosed herewith.

Very truly yours,

Sunil L Mundra
(Managing Director)



Enclosures:

1. Notice of the 23rd Annual General Meeting (AGM)
2. Instructions for e-voting
3. Proxy form
4. Attendance slip

Note: Attendees who are differently abled and required assistance at the AGM are requested to contact.
Mr. Lokesh: Natural Capsules Limited, : 102, "SHRESHTA BHUMI", #87, K.R. Road, Bangalore - 560004.
Phone: 080-26671571, 26671573, 26671581. Mobile No. 09243034247 Email id: corporate@naturalcapsules.com

TWENTY THIRD ANNUAL REPORT 2015-2016

NOTICE

Notice is hereby given that the 23rd Annual General Meeting (AGM) of the members of Natural Capsules Limited will be held on Friday, 26th August, 2016 at 10.00 A.M. at Shri Krishnaraja Parishanmandira, **Kannada Sahithya Parishat**, Pampa Mahakavi Road, Chamarajpet, Bangalore-560018, India, to transact the following business:-

Ordinary business:

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March 2016 together with the Reports of the Directors and the Auditors thereon.
2. To declare dividend for the financial year 2015-16.
3. To appoint a Director in place of Mr. Laxminarayan Moondra (DIN 00214298), who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mrs. Jyoti Mundra (DIN 07143035), who retires by rotation and, being eligible, offers herself for re-appointment.
5. To ratify the appointment of Auditors of the company, and to fix their remuneration. To Consider and if thought fit to pass with or without modification(s) the following as an ordinary resolution :

"Resolved that, pursuant to Section 139 and all other applicable provisions, if any, of the Companies Act, 2013, (including any statutory modification(s) or re-enactment thereof for the time being in force) and the rules framed there under, pursuant to the recommendations of the audit committee, the appointment of M/s. Gnanoba & Bhat, Chartered Accountants as the Statutory Auditors of the Company for the Accounting/Financial year 2016-2017, be and is hereby ratified, on a remuneration to be fixed by Managing Director in consultation with the said Auditors".

SPECIAL BUSINESS:

6. To consider and if thought fit to pass with or without modifications, the following Resolution as a special resolution:
"RESOLVED THAT in partial modification of the special resolution passed in the AGM of the company held on 27th August, 2015, relating to the allotment of 11,00,000 convertible securities/Equity share warrants of Rs. 80/- each, which will be convertible at the option of security holders into fully paid equity shares of Rs. 10/- each (at a premium of Rs. 70/- each) on preferential basis to the promoters and non promoters as per the provisions of Section 62 read with Sec.42 and all other applicable provisions,if any, of the Companies Act, 2013 (the Act), Companies (Share Capital and Debentures) Rules 2014, Companies (Prospectus and Allotment of Securities) Rules 2014 including any statutory modifications or re-enactments thereof for the time being in force, the provisions of the Memorandum and Articles of Association of the Company, the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations,2009, (SEBI (ICDR) Regulations), the consent of the company be and is hereby granted to the non promoter holders of equity share warrants / convertible securities, for extension of time for conversion into equity shares, from 12 months to 18 months from the date of passing of special resolution in the last AGM held on 27th August, 2015, for exercise of the option to convert 6,60,000 equity share warrants/convertible securities to fully paid equity shares as per the details furnished hereunder:-
a) Laxmipath Dudheria (HUF) (1,65,000 Convertible securities/Equity share warrants)
b) Vinod R. Sethi (1,40,000 Convertible securities/Equity share warrants)
c) Nisha Dudheria (1,65,000 Convertible securities/Equity share warrants)
d) Salim P. Govani (1,90,000 Convertible securities/Equity share warrants)

Resolved Further that the validity of the earlier resolution passed for the preferential allotment of the above said convertible securities/equity share warrants and conversion of the same into equity shares, be and is hereby extended by six months up to 26th February, 2017, as permissible under the provisions of Chapter VII of the Securities Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009".

By Order of the Board of Directors
for **Natural Capsules Limited**

D R ANAND

Company Secretary.

Place: Bangalore
Date: July 30, 2016

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 **19th August 2016 to 26th August 2016** (both days inclusive) for determining members entitled to receive dividend for the financial year ended 31-03-2016.
7. Subject to the provisions of the Companies Act, 2013, dividend as recommended by the Board of Directors viz. Rs.1.5/- 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 No. 28460390 (5 Lines) or to the Company.
10. Members wishing to claim dividends, which remain unclaimed, are requested to correspond with D R Anand, Company Secretary, at the Company's registered office. Members are requested to note that dividends not claimed within seven years from the date of transfer to the Company's unpaid dividend account, will, as per Section 124 of the Companies Act, 2013, 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 2015-16 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 2015-16 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 Clause 35B of the listing Agreement, the Company has provided a facility to the members to exercise their votes electronically through the electronic voting service facility arranged by **Central Depository Services India Limited**. In order to enable its members, who do not have access to e-voting facility to send their assent or dissent in writing in respect of resolutions as set out in this notice; the Company is enclosing a ballot form with the Notice. Instructions for ballot form are given at the back of the said form and instructions for e-voting are given herein below. A resolution passed by members through ballot forms or e-voting is/are deemed to have been passed as if they've been passed at the AGM. The facility for voting, through ballot paper, will also be made available at the AGM and the members attending the AGM who have not already cast their votes by remote e-voting shall also be able to exercise their votes by remote e-voting.
14. The Notice of the 23rd AGM and instructions for e-voting, along with the Attendance slip and Proxy form, 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 23rd AGM and the Natural Capsules Limited Annual Report 2015-16 will be available on the Company's website, www.naturalcapsules.com.
16. Additional information, pursuant to **Clause 49** of the Listing Agreement / SEBI (LODR) Regulations, 2015, with the Stock exchanges, 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 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.
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.

TWENTY THIRD ANNUAL REPORT 2015-2016

20. Route map for the venue of the AGM to be held on 26-08-2016 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:

- 1 The voting period begins on 23rd August 2016 at 10.00 AM and ends on 25th August 2016 by 05.00 P.M. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 19th August 2016, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
 - (i) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
 - (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
 - (iii) Click on Shareholders.
 - (iv) Enter your User ID as categorised below
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
 - (v) Enter the Image Verification as displayed and Click on Login.
 - (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
 - (vii) If you are a first time user follow the steps given below:

| | |
|--|---|
| PAN | PAN Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) |
| Dividend Bank details OR Date of Birth (DOB) | <ul style="list-style-type: none">Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field. |

Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login.

- If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

- (viii) After entering these details appropriately, click on "SUBMIT" tab
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant Natural Capsules Limited on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Shareholders can also cast their vote using CDSL's mobile app m-voting available for android based mobiles. The m-Voting app can be downloaded from Google Play store. Please follow the instructions as prompted by the mobile app while voting on your mobile.
- (xix) Note for Non – Individual Shareholders and Custodians
 - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.

- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xx) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

- 2) The voting rights of shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 19th August, 2016.
- 3) The Company shall be making arrangement for the member to cast their votes in respect to the business through poll, for members attending the meeting who have not cast their vote by voting.
- 4) M/s. PITALIYA AND ASSOCIATES, CHARTERED ACCOUNTANTS, have been appointed as the Scrutinizer to scrutinise the e-voting process in a fair and transparent manner.
- 5) The Scrutinizer shall, immediately after the conclusion of voting at the General Meeting, first count the votes cast at the meeting, thereafter unlock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the company and present the report not later than three days of conclusion of the meeting, a consolidated Scrutinizer's Report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him in writing who shall countersign the same and Chairman shall declare the results of the voting forthwith, which shall not be later than 05.00 pm., 28th August, 2016.
- 6) The result declared, along with the Scrutinizer's report shall be placed on the company's website www.naturalcapsules.com and on the website of the CDSL after the result is declared by the Chairman and also be communicated to the Stock Exchange where the company is listed.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013.

5. This explanatory statement is provided though strictly not required as per Sec.102 of the Act. M/s Gnanoba and Bhat, Chartered Accountant, Bangalore were appointed as Statutory Auditors for three years in the previous AGM held on 27.08.2014. As per Sec.139 (1) of the Act, their appointment for three years is subject to ratification by Members at every AGM. Accordingly, ratification of Members is sought for the proposal as per resolution stated in Agenda- 5. None of the Directors, Key Managerial Personnel or their relatives are interested in this item of business.
6. The company has passed a special resolution in the previous AGM held on 27th August, 2015, for the preferential issue / allotment of 3,30,000 equity shares of Rs. 10 each at a premium of Rs. 70/- each and 11,00,000 equity share warrants/convertible securities, out of which 3,30,000 equity share (fully paid) were already allotted and 4,40,000 convertible securities / equity share warrants are likely to be allotted on or before 26th August, 2016. However, the non promoter holders of 6,60,000 equity share warrants /convertible securities as stated in the resolution have formally requested the company to extend the time for conversion from 12 months to 18 months as permissible under the Chapter VII, Clause 75 of SEBI (ICDR) Regulations, 2009. They have already paid 25% of the total consideration of Rs. 80/- per equity share warrant / Convertible securities. The above said allotment of equity shares and equity share warrants / convertible securities have necessary approvals from Bombay Stock Exchange. Now the company has obtained clarification from BSE Limited that subject to approval of shareholders, the time for conversion of equity share warrants / convertible securities can be extended up to the maximum period of 18 months as stated in the resolution. The earlier resolution passed in the AGM held on 27th August, 2015, is reproduced hereunder for the information of the shareholders.

"RESOLVED THAT in accordance with the provisions of Section 62 read with Sec.42 and all other applicable provisions, if any, of the Companies Act, 2013 (the Act), Companies (Share Capital and Debentures) Rules 2014, Companies (Prospectus and Allotment of Securities) Rules 2014 including any statutory modifications or re-enactments thereof for the time being in force, the provisions of the Memorandum and Articles of Association of the Company, the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, (SEBI (ICDR) Regulations), as in force and subject to other applicable rules, regulations and guidelines of Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and the stock exchanges where the shares of the Company are listed (Stock Exchanges) and other applicable regulations if any, amended from time to time, and subject to any necessary approval, consent, permission and / or sanction of the Central Government, Reserve Bank of India and any other appropriate authorities, institutions or Bodies and subject to such conditions as may be prescribed by any of them while granting any such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" and / or Committee thereof for the time being exercising the powers conferred by the Board by this resolution have been delegated), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot up to 3,30,000 equity shares ("shares") and 11,00,000 Equity Share warrants/Convertible Securities ("Share Warrants/Convertible Securities"), in one or more tranches to the following persons on such terms and conditions as may be agreed to between the Company and the said Persons:

- | | | |
|-------------------------------|--------------------|-----------------------------|
| a) Nandi Synthetic Pvt. Ltd | d) Shrey Mundra | g) Laxmipath Dudheria (HUF) |
| b) Tajos Investments Pvt. Ltd | e) Vinod R. Sethi | h) Nisha Dudheria |
| c) Madhav Mundra | f) Salim P. Govani | |

on preferential basis considering the relevant date as 28th July 2015 in accordance with the provisions of Regulation 71(a) of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and such other terms and conditions as may be approved by the Board of directors.

TWENTY THIRD ANNUAL REPORT 2015-2016

FURTHER RESOLVED THAT:

- i) Each Equity share will have a face value of Rs. 10/- per share and will be issued at a price of Rs. 80/- per share (inclusive of a premium of Rs.70/- per share) which is in accordance with chapter XIII (Guidelines for Preferential Issues) of the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines, 2000 issued by the Securities and Exchange Board of India ("SEBI ICDR Regulations, 2009") and the entire issue price is payable on subscription.
- ii) Each warrant/Convertible securities can be exercised within a period of 12 months from the date of approval by the shareholders, as per the provisions of Sec. 62, read with Sec. 42, of Companies Act 2013 and rules made there under, read with requirements of Chapter VII of the SEBI (ICDR) Regulations, 2009, for one (1) Equity shares of a face value of Rs. 10/- per share to be issued at a price of Rs. 80/- per equity share (inclusive of a premium of Rs. 70/- per share) which is in accordance with SEBI ICDR Regulations, 2009 and 25% of the exercise price is payable on subscription.
- iii) The subscription amount paid for the Warrants/Convertible securities shall be adjusted against the price payable on exercise of the Warrant.
- iv) The subscription amount paid for the Share Warrants/Convertible securities shall be forfeited if the Warrant is not exercised within a period of 12 months from the date of allotment.
- v) The "relevant date" on the basis of which the minimum price for issue of the equity shares shall be calculated for the purposes of Chapter XIII (Guidelines for Preferential Issues) of the SEBI (ICDR) regulations, 2009 is 28/07/2015 being the 30 days prior to 27th August, 2015, the date on which the meeting of general body of shareholders is being held in terms of Section 62 of the Companies Act, 2013, to consider the proposed issue.
- vi) The Board is hereby authorised to issue and allot the requisite number of shares and warrants/Securities to the promoters/ Investors.
- vii) The offer, issue and allotment of the aforesaid shares and warrants shall be made at such time or times as the Board may in its absolute discretion decide, subject however to applicable guidelines, notifications, rules and regulations and the material terms of the offers.
- viii) The shares and equity shares arising on exercise of the warrants/Convertible Securities as stated aforesaid shall rank pari-passu with the existing equity shares of the company.

FURTHER RESOLVED THAT the Board be and is hereby authorised to decide and approve other terms and conditions of the issue of issue of the above mentioned shares and also shall be entitled to vary, modify or alter any of the terms and conditions including size of the issue, as it may deem expedient."

Now it is proposed to pass the resolution as stated in the notice for granting extension of time to the non promoters from the 12 months to 18 months for conversion of equity share warrants / convertible securities into fully paid equity shares. It is also proposed to extend the validity of the earlier special resolution passed for preferential allotment of shares from 12 months to 18 months as stated in the notice. None of the Directors / Key managerial personnel are interested in this item of business. Hence the resolution as stated in the notice is recommended for approval of shareholders.

By Order of the Board of Directors
for **Natural Capsules Limited**

D R ANAND

Company Secretary.

Place: Bangalore
Date: July 30, 2016

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

| Particulars | Mr. Laxminarayan Moondra | Mrs.Jyoti Mundra |
|--|---|--|
| Date of Birth | 01/06/1943 | 31/07/1967 |
| Date of Appointment | 01/06/2011 | 30/03/2015 |
| DIN Number | 00214298 | 07143035 |
| Qualifications | B.Com | B.A |
| Expertise in specific functional areas | Wide business experience in Marketing and General Administration. | Wide experience in Information Technology. |
| Directorships held in other public companies (excluding foreign companies and Section 8 companies) | 1. Tajos Investments Private Limited 2. Square Plus Life Sciences Private Limited . | NIL |
| Memberships/ Chairmanships of committees of other public companies (includes only Audit Committee and stakeholders relationship Committee. | NIL | NIL |
| Number of Shares held in the Company | 160294 | 204463 |

DIRECTOR'S REPORT TO THE MEMBERS

Your Directors have pleasure in presenting the twenty third Annual Report together with the Audited Accounts of the company for the year ended 31st March 2016.

FINANCIAL RESULTS:

The Company's financial performance, for the year ended March 31, 2016 is summarized below:

| (Rs. In Lakhs) | | |
|---|-----------------------|-----------------------|
| Particulars | March 31, 2016 | March 31, 2015 |
| Gross Sales | 6,683.18 | 7,194.38 |
| Less : Excise duty | 477.88 | 462.30 |
| Net Sales | 6,205.31 | 6,732.08 |
| Other Income | 123.23 | 79.45 |
| Total | 6,328.53 | 6,811.53 |
| Profit before depreciation & taxation | 1,024.24 | 1,155.07 |
| Less : Depreciation | 416.77 | 402.67 |
| Less : Provision for taxation | 167.59 | 236.11 |
| Less: Prior period adjustment (Taxation) | 0.29 | 6.37 |
| Add: Deferred Tax withdrawn | 1.85 | 53.68 |
| Profit after taxation | 433.88 | 564.92 |
| Add: Balance brought forward from previous year | 3,593.01 | 3,247.99 |
| Surplus available for appropriation | 4,026.89 | 3,812.91 |
| Appropriations | | |
| General Reserve | 21.69 | 28.25 |
| Proposed Dividend | 90.19 | 78.64 |
| Tax on Dividend | 18.36 | 16.01 |
| Additional depreciation on fixed asset as per Companies Act, 2013 | - | 97.00 |
| Balance carried to Balance sheet | 3,896.65 | 3,593.01 |
| Total | 4,026.89 | 3,812.91 |

The company proposes to transfer an amount of Rs. 21.69 lakhs to the General Reserves. An amount of Rs. 3,896.65 lakhs is proposed to be retained in the statement of Profit & Loss account.

OPERATIONAL REVIEWS:

The company had a gross turnover of Rs. 6,683.18 lakhs as against Rs. 7,194.38 lakhs in the previous year, a decline of 7.65%. Profit before depreciation and taxation was Rs. 1,024.24 lakhs against Rs. 1,155.07 lakhs in the previous year. After providing for depreciation and taxation of Rs. 416.77 lakhs & 167.59 lakhs respectively, the net profit of the Company for the year under review was placed at Rs. 433.88 lakhs as against Rs. 564.92 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. Accordingly, the profit after tax has reduced by 30.20% 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. 1.50 per equity share at the rate of 15 % subject to the approval of members. The dividend, if approved by the Members, will result in the out flow of Rs.90.19 lakhs from the company in addition to Rs.18.36 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. 524.27 lakhs to 579.27 lakhs. by conversion of 2,20,000 share warrants into equity (which formed part of earlier preferential issue of equity shares to promoter group in the financial year 2014-15) and issue of additional 3,30,000 equity shares of Rs. 10/- each (at a premium of Rs. 70/- per equity share) by the way of preferential issue to non promoters. The company has also issued 11,00,000 convertible securities / equity share warrants to both promoters and non promoters on preferential basis. The company has obtained Listing approval for the preferential issue of equity shares and equity share warrants / Convertible securities from Bombay Stock Exchange.

