

**NATURAL  
CAPSULES  
LIMITED**

Regd. Office :  
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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



Date: 28/05/2016  
Bangalore

Ref: NCL/2016-17

M/s. Bombay Stock Exchange Limited  
Corporate Services,  
25<sup>th</sup> Floor, P.J.Towers,  
Mumbai – 400 001.  
India.


Dear Sir,

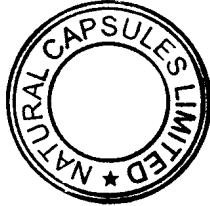
**Sub: Audit report for the year 2015-16.**

Please find herewith enclosed the Auditor's report for the year 2015-16 duly signed by Auditors and MD of Natural Capsules Limited.

This is for information of your members and records.

Thanking you,  
For Natural Capsules Limited

  
Company Secretary  
D R Anand



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 31<sup>st</sup> 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.



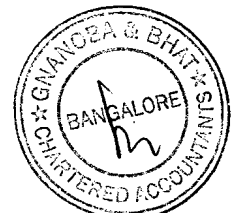
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statement.

**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 31<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> 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;



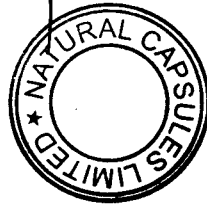
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- iii. There has been no delay in transferring amount, required to be transferred to the Investor Education and Protection Fund by the Company.

Place: BANGALORE  
Date: 28/05/2016

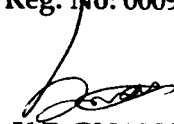
For Natural Capsules Limited

  
Managing Director



For GNANOBA & BHAT  
CHARTERED ACCOUNTANTS  
Firm Reg. No: 0009395

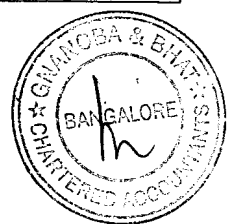


  
K R GNANOBA  
(PARTNER)  
M. No 023137

**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 31<sup>st</sup> 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

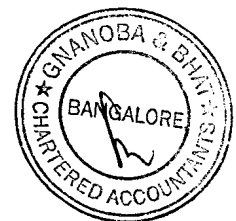


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CHARTERED ACCOUNTANTS

- 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 Statue	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.



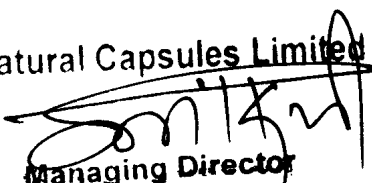
**GNANOBA & BHAT**  
CHARTERED ACCOUNTANTS

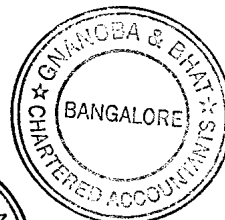
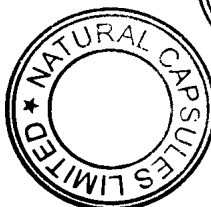
- 8) According to the information and explanation given to us, the Company has not defaulted in repayment of dues to a Financial Institutions or Banks. There are no outstanding dues to debenture holders during the year.
- 9) According to the information and explanation given to us, the Company has not 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

For Natural Capsules Limited

  
Managing Director



  
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.





**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.

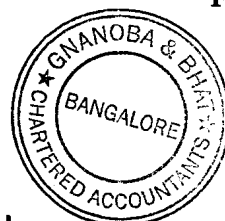
**Inherent Limitations of Internal Financial Controls over Financial Reporting**

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.

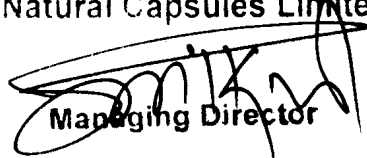
For GNANOBA & BHAT,  
Chartered Accountants,  
Firm Regn No. 000939S



  
K R GNANOBA  
Partner  
M.No. 023137

Place: Bangalore  
Date : 28/05/2016

For Natural Capsules Limited

  
Managing Director

