

# 20<sup>th</sup> ANNUAL REPORT 2014-15



**SOURCE NATURAL**  
FOODS AND HERBAL SUPPLEMENTS LIMITED

**BOARD OF DIRECTORS:**

MR. ARVIND VARCHASWI N.  
MR. NARAYANAN NARASIMHAN  
MR. SRINIVAS GOWRA  
MR. NIKHIL SEN  
MR. SRIRAM CHANDRASEKARAN  
MR. CHANDRAKANT L. RATHI  
MRS. BHARATHY

MANAGING DIRECTOR  
NON-EXECUTIVE CHAIRMAN & DIRECTOR  
INDEPENDENT DIRECTOR  
INDEPENDENT DIRECTOR  
INDEPENDENT DIRECTOR  
INDEPENDENT DIRECTOR  
INDEPENDENT DIRECTOR

**REGISTERED OFFICE**

201, II FLOOR, SUMERU TOWERS  
#54/46, 39TH A CROSS, 11TH MAIN ROAD  
JAYANAGAR 4TH T BLOCK, BANGALORE- 560 041  
CIN: L24231AP1995PLC019106  
PHONE: 080 26087727 FAX: 080 22449505  
WEB: [www.source-natural.com](http://www.source-natural.com)  
E MAIL: [info@source-natural.com](mailto:info@source-natural.com)

**INVESTORS CONTACT EMAIL ID**

[investor\\_relations@source-natural.com](mailto:investor_relations@source-natural.com)

**AUDITORS**

VIJAY NARAYAN AND CO.,  
CHARTERED ACCOUNTANTS,  
5-4-776, 1ST FLOOR, LANE OPP. G. PULLAREDDY  
SWEETS, STREET NO. 4, ABIDS,  
HYDERABAD - 500 001.

**SHARE TRANSFER AGENTS**

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

## NOTICE

**NOTICE** is hereby given that the 20<sup>th</sup> Annual General Meeting of Members of **SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED** will be held on Saturday, the 26<sup>th</sup> Day of September, 2015 at 11.00 AM at Hotel Pai Comforts #1319,100 Feet Road, J P Nagar II Phase, Bangalore – 500 078 to transact the following business:

### **ORDINARY BUSINESS:**

1. To consider and adopt the Audited Balance sheet as on 31st March, 2015 and the Audited Statement of Profit and Loss for the year ended 31st March, 2015 together with reports of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. Arvind Varchaswi, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint the Statutory Auditors and fix their Remuneration and for this purpose pass the following resolution as Ordinary resolution:-

**"RESOLVED THAT** subject to the approval of the members of the company at the annual general meeting of the Company, M/s. VIJAY NARAYAN & CO., Chartered Accountants, Hyderabad, retiring auditors of the Company be and are hereby ratified to hold office till the conclusion of the 21<sup>st</sup> Annual General Meeting on such remuneration and reimbursement of out of pocket expenses as shall be decided /approved by the Board of Directors

### **SPECIAL BUSINESS**

4. To consider and if thought fit to pass the following resolution as Special Resolution with or without modification

### **APPOINTMENT OF Mr. CHANDRAKANT L RATHI AS INDEPENDENT DIRECTOR OF THE COMPANY**

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 150 and 152 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the said Act, Mr. Chandrakant L Rathi Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office for a term upto five consecutive years."

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

**CONSENT OF THE MEMBERS TO DEAL WITH THE PROPERTIES OF THE COMPANY**

RESOLVED THAT pursuant to the provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof) for the time being in force, the Memorandum and Articles of Association of the Company and subject to such other approvals and permissions as may be required, consent of the members be and is hereby accorded to sell, mortgage and /or create charge , in addition to the mortgages/ charges created/to be created/ by the Company in such form and manner and with such ranking and at such time and on such terms and conditions as may be determined, on all or any of the movable and /or immovable properties of the Company and /or the interest held by the Company in all or any of the movable and /or immovable properties , both present and future and /or the whole or any part of the undertakings(s) of the Company , in favour of lender(s), agents(s) and trustee(s) for securing the borrowings of the Company availed/to be availed by way of loan(s) and securities (comprising non-convertible debentures, bonds or other debt instrument(s), issued/to be issued by the Company from time to time together with interest at the respective agreed rates and all other costs, charges and expenses and all other monies payable by the Company in terms of the loan agreements(s), debenture trust deed(s) or any agreement/document entered into/to be entered into by between the Company and the lender(s)/investor(s)/agent(s) in respect of the said loan, borrowing/debenture and containing such specific terms and conditions and covenants in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Company and the lenders), agent(s) and /or trustee(s), up to an amount not exceeding Rs.50 Crores (Rupees Fifty Crores)