FINANCE:

Cash and cash equivalents as at March 31, 2016 was Rs.19.25 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.

TWENTY THIRD ANNUAL REPORT 2015-2016

FIXED DEPOSITS:

Your 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.

There was an investment of Rs. 507.36 lakhs made by company during the year in part payment for acquiring 40% equity shares of M/S. Supreem Pharmaceuticals (Mysore) Pvt. Ltd for total investment of Rs. 1,171.02 lakhs.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The company has an 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. 29.09 lakhs for the year ending as on March 31, 2016 and the amount will be spent on the CSR activities to be identified shortly. Identification of CSR activities is under process.

CONSERVATION OF ENERGY:

Company ensures that the manufacturing operations are conducted in the manner whereby optimum utilization and maximum possible savings of energy is achieved. The particulars as per Form A are attached to this report.

TECHNOLOGY ABSORPTION:

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 as per details given in Form-B attached to this report.

FOREIGN EXCHANGE EARNINGS AND OUT-GO:

During the period under review, your company has gained Rs. 33.73 lakhs owing to foreign exchange fluctuations. Export revenue constituted 29.77% of Total Revenue as against 31.41% in the previous year.

Foreign Exchange Earnings : Rs. 17,77,80,687/-

Foreign Exchange Outgo : Rs. 4,41,21,240/-

INDUSTRIAL RELATIONS:

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

EXPANSION:

During the year company commissioned a pilot machine to manufacture HPMC capsules at Bangalore plant which has a capacity of about 400 million capsules per annum.

Board of Directors in its 113th meeting held on 29th October, 2015, had approved a scheme of conversion of three existing gelatine capsules lines to HPMC manufacturing lines at a total cost of Rs. 24 Crores to be completed in 30 months. Work on this proposal is likely to start at the end of this current financial year.

DIRECTORS:

Mr. Laxminarayan Moondra and Mrs. Jyoti 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

- Company performance and strategy
- Tracking Board and committee's 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.

Independent Director's meeting:

Independent directors held a separate meeting on 27th January, 2016. They have evaluated the performance of executive directors and conducted thorough business review affecting the performance of the company as per the requirements of statutes.

Listing Agreement

The Securities and Exchange Board of India (SEBI), on September 2, 2015, issued SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with the aim to consolidate and streamline the provisions of the Listing Agreement for different segments of capital markets to ensure better enforceability. The said regulations were effective from December 1, 2015. Accordingly, all listed entities were required to enter into the Listing Agreement within six months from the effective date. The company entered into Listing Agreement with BSE Limited during January, 2016.

Policies

We seek to promote and follow the highest level of ethical standards in all our business transactions guided by our value system. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandated the formulation of certain policies for all listed companies. All our corporate governance policies are available on our website (<http://www.naturalcapsules.com/pages/policies.html>). The policies are reviewed periodically by the Board and updated based on need and new compliance requirement.

| 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 |

TWENTY THIRD ANNUAL REPORT 2015-2016

Meetings

During the year Seven Board Meetings and Four 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:

- In the preparation of the annual accounts, the applicable accounting standards have been followed.
- 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.
- 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.
- The directors have prepared the annual accounts on a going concern basis.
- The directors have laid down internal financial controls to be followed by the company and that such internal financial controls are operating effectively.
- 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 |
| M/s. Balurghat Technologies Ltd | Entity in which Director or KMP is Related |
| M/s.Minakshi Enamels | Entity in which Director or KMP is Related |
| Mr. Sunil L Mundra | Key Management Personnel |
| Mr. Laxminarayan Moondra | Key Management Personnel |
| Mr. Satyanarayan Mundra | Key Management Personnel |

(B)(i) Related Party Transactions:

| Name of Related Party | Nature of Transactions | Amount of Transactions 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 | 5,76,000 (5,40,000) | 43,200 - | - - |
| Mr. Sunil L Mundra | Managerial Remuneration | 40,50,000 (37,60,000) | 2,32,144 (4,64,704) | - - |
| Mr. Laxminarayan Moondra | Managerial Remuneration | 27,45,000 (19,50,000) | 1,67,308 - | - - |
| Mr. Satyanarayan Mundra | Managerial Remuneration | 27,90,000 (26,10,000) | 1,65,730 - | - - |
| M/s Minakshi Enamels | Purchase of Copper Rivets | 19,085 (36,481) | - - | - - |
| M/s. Balurghat Technology Ltd | Travelling Agency | 2,36,557 (5,25,920) | - - | - - |

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

The disclosures relating to holding vs. Subsidiary companies are not relevant.

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 / behaviours 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 behaviour 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>

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

AUDITOR'S REPORT / SECRETARIAL AUDIT REPORT:

The observation made in the Auditors' Report read together with relevant notes thereon are self explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

As required under section 204 (1) of the Companies Act, 2013 the Company has obtained a secretarial audit report. Certain observations made in the report with regard to non filing of some forms were mainly due to ambiguity and uncertainty of the applicability of the same for the relevant period. However, the company would ensure in future that all the provisions are complied with the fullest extent.

AUDITORS:

The Auditors M/S. Gnanoba & Bhat, Chartered Accountants, Bangalore, continues to be eligible as company's statutory auditors and it is proposed to ratify their appointment for the financial year 2016-17 on the same remuneration in this AGM.

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 2016-17 in the board meeting held on 27th May, 2016. The Secretarial Audit report for the financial year 2015-16 is annexed herewith as "Annexure B"

Regarding auditors remarks relating to not spending CSR expenditure, the management is still in the process of identifying the areas for expenditure and the same is likely to be spent in the current year.

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 as separate Annexure.

TWENTY THIRD ANNUAL REPORT 2015-2016

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 2015-2016 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 of Directors**

Bangalore
July 30, 2016

Sunil L Mundra
Managing Director

Satyanarayan Mundra
Whole Time Director

Annexure A to Boards Report

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:

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 downtrodden.
- 2) Collaborate with like minded 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 |

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

Average net profit: Rs.14.57Crores

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

The company is required to spend Rs.29.09 Lakhs.

5. Details of CSR spend for the financial year:

- a) Total amount spent for the year: Nil (CSR committee is working on to identify the suitable projects to spend CSR amount)
- b) Amount unspent if any: 57.50 Lakhs.

NATURAL CAPSULES LIMITED

| 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 |
|--|--|--|----------------------------------|--|--|---|---------------------------------------|---|--|---|---|
| ADMINIS- TRATIVE OVER- HEAD EXPENDI- TURE | REASON FOR UNDER SPENDING /NOT SPENDING | DETAILS OF CSR PROG RAMMES / PROJECTS / ACTIVI- TIES | PROJECT DE- SCRIP- TION | SECTORS COV- ERED WITHIN SCHED- ULE VII | GEO- GRAPHICAL AREAS WHERE PROJECT WS IMPLE- MENTED | STATES WHERE UN- DER- TAKEN | DISTRICTS WHERE UNDER- TAKEN | OUTLAY (PROG. RAMME / PROJECT WISE) | EXPENDI- TURE ON PROG- RAMME OR PROJECT | MODE OF IMPLE- MENTA- TION (DIRECT OR THOROUGH IMPLE- MENTING AGEN- CIES) | DE- TAILS OF IMPLE- MENT- ING AGEN- CIES |
| NIL | IN THE PROCESS OF IDENTIFYING | ----- | ----- | ----- | ----- | ----- | ----- | ----- | NIL | ----- | ----- |

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|-------------------------------|---|---|---|------------------------|--|---|---|---------------------------------|---|
| NAME OF THE COM- PANY | CIN | COM- PANY CLASS (PUBLIC LIMITED/ PRIVATE LIMITED) | COMPANY TYPE (GOVERN- MENT / NON- GOVERN- MENT) | DATE OF INCOR- PORA- TION / REGIS- TRATION | ROC | ADDRESS OF REGISTERED OFFICE | MAIN BUSINESS ACTIVITY OF THE COMPANY | PRESCRIBED CSR BUDGET (2% OF AVERAGE NET PROFIT FOR F.Y. 2011-12, 2012-12 AND 2013-14) | ALLO- CATED CSR BUDGET | ACTUAL CSR SPENT IN F.Y 2014-15 |
| M/S. NATURAL CAP- SULES LIMITED | L85110KA 1993PL C014742 | PUBLIC LIMITED | NON - GOVERN- MENT) NON- GOVERN- MENT | 20/09/ 1993 | RoC- Banga- lore | SHRESHTA BHUMIB. NO.102, NO.87 K.R.ROAD BANGALORE KA 560004 IN | MANU- FACTUR- ING OF CAP- SULES | Rs. 28,40,796/- | Rs. 28,40,796/- | NIL |

TWENTY THIRD ANNUAL REPORT 2015-2016

Annexure B to Boards Report SECRETARIAL AUDIT REPORT (Form No. MR-3)

For The Financial Year Ended On 31st March, 2016

(Pursuant to section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration 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, 2016 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, 2016 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 (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (e) 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) Other laws applicable as per Representations made by the Management;

| | | |
|------------------------------|---|---|
| Drugs and Cosmetics act,1940 | Trademarks Act, 1999 | The Water (Prevention & Control of Pollution) Act, 1974 |
| Pharmacy Act, 1948 | The Patents Act, 1970 | The Environment (Protection) Act, 1986 |
| Pollution Control Act | The Air (Prevention & Control of Pollution) Act, 1981 | |

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
 - b) The Company has not closed the trading window in line with the requirement of Code of Conduct for Insider Trading of Natural Capsules Limited while publishing the unpublished price sensitive information. However, no trading has taken place during the period requiring closure of trading window, by the Designated Persons, as per Management Representation.

I further report that 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.

NATURAL CAPSULES LIMITED

I further report that based on the information provided and representation made by the Company and on the basis of replies by the Compliance officer and 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 provisions of Labour Laws and Environmental Laws.

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 such meetings were held with the participation of Independent Directors 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.

The decisions of the Board were unanimous and no dissenting views were recorded in the minutes of the meetings

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 the earlier lot of share warrants issued on preferential basis as per terms of issue and the Company has gone ahead for further preferential issue of equity shares and equity share warrants/convertible securities on preferential basis during the year under consideration, and complied with the requirements thereon.
- b) The Company has invested Rs.5,07,35,709/- in the equity of M/s Supreme Pharmaceuticals (Mysore) Private Limited consisting of 1,70,455 fully paid equity shares of Rs.10/- each fully paid, at a premium of Rs.78 per share and 11,60,249/- partly paid up shares with necessary approvals.

Place: Bangalore

Date: 28.05.2016

R.Parthasarathi

ACS No.3667 C P No.:838

Note: This report is to be read with our letter of even date which is annexed as Annexure A and forms. An integral part of this report

'Annexure A'

To,

The Members

Natural Capsules Limited

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company and the applicable financial laws viz., Direct and Indirect Tax Laws which have not been reviewed since the same are subject to review under Statutory Audit and other Audits by designated professionals
4. Whereever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

R.Parthasarathi

Practising Company Secretary

Membership No. 3667

Certificate of Practice No. 838

Date: 28-05-2016

Place: Bangalore

TWENTY THIRD ANNUAL REPORT 2015-2016

Annexure C to Boards Report
Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on
31st March, 2016

[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, BANGALORE, Karnataka – 560004 PH # 080-26671571, 26671573, 26671581. Email: dranand@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# 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 |

NATURAL CAPSULES LIMITED

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[As on 31-March-2015] | | | | No. of Shares held at the end of the year[As on 31-March-2016] | | | | % Change during the year |
|--|--|-------------|-------------|-------------------|--|-------------|-------------|-------------------|--------------------------|
| | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| A. Promoters | | | | | | | | | |
| (1) Indian | | | | | | | | | |
| a) Individual/ HUF | 2336983 | 250900 | 2587883 | 49.3616 | 1734529 | NIL | 1734529 | 29.9433 | -19.4182 |
| b) Central Govt | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| c) State Govt(s) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| d) Bodies Corp. | NIL | NIL | NIL | NIL | 1073354 | NIL | 1073354 | 18.5294 | 18.5294 |
| e) Banks / FI | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| f) Any other | NIL | 3800 | 3800 | 0.0724 | NIL | 3800 | 3800 | 0.0655 | -0.0068 |
| Total shareholding of Promoter (A) | 2336983 | 254700 | 2591683 | 49.4341 | 2807883 | 3800 | 2811683 | 48.5383 | -0.8957 |
| (2) Foreign | | | | | | | | | |
| a) NRIs-Individuals | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| b) Other-Individuals | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| c) Bodies Corp. | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| d) Banks/FI | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| e) Any Other | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Sub-Total(A) (2):- | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Total Shareholding of Promoter (A) | 2336983 | 254700 | 2591683 | 49.4341 | 2807883 | 3800 | 2811683 | 48.5383 | -0.8957 |
| B. Public Shareholding | | | | | | | | | |
| 1. Institutions | | | | | | | | | |
| a) Mutual Funds | NIL | 3700 | 3700 | 0.0705 | NIL | 3700 | 3700 | 0.0638 | -0.0067 |
| b) Banks / FI | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| c) Central Govt | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| d) State Govt(s) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| e) Venture Capital Funds | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| f) Insurance Companies | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| g) FIs | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| h) Foreign Venture Capital Funds | NIL | 300 | 300 | 0.0057 | NIL | 300 | 300 | 0.0051 | -0.0005 |
| i) Others (specify) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Sub-total (B)(1):- | NIL | 4000 | 4000 | 0.0762 | NIL | 4000 | 4000 | 0.0690 | -0.0072 |
| 2. Non-Institutions | | | | | | | | | |
| a) Bodies Corp. | 859193 | 2700 | 861893 | 16.4398 | 819583 | 2700 | 822283 | 14.1951 | -2.2447 |
| i) Indian | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| ii) Overseas | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| b) Individuals | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| i) Individual shareholders holding nominal share capital up to Rs. 1 lakh | 907283 | 281041 | 1188324 | 22.6662 | 884288 | 273941 | 1158229 | 19.9946 | -2.6716 |
| ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh | 492500 | NIL | 492500 | 9.3940 | 738651 | NIL | 738651 | 12.7514 | 3.3573 |

TWENTY THIRD ANNUAL REPORT 2015-2016

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

(cont..)

Category-wise Share Holding

| | | | | | | | | | |
|--|----------------|---------------|----------------|----------------|----------------|---------------|----------------|----------------|---------------|
| c) Others (specify) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Non Resident Indians | 42313 | 13200 | 55513 | 1.0588 | 22756 | 13200 | 35956 | 0.6207 | -0.4381 |
| Hindu undivided Families | 46375 | NIL | 46375 | 0.8845 | 220950 | NIL | 220950 | 3.8142 | 2.9297 |
| Overseas Corporate Bodies | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Foreign Nationals | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Clearing Members | 2412 | NIL | 2412 | 0.0460 | 948 | NIL | 948 | 0.0163 | -0.0296 |
| Trusts NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Foreign Bodies - D R | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Sub-total (B)(2):- | 2350076 | 296941 | 2651017 | 50.5658 | 2687176 | 289841 | 2977017 | 51.3925 | 0.9029 |
| Total Public Shareholding (B)=(B)(1)+ (B)(2) | 2350076 | 300941 | 2651017 | 50.5658 | 2687176 | 293841 | 2981017 | 51.4616 | 0.8957 |
| C. Shares held by Custodian for GDRs & ADRs | | | | | | | | | |
| Grand Total (A+B+C) | 4687059 | 555641 | 5242700 | 100.000 | 5495059 | 297641 | 5792700 | 100.000 | NIL |