RESOLVED FURTHER THAT the Board of Directors of the Company (including any committee thereof) be and is hereby authorized to finalise and execute such debenture trust deeds or mortgage, charge, hypothecation, lien, promissory notes, as they may deem fit and to do all such acts, deeds and things and give such directions as may be deemed necessary, desirable or expedient to give effect to this resolution.

**For Source Natural Foods and Herbal Supplements Limited  
By Order of the Board**

**Registered Office:**

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

CIN: L24231AP1995PLC019106

Phone: 080 26087727 Fax: 080 22449505

Web: [www.source-natural.com](http://www.source-natural.com) E Mail: [info@source-natural.com](mailto:info@source-natural.com)

Date 12<sup>th</sup> August, 2015!

**Vijayendra R  
Company Secretary**

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and such proxy need not be a member of the Company.
2. A person shall not act as a proxy for more than 50 members and holding in the aggregate not more than ten percent of the total voting share capital of the Company.
3. A member holding more than ten percent of the total share capital of the Company may appoint a single person as proxy provided that such person shall not act as a proxy for any other member.
4. Proxy Form duly executed should be deposited at the Registered Office of the Company at least FORTY EIGHT hours before the commencement of the meeting.
5. The Register of Members and Share Transfer Books shall remain closed from 19<sup>th</sup> September, 2015 to 26<sup>th</sup> September,2015 (both days inclusive) for the purpose of Annual General Meeting.
6. The contact details of the person responsible to address the grievances connected with the e-voting including voting at the AGM is as below :-  
Mr. Vijayendra R  
Email id:-[cs@source-natural.com](mailto:cs@source-natural.com)  
Phone no: 08032477717
7. Members are requested to notify their change of address, if any.
8. Members, who are holding shares in identical order of names in more than one folio, are requested to write to the Company to enable the Company to consolidate their holdings in one folio.
9. Members are requested to write to the Company for any queries, regarding Accounts, so as to reach the Company at least ten days before the meeting, to enable the management to keep the information ready at the Meeting.
10. The explanatory statement pursuant to section 102 of the Companies Act, 2013 is as provided below.
11. The Procedure of e-voting is given vide item No 16 below.
12. Electronic copy of the Annual Report and the Notice of the Annual General Meeting of the Company together with the attendance slip and proxy form are being sent to all the members whose e mail IDs are registered with the Company/ Depository Participants. For members who have not registered their e mail address with the Company /Depository Participants, physical copies of the above documents are being sent in the permitted mode. Members of the Company are also entitled to receive physical copy of the Notice of the 20<sup>th</sup>

Annual General Meeting and the 20<sup>th</sup> Annual Report either by addressing to the Registered Office of the Company or through e mail: [cs@source-natural.com](mailto:cs@source-natural.com)

13. The Notice of the 20<sup>th</sup> Annual General Meeting and the 20<sup>th</sup> Annual Report will be available on the Company's Website: [www.source-natural.com](http://www.source-natural.com)
14. Physical copies of the Notice of the 20<sup>th</sup> Annual General Meeting and the 20<sup>th</sup> Annual Report will also be available for inspection at the Registered office of the Company. Members are also entitled to receive physical copy upon making the request
15. Corporate Members are requested to send a duly certified copy of the Board/Governing body resolution authorizing their representatives.

#### 16. INSTRUCTIONS FOR E-VOTING

The instructions for members for voting electronically are as under:-

1. Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
2. Click on "Shareholders" tab.
3. Now select the "COMPANY NAME" from the drop down menu and click on "SUBMIT"
4. Now Enter your User ID, as follows
  - a) For CDSL: 16 digit 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
5. Next enter the image Verification as displayed and Click on Login
6. If you are holding shares in demat form and had logged on to [www.evoting.com](http://www.evoting.com) and voted on an earlier voting of any company, then your existing password is to be used.
7. If you are a first time user follow the steps given below.