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 totalshares ofthe company | % of shares pledged / encumbered total shares | No of shares | % of totalshares ofthe 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 LAXMINARYAN 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 MOONDRA | 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 | JYOTSANA DAGA | 20900 | 0.3986 | 0.0000 | 20900 | 0.3607 | 0.0000 | 0.0000 |
| 12 | NIDHI | 10000 | 0.1907 | 0.0000 | 10000 | 0.1726 | 0.0000 | 0.0000 |
| 13 | DEEPAK KABRA | 1200 | 0.0228 | 0.0000 | 1200 | 0.0207 | 0.0000 | 0.0000 |
| 14 | CHANDRA R LADDHA | 1000 | 0.0190 | 0.0000 | 1000 | 0.0172 | 0.0000 | 0.0000 |
| 15 | B SAMPATHLAL | 500 | 0.0095 | 0.0000 | 500 | 0.0086 | 0.0000 | 0.0000 |
| 16 | MUKUND GATTANI | 500 | 0.0095 | 0.0000 | 500 | 0.0086 | 0.0000 | 0.0000 |
| 17 | DAMANI VIJAYJT1 : DAMANI SHASHI | 200 | 0.0038 | 0.0000 | 200 | 0.0034 | 0.0000 | 0.0000 |
| 18 | BHAGYALAXMI GURUMURTHY | 200 | 0.0038 | 0.0000 | 200 | 0.0034 | 0.0000 | 0.0000 |
| 19 | C M GURUMURTHY | 200 | 0.0038 | 0.0000 | 200 | 0.0034 | 0.0000 | 0.0000 |
| 20 | 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-2015 | 539000 | 10.2809 | 539000 | 10.2809 |
| | Purchase 26-Jun-2015 | 60000 | 1.0357 | 599000 | 10.3406 |
| | Purchase 30-Oct-2015 | 60000 | 1.0357 | 659000 | 11.3763 |
| | At the end of the Year 31-Mar-2016 | 659000 | 11.3763 | 659000 | 11.3763 |
| 2 | NANDI SYNTHETICS PVT LTD | | | | |
| | At the beginning of the year 01-Apr-2015 | 414354 | 7.9034 | 414354 | 7.9034 |
| | At the end of the Year 31-Mar-2016 | 414354 | 7.1530 | 414354 | 7.1530 |
| 3 | SUNIL LAXMINARYAN MUNDRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 336003 | 6.4089 | 336003 | 6.4089 |
| | Purchase 26-Jun-2015 | 40000 | 0.6905 | 376003 | 6.4909 |
| | Purchase 30-Oct-2015 | 40000 | 0.6905 | 416003 | 7.1815 |
| | At the end of the Year 31-Mar-2016 | 416003 | 7.1815 | 416003 | 7.1815 |
| 4 | INDRA MUNDRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 216200 | 4.1238 | 216200 | 4.1238 |
| | At the end of the Year 31-Mar-2016 | 216200 | 3.7322 | 216200 | 3.7322 |
| 5 | SUSHIL KUMAR MUNDRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 214400 | 4.0894 | 214400 | 4.0894 |
| | Purchase 26-Jun-2015 | 40000 | 0.6905 | 254400 | 4.3917 |
| | Purchase 30-Oct-2015 | 40000 | 0.6905 | 294400 | 5.0822 |
| | At the end of the Year 31-Mar-2016 | 294400 | 5.0822 | 294400 | 5.0822 |
| 6 | LAXMINARAYAN MOONDRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 160294 | 3.0574 | 160294 | 3.0574 |
| | Sale 18-Sep-2015 | -160294 | 2.7671 | 0 | 0.0000 |
| | At the end of the Year 31-Mar-2016 | 0 | 0.0000 | 0 | 0.0000 |
| | HAVING SAME PAN | | | | |
| 6 | LAXMINARAYAN MOONDRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 0 | 0.0000 | 0 | 0.0000 |
| | Purchase 18-Sep-2015 | 160294 | 2.7671 | 160294 | 2.7671 |
| | At the end of the Year 31-Mar-2016 | 160294 | 2.7671 | 160294 | 2.7671 |
| 7 | SHARADA MUNDRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 129414 | 2.4684 | 129414 | 2.4684 |
| | At the end of the Year 31-Mar-2016 | 129414 | 2.2340 | 129414 | 2.2340 |
| 8 | JYOTI MUNDRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 124463 | 2.3740 | 124463 | 2.3740 |
| | Purchase 26-Jun-2015 | 40000 | 0.6905 | 164463 | 2.8391 |
| | Purchase 30-Oct-2015 | 40000 | 0.6905 | 204463 | 3.5296 |
| | At the end of the Year 31-Mar-2016 | 204463 | 3.5296 | 204463 | 3.5296 |

TWENTY THIRD ANNUAL REPORT 2015-2016

| | | | | | |
|----|--|--------|--------|--------|--------|
| 9 | SATYANARAYAN MUNDRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 123255 | 2.3509 | 123255 | 2.3509 |
| | At the end of the Year 31-Mar-2016 | 123255 | 2.1277 | 123255 | 2.1277 |
| 10 | RADHA S MUNDRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 79600 | 1.5183 | 79600 | 1.5183 |
| | Purchase 26-Jun-2015 | 40000 | 0.6905 | 119600 | 2.0646 |
| | Purchase 30-Oct-2015 | 40000 | 0.6905 | 159600 | 2.7551 |
| | At the end of the Year 31-Mar-2016 | 159600 | 2.7551 | 159600 | 2.7551 |
| 11 | NIDHI SETHIA | | | | |
| | At the beginning of the year 01-Apr-2015 | 10000 | 0.1907 | 10000 | 0.1907 |
| | Sale 04-Mar-2016 | -10000 | 0.1726 | 0 | 0.0000 |
| | At the end of the Year 31-Mar-2016 | 0 | 0.0000 | 0 | 0.0000 |
| 12 | DEEPAK KABRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 1200 | 0.0228 | 1200 | 0.0228 |
| | At the end of the Year 31-Mar-2016 | 1200 | 0.0207 | 1200 | 0.0207 |
| 13 | CHANDRA R LADDHA | | | | |
| | At the beginning of the year 01-Apr-2015 | 1000 | 0.0190 | 1000 | 0.0190 |
| | At the end of the Year 31-Mar-2016 | 1000 | 0.0172 | 1000 | 0.0172 |
| 14 | B SAMPATHLAL | | | | |
| | At the beginning of the year 01-Apr-2015 | 500 | 0.0095 | 500 | 0.0095 |
| | At the end of the Year 31-Mar-2016 | 500 | 0.0086 | 500 | 0.0086 |
| 15 | MUKUND GATTANI | | | | |
| | At the beginning of the year 01-Apr-2015 | 500 | 0.0095 | 500 | 0.0095 |
| | At the end of the Year 31-Mar-2016 | 500 | 0.0086 | 500 | 0.0086 |
| 16 | DAMANI VIJAYJT1 : DAMANI SHASHI | | | | |
| | At the beginning of the year 01-Apr-2015 | 200 | 0.0038 | 200 | 0.0038 |
| | At the end of the Year 31-Mar-2016 | 200 | 0.0034 | 200 | 0.0034 |
| 17 | BHAGYALAXMI GURUMURTHY | | | | |
| | At the beginning of the year 01-Apr-2015 | 200 | 0.0038 | 200 | 0.0038 |
| | At the end of the Year 31-Mar-2016 | 200 | 0.0034 | 200 | 0.0034 |
| 18 | CM GURUMURTHY | | | | |
| | At the beginning of the year 01-Apr-2015 | 200 | 0.0038 | 200 | 0.0038 |
| | At the end of the Year 31-Mar-2016 | 200 | 0.0034 | 200 | 0.0034 |
| 19 | JYOTSNA DAGA | | | | |
| | At the beginning of the year 01-Apr-2015 | 0 | 0.0000 | 0 | 0.0000 |
| | Demated 11-Dec-2015 | 20900 | 0.3607 | 20900 | 0.3607 |
| | At the end of the Year 31-Mar-2016 | 20900 | 0.3607 | 20900 | 0.360 |
| 20 | NIDHI SETHIA | | | | |
| | At the beginning of the year 01-Apr-2015 | 0 | 0.0000 | 0 | 0.0000 |
| | Demated 04-Mar-2016 | 10000 | 0.1726 | 10000 | 0.1726 |
| | At the end of the Year 31-Mar-2016 | 10000 | 0.1726 | 10000 | 0.1726 |

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-2015 At the end of the Year 31-Mar-2016 | 345000 345000 | 6.5805 5.9557 | 345000 345000 | 6.5805 5.9557 |
| 2 | MAHENDRA LABS PVT LTD At the beginning of the year 01-Apr-2015 At the end of the Year 31-Mar-2016 | 300000 300000 | 5.7222 5.1789 | 300000 300000 | 5.7222 5.1789 |
| 3 | SANJAY KOTHARIJT1:MEENAKSHI KOTHARI At the beginning of the year 01-Apr-2015 At the end of the Year 31-Mar-2016 | 166000 166000 | 3.1663 2.8656 | 166000 166000 | 3.1663 2.8656 |
| 4 | Vishwa Prakash Mundra At the beginning of the year 01-Apr-2015 At the end of the Year 31-Mar-2016 | 95433 95433 | 1.8203 1.6474 | 95433 95433 | 1.8203 1.6474 |
| 5 | SATHYA S At the beginning of the year 01-Apr-2015 At the end of the Year 31-Mar-2016 | 70000 70000 | 1.3351 1.2084 | 70000 70000 | 1.3351 1.2084 |
| 6 | RATNABALI CAPITAL MARKETS LIMITED At the beginning of the year 01-Apr-2015 Sale 24-Apr-2015 Sale 01-May-2015 Sale 15-May-2015 Sale 22-May-2015 Sale 29-May-2015 At the end of the Year 31-Mar-2016 | 46093 -8554 -135 -13900 -5777 -17727 0 | 0.8791 0.1476 0.0023 0.2399 0.0997 0.3060 0.0000 | 46093 37539 37404 23504 17727 0 0 | 0.8791 0.6480 0.6457 0.4057 0.3060 0.0000 0.0000 |
| 7 | RUCHIR INFOTECH PVT LTD At the beginning of the year 01-Apr-2015 Sale 10-Jul-2015 Sale 31-Jul-2015 At the end of the Year 31-Mar-2016 | 33124 -1566 -6725 24833 | 0.6318 0.0270 0.1160 0.4286 | 33124 31558 24833 24833 | 0.6318 0.5447 0.4286 0.4286 |
| 8 | CRYSTAL TIE UP PRIVATE LTD At the beginning of the year 01-Apr-2015 At the end of the Year 31-Mar-2016 | 30641 30641 | 0.5844 0.5289 | 30641 30641 | 0.5844 0.5289 |

TWENTY THIRD ANNUAL REPORT 2015-2016

| SI | 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 |
| 9 | SANGEETHAS | | | | |
| | At the beginning of the year 01-Apr-2015 | 30369 | 0.5792 | 30369 | 0.5792 |
| | Purchase 15-May-2015 | 12847 | 0.2217 | 43216 | 0.7460 |
| | Purchase 22-May-2015 | 6075 | 0.1048 | 49291 | 0.8509 |
| | Purchase 04-Sep-2015 | 1269 | 0.0219 | 50560 | 0.8728 |
| | Purchase 23-Oct-2015 | 150 | 0.0025 | 50710 | 0.8754 |
| | Purchase 25-Dec-2015 | 775 | 0.0133 | 51485 | 0.8887 |
| | At the end of the Year 31-Mar-2016 | 51485 | 0.8887 | 51485 | 0.8887 |
| 10 | CHANDRAPRAKASH KHANDELWAL | | | | |
| | At the beginning of the year 01-Apr-2015 | 25000 | 0.4768 | 25000 | 0.4768 |
| | Sale 24-Apr-2015 | -25000 | 0.4315 | 0 | 0.0000 |
| | At the end of the Year 31-Mar-2016 | 0 | 0.0000 | 0 | 0.0000 |
| | NEW TOP 10 AS ON (31-Mar-2016) | | | | |
| 11 | LAXMIPAT DUDHERIA HUF | | | | |
| | At the beginning of the year 01-Apr-2015 | 0 | 0.0000 | 0 | 0.0000 |
| | Purchase 25-Dec-2015 | 165000 | 2.8484 | 165000 | 2.8484 |
| | At the end of the Year 31-Mar-2016 | 165000 | 2.8484 | 165000 | 2.8484 |
| 12 | NISHA DUDHERIA | | | | |
| | At the beginning of the year 01-Apr-2015 | 0 | 0.0000 | 0 | 0.0000 |
| | Purchase 25-Dec-2015 | 165000 | 2.8484 | 165000 | 2.8484 |
| | At the end of the Year 31-Mar-2016 | 165000 | 2.8484 | 165000 | 2.8484 |
| 13 | ASHOK MALHOTRA | | | | |
| | At the beginning of the year 01-Apr-2015 | 5400 | 0.1030 | 5400 | 0.1030 |
| | Sale 10-Apr-2015 | -5400 | 0.0932 | 0 | 0.0000 |
| | Purchase 26-Jun-2015 | 1 | 0.0000 | 1 | 0.0000 |
| | Purchase 03-Jul-2015 | 399 | 0.0068 | 400 | 0.0069 |
| | Purchase 10-Jul-2015 | 350 | 0.0060 | 750 | 0.0129 |
| | Purchase 17-Jul-2015 | 1316 | 0.0227 | 2066 | 0.0356 |
| | Purchase 24-Jul-2015 | 34 | 0.0005 | 2100 | 0.0362 |
| | Sale 31-Jul-2015 | -2100 | 0.0362 | 0 | 0.0000 |
| | Purchase 07-Aug-2015 | 200 | 0.0034 | 200 | 0.0034 |
| | Purchase 14-Aug-2015 | 2000 | 0.0345 | 2200 | 0.0379 |
| | Purchase 20-Aug-2015 | 2441 | 0.0421 | 4641 | 0.0801 |
| | Purchase 21-Aug-2015 | 1069 | 0.0184 | 5710 | 0.0985 |
| | Purchase 28-Aug-2015 | 1000 | 0.0172 | 6710 | 0.1158 |
| | Purchase 04-Sep-2015 | 1990 | 0.0343 | 8700 | 0.1501 |
| | Purchase 11-Sep-2015 | 2100 | 0.0362 | 10800 | 0.1864 |
| | Purchase 18-Sep-2015 | 150 | 0.0025 | 10950 | 0.1890 |
| | Purchase 25-Sep-2015 | 50 | 0.0008 | 11000 | 0.1898 |
| | Purchase 09-Oct-2015 | 2425 | 0.0418 | 13425 | 0.2317 |
| | Purchase 16-Oct-2015 | 975 | 0.0168 | 14400 | 0.2485 |
| | Purchase 23-Oct-2015 | 100 | 0.0017 | 14500 | 0.2503 |

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 |
| 14 | Purchase 06-Nov-2015 | 2950 | 0.0509 | 17450 | 0.3012 |
| | Purchase 13-Nov-2015 | 3649 | 0.0629 | 21099 | 0.3642 |
| | Purchase 20-Nov-2015 | 5200 | 0.0897 | 26299 | 0.4540 |
| | Sale 27-Nov-2015 | -9699 | 0.1674 | 16600 | 0.2865 |
| | Purchase 04-Dec-2015 | 1475 | 0.0254 | 18075 | 0.3120 |
| | Purchase 11-Dec-2015 | 8165 | 0.1409 | 26240 | 0.4529 |
| | Purchase 18-Dec-2015 | 660 | 0.0113 | 26900 | 0.4643 |
| | Purchase 25-Dec-2015 | 977 | 0.0168 | 27877 | 0.4812 |
| | Purchase 31-Dec-2015 | 223 | 0.0038 | 28100 | 0.4850 |
| | Purchase 01-Jan-2016 | 250 | 0.0043 | 28350 | 0.4894 |
| | Purchase 08-Jan-2016 | 4320 | 0.0745 | 32670 | 0.5639 |
| | Purchase 15-Jan-2016 | 3159 | 0.0545 | 35829 | 0.6185 |
| | Purchase 22-Jan-2016 | 171 | 0.0029 | 36000 | 0.6214 |
| | Purchase 05-Feb-2016 | 14859 | 0.2565 | 50859 | 0.8779 |
| | Purchase 12-Feb-2016 | 3941 | 0.0680 | 54800 | 0.9460 |
| | Purchase 26-Feb-2016 | 200 | 0.0034 | 55000 | 0.9494 |
| | Purchase 18-Mar-2016 | 20 | 0.0003 | 55020 | 0.9498 |
| | Purchase 25-Mar-2016 | 1548 | 0.0267 | 56568 | 0.9765 |
| | Purchase 31-Mar-2016 | 3462 | 0.0597 | 60030 | 1.0363 |
| | At the end of the Year 31-Mar-2016 | 60030 | 1.0363 | 60030 | 1.0363 |
| | INDIA INFOLINE LIMITED | | | | |
| | At the beginning of the year 01-Apr-2015 | 0 | 0.0000 | 0 | 0.0000 |
| | Purchase 31-Mar-2016 | 44976 | 0.7764 | 44976 | 0.7764 |
| | At the end of the Year 31-Mar-2016 | 44976 | 0.7764 | 44976 | 0.7764 |

TWENTY THIRD ANNUAL REPORT 2015-2016

E) Shareholding of Directors and Key Managerial Personnel:

| 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 | SUSHIL KUMAR MUNDRA At the beginning of the year 01-Apr-2015 Purchase 26-Jun-2015 Purchase 30-Oct-2015 At the end of the Year 31-Mar-2016 | 214400 40000 40000 294400 | 4.0894 0.6905 0.6905 5.0822 | 214400 254400 294400 294400 | 4.0894 4.3917 5.0822 5.0822 |
| 2 | LAXMINARAYAN MOONDRA At the beginning of the year 01-Apr-2015 Sale 18-Sep-2015 At the end of the Year 31-Mar-2016 HAVING SAME PAN | 160294 -160294 0 | 3.0574 2.7671 0.0000 | 160294 0 0 | 3.0574 0.0000 0.0000 |
| 2 | LAXMINARAYAN MOONDRA At the beginning of the year 01-Apr-2015 Purchase 18-Sep-2015 At the end of the Year 31-Mar-2016 | 0 160294 160294 | 0.0000 2.7671 2.7671 | 0 160294 160294 | 0.0000 2.7671 2.7671 |
| 3 | SATYANARAYAN MUNDRA At the beginning of the year 01-Apr-2015 At the end of the Year 31-Mar-2016 | 123255 123255 | 2.3509 2.1277 | 123255 123255 | 2.3509 2.1277 |
| 4 | CMGURUMURTHY At the beginning of the year 01-Apr-2015 At the end of the Year 31-Mar-2016 | 200 200 | 0.0038 0.0034 | 200 200 | 0.0038 0.0034 |

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 | 541.84 | NIL | NIL | 541.84 |
| ii) Interest due but not paid | NIL | NIL | NIL | NIL |
| iii) Interest accrued but not due | NIL | NIL | NIL | NIL |
| Total (i+ii+iii) | 541.84 | NIL | NIL | 541.84 |
| Change in Indebtedness during the financial year | | | | |
| * Addition | 10.46 | NIL | NIL | 10.46 |
| * Reduction | NIL | NIL | NIL | NIL |
| Net Change | 10.46 | NIL | NIL | 10.46 |
| Indebtedness at the end of the financial year | | | | |
| i) Principal Amount | 552.30 | NIL | NIL | 552.30 |
| ii) Interest due but not paid | NIL | NIL | NIL | NIL |
| iii) Interest accrued but not due | NIL | NIL | NIL | NIL |
| Total (i+ii+iii) | 552.30 | NIL | NIL | 552.30 |

NATURAL CAPSULES LIMITED

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL-

| SN. | Particulars of Remuneration | Name of MD/MTD/ 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 | 40.71 | 27.61 | 27.90 | 96.22 |
| | (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... | 5.88 | NIL | NIL | 5.88 |
| 5 | Others, please specify | NIL | NIL | NIL | NIL |
| | Total (A) | 46.59 | 27.61 | 27.90 | 102.10 |
| | Ceiling as per the Act | | | | 148.12 |

B. Remuneration to other directors

| 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 | 1.35 | 1.50 | 1.05 | NIL | NIL | 3.90 |
| | Commission | 1.17 | 1.17 | 1.17 | NIL | NIL | 3.51 |
| | Others, please specify | | | | | | |
| | Total (1) | 2.52 | 2.67 | 2.22 | NIL | NIL | 7.41 |
| 2 | Other Non-Executive Directors Fee for attending board committee meetings | NIL | NIL | NIL | 0.75 | 0.90 | 1.65 |
| | Commission | NIL | NIL | NIL | 1.17 | 1.17 | 2.34 |
| | Others, please specify | NIL | NIL | NIL | NIL | NIL | NIL |
| | Total (2) | NIL | NIL | NIL | 1.92 | 2.07 | 3.99 |
| | Total (B)=(1+2) | 2.52 | 2.67 | 2.22 | 1.92 | 2.07 | 11.40 |
| | Total ManagerialRemuneration | | | | | | 113.50 |
| | Overall Ceiling as per the Act | | | | | | 148.12 |

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

| 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 | NIL | 9.84 | 8.16 | 18.00 |
| | (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 | 9.84 | 8.16 | 18.00 |

TWENTY THIRD ANNUAL REPORT 2015-2016

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 |

CERTIFICATE OF CHIEF EXECUTIVE OFFICER AND 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 2015-16 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.

Sunil L. Mundra
Managing Director
Bangalore
July 30, 2016

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., A.C.A.

GNANOBA & BHAT
CHARTERED ACCOUNTANTS

Auditor's Certificate on Corporate Governance

We have examined the compliance of conditions of corporate governance by Natural Capsules Limited ('the Company') for the year ended March 31, 2016 as stipulated in regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paragraph C, D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") with the Stock Exchanges in India.

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


In our opinion and to the best of our information and according to the explanations given to us 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 the above mentioned Listing Regulations.

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.

Bangalore
28th May, 2016

For Gnanoba & Bhat,
Chartered Accountants,
Firm Registration No. 000939S




(K.R. Gnanoba)
Partner
Mem. No. 023137

K.R. GNANOBA B.Com., F.C.A.
R. UMESH B.Com., F.C.A.
PHALGUNA B. N. B.Com., A.C.A.

GNANOBA & BHAT
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of M/s Natural Capsules Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **M/s Natural Capsules Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss, and Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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) Rule 2014. This responsibility also includes maintenance of 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 judgment and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate 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 misstatements, 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 provision of the Act and the Rules made thereunder.

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 a 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 and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.



GNANOBA & BHAT
CHARTERED ACCOUNTANTS

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

Opinion

In our opinion and to 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 31 March 2016 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 (the Order) 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 statement on the matters specified in paragraphs 3 and 4 of the order to the extent applicable.
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, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 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:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 27(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;




GNANOBA & BHAT
CHARTERED ACCOUNTANTS

- iii. There has been no delay in transferring amount, required to be transferred to the Investor Education and Protection Fund by the Company.

Place: BANGALORE
Date: 28/05/2016

For GNANOBA & BHAT
CHARTERED ACCOUNTANTS
Firm Reg. No: 000939S




K R GNANOBA
(PARTNER)
M. No 023137

GNANOBA & BHAT
 CHARTERED ACCOUNTANTS

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

- 1) In respect of its fixed assets :
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of 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, no material discrepancies were noticed on such verification.
- 2) 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.
- 3) 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
- 4) The Company has not advanced any loans, investments, guarantees and security in terms of Section 185 & 186 of the Companies Act, 2013 and reporting under this clause is not applicable.
- 5) 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.
- 6) 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 applicable to the company and the company has maintained the records as required.
- 7) 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 due :
 - a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Excise Duty, Custom Duty, Service Tax, Cess and other statutory dues with the appropriate authorities during the period wherever applicable. However the following undisputed Central Sales tax are in arrears as at 31st March, 2016 for a period of more than six months from the date they became payable :

| Name Of Statue | Nature of Dues | Amount (in Rs.) | For the Period | Due Date |
|-----------------------|----------------|-----------------|----------------|------------|
| Central Sales tax Act | Tax Collected | 4,302 | 2011-12 | April 2012 |
| Central Sales tax Act | Tax Collected | 3,105 | 2012-13 | April 2013 |
| Central Sales tax Act | Tax Collected | 3,000 | 2012-13 | April 2013 |



TWENTY THIRD ANNUAL REPORT 2015-2016

GNANOBA & BHAT CHARTERED ACCOUNTANTS

- 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 | 2,26,747 | Jan,2005 to Nov, 2008 | CESTAT |
| Service Tax | Penalty on Service Tax | 2,58,935 | Jan,2005 to Nov, 2008 | CESTAT |
| Service Tax | Service tax | 22,08,074 | Nov,2009 to Oct, 2012 | Commissioner of Central Excise |
| Service Tax | Penalty on Service Tax | 22,08,074 | 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 | 1,42,102 | June 2013 to December 2013 | Commissioner of Central Excise |
| Service Tax | Penalty on Service Tax | 10,000 | June 2013 to December 2013 | Commissioner of Central Excise |
| Service Tax | Service Tax | 1,71,530 | April 2007 to March 2008 | Commissioner of Central Excise |
| Service Tax | Penalty on Service Tax | 1,24,818 | April 2007 to March 2008 | Commissioner of Central Excise |
| Service Tax | Service Tax | 1,31,902 | April 2012 to October 2012 | Commissioner of Central Excise |
| Service Tax | Penalty on Service Tax | 6,500 | April 2012 to October 2012 | Commissioner of Central Excise |
| Service Tax | Service Tax | 95,828 | November 2012 to May 2013 | Commissioner of Central Excise |
| Service Tax | Penalty on Service Tax | 4,500 | November 2012 to May 2013 | Commissioner of Central Excise |

- c) As per the information and explanation given to us the amounts which were required to be transferred to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and the rules made there under has been transferred to such fund within time, wherever applicable.



GNANOBA & BHAT
CHARTERED ACCOUNTANTS

- 8) 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.
- 9) 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.
- 10) 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.
- 11) 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.
- 12) In our opinion, the Company is not a Nidhi Company. Therefore, Reporting under this clause is not applicable.
- 13) In our opinion and according to the information and explanation provided, Section 177 of the Companies Act, 2013 is not applicable to the Company. All transactions with the related parties are in compliance with section 188 of the Companies Act, 2013 and adequate details have been disclosed in the Financials Statements, etc as required by the applicable accounting standards.
- 14) 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 raised.
- 15) 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.
- 16) 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: 28/05/2016

For GNANOBA & BHAT
CHARTERED ACCOUNTANTS
Firm Reg. No: 000939S




K.R. GNANOBA
(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 Capsule Limited ("the Company")** as of March 31, 2016 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 (ICAI).

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
CHARTERED ACCOUNTANTS

Meaning of Internal Financial Controls Over Financial Reporting

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, that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company;
- (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, 2016, 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 : 28/05/2016



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


K R GNANOBA
Partner
M.No. 023137

TWENTY THIRD ANNUAL REPORT 2015-2016

CORPORATE GOVERNANCE

1. 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 under clause 49 of the listing agreement / SEBI (LODR) Regulations, 2015.

2. BOARD OF DIRECTORS:

a) Composition, Category of Directors and their other directorship as on March 31, 2016.

| Name of the Director | Category of Directorship | No. of Directorship in other Public & Pvt. Ltd. Companies | Director identification number |
|--|--|---|--------------------------------|
| Shri. Sunil Laxminarayan Mundra | Executive (Managing Director) | 3 | 00214304 |
| Shri. Satyanarayan Mundra | Executive(Whole time Director) | 2 | 00214349 |
| Shri. Laxminarayan Moondra | Executive(Whole time Director) | 2 | 00214298 |
| Shri. Sushil Kumar Mundra | Non – Executive (Promoter Director) | 2 | 00214332 |
| Shri. Srirangam Gopalan | Non – Executive (Independent Director) | 0 | 00287219 |
| Dr. 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 | 0 | 07143035 |

b) Number of Board Meetings

During the year ended March 31, 2016, Six Board Meetings were held on the following dates.

| SL No. | Date of Meeting | Board Strength | No. of Directors Present |
|--------|--|----------------|--------------------------|
| 1 | Saturday. May 30 th , 2015 | 8 | 7 |
| 2 | Wednesday. July 29 th , 2015 | 8 | 8 |
| 3 | Friday. August 14 th , 2015 | 8 | 5 |
| 4 | Wednesday. September 09 th , 2015 | 8 | 7 |
| 5 | Thursday. October 29 th , 2015 | 8 | 8 |
| 6 | Wednesday. January 27 th , 2016 | 8 | 7 |

c) Directors' attendance record:

| Name of the Director | Board Meetings Attended during the year. | Whether attended Last AGM |
|--|---|---------------------------------|
| Shri. Sunil Laxminarayan Moondra | 6 | Yes |
| Shri. Satyanarayan Mundra | 5 | Yes |
| Shri. Laxminarayan Moondra | 5 | Yes |
| Shri. Sushil Kumar Mundra | 5 | Yes |
| Shri. Srirangam Gopalan | 5 | Yes |
| Dr. Chikkanayakanahalli Muddulingaiah Gurumurthy | 6 | Yes |
| Shri. Cattancoletore Padmanabhan Rangachar | 4 | Yes |
| Smt. Jyoti Mundra | 6 | Yes |

d) Relationship between directors

The names of Directors who are related inter se are A) Mr. Sunil L Mundra, B) Mr. Laxminaryan Moondra, C) Mr. Sushil Kumar Mundra, D) Mr. Satyanarayan Mundra and E) Mrs. Jyoti Mundra.
Non of the other directors are related each other.

e) No of shares and convertible instruments held by Non-Executive directors

| Sl No | Shareholder's Name | Shareholding at the beginning of the year | | | Shareholding at the end of the year | | | % change Shareholding during the year |
|----------|-----------------------|--|---|--|--|---|--|--|
| | | No. of shares | % of total shares of the company | % of shares pledged / encumbered to total shares | No. of shares | % of total shares of the company | % of shares pledged / encumbered to total shares | |
| 1 | SUSHIL KUMAR MUNDRA | 214400 | 4.0894 | 0.0000 | 294400 | 5.0822 | 0.0000 | 1.3810 |
| 2 | JYOTI MUNDRA | 124463 | 2.3740 | 0.0000 | 204463 | 3.5296 | 0.0000 | 1.3810 |
| 3 | Dr. C M GURUMURTHY | 200 | 0.0038 | 0.0000 | 200 | 0.0034 | 0.0000 | 0.0000 |

3. COMMITTEES OF THE BOARD

a) Audit Committee

i) Terms of Reference:

Apart from all the matters provided in clause 49 of the listing agreement 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 three independent directors, Shri. S.Gopalan, Shri. C.P.Rangachar and Shri. Dr. C.M.Gurumurthy. Shri. S.Gopalan has been designated as chairman of the committee. The committee met 4 times during the financial year ended March 31, 2016. The attendance record of the members at the meeting were as follows.

| Name of the Member | Designation | No. of Meeting Attended |
|---------------------|-------------|-------------------------|
| Shri. S.Gopalan | Chairman | 4 |
| Shri. C.P.Rangachar | Member | 4 |
| Dr. C.M.Gurumurthy | Member | 4 |

TWENTY THIRD ANNUAL REPORT 2015-2016

During the year ended March 31, 2016, Four Audit Committee Meetings were held on the following dates.

| SL. No. | Date of Meeting | Committee Strength | No. of members present |
|---------|--|--------------------|------------------------|
| 1 | Saturday. May 30 th , 2015 | 3 | 3 |
| 2 | Wednesday. July 29 th , 2015 | 3 | 3 |
| 3 | Thursday. October 29 th , 2015 | 3 | 3 |
| 4 | Wednesday. January 27 th , 2016 | 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 |

The committee met two times during the financial year ended March 31st, 2016. The attendance record of the members at the meeting was as follows.

| Name of the Member | Designation | No of meetings attended |
|--------------------|-------------|-------------------------|
| Mr. S.Gopalan | Chairman | 2 |
| Dr. C.M.Gurumurthy | Member | 2 |
| Mr. Rangachar | Member | 2 |

The details of remuneration for the year ended March 31st, 2016 to the Executive & Non-Executive Directors are as follows.

| Directors | Sitting Fees | Salary and Perquisites | Commission | Total |
|--------------------------------|--------------|------------------------|------------|-------|
| Executive Directors | | | | |
| 1. Sri Sunil L Mundra | NIL | 40.71 | 5.88 | 46.59 |
| 2. Sri Laxminarayan Moondra | NIL | 27.61 | NIL | 27.61 |
| 3. Sri Satyanarayan Mundra | NIL | 27.90 | NIL | 27.90 |
| Non Executive Directors | | | | |
| 1. Sri S.Gopalan | 1.35 | NIL | 1.17 | 2.52 |
| 2. Dr. C.M.Gurumurthy | 1.50 | NIL | 1.17 | 2.67 |
| 3. Sri C.P.Rangachar | 1.05 | NIL | 1.17 | 2.22 |
| 4. Sri Sushil Kumar Mundra | 0.75 | NIL | 1.17 | 1.92 |
| 5. Smt. Jyothi Mundra | 0.90 | NIL | 1.17 | 2.07 |

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.

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

CEO & Managing Director - Criteria for selection / appointment

For the purpose of selection of the CEO & 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.

Remuneration for the CEO & Managing 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 N&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 retirement 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 the Provisions of Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014

1. The ratio of the remuneration of each Director to the median remuneration of the employee for the financial year.

| Sl. No. | Name | Designation | Ratio of remuneration |
|----------------|--------------------------|--------------------|------------------------------|
| 1 | Mr. Sunil L Mundra | Managing Director | 28:1 |
| 2 | Mr. Laxminarayan Moondra | Executive Director | 17:1 |
| 3 | Mr. Satyanarayan Mundra | Executive Director | 17:1 |

Note: None of the other directors are paid any remuneration other than sitting fees. As such their names are not included in the above table.

Considering the Industry structure in which the company is operating a majority portion of the 387 employees of the company comprises Junior Machine Operators, Operators, junior supervisors, Supervisors, Block In charge and department heads whose salary would be as per the Industry standard. Computation of median as detailed above would include the salary drawn by said employees. Computation of the said median salary is purely based on the employee cost to the company.

TWENTY THIRD ANNUAL REPORT 2015-2016

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 | 4.62% |
| 2 | Mr. Laxminarayan Moondra | Executive Director | 6.82% |
| 3 | Mr. Satyanarayan Mundra | Executive Director | 6.82% |
| 4 | Mr. D R Anand | Company Secretary | NIL |
| 5 | Mr. Prasanna Junnarkar | Chief Financial Officer | NIL |

3. The percentage increase in the median remuneration of employees in the financial year. The median remuneration of the employees in the financial year increased by 10.00%.
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 Company's revenues and profits.
5. Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company: The increase effected in the remuneration to Key Managerial Personnel is in line with the increased revenues and profitability of the company.
6. Comparison of the remuneration of the key managerial personnel against the performance of the company.
Not applicable. No increase to KMPs during the year.
7. Average percentile increase already made in the salaries of employees other than the Managerial personnel in the Last financial year and its comparison with the percentile increase in the Managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.
The increase in the managerial remuneration as well as that relating to the CFO and CS are at percentages that are lesser than the increase effected in the salaries of employees other than Managerial personnel.
8. Comparison of each remuneration of the Key Managerial Personnel against the performance of the company.

| Particulars | 2015-16 | 2014-15 |
|---|---------------|---------------|
| Total Operating revenues | 6205.30 lakhs | 6732.08 lakhs |
| Profit before tax and exceptional items | 607.47 lakhs | 752.40 lakhs |
| Profit after tax | 433.88 lakhs | 564.92 lakhs |

The total revenues of the company Rs. 6205.30 lakhs. The net profit of the company Rs. 433.88 lakhs. The table below depicts the details of the employee remuneration as against the performance of the company.

| Sl. No. | Name | Designation | % to the net profits |
|---------|--------------------------|-------------------------|----------------------|
| 1 | Mr. Sunil L Mundra | Managing Director | 3.46% |
| 2 | Mr. Laxminarayan Moondra | Executive Director | 2.05% |
| 3 | Mr. Satyanarayan Mundra | Executive Director | 2.07% |
| 4 | Mr. D R Anand | Company Secretary | 0.70% |
| 5 | Mr. Prasanna Junnarkar | Chief Financial Officer | 0.61% |

9. The key parameters for any variable component of remuneration availed by the Directors
One percent commission is distributed to all the directors of the company (50% of one percent is given to MD and balance is distributed equally to all the remaining Directors)
10. The ratio of the remuneration of the highest paid director to that of the employees who are not directors by receive remuneration in excess of the highest paid Director during the year.
Not applicable.
11. 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.

Performance evaluation criteria for Independent Directors.

The performance of independent directors is being reviewed by executive directors and remuneration if any will be based on their performance.

The familiarisation programmes imparted to Independent directors is disclosed in the company's website <http://www.naturalcapsules.com/pages/corporate-governance.html>

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. 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 | 22-04-2015 | 3 | 3 |
| 2 | 29-07-2015 | 3 | 3 |
| 3 | 09-11-2015 | 3 | 3 |
| 4 | 27-01-2016 | 3 | 3 |

Status of shareholders/Investors Grievance and Share Transfers as on 31-03-2016

1. No. of Grievances received : 09
2. No. of Grievances redressed : 09
3. No. of Grievances pending : NIL
4. No. of share transfers pending : NIL

d) 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 | Dr. C.M.Gurumurthy | Chairman |
| 2 | Shri Sunil L Mundra | Member |
| 3 | Shri Sushil Kumar Mundra | Member |

The committee met Two times during the financial year ended March 31st, 2016. The attendance record of the members at the meeting was as follows.