PAN,	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)  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 last 8 digits of the Sequence Number, which is mentioned in the Address label pasted on the
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	<p>20<sup>th</sup> Annual Report sent to you and if you are receiving the soft copy through e mail, the Sequence Number will be informed to you by RTA through e-mail.</p> <p>In case the Sequence Number is less than 8 digits enter the applicable number of 0's before the Sequence Number after the first two characters of the name in CAPITAL letters. E g. If you name is Ramesh Kumar with Sequence Number 100 then enter RA00000100 in the PAN field.</p>
DOB	Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio</p> <p>Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or Company, please enter in the Dividend Bank details field the Sequence Number, which is mentioned in the Address label pasted on the 20<sup>th</sup> Annual Report sent to you and if you are receiving the soft copy through e mail, the Sequence Number will be informed to you by RTA through e-mail.</p>

**Note: Providing PAN is compulsory. In addition either DOB or Dividend Bank Details is to be provided**

8. After entering these details appropriately, click on "SUBMIT" tab

Members holding shares in physical form will then reach directly 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. The password has to be minimum eight character of at least one upper case (A-Z), one lower case (a-z), one number value(0-9), and a special character (\*#@ etc.). 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 the 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.

9. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

10. Click on the EVEN for the relevant, Company Name on which you choose to vote. Now you are ready for e-voting as the voting page appears. The EVEN No. is 150825083.

11. 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.
12. Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details
13. 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.
- 14. Once you "CONFIRM" your vote on the resolution you will not be allowed to modify your vote.**
15. You can also take out print of the voting done by you by clicking on "Click here to print" option on the voting page.
16. If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password and enter the details as prompted by the system.
17. Institutional shareholders (i.e other than individuals, HUF, NRI etc) are required to log on to [HTTPS:// www.evotingindia.co.in](https://www.evotingindia.co.in) and register themselves as corporates.
18. They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)
19. After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
20. The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
21. They should upload a scanned copy of the Board Resolution and power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.
22. In case of members receiving the physical copy:

Please follow all steps from No. (1) to No.(21) above to cast vote.

#### **OTHER INSTRUCTIONS AND INFORMATION**

- a) The voting rights of members shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date (record date) i.e 18<sup>th</sup> September, 2015. For those who are not members as on cut-off date this Notice is for information purpose only.



- b) The voting period begins at 9.00 on 23<sup>rd</sup> September, 2015 and ends at 5.00 PM on 25<sup>th</sup> September, 2015. During this period shareholders of the Company holding either in physical form or in dematerialized form, as on the cut-off date (record date) of 18<sup>th</sup> September, 2015 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the member, he shall not be allowed to change it subsequently.
- c) The e-voting module shall be disabled by CDSL for voting thereafter.
- d) The Company is required to provide to the members the facility to cast their vote by electronic means. The shareholders of the holding shares wither in physical form or in dematerialised form, as on the cut-off date and not casting their vote electronically, may cast their vote at the AGM Venue. Facility will be available at the venue.
- e) Mr. Ajay S Shrivastava (Membership Number 3489), Practicing Company Secretary, has been appointed as Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- f) The scrutinizer shall within a period not exceeding three working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a scrutiniser's report of the votes cast in favour or against, if any forthwith to the chairman of the Company.
- g) The results shall be declared after the AGM of the Company. The results declared along with the scrutiniser's report shall be placed on the company's website [www.source-natural.com](http://www.source-natural.com). And on the website of CDSL within two days of passing the resolutions at the AGM of the Company and communicated to Bombay Stock Exchange Limited.
- h) Voting will be provided to the members as on cut-off date through e-voting and or at the AGM venue through polling. A member can opt for only one mode of voting i.e. either through e-voting or voting at the AGM. If a member casts votes by both modes, then voting done through e-voting shall prevail and the voting at the AGM shall be treated as invalid. A member can participate in AGM even though he has exercised his e-voting right.
- i) 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.co.in](http://www.evotingindia.co.in) under help section or write an e mail to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com)

- j) Persons who become members after the dispatch of the Notice may contact the Company or the RTA for Login ID and Password.