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

e) 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, 2016. The attendance record of the members at the meeting was as follows.

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

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement / 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

TWENTY THIRD ANNUAL REPORT 2015-2016

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.

f) The company has formed a business risk evaluation/management committee consisting of the following members.

| Name of the person | Designation | No of meetings attended |
|---|--------------------|--------------------------------|
| 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 27th January, 2016, 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.

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

4. SHARE HOLDERS:

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.

- (ii) In line with the existing provisions of the Listing Agreement, the Company has created a separate e-mail address viz. corporate@naturalcapsules.com and dranand@naturalcapsules.com to receive complaints and grievances of the investors.

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 effected within 15days of lodgement, 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 |
|----------------|-------------------------------|-----------|--|
| 2014-15 | 27 th August, 2015 | 10.00 A M | Bangalore Gayana Samaja, Bangalore - 4 |
| 2013-14 | 27 th August, 2014 | 10.00 A M | Bangalore Gayana Samaja, Bangalore - 4 |
| 2012-13 | 25 th July, 2013 | 10.00 A M | Bangalore Gayana Samaja, Bangalore - 4 |

Special resolutions passed in the last three AGMs: 5 (Five)

Special resolutions passed in the last year through postal ballot: NIL

Special resolutions proposed to be conducted through postal ballot : NIL

e. Postal Ballot:

For the year ended March 31, 2016 there have been no ordinary or special resolutions passed by the Company's Shareholders through postal ballot.

5. Additional shareholders information:

a) Annual General Meeting

Date: August 26th, 2016

Venue: Shri Krishnaraja Parishanmandira, Kannada Sahithya Parishat, Pampa Mahakavi Road, Chamarajpet, Bangalore-560018

Time: 10.00 A.M.

b) Financial Calendar

Financial Year: April 01 to March 31 for the financial year 2016-17, the tentative dates for declaration of Quarterly unaudited results will be by July 30, 2016, October 31, 2016, January 31, 2017 and May 31, 2017.

c) Book Closure:

The register of members and share transfer books of the company shall remain closed from August 20th, 2016 to August 26th, 2016 (both days inclusive) for payment of dividend.

d) Dividend Payment Date:

Dividend declared will be paid on or before (25th Sep 2016) 30 days of the approval of the same in the Annual General Meeting.

e) 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 Code No.

The Bombay Stock Exchange 524654

The ISN number allotted to the company for demat of share are as under.

CAMEO: INE936B01015

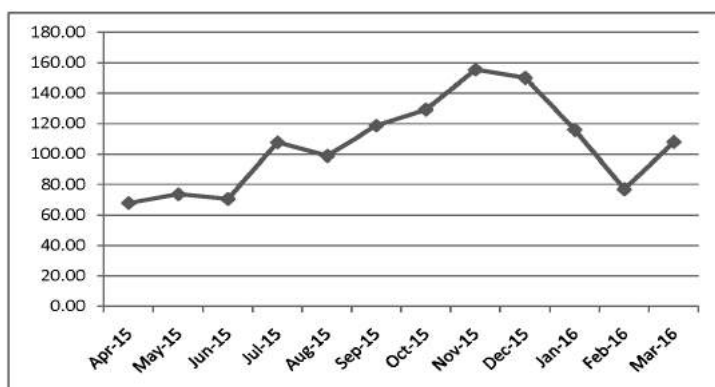
CDSL: INE936B01015

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, 2016 was as follows:

| Month | Open | High | Low | Close | No. of Shares | No. of Trades | Total Turnover |
|--------|-------|-------|-------|--------|---------------|---------------|----------------|
| Apr-15 | 71 | 75 | 64.7 | 67.8 | 88,855 | 868 | 61,50,871 |
| May-15 | 69.9 | 81 | 66.05 | 73.75 | 79,139 | 445 | 57,51,927 |
| Jun-15 | 73.5 | 76.9 | 61.65 | 70.55 | 65,094 | 499 | 46,17,677 |
| Jul-15 | 72.65 | 107.7 | 70.25 | 107.7 | 2,07,351 | 1,213 | 1,95,96,665 |
| Aug-15 | 113 | 130.7 | 91 | 98.8 | 2,74,127 | 1,413 | 3,10,03,919 |
| Sep-15 | 100.9 | 124.3 | 89.8 | 118.65 | 1,19,026 | 757 | 1,24,04,192 |
| Oct-15 | 122.8 | 129.2 | 110.2 | 129.2 | 1,20,337 | 889 | 1,42,83,495 |
| Nov-15 | 130.5 | 167.9 | 118.1 | 155.4 | 1,55,097 | 1,149 | 2,26,88,016 |
| Dec-15 | 153 | 163 | 144.9 | 149.9 | 84,787 | 753 | 1,29,87,242 |
| Jan-16 | 145.3 | 163.1 | 115.9 | 115.9 | 39,186 | 466 | 53,30,194 |
| Feb-16 | 110.2 | 115.7 | 76.9 | 76.9 | 73,975 | 462 | 73,40,331 |
| Mar-16 | 80.6 | 108 | 76.3 | 108 | 30,925 | 274 | 29,41,617 |

TWENTY THIRD ANNUAL REPORT 2015-2016

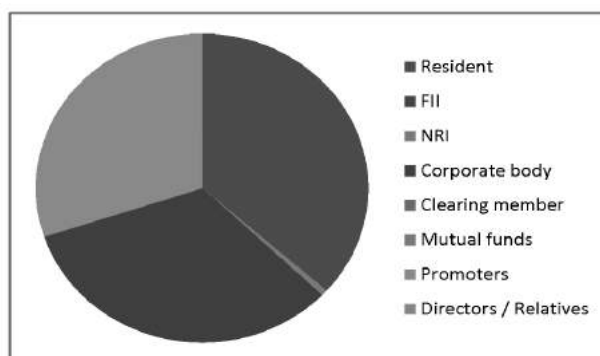


g) Distribution of shareholding as on March 31, 2016.

| Size of Holdings | No. of share holders | Share holders Percentage % | No. of shares | Rs. | Percentage % |
|-------------------|----------------------|----------------------------|----------------|-----------------|-----------------|
| 10-5000 | 3894 | 89.0871 | 526225 | 5262250 | 9.0842 |
| 5001-10000 | 223 | 5.01018 | 183980 | 1839800 | 3.1760 |
| 10001-20000 | 115 | 2.6309 | 176297 | 1762970 | 3.0434 |
| 20001-30000 | 49 | 1.1210 | 123684 | 1236840 | 2.1351 |
| 30001-40000 | 16 | 0.3660 | 59748 | 597480 | 1.0314 |
| 40001-50000 | 19 | 0.4346 | 90550 | 905500 | 1.5631 |
| 50001-100000 | 20 | 0.4575 | 146832 | 1468320 | 2.5347 |
| 100001- and above | 35 | 0.8007 | 4485384 | 44853840 | 77.4316 |
| TOTAL | 4371 | 100.00 | 5792700 | 57927000 | 100.0000 |

h) Share Holding Pattern:

| Category | No. of shares | % of Holding |
|-----------------------|----------------|-----------------|
| Resident | 2117830 | 36.5603 |
| FII | 300 | 0.0051 |
| NRI | 35956 | 0.6207 |
| Corporate body | 1895637 | 0.0163 |
| Clearing member | 948 | 0.0460 |
| Mutual funds | 3700 | 0.0638 |
| Promoters | 1734529 | 29.9433 |
| Directors / Relatives | 3800 | 0.0655 |
| Total | 5792700 | 100.0000 |



i) Shares held in physical and dematerialized form:

As on March 31, 2016, 94.86% (54,95,059) of shares were held in dematerialized form and the rest 5.14% (2,97,641) of shares held in physical form.

- j) Outstanding GDR's/ADR's/Warrant's/Convertible instruments and their impact on equity:- 11,00,000 convertible securities/ Equity share warrants pending for conversion. During this financial year this warrants or convertible securities will be converted fully paid up equity shares. Equity share capital will increase to the extent of Rs. 1,10,00,000/- during financial year 2016-17.

k) Plant Location

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

l) Address for correspondence

102, "SHRESHTA BHUMI", # 87, K.R.Road, Bangalore – 560 004.

Telephone: 080 -26671571, 26671573, 26671581.

E-mail: dranand@naturalcapsules.com

Website: www.naturalcapsules.com

m) Shares held in electronic form

Shareholders holding shares in the electronic form may give instruction regarding bank details, which they wish to in corporate 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.

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. There were no penalties imposed nor any strictures issued on the Company by the Stock Exchanges, SEBI or any other statutory authority relating to the above.

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 with the Stock Exchanges and 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.

MANAGEMENT DISCUSSION AND 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 have been affected due to issues of fluctuations and availability of hard currency. Fall in commodity and oil prices, intense competition from Chinese suppliers has impacted demand for Gelatine capsules. 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 sales turnover has reduced by 7.65% PBT is also down by 12.77% to Rs. 130.83 Lakhs. However, company is hopeful of improving its performance in coming years.

2. OPPORTUNITIES AND THREATS:**a) Opportunities**

- i) Opening of export opportunities for HPMC capsules in various countries.
- ii) Expansion of the existing markets for Vege capsules within the country due to proposed converting gelatine capsules to Hydroxypropyl methylcellulose (HPMC) Capsules.
- iii) New dosage formulations using hard capsules.

b) Threats:

- i) Aggressive expansion & price competition from Chinese suppliers.
 - ii) Stagnant payments from international customers.
 - iii) Conversion of Gelatine capsules products into other dosage forms due to government guidelines on gelatine.
 - iv) 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 realisation company may have to face fall in profits.

5. RISKS AND 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.

Indian pharmaceutical Industry has been growing at CAGR of around 7 to 8% in last many years, However presently it is facing many challenges for growth. Some of the salient features are discussed below:

Bulk drug policy

To reduce India's dependence on China, the government has promised to come out with a bulk drug policy by March. Bulk drugs, or active pharmaceutical ingredients, are the active raw materials used in a drug. India gets more than 75% of its bulk drugs from China. A boost for public sector enterprises, tax free status for manufacturers and cluster development are likely to be the highlights of the policy.

A new ministry

The Narendra Modi government has promised to create a new ministry for pharmaceuticals and medical devices. The Central Drugs Standard Control Organisation and the Drug Controller General of India – which exercise regulatory control over the import of drugs, approval of new drugs and clinical trials-are governed by the health ministry. The National Pharmaceutical Pricing Authority, which sets the price limit on essential medicines, comes under the ministry of chemicals and fertilizers. All these will be brought under the new ministry.

Marketing code

A mandatory code is set to replace the voluntary Uniform code of pharmaceutical Marketing Practices by June. This will prohibit the practice of drug makers offering gifts to doctors in return for prescribing their products. In 2011, the ministry of chemicals and fertilizers had backed away from such a mandatory code after protests from the industry. It needs to be seen whether this time around the government will not succumb to the pressure.

Online pharmacies

Regulation of the booming business of online pharmacies is also expected. The DCGI has constituted a subcommittee under the chairmanship of Maharashtra Food and Drug Administration commissioner Harshdeep Kamble to frame regulations for online pharmacies. The issue came into the limelight after 800,000 chemists across the country went on a nationwide strike in October against the move by the government to regularize the online sale of medicines.

Cap on trade margins A cap on the margins that drug makers make on generic medicines sold through distributors is expected this year. The total business in these drugs, known as trade generics, is pegged at Rs. 5,000-6,000 crores, or 5-6% of India's total pharma market. In trade generics, the distributors appoint medical representatives to market products to doctors in rural areas, in addition to supplying to retailers. The Prime Minister's office has intervened on the issue as in some cases trade margins go up to 4,000%.

Ban on Irrational Fixed Dose Combination Drug Products

Drug Regulator had put ban on 344 drug products during the month of March, 16, sighting them to be irrational. Currently most of the affected companies have approached courts who have stayed this order. However if the Regulator succeeds in implementing this ban, they might enforce on many more such combination products, which looks ominous for the domestic pharma industry.

Currency Fluctuations and Payment Crisis in African and Latin American countries

Due to slowing down of Chinese economy and consequent fall in commodity prices, further low oil prices due to various reasons, currencies of most of the developing and emerging economies have been adversely affected during the last year. Slowing down of their exports had led to reduction in availability of hard currency for importing required commodities and products in these economies. This had resulted in payment crisis and slowing down of the pharma business between India and these economies.

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 authorised, 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

During the year under review the company had discharged all its institutional repayment liabilities on time. Over and above of this, the company has ploughed back Rs. 511.94 lacs for Capital Investment for the expansion Projects in both the manufacturing units of Attibele (Bangalore) and Pondicherry.

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

8. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES/INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED.

As on March 31, 2016 the company had 140 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 most of 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.

TWENTY THIRD ANNUAL REPORT 2015-2016

BALANCE SHEET AS AT MARCH 31, 2016

(Amount in Rs.)

| Particulars | Note No. | Rupees | As at 31.03.2016 | Rupees | As at 31.03.2015 |
|--|----------|--------------|---------------------|--------------|---------------------|
| I EQUITY AND LIABILITIES | | | | | |
| (1) Shareholder's Funds | | | | | |
| (a) Share Capital | 1 | 5,79,27,000 | | 5,24,27,000 | |
| (b) Reserves and Surplus | 2 | 47,73,78,430 | | 41,60,25,202 | |
| (c) Money Received Against Share Warrants | 3 | 2,20,00,000 | | 19,80,000.00 | |
| | | | 55,73,05,430 | | 47,04,32,202 |
| (2) Share application money pending allotment | | — | — | — | — |
| (3) Non-Current Liabilities | | | | | |
| (a) Deferred tax liabilities (Net) | 4 | 2,31,85,266 | | 2,29,99,916 | |
| (b) Other Long term liabilities | 5 | 0 | | 2,37,028.34 | |
| (c) Long term provisions | 6 | 57,78,395.00 | | 55,98,484.99 | |
| | | | 2,89,63,661 | | 2,88,35,429 |
| (4) Current Liabilities | | | | | |
| (a) Short Term Borrowings | 7 | 5,52,29,895 | | 5,41,83,997 | |
| (b) Trade payables | 8 | 10,07,40,690 | | 5,65,38,688 | |
| (c) Other current liabilities | 9 | 2,14,63,960 | | 1,31,25,497 | |
| (d) Short-term provisions | 10 | 1,04,57,936 | | 1,01,99,161 | |
| | | | 18,78,92,480 | | 13,40,47,344 |
| Total | | | 77,41,61,572 | | 63,33,14,974 |
| II ASSETS | | | | | |
| (1) Non-current assets | | | | | |
| (a) Fixed assets | | | | | |
| (i) Tangible assets | 11 | 30,16,01,202 | | 29,20,88,523 | |
| (ii) Intangible assets | | — | | — | |
| (iii) Capital work-in-progress | | — | | 2,49,46,954 | |
| (iv) Intangible assets under development | | — | | — | |
| | | | 30,16,01,202 | | 31,70,35,477 |
| (b) Non-current investments | 12 | 5,07,35,709 | | — | |
| (b) Long term loans and advances | 13 | 1,47,89,622 | | 1,76,99,143 | |
| (c) Other non-current assets | 14 | 32,18,167 | | 25,85,059 | |
| | | | 6,87,43,498 | | 2,02,84,202 |
| (2) Current assets | | | | | |
| (a) Inventories | 15 | 10,05,91,834 | | 5,04,05,743 | |
| (b) Trade receivables | 16 | 28,37,81,694 | | 22,99,76,809 | |
| (c) Cash and Cash Equivalents | 17 | 19,24,684 | | 16,58,216 | |
| (d) Short-term loans and advances | 18 | 1,75,18,660 | | 1,39,54,527 | |
| | | | 40,38,16,872 | | 29,59,95,295 |
| Total | | | 77,41,61,572 | | 63,33,14,974 |

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 : 28.05.2016
Place : Bangalore

Company Secretary
D R Anand
M.NO : A26407

Whole Time Director
Satyanarayan Mundra
DIN : 00214349

Chief Financial Officer
Prasanna Junnarkar

NATURAL CAPSULES LIMITED

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

(Amount in Rs.)

| Particulars | Note No. | For the year ended on 31st March, 2016 | For the year ended on 31st March, 2015 |
|---|----------|--|--|
| I. Revenue from operations | 19 | 62,05,30,574 | 67,32,07,913 |
| II. Other Income | 20 | 1,23,22,780 | 79,44,729 |
| III. Total Revenue (I +II) | | 63,28,53,353 | 68,11,52,641 |
| V. Expenses: | | | |
| Cost of materials consumed | 21 | 29,41,67,243 | 29,45,30,691 |
| Changes in inventories of finished goods, work-in-progress and Stock-in-Trade | 22 | (451,13,349) | (143,60,190) |
| Employee benefit expense | 23 | 6,47,81,258 | 5,91,34,765 |
| Finance costs | 24 | 48,86,247 | 56,40,722 |
| Depreciation and amortization expense | 11 | 4,16,76,804 | 4,02,67,271 |
| Other expenses | 25 | 21,17,08,392 | 22,06,99,575 |
| CSR Expenditure | 26 | - | - |
| Total Expenses | | 57,21,06,595 | 60,59,12,834 |
| V. Profit before exceptional and extraordinary items and tax (III - IV) | | 6,07,46,759 | 7,52,39,807 |
| VI. Exceptional Items | | | |
| Prior Period item | | | |
| i) Prior Period Income | | 66,218 | 1,37,859 |
| ii) Prior Period expenses | | (4,51,416) | (6,200) |
| VII. Profit before extraordinary items and tax (V - VI) | | 6,03,61,561 | 7,53,71,467 |
| VIII. Extraordinary Items | | - | - |
| IX. Profit before tax (VII - VIII) | | 6,03,61,561 | 7,53,71,467 |
| X. Tax expense: | | | |
| (1) Current tax | | 1,67,58,549 | 2,36,10,650 |
| (2) Prior Year tax | | 29,318 | 6,36,601 |
| (3) Deferred tax/(withdrawn) | | 1,85,349 | (53,67,948) |
| XI. Profit(Loss) for the period from continuing operations (IX-X) | | 4,33,88,345 | 5,64,92,165 |
| 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) | | 4,33,88,345 | 5,64,92,165 |
| XVI. Earning per equity share: | | | |
| (1) Basic | | 8.06 | 11.18 |
| (2) Diluted | | 6.69 | 10.71 |

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 : 28.05.2016
Place : Bangalore

Company Secretary
D R Anand
M.NO : A26407

Whole Time Director
Satyanarayan Mundra
DIN :00214349

Chief Financial Officer
Prasanna Junnarkar

TWENTY THIRD ANNUAL REPORT 2015-2016

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016

(Amounts in Rs.)

| Particulars | For the year ended 31 March, 2016 | For the year ended 31 March, 2015 |
|---|--------------------------------------|--------------------------------------|
| A. Cash flow from operating activities | | |
| Net Profit / (Loss) before extraordinary items and tax | 6,03,61,561 | 7,53,71,467 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 4,16,76,804 | 4,02,67,271 |
| (Profit) / loss on sale / write off of assets | (18,957) | (5,71,254) |
| Finance costs | 48,86,247 | 56,40,722 |
| Interest income | (16,14,879) | (7,55,521) |
| Liabilities / provisions no longer required written back | (9,93,868) | (10,20,832) |
| Provision for doubtful trade and other receivables, loans and advances | 2,32,491 | 44,09,014 |
| Sundry Debit Balance W/o | 5,10,837 | 92,931 |
| Gratuity provision reversal | 38,39,944 | (3,87,152) |
| Prior period income | (66,218) | (1,37,859) |
| Net unrealised exchange (gain) / loss | 0 | 0 |
| | 4,84,52,400 | 4,75,37,321 |
| Operating profit / (loss) before working capital changes | 10,88,13,961 | 12,29,08,788 |
| <i>Changes in working capital:</i> | | |
| <i>Adjustments for (increase) / decrease in operating assets:</i> | | |
| Inventories | (501,86,091) | (147,43,681) |
| Trade receivables | (545,48,213) | (447,82,035) |
| Short-term loans and advances | (91,62,626) | (6,45,975) |
| Long-term loans and advances | 29,09,521 | 81,86,419 |
| Other current assets | 0 | 0 |
| Other non-current assets | (6,33,108) | (5,00,753) |
| <i>Adjustments for increase / (decrease) in operating liabilities:</i> | | |
| Trade payables | 4,42,02,002 | 1,00,32,274 |
| Other current liabilities | 83,38,463 | (34,52,014) |
| Other long-term liabilities | (2,37,028) | (7,83,461) |
| Short-term provisions | (10,21,026) | 15,62,679 |
| Long-term provisions | 11,73,778 | (78,76,475) |
| | (591,64,329) | (530,03,022) |
| | 4,96,49,632 | 6,99,05,766 |
| Cash flow from extraordinary items | 0 | 0 |
| Cash generated from operations | 4,96,49,632 | 6,99,05,766 |
| Net income tax (paid) / refunds | (150,29,318) | (156,36,601) |
| Net cash flow from / (used in) operating activities (A) | 3,46,20,314 | 5,42,69,165 |
| B. Cash flow from investing activities | | |
| Capital expenditure on fixed assets, including capital advances | (511,94,577) | (378,22,555) |
| Change in Capital Work in progress | 2,49,46,954 | 0 |
| Proceeds from sale of fixed assets | 24,053 | 6,00,000 |
| Interest income (includes Prior period income) | 16,81,097 | 8,93,380 |
| Purchase of long-term investments | (507,35,709) | (49,20,706) |
| | (752,78,181) | (412,49,881) |
| Net cash flow from / (used in) investing activities (B) | (752,78,181) | (412,49,881) |
| C. Cash flow from financing activities | | |
| Proceeds from issue of equity shares | 49,50,000 | 16,50,000 |
| Proceeds from Premium on issue of equity shares | 2,73,90,000 | 42,90,000 |
| Amount paid to Investor Education & protection fund (unclaimed dividend 2006-07) | 0 | (1,38,577) |
| Proceeds from issue of share warrants | 2,20,00,000 | 0 |
| (Repayment) / Proceeds of Short-term borrowings | 10,45,897 | (64,61,702) |
| Finance cost | (48,86,247) | (56,40,722) |
| Dividends paid | (79,07,199) | (77,49,005) |
| Tax on dividend | (16,68,116) | (7,22,211) |
| | 4,09,24,335 | (147,72,217) |
| Net cash flow from / (used in) financing activities (C) | 4,09,24,335 | (147,72,217) |
| Net increase / (decrease) in Cash and cash equivalents (A+B+C) | 2,66,468 | (17,52,933) |
| Cash and cash equivalents at the beginning of the year | 16,58,216 | 34,11,149 |
| Cash and cash equivalents at the end of the year | 19,24,684 | 16,58,216 |
| Reconciliation of Cash and cash equivalents with the Balance Sheet: | | |
| Cash and cash equivalents as per Balance Sheet | 19,24,684 | 16,58,216 |
| Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 | — | — |
| Net Cash and cash equivalents (as defined in AS 3 <i>Cash Flow Statements</i>) included in Note 19 | 19,24,684 | 16,58,216 |
| 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) | 0 | 0 |
| Cash and cash equivalents at the end of the year * | 19,24,684 | 16,58,216 |
| * Comprises: | | |
| (a) Cash on hand | 23,536 | 36,393 |
| (b) Balances with banks - in current accounts | 19,01,148 | 16,21,823 |

In terms of our report attached

For Gnanoba & Bhat **K R Gnanoba**
Chartered Accountants Partner
Firm Regn No 000939S Membership No 023137
Date : 28.05.2016 / Place: Bangalore

Chairman
Srirangam Gopalan
DIN : 00287219
Company Secretary
D R Anand - M.NO : A26407

Managing Director
Sunil L Mundra
DIN : 00214304

Whole Time Director
Satyanarayan Mundra
DIN : 00214349
Chief Financial Officer
Prasanna Junnarkar

NOTE 1 - SHARE CAPITAL

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 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 57,92,700 (Previous period 52,42,700) equity shares of Rs.10 each | 5,79,27,000 | 5,24,27,000 |
| Total | 5,79,27,000 | 5,24,27,000 |

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

| Particulars | As at 31st March 2016 No. of shares | As at 31st March 2016 Rs. | As at 31st March 2015 No. of shares | As at 31st March 2015 Rs. |
|---|---|---------------------------------|---|---------------------------------|
| No of shares outstanding at the beginning of the year | 52,42,700 | 5,24,27,000 | 50,22,700 | 5,02,27,000 |
| Add: Additional shares issued during the year | 5,50,000 | 55,00,000 | 2,20,000 | 22,00,000 |
| Less: Shares forfeited/Bought back during the year | - | - | - | - |
| No of shares outstanding at the end of the year | 57,92,700 | 5,79,27,000 | 52,42,700 | 5,24,27,000 |

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 | 6,59,000 | 11% | 5,99,000 | 11% |
| Nandhi Synthetics Pvt. Ltd. | 4,14,354 | 7% | 4,14,354 | 8% |
| Vivog Commercial Ltd | 3,45,000 | 6% | 3,45,000 | 7% |
| Sunil L Mundra | 4,16,003 | 7% | 3,36,003 | 6% |
| Mahendra Labs Pvt Ltd | 3,00,000 | 5% | 3,00,000 | 6% |
| Sushil Kumar Mundra | 2,94,400 | 5% | - | - |

TWENTY THIRD ANNUAL REPORT 2015-2016

NOTE 2 - RESERVES AND SURPLUS

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|---|---------------------------------|---------------------------------|
| Capital Reserves: | | |
| As per last Balance Sheet | 14,40,000 | 14,40,000 |
| Additions during the year | 0 | 0 |
| | 14,40,000 | 14,40,000 |
| Securities Premium Account: | | |
| As per last Balance Sheet | 3,90,72,800 | 3,33,52,800 |
| Additions on shares issued during the year | 2,88,20,000 | 57,20,000 |
| | 6,78,92,800 | 3,90,72,800 |
| General Reserve: | | |
| As per last Balance Sheet | 1,62,11,081 | 1,33,86,473 |
| Add: Transfer from Profit & Loss Account | 21,69,417 | 28,24,608 |
| | 1,83,80,498 | 1,62,11,081 |
| Surplus: | | |
| As per last Balance Sheet | 35,93,01,321 | 32,47,99,234 |
| Add: Profit/(Loss) for the period | 4,33,88,345 | 5,64,92,164 |
| Less: Appropriation | | |
| Proposed Dividend | 90,19,050 | 78,64,050 |
| Tax on Proposed Dividend | 18,36,066 | 16,00,936 |
| Adjustment relating to fixed assets(Refer Note No 11a) | 0 | 97,00,483 |
| Transfer to reserves | 21,69,417 | 28,24,608 |
| | 38,96,65,132 | 35,93,01,321 |
| Total | 47,73,78,430 | 41,60,25,202 |

NOTE 3 - Money Received Against Share Warrants/ Convertible Securities

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|---------------------------------------|---------------------------------|---------------------------------|
| Money Received Against Share Warrants | 19,80,000 | 39,60,000 |
| Add: Received During year | 2,20,00,000 | 0 |
| Less : Shares issued during the year | 19,80,000 | 19,80,000 |
| Total | 2,20,00,000 | 19,80,000 |

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 covert 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 excersised 25% of the value approved for conversion price is to be forfeited. During the year Option was excersised for 2,20,000 Warrants at a price of Rs.36/- per share and shares were allotted.

NOTE 4 - DEFERRED TAX LIABILITY (NET)

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|--|---------------------------------|---------------------------------|
| Deferred Tax Liability | | |
| On difference between book balance and tax balance of fixed assets | 2,26,47,471 | 2,82,53,566 |
| Current Year Depreciation | 5,89,359 | 0 |
| Allowance Under the Income Tax Act, 1961 | 12,46,537 | 15,47,875 |
| Deferred Tax Asset | | |
| Disallowance Under the Income Tax Act, 1961 | (12,98,102) | (25,55,714) |
| Current Year Depreciation | 0 | (42,45,812) |
| Total | 2,31,85,266 | 2,29,99,915 |

NOTE 5 - OTHER LONG TERM LIABILITIES

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|-------------------------|---------------------------------|---------------------------------|
| Others | | |
| Advances from customers | - | 2,37,028 |
| Total | - | 2,37,028 |

NOTE 6 - LONG- TERM PROVISIONS

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|--|---------------------------------|---------------------------------|
| Provision for employee benefits | | |
| Bonus Payable | 36,64,677 | 33,20,817 |
| Exgratia to Contract labour | 16,17,629 | 16,50,670 |
| Provision- Others | | |
| Service Tax Payable (Freight Outwards) | 2,26,747 | 2,26,747 |
| Penalty Payable on Service Tax | 2,58,935 | 2,58,935 |
| CST Payable | 10,407 | 1,41,316 |
| Total | 57,78,395 | 55,98,485 |

NOTE 7 - SHORT TERM BORROWINGS

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|---------------------|---------------------------------|---------------------------------|
| Secured Loan | | |
| From Banks | | |
| Term Loans | 17,01,512 | 77,78,185 |
| Cash Credit | 5,35,28,383 | 4,64,05,812 |
| Total | 5,52,29,895 | 5,41,83,997 |

NOTE 7a:

- 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 lakhs and extension of charge on current asset.
- Term Loan repayable within a year is Rs. 17.01 Lakhs (Previous Year Rs.60 Lakhs)
- 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.

TWENTY THIRD ANNUAL REPORT 2015-2016

NOTE 8 - TRADE PAYABLES

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|---------------------------|---------------------------------|---------------------------------|
| Trade payables for | | |
| Purchases | 7,94,40,974 | 4,24,79,963 |
| Expenses | 1,78,06,883 | 66,34,792 |
| Capital goods | 17,81,632 | 13,36,934 |
| Others | 17,11,201 | 60,86,999 |
| Total | 10,07,40,690 | 5,65,38,688 |

NOTE :

- 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.
- The total outstanding due to Small Scale Industrial undertakings is Rs. 0.00 lakhs (Previous Year 0.00 lakhs).

NOTE 9 - OTHER CURRENT LIABILITIES

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|--|---------------------------------|---------------------------------|
| Unpaid dividends | 17,37,780 | 16,14,200 |
| Other payables | | |
| Statutory remittances | 26,84,879 | 20,41,508 |
| Others (comprising of Accrued Expenses and other Contractual Payments) | 1,37,47,174 | 74,94,406 |
| Advance Received from Customers | 32,94,127 | 19,75,383 |
| Total | 2,14,63,960 | 1,31,25,497 |

Note 9a :

Unclaimed Dividends of Rs. 1,61,921/- pertaining to FY 2006-07 is transferred to Investor education and protection fund as per the requirement Sec 125 of Companies Act, 2013.

NOTE 10 - SHORT-TERM PROVISIONS

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|--|---------------------------------|---------------------------------|
| Proposed Dividend | 86,89,050 | 78,64,050 |
| Tax on proposed dividend | 17,68,886 | 16,00,936 |
| Provision for tax (Net of advance tax) | - | 7,34,175 |
| Total | 104,57,936 | 101,99,161 |

NOTE 11 - FIXED ASSETS

| Particulars | Cost | | | | Depreciation / Amortization/ Diminution | | | | | Net Block | |
|--------------------------|----------------------------|---------------------------------|----------------------------------|------------------------------|---|--------------------|-----------------|--|-----------------------------|------------------------------|------------------------------|
| | As at 1st April 2015 | Additions during the year | Deductions during the year | As at 31st March, 2016 | Upto 1st April 2015 | For the year | Deletion | Depreciation Charged to Retained Earnings | Upto 31st March, 2016 | As at 31st March, 2016 | As at 31st March, 2015 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | | Rs. | Rs. | Rs. |
| TANGIBLE ASSETS | | | | | | | | | | | |
| Land | 82,11,351 | 53,677 | 0 | 82,65,028 | 0 | 0 | | 0 | 0 | 82,65,028 | 82,11,351 |
| Buildings | 13,10,74,792 | 2,84,590 | 0 | 13,13,59,382 | 3,19,57,503 | 52,04,507 | 0 | 0 | 3,71,62,010 | 9,41,97,372 | 9,91,17,289 |
| Plant & Equipment | 40,07,86,975 | 5,07,59,625 | 5,096 | 45,15,41,504 | 22,21,67,374 | 3,37,80,933 | 0 | 0 | 25,59,48,307 | 19,55,93,196 | 17,86,19,601 |
| Computers | 1,11,43,850 | 60,055 | 0 | 1,12,03,905 | 85,66,145 | 15,06,967 | 0 | 0 | 1,00,73,112 | 11,30,793 | 25,77,705 |
| Furniture & Fixtures | 40,48,268 | 0 | 0 | 40,48,268 | 27,06,018 | 3,69,513 | 0 | 0 | 30,75,531 | 9,72,737 | 13,42,250 |
| Vehicles | 31,64,050 | 0 | 1,50,000 | 30,14,050 | 16,19,675 | 6,78,274 | 1,50,000 | 0 | 21,47,949 | 8,66,101 | 15,44,375 |
| Office Equipment | 13,83,796 | 36,630 | 0 | 14,20,426 | 7,07,844 | 1,36,609 | 0 | 0 | 8,44,454 | 5,75,972 | 6,75,952 |
| Total (A) | 55,98,13,083 | 5,11,94,577 | 1,55,096 | 61,08,52,563 | 26,77,24,560 | 4,16,76,804 | 1,50,000 | 0 | 30,92,51,363 | 30,16,01,202 | 29,20,88,523 |
| INTANGIBLE ASSETS | | | | | | | | | | | |
| Technical Knowhow | 3,00,000 | 0 | 0 | 3,00,000 | 3,00,000 | 0 | 0 | 0 | 3,00,000 | 0 | 0 |
| Total (B) | 3,00,000 | 0 | 0 | 3,00,000 | 3,00,000 | 0 | 0 | 0 | 3,00,000 | 0 | 0 |
| Total (A+B) | 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 | 0 | 30,95,51,363 | 30,16,01,202 | 29,20,88,523 |
| Previous year | 53,33,78,724 | 2,86,88,612 | 19,54,253 | 56,01,13,083 | 21,99,82,312 | 4,02,67,271 | 19,25,507 | 97,00,483 | 26,80,24,560 | 29,20,88,523 | |

TWENTY THIRD ANNUAL REPORT 2015-2016

NOTE 12 - Non Current Investments

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|---|---------------------------------|---------------------------------|
| Investment in equity shares of M/s.Supreme Pharmaceuticals (Mysore) Pvt Ltd Fully Paid Equity Shares (170455 @ 88 Per Share) Partly Paid Equity Shares (1160249 @ 30.8 Per Share) | 5,07,35,709 | - |
| Total | 5,07,35,709 | - |

Note 12a :

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

NOTE 13 - LONG TERM LOANS AND ADVANCES

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|--|---------------------------------|---------------------------------|
| (Unsecured, considered good unless otherwise stated) | | |
| Capital Advances | 35,26,590 | 27,54,842 |
| Security Deposit | 92,63,032 | 1,29,44,301 |
| Inter Corporate Deposit | 20,00,000 | 20,00,000 |
| Total | 1,47,89,622 | 1,76,99,143 |

NOTE 14 - OTHER NON CURRENT ASSETS

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|----------------------|---------------------------------|---------------------------------|
| Accruals | | |
| Interest On Deposits | 32,18,167 | 25,85,059 |
| Total | 32,18,167 | 25,85,059 |