**BRIEF PROFILES OF DIRECTORS SEEKING RE- APPOINTMENT:**

**BRIEF RESUME OF DIRECTORS SEEKING APPOINTMENT/RE- APPOINTMENT AT THE 20<sup>TH</sup> AGM**

Particulars	Mr. Arvind Varchaswi N	Mr. Chandrakant L Rathi
Date of Birth and Age	15.10.1982 (32 Years)	12.06.1954 (61 Years)
Date of Appointment	30.06.2008	12.11.2010
Qualification	B.com, Diploma in International Trade	Graduate in Chemical Engineering
Experience and Expertise in specific functional area	<p>Mr. Arvind Varchaswi N (DIN: 00143713) is one of the founders of Sumeru Group which has businesses across Health Care, Information Technology, Realty and Exports. He heads Source Natural Foods and Herbal Supplements Limited as the Managing Director, a listed Company in India and also acts as Managing Trustee of Sri Sri Ayurveda Trust, which has its presence globally.</p> <p>A multi-faceted Personality, Arvind is also a Group Advisor-International Affairs of AYUSH Advisory Group for the period 2014-15, constituted by Pharmaceuticals Export Council of India( Pharmexcil), a body set up by Ministry of Commerce and Industry, Government of India with the objective of export promotion of Drugs and Pharmaceuticals, Ayurveda and Herbal Drug preparation/ products globally</p> <p>Mr. Arvind is also a featured speaker in several global business and leadership forums with the recent ones being the World Forum for Ethics in</p>	<p>Mr. Chandrakant L Rathi (DIN:00365691) is a graduate in Chemical Engineering has been in the business of enzymes from the past 30 years. He started his career with the manufacturing of papain enzyme later he established Advanced Enzymes Technologies Limited which is one of the top 10 enzyme manufacturing Companies.</p> <p>A stalwart in the field of enzymes, Mr Rathi has been called upon for many special assignments. These include:-</p> <p>1) Consultant to the Kerala State Government on the formation of Kerala's biotechnology policy in 2003.</p> <p>2) Speaker at the DECHEMA conference 2005 at Frankfurt for 'White Biotechnology' to discuss the potential of industrial biotechnology.</p>

	<p>Business at Singapore and the India Retail Forum at Mumbai in 2012</p> <p>In 2008, the Indian Council for Small and Medium Exporters, awarded him with the Niryat Shiromani Puraskar. He has also served on the Board of Organisers of the International Conference on Corporate Culture and Spirituality in 2004</p> <p>He has an enduring passion for Meditation and Spirituality from an early age. He travels across the globe to teach various Art of Living programmes wherein he empowers thousands of youth around the world to connect to their talents and serve the society.</p>	<p>Sharing the dais with Ms. Kiran Mazzumdar Shaw and others in the field of research, Mr Rathi was called upon by the Government of India to share his views on India's progress and growth in the area of Biotechnology.</p> <p>3) Pane list at the CII seminar on "Bio Business Opportunities in Maharashtra" exchanging notes with Ernst and Young, ICICI Bank and MIDC.</p>
Directorship held in other Companies	<p>Sumeru Ayurveda Private Limited</p> <p>Sumeru Global Holdings and Services Private Limited</p> <p>Sumeru Software Solutions Private Limited</p> <p>Sri Sumeru Realty Private Limited</p>	<p>Advanced Enzyme Technologies Limited</p> <p>Atharva Capital Ventures Private Limited</p> <p>Chandrakant Rathi Finance and Investments Company Private Limited</p> <p>Advanced Vital Enzymes Private Limited</p> <p>Advanced EnzyTech Solutions Limited</p> <p>Advanced</p>
Membership /Chairmanship of Committees across public companies	<p>Chairman, Stakeholders Relations Committee- Source Natural Foods and Herbal Supplements Limited</p>	<p>1. Chairman, Stakeholders Relationship Committee</p> <p>2. Member, Audit Committee and Nomination and Remuneration Committee of Advanced Enzyme Technologies Limited</p>
Number of Shares held in the Company	Nil	955

Mr. Arvind Varchaswi, Managing Director is the son Mr. Narayanan Narasimhan, Non-Executive Chairman and Director. Except this the other directors are not related to each other inter-se.

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

##### **Item No. 4**

#### **RE-APPOINTMENT OF Mr. CHANDRAKANT L RATHI AS INDEPENDENT DIRECTOR OF THE COMPANY**

Mr. C. L. Rathi was appointed as independent director of the Company on 12<sup>th</sup> November, 2010. As per the provisions of the Section 149 of the Companies Act, 2013, the term of the Independent director shall be for five consecutive years and shall be eligible for re-appointment on passing of a special resolution by the Company.