NOTE 15 - INVENTORIES

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|-------------------------|---------------------------------|---------------------------------|
| Raw materials | 2,01,96,037 | 1,75,87,611 |
| Work - in - Process | 2,70,23,103 | 1,58,11,395 |
| Finished Goods | 4,85,99,039 | 1,46,97,398 |
| Stores and spares | 16,18,972 | 19,58,592 |
| Goods In Transit-Others | 31,54,683 | 3,50,747 |
| Total | 10,05,91,834 | 5,04,05,743 |

NOTE 15a : 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

NOTE 16-TRADE RECEIVABLES

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|---|---------------------------------|---------------------------------|
| (Unsecured, considered good unless otherwise stated) | | |
| 1) Debts due for a period exceeding six months | | |
| Considered Good | 6,17,16,301 | 2,67,69,125 |
| Considered Doubtful | 69,55,218 | 71,08,232 |
| | 6,86,71,519 | 3,38,77,357 |
| 2) Other Debts: | | |
| Considered Good | 22,20,65,393 | 20,32,07,685 |
| Considered Doubtful | 0 | 0 |
| | 22,20,65,393 | 20,32,07,685 |
| | 29,07,36,912 | 23,70,85,041 |
| Less: Provision for Doubtful Debts | 69,55,218 | 71,08,232 |
| Total | 28,37,81,694 | 22,99,76,809 |

NOTE 17 - CASH AND CASH EQUIVALENTS

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|---------------------------------|---------------------------------|---------------------------------|
| Cash In hand | 23,536 | 36,393 |
| Balances with banks in - | | |
| In Current Account | (1,96,933) | (28,73,988) |
| In EEFC Account | 3,58,301 | 28,79,611 |
| In earmarked balances | | |
| Unpaid Dividend Account | 17,37,780 | 16,14,200 |
| Margin Money | 2,000 | 2,000 |
| Total | 19,24,684 | 16,58,216 |

NOTE 18 - SHORT TERM LOANS AND ADVANCES

| Particulars | As at 31st March 2016 Rs. | As at 31st March 2015 Rs. |
|---|---------------------------------|---------------------------------|
| (Unsecured, considered good unless otherwise stated) | | |
| Balances with Central Excise, Customs, Port trust, etc. | 84,74,620 | 87,76,794 |
| Prepaid Expenses | 16,01,341 | 27,49,119 |
| Loan and advances to Employees | 45,17,013 | 1,49,217 |
| Trade Advances | 7,15,907 | 20,76,317 |
| Other Advances | 25,793 | 2,03,080 |
| Advnace Tax Paid (Net of provision for tax) | 21,83,986 | 0 |
| Total | 1,75,18,660 | 1,39,54,527 |

TWENTY THIRD ANNUAL REPORT 2015-2016

NOTE 19 - REVENUE FROM OPERATIONS

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|------------------------------|--|--|
| Sale of products | 59,48,90,277 | 64,74,92,821 |
| Add : Excise duty | 4,77,88,257 | 4,62,30,179 |
| Revenue from sale of Product | 64,26,78,534 | 69,37,23,000 |
| Sale of services | 0 | 0 |
| Other operating revenues | 2,56,40,297 | 2,57,15,091 |
| Less: | 66,83,18,831 | 71,94,38,091 |
| Excise duty | 4,77,88,257 | 4,62,30,179 |
| Total | 62,05,30,574 | 67,32,07,913 |

NOTE 20 - OTHER INCOME

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|---|--|--|
| Interest income | 16,14,879 | 7,55,521 |
| Sundry provisions and credit balances no longer required, written back | 9,93,868 | 10,20,832 |
| Net gain on foreign currency transaction and translation | 33,72,647 | 21,59,168 |
| Other non-operating income (net of expenses directly attributable to such income) | 63,41,385 | 40,09,208 |
| Total | 1,23,22,780 | 79,44,729 |

Note 21 - Cost of material consumed

| | Raw Material Opening Stock | | Goods Purchased | | Consumption | | Raw Material Closing Stock | |
|--------------|-------------------------------|-----------------------------|---|---|---|---|-------------------------------|-----------------------------|
| | As at 1st April, 2015 | As at 1st April, 2014 | For the year ended on 31st March, 2016 | For the year ended on 31st March, 2015 | For the year ended on 31st March, 2016 | For the year ended on 31st March, 2015 | As at 1st April, 2016 | As at 1st April, 2015 |
| Rawmaterials | 175,87,611 | 150,92,455 | 2967,75,669 | 2970,25,847 | 2941,67,243 | 2945,30,691 | 201,96,037 | 175,87,611 |
| Total | 175,87,611 | 150,92,455 | 2967,75,669 | 2970,25,847 | 2941,67,243 | 2945,30,691 | 201,96,037 | 175,87,611 |

Note 20a- Sub schedule to cost of material consumed

| | Raw Material Opening Stock | | Goods Purchased | | Consumption | | Raw Material Closing Stock | |
|--------------|-------------------------------|-----------------------------|---|---|---|---|-------------------------------|-----------------------------|
| | As at 1st April, 2015 | As at 1st April, 2014 | For the year ended on 31st March, 2016 | For the year ended on 31st March, 2015 | For the year ended on 31st March, 2016 | For the year ended on 31st March, 2015 | As at 1st April, 2016 | As at 1st April, 2015 |
| Gelatin | 135,61,842 | 132,79,480 | 2612,11,709 | 2349,57,545 | 2600,91,432 | 2346,75,183 | 146,82,119 | 135,61,842 |
| HPMC | - | - | 31,68,516 | - | 23,17,688 | - | 8,50,828 | - |
| Others | 40,25,769 | 18,12,975 | 323,95,444 | 620,68,302 | 317,58,113 | 598,55,508 | 46,63,100 | 40,25,769 |
| Total | 175,87,611 | 150,92,455 | 967,75,669 | 2970,25,847 | 2941,67,233 | 2945,30,691 | 201,96,047 | 175,87,611 |

NOTE 22 - (INCREASE) / DECREASE STOCKS OF FINISHED GOODS AND WORK - IN - PROGRESS

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|----------------------|---|---|
| Opening stock | | |
| Work - in - progress | 1,58,11,395 | 38,36,467 |
| Finished goods | 1,46,97,398 | 1,23,12,136 |
| | 3,05,08,793 | 1,61,48,603 |
| Closing 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 |
| Total | (451,13,349) | (143,60,190) |

NOTE 23 - EMPLOYEE BENEFIT EXPENSE

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|---|---|---|
| Salaries and wages | 4,87,18,354 | 4,13,64,060 |
| Director Remuneration | 1,01,73,024 | 89,92,509 |
| Contribution to provident and other funds | 33,13,021 | 27,41,960 |
| Staff welfare expenses | 25,76,859 | 60,36,236 |
| Total | 6,47,81,258 | 5,91,34,765 |

TWENTY THIRD ANNUAL REPORT 2015-2016

NOTE 24 - FINANCE COSTS

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|------------------|--|--|
| Interest expense | 48,86,247 | 56,40,722 |
| Total | 48,86,247 | 56,40,722 |

NOTE 24a - EXPENDITURE IN FOREIGN CURRENCY

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|-----------------------------|--|--|
| Travelling expenses-Foreign | 10,18,189 | 13,94,860 |
| Commission on exports | 7,90,087 | 45,39,618 |
| Exhibition charges | 4,27,899 | 2,73,062 |
| | 22,36,175 | 62,07,540 |

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

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|---|--|--|
| (i) Not later than one year | 6,12,000 | 5,76,000 |
| (ii) Later than one year and not later than five years. | 20,52,000 | 26,64,000 |
| (iii) Later than five years | 0 | 0 |
| Total | 26,64,000 | 32,40,000 |

a) Lease payments recognised in the profit and loss account for the year Rs.5,76,000/- (31st March, 2015 Rs.5,40,000)

NOTE 23c - Research and Development expenditure debited to the Profit and Loss Account aggregating Rs.92,58,494/- (31st March, 2015 Rs 1,01,63,638/-) has been incurred by the company and disclosed under appropriate account heads.

NOTE 25 - OTHER EXPENSES

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|--|--|--|
| Consumption of stores and spare parts | 90,65,034 | 1,21,45,412 |
| Power and fuel | 7,78,82,677 | 8,47,21,739 |
| Rent | 13,75,067 | 12,52,957 |
| Repairs and maintenance - | | |
| Buildings | 29,28,773 | 25,41,245 |
| Machinery | 45,38,662 | 46,02,054 |
| Others | 61,44,857 | 51,76,888 |
| Security Charges | 13,95,518 | 12,67,532 |
| Rates & Taxes (excluding taxes on income) | 11,37,327 | 7,69,524 |
| Provision for doubtful debts & advances (net) | 2,32,491 | 44,09,014 |
| Contract Labour Charges | 2,18,70,834 | 1,98,15,971 |
| Commission on Export sales | 79,50,252 | 53,87,366 |
| Professional Charges | 46,65,520 | 38,32,211 |
| Travelling Expenses & Conveyance | 71,16,031 | 59,85,616 |
| Freight Charges | 3,16,57,517 | 3,58,50,468 |
| Travelling Expenses - Foreign | 34,96,582 | 35,55,984 |
| Insurance | 12,33,220 | 9,12,802 |
| Director Sitting Fee | 5,55,000 | 5,15,000 |
| Commission to Non-Executive Directors | 5,88,024 | 6,72,509 |
| Exhibition Expenses | 42,14,738 | 39,00,948 |
| Research & Development Expenditure - Revenue in Nature | 92,58,494 | 1,01,63,638 |
| Bank Charges | 25,73,631 | 28,50,137 |
| Miscellaneous expenses | 1,18,28,143 | 1,03,70,561 |
| Total | 21,17,08,392 | 22,06,99,575 |

NATURAL CAPSULES LIMITED

NOTE 25a - MISCELLANEOUS EXPENSES INCLUDE PAYMENT TO AUDITORS (NET OF SERVICE TAX)

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|-----------------------------------|--|--|
| Audit fees | 1,75,000 | 1,75,000 |
| Tax Audit fees | 75,000 | 75,000 |
| Taxation matters | - | - |
| Company law matters | - | - |
| Management expenses | - | - |
| Other services | 19,960 | 20,000 |
| Out of pocket expenses reimbursed | - | - |
| Total | 2,69,960 | 2,70,000 |

NOTE 26 - CSR EXPENDITURE

- a. Gross Amount required to be spent by the company during the year.
b. Amount Spent during the year on :

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

Note : 27

Note (i) - Related Party Disclosures:

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

| Name of Related Party | Nature of Relationship |
|---------------------------------|--|
| M/s Mundra Enterprises | Entity in which Director or KMP is Related |
| M/s. Balurghat Technologies Ltd | Entity in which Director or KMP is Related |
| M/s.Minakshi Enamels | Entity in which Director or KMP is Related |
| Mr. Sunil L Mundra | Key Management Personnel |
| Mr. Laxminarayan Moondra | Key Management Personnel |
| Mr. Satyanarayana Mundra | Key Management Personnel |

(B)(i) Related Party Transactions:

| Name of Related Party | Nature of Transactions | Amount of Transactions 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 | 5,76,000 (5,40,000) | 43,200 - | - - |
| Mr. Sunil L Mundra | Managerial Remuneration | 40,50,000 (37,60,000) | 2,32,144 (4,64,704) | - - |
| Mr. Laxminarayan Moondra | Managerial Remuneration | 27,45,000 (19,50,000) | 1,67,308 - | - - |
| Mr. Satyanarayan Mundra | Managerial Remuneration | 27,90,000 (26,10,000) | 1,65,730 - | - - |
| M/s Minakshi Enamels | Purchase of Copper Rivets | 19,085 (36,481) | - - | - - |
| M/s. Balurghat Technology Ltd | Travel Agency | 2,36,557 (5,25,920) | - - | - - |

TWENTY THIRD ANNUAL REPORT 2015-2016

Note:-

1) Figures in brackets are in respect of the corresponding previous year.

Foot Notes:

- 1) Disclosure required in 'A' above is required even if there are no transactions between related parties.
- 2) Amount of transactions should be the sum of amounts receivable/ payable on account of all transactions i.e. including VAT/ ED/ CST but net of TDS.

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 51,91,689

NOTE (iii) - Contingent Liability:

| Particulars | As at 31st March, 2016 Rs. | As at 31st March, 2015 Rs. |
|---------------------|----------------------------------|----------------------------------|
| Income Tax matters | 4,26,000 | 4,26,000 |
| Service Tax matters | 58,85,791 | 47,12,055 |
| Total | 63,11,791 | 51,38,055 |

NOTE (iv) -

- a) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.13.79/-Lakhs. (31st March 2015-Rs 15/- Lakhs).

NOTE (v)-Research & Development Expenditure

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

| Nature of Expenditure | 2015-16 | 2014-15 |
|-----------------------|------------------|-------------------|
| Capital Expenditure | - | 18,35,679 |
| Revenue Expenditure | 92,58,494 | 101,63,638 |
| Total | 92,58,494 | 119,99,317 |

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 2016 to the tune of Rs. 37.56 Lakhs

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 Licensed Capacity Installed Capacity (In Lakhs) | 2015-16 Not Applicable | 2014-15 Not Applicable |
|---|---------------------------|---------------------------|
| Capsules | 71,000.00 | 71,000.00 |
| Actual Production (Qty. in Lakhs) | | |
| Capsules | 64,692.37 | 67,542.17 |
| Turnover (Qty. in Lakhs) | | |
| Capsules | 61,506.16 | 67,740.74 |
| Turnover (Rs. In Lakhs) | | |
| Capsules | 6,205.11 | 6,726.36 |

Finished Goods

| Particulars | 2015-16 | | 2014-15 | |
|----------------------------------|-------------|----------------------|-------------|----------------------|
| | Qty (Lakhs) | Value (Rs in Lakhs)) | Qty (Lakhs) | Value (Rs in Lakhs)) |
| Opening Stock Capsules | 1,822.01 | 146.97 | 2,020.58 | 123.12 |
| Closing Stock Capsules | 5,008.2 | 2485.99 | 1,822.01 | 146.97 |

Note (ix) - Earnings in Foreign exchange from Exports

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|----------------------|--|--|
| FOB Value of exports | 18,84,34,208 | 20,54,72,407 |
| Total | 18,84,34,208 | 20,54,72,407 |

Note (x) - Earnings in Foreign exchange from Currency Translation

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|--------------|--|--|
| Other income | 33,72,647 | 21,59,168 |
| Total | 33,72,647 | 21,59,168 |

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

| Particulars | For the year ended on 31st March, 2016 | | For the year ended on 31st March, 2015 | |
|------------------------------------|---|------------------|---|------------------|
| | Value (Rs.) | Percentage (%) | Value (Rs.) | Percentage (%) |
| Imported | 210,02,540 | 7% | 182,38,088 | 6% |
| Indigenously obtained Rawmaterials | 2822,29,737 | 93% | 2884,38,015 | 94% |
| Total | 3032,32,277 | 100% | 3066,76,103 | 100% |

Note (xii) - CIF Value of Imports

| Particulars | For the year ended on 31st March, 2016 Rs. | For the year ended on 31st March, 2015 Rs. |
|----------------------------|--|--|
| Excipients | 4,17,885 | 63,460 |
| Raw Material | 202,29,635 | 173,02,975 |
| Components and Spare Parts | 3,55,020 | 8,71,653 |
| Capital Goods | 148,24,000 | - |
| Total | 358,26,540 | 182,38,088 |

TWENTY THIRD ANNUAL REPORT 2015-2016

Note (xiii) - The following statutory dues are unpaid as on the balance sheet date for a period of more than six months from the date they became payable.

| Statute | Nature of dues | Amt.(Rs.) | Interest | Period to which dues relates | Due Date |
|-----------------------|------------------------|-----------|----------|------------------------------|---|
| Central Sales Tax Act | Tax Collected | 4,302 | | 2011-2012 | April 2012 |
| Central Sales Tax Act | Tax Collected | 3,105 | | 2012-2013 | April 2013 |
| Central Sales Tax Act | Tax Collected | 3,000 | | 2012-2013 | April 2013 |
| Service Tax | Penalty on service tax | 2,58,935 | | Jan 05 - Nov 08 | Before CESTAT |
| Service Tax | Tax payable | 2,26,747 | | Jan 05 - Nov 08 | } Appeal filed before the Commissioner of Central Excise |
| Service Tax | Tax payable | 22,08,074 | | Nov 09 - Oct 12 | |
| 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 | April 11 - March 12 | |
| Service Tax | Tax payable | 71,051 | 71,051 | June 2013 to Dec 2013 | } Appeal filed before the Commissioner of Central Excise |
| Service Tax | Penalty on S T payable | 10,000 | - | June 2013 to Dec 2013 | |
| Service Tax | Tax payable | 1,71,530 | - | April 2007 to March 2008 | } Appeal filed before the Commissioner of Central Excise |
| Service Tax | Penalty on S T payable | 1,24,818 | - | April 2007 to March 2008 | |
| Service Tax | Tax payable | 65,951 | 65,951 | April 2012 to October 2012 | } Appeal filed before the Commissioner of Central Excise |
| Service Tax | Penalty on S T payable | 6,500 | - | April 2012 to October 2012 | |
| Service Tax | Tax payable | 47,914 | 47,914 | November 2012 to May 2013 | } Appeal filed before the Commissioner of Central Excise |
| Service Tax | Penalty on S T payable | 4,500 | - | November 2012 to May 2013 | |

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 |

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

In terms of our report attached

For Gnanoba & Bhat
Chartered Accountants
Firm Regn No 000939S

K R Gnanoba
Partner
Membership No 023137
Date : 28.05.2016
Place : Bangalore

Chairman
Srirangam Gopalan
DIN : 00287219

Company Secretary
D R Anand
M.NO : A26407

For and on behalf of the Board of Directors

Whole Time Director
Satyanarayan Mundra
DIN : 00214349

Managing Director
Sunil L Mundra
DIN : 00214304

Chief Financial Officer
Prasanna Junnarkar

SIGNIFICANT ACCOUNTING POLICIES (Note 28):

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 |

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.

TWENTY THIRD ANNUAL REPORT 2015-2016

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.

In terms of our report attached

For Gnanoba & Bhat
Chartered Accountants
Firm Regn No 000939S

K R Gnanoba
Partner
Membership No 023137
Date : 28.05.2016
Place : Bangalore

For and on behalf of the Board of Directors

Chairman
Srirangam Gopalan
DIN : 00287219

Company Secretary
D R Anand
M.NO : A26407

Whole Time Director
Satyanarayan Munda
DIN : 00214349

Managing Director
Sunil L Munda
DIN : 00214304

Chief Financial Officer
Prasanna Junnarkar

NATURAL CAPSULES LIMITED**NATURAL CAPSULES LIMITED****Regd. Office: 102, "SHRESHTA BHUMU", #87, K.R.Road, Bangalore – 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 23rd Annual General Meeting of the Company to be held on Friday, 26th August, 2016 at 10.00 Hrs. (IST) at Shri Krishnaraja Parishanmandira, **Kannada Sahithya Parishat**, Pampa Mahakavi Road, Chamarajpet, Bangalore-560018 and at any adjournment thereof in respect of such resolutions as are indicated below.

| Sl. No. | Subject matter of resolutions |
|---------|--|
| 1 | Adoption of the annual accounts and reports thereon for the financial year ended as on 31 st March, 2016. |
| 2 | Declare dividend for the financial year 2015-16 |
| 3 | Re-appointment of Mr. Laxminarayan Moondra who retires by rotation |
| 4 | Re-Appointment of Mrs. Jyoti Mundra who retires by rotation |
| 5 | Appointment of Statutory auditors |
| 6 | Extension of time limit for non-promoters to convert equity share warrants/convertible securities into fully paid up equity shares |

Signed this _____ day of _____ 2016

Affix
Revenue
Stamp
Signature

Notes:

1. 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.
2. 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.
3. 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)

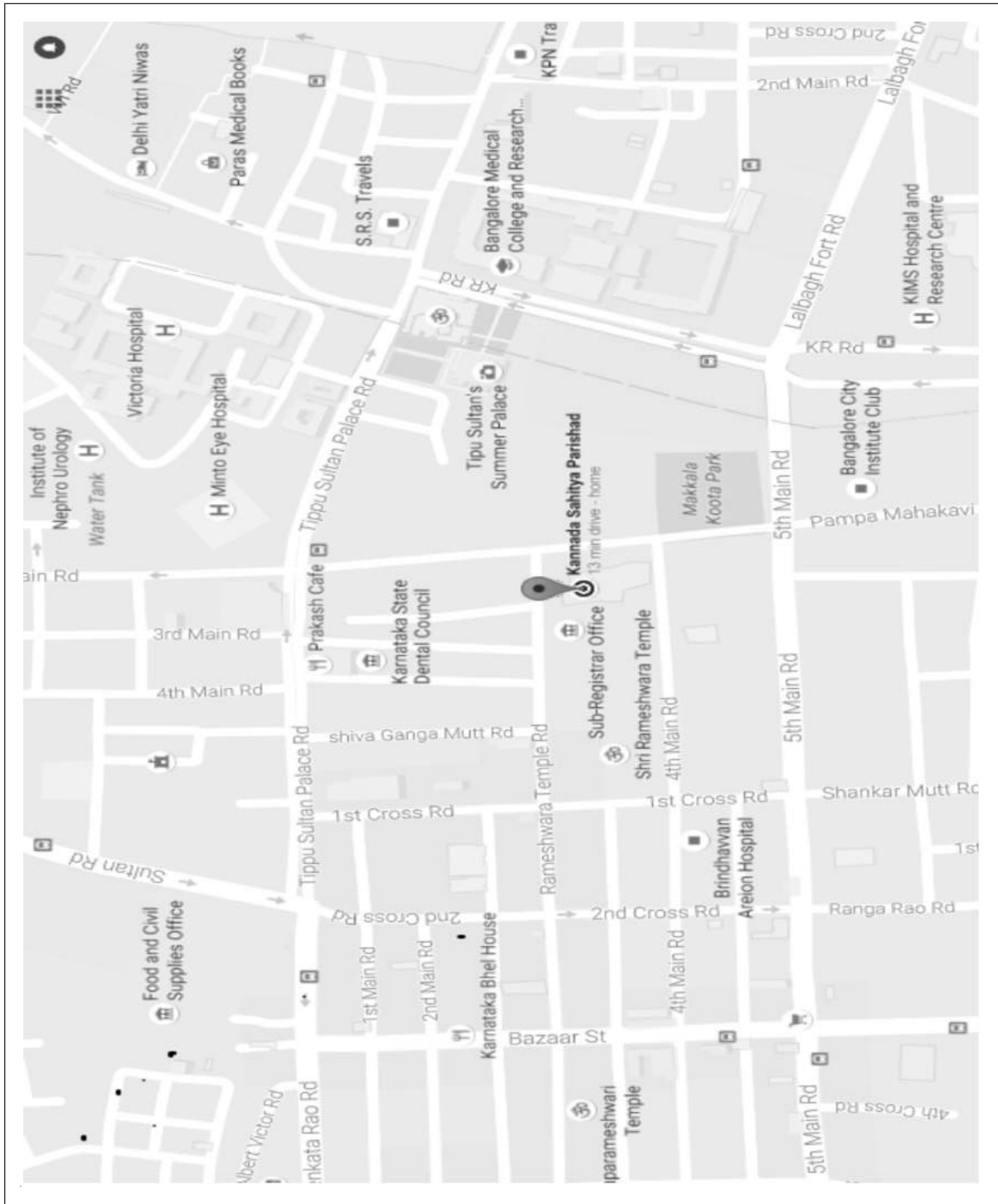
Fax : 91-044-28460129

Grams : CAMEO , E-mail : cameo@cameoindia.com

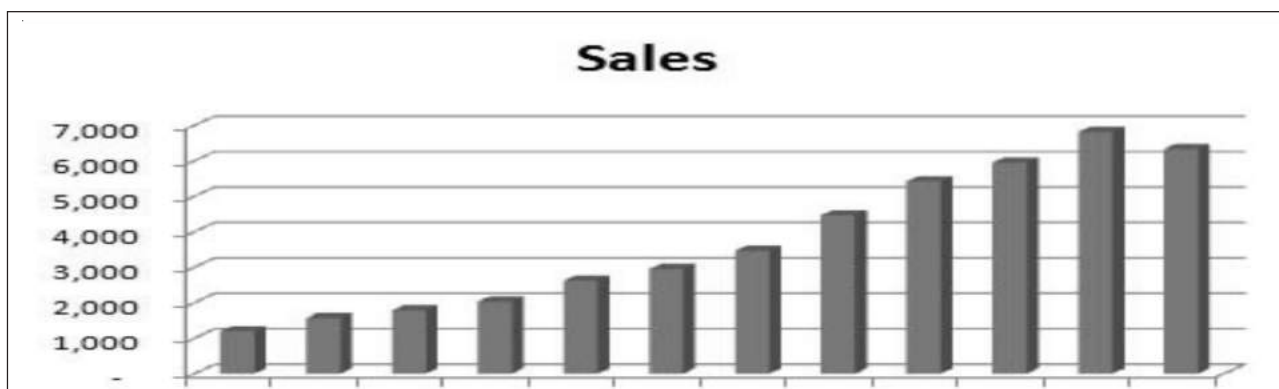
Contact person : Mrs. Kanthimathi Jayakumar (Executive shares)

**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.**

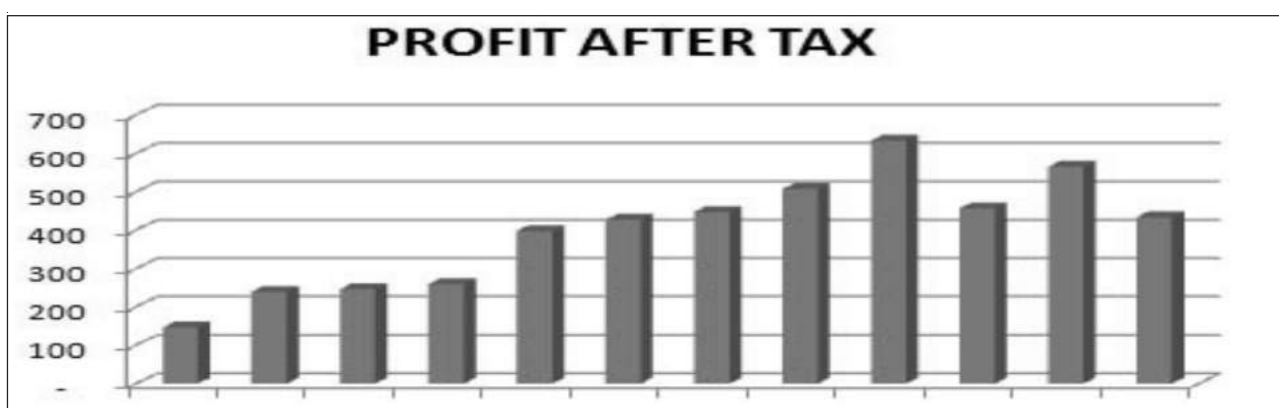
Route Map for Venue



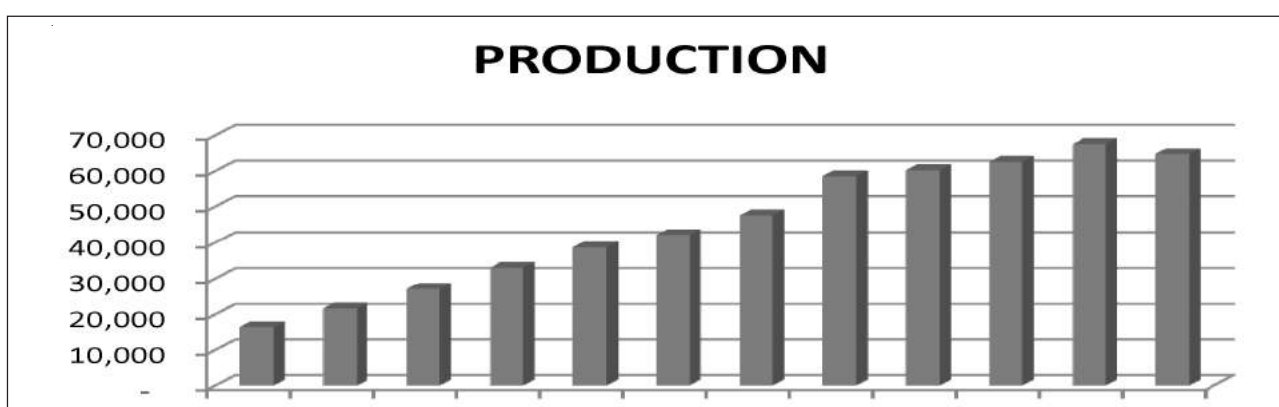
TWENTY THIRD ANNUAL REPORT 2015-2016



| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Sales | 1,189 | 1,560 | 1,783 | 2,023 | 2,612 | 2,949 | 3,455 | 4,459 | 5,419 | 5942 | 6812 | 6329 |



| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| PROFIT AFTER TAX | 146 | 239 | 246 | 259 | 397 | 427 | 447 | 507 | 633 | 456 | 565 | 434 |



| | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| PROD - UCTION | 16,454 | 21,609 | 26,986 | 32,950 | 38,633 | 42,096 | 47,507 | 58,527 | 60,183 | 62467 | 67542 | 64692 |

NATURAL CAPSULES LIMITED**NATURAL CAPSULES LIMITED**

Regd. Office : 102 "Shreshta Bhumi", #87, K.R.Road, Bangalore 560004

CIN# L85110KA1993PLC014742

Phone: 080-26671571, 26671581, Website : www.naturalcapsules.com**BALLOT FORM (In lieu of Remote e-voting at the AGM)**

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 the 23rd Annual General Meeting of the Company to be held on Friday, August 26, 2016, for the business stated in the Notice dated July 30, 2016 by sending my/our assent or dissent to the said resolutions by placing the tick () mark at the appropriate box below.

| Item No. | Description of Resolution | No. of Shares | (FOR) the I/We assent to Resolution | (AGAINST) I/We dissent the Resolution |
|----------|---|---------------|-------------------------------------|---------------------------------------|
| 1 | Ordinary Business To receive, consider and AdoptThe Audited Financial State ments of the company for the financial year ended March 31, 2016, together with the Reports of the Board of Direc tors and the Auditors thereon | | | |
| 2 | To declare a final dividend on equity shares for the finan- cial year 2015-16. | | | |
| 3 | To Appoint a Director in place of Mr. Laxminarayan Moondra (DIN 00214298) who retires by rotation and being eligible offers himself for re-appointment | | | |
| 4 | To appoint a director in place of Mrs. Jyoti Mundra (DIN 07143035), who retires by rotation and, being eligible, of fers herself for re-appointment. | | | |
| 5 | To ratify the appointment of Auditors | | | |
| 6. | Special Business Extension of time limit for non-promoters to convert equity share warrants/convertible securities into fully paid up equity shares from 12 months to 18 months. | | | |

Place:

Date:

(Signature of the Shareholders)

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

TWENTY THIRD ANNUAL REPORT 2015-2016

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

| EVSN (e-Voting sequence number) | Electronic Voting Particulars User ID |
|---------------------------------|--|
| 150708008 | (1) If you are already registered with CDSL on e-voting system, please use your existing User ID & Password (2) If you are first time user follow the steps given in Note No. 7 to the Postal Ballot notice dated (3) If PAN is not Registered with the Company/Depository use sequence no.: |

INSTRUCTIONS

1. This Ballot Form is provided for the benefit of Members who do not have access to e-voting facility.
2. A Member can opt for only one mode of voting i.e. either through e-voting or by Ballot. If a Member casts votes by both modes, then voting done through e-voting shall prevail and Ballot Form shall be treated as invalid.
3. For detailed instructions on E-voting, please refer to the notes appended to the notice of the meeting.

Process and manner for Members opting to vote by using the Ballot Form:

1. Please complete and sign the Ballot Form (no other form or photo copy thereof is permitted) and send it so as to reach the Scrutiniser, Mr. Vijay Raj Pitaliya, Practicing chartered accountant, at the self addressed envelope enclosed with the form.
2. The Form should be signed by the Member as per the specimen signature registered with the Company/Depository. In case of Joint holding, the Form should be completed and signed by the first named member and in his/her absence, by the next name joint holder. A power of Attorney (PoA) holder may vote on behalf of a Member, Mentioning the registration number of the PoA registered with the company or enclosing an attested copy of the PoA. Exercise of vote by ballot is not permitted through proxy.
3. In case the shares are held by companies, trusts, societies, etc. the duly completed Ballot Form should be accompanied by a certified true copy of the relevant Board Resolution/Authorisation.
4. Votes should be cast in case of each resolution, either in favour or against by putting the tick (✓) mark in the column provided in the Ballot Form.
5. The voting rights of the members shall be in proportion to the paid up value of their shares in the equity share capital of the Company as on August 19, 2016.
6. Duly completed Ballot form should reach the Scrutiniser not later than Wednesday, 25th August 2016 (5 p.m IST). Ballot form should reach the scrutiniser not later than the date and time specified in serial no. 6 above.
7. A Member may request for a duplicate Ballot Form, if so required. However, duly filled in and signed duplicate form should reach the Scrutiniser not later than the date and time specified in serial no.6 above.
8. Unsigned, incomplete, improperly or incorrectly tick marked Ballot Forms will be rejected. A Ballot Form will also be rejected if it is received in torn, defaced or mutilated to an extent which makes it difficult for the scrutiniser to identify either the Member or as to whether the votes are in favour or against or if the signature cannot be verified.
9. The decision of the scrutiniser on the validity of the Ballot will be final.
10. The results declared, shall be placed on the company's website www.naturalcapsules.com and on the website of the Central Depository Services (India) Limited within two days of passing the resolutions at the AGM of the company on August 26, 2016, and communicated to the BSE Limited, where the shares of the Company are listed.

NATURAL CAPSULES LIMITED**NATURAL CAPSULES LIMITED**

Regd. Office: 102, "SHRESHTA BHUMU",
#87, K.R.Road, Bangalore – 560004

ATTENDANCE SLIP

23rd Annual General Meeting – August 26, 2016.

I hereby record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company held at Shri Krishnaraja Parishanmandira, Kannada Sahithya Parishat, Pampa Mahakavi Road, Chamarajpet, Bangalore-560018, Karnataka, on Friday, 26th August, 2016 at 10.00 a.m. IST

Full Name of the Member (in BLOCK LETTERS) _____

Regd. Folio No. _____ No. of Shares held _____

DP ID No. _____ Client ID No. _____

Full name of the Proxy (in BLOCK LETTERS) _____

Member's / Proxy's Signature _____

I certify that I am a member / proxy / authorised representative for the member of the company.

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of the Annual Report to the AGM.

NATURAL CAPSULES LIMITED**NATURAL CAPSULES LIMITED**

Regd. Office: 102, "SHRESHTA BHUMU",
#87, K.R.Road, Bangalore – 560004

ATTENDANCE SLIP

23rd Annual General Meeting – August 26, 2016.

I hereby record my presence at the TWENTY SECOND ANNUAL GENERAL MEETING of the Company held at Shri Krishnaraja Parishanmandira, Kannada Sahithya Parishat, Pampa Mahakavi Road, Chamarajpet, Bangalore-560018, Karnataka, on Friday, 26th August, 2016 at 10.00 a.m. IST

Full Name of the Member (in BLOCK LETTERS) _____

Regd. Folio No. _____ No. of Shares held _____

DP ID No. _____ Client ID No. _____

Full name of the Proxy (in BLOCK LETTERS) _____

Member's / Proxy's Signature _____

I certify that I am a member / proxy / authorised representative for the member of the company.

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of the Annual Report to the AGM.