In the opinion of the Board, Mr. Chandrakant L Rathi fulfils the conditions as specified in the Companies Act, 2013 for his appointment as Director of the Company.

The profile of Mr. C. L. Rathi is provided above in this notice.

Your Directors recommend the Resolution set out in item No4 for the approval of the members as a Special Resolution.

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

##### **Item No. 5**

As per the provisions of Section 180(1) (a) of the Companies Act, 2013 (the Act), a company shall not sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings, unless approval of the shareholders is obtained by a way of special resolution.

The Company needs to avail loan/credit facility from various sources to support its business activities. In this connection the Company may be required to create charge over the assets of the Company as also over the properties etc to secure the loan/credit facilities extended by the lenders. This may be by the way of hypothecation, mortgage, lien, pledge etc in favour of the lenders. (up to the limits approved under Section 180(1)(c) of the Act.)

Your Directors recommend the Resolution set out in item No5 for the approval of the members.

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

All the documents referred to in the accompanying the Notice and the Statement pursuant to Section 102(1) of the Company's Act, 2013, will be evaluated for inspection at the Registered Office of the Company during the business hours on all working days up to the date of declaration of the result of the 20<sup>th</sup> Annual General Meeting of the Company.

**For Source Natural Foods and Herbal Supplements Limited**

**Registered Office:**  
201, II Floor, Sumeru Towers  
#54/46, 39<sup>th</sup> A Cross, 11<sup>th</sup> Main Road  
Jayanagar 4<sup>th</sup> T Block,  
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E Mail: [info@source-natural.com](mailto:info@source-natural.com)

**By Order of the Board**

**Vijayendra R**  
**Company Secretary**

**Date: 12.08.2015**

## DIRECTORS' REPORT

To,  
Members,  
Source Natural Foods and Herbal Supplements Limited,  
Bangalore

Your Directors are pleased to present 20<sup>th</sup> Annual Report of the Company together with Audited Balance Sheet and Profit and Loss Account for the year ended 31<sup>st</sup> March 2015.

### 1. FINANCIAL RESULTS:

Particulars	(Rs. Lakhs)	
	31.03.2015	31.03.2014
Total revenue	654.43	455.12
Profit/ (Loss) before exceptional and extraordinary items and tax	16.21	17.23
Exceptional Items	0.41	-
Profit before extraordinary items and tax	15.79	17.23
Extraordinary Items	-	-
Tax expenses	-	-
Net Profit/(Loss) carried to Balance Sheet	15.79	17.23
Earnings Per Share (Basic/ Diluted)(Basic for 31.03.2015)	0.26	0.33

### 2. OPERATIONS:

The Total revenue of the Company for the year ended 31<sup>st</sup> March, 2015 was Rs. 654.43 Lakhs which has increased approximately by 43.79% from the Total revenue of the previous year which was Rs. 455.12 Lakhs. The increase in revenue is due to the expansion in the sales of flagship products of the Company. The Company has made an additional investment of Rs. 25.53 Lakhs in the plant & Equipment and Rs. 7.77 Lakhs towards Building. The Net Profit of the Company during the financial year under review is Rs. 15.79 Lakhs as compared to 17.23 Lakhs during the previous year. The Company spent Rs. 34.43 Lakhs more than the previous year on augmenting the Marketing team and Rs.37.42 Lakhs over brand building of the Products.

Since these expenses will derive profits eventually in the future years, your company is confident of performing better in the coming years.

### **3. FUTURE OUTLOOK:**

Company's vision is to make the Ayurveda reach the masses across the globe. Your Company focuses on such products which will bring Ayurveda in to an individual's daily diet. Company manufactures various Ayurvedic products in the form of medicines and herbal supplements.

The Company intends to focus and increase the market share of its products by increase the products range.

### **4. DIVIDEND:**

In order to conserve the meagre resources for future growth, your Directors do not recommend any Dividend for the financial year ended 31.03.2015.

### **5. DIRECTORS:**

Pursuant to the provisions of Section 152 of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Arvind Varchaswi N, Managing Director retire by rotation at the conclusion of the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Chandrakant L Rathi, Independent Director of the Company was appointed on 12<sup>th</sup> November, 2010. As per the provisions of Section 149 of the Companies Act, 2013, he is eligible for appointment as Independent Director for a term of five years.

The Board recommends his appointment as Independent Director for a period of five years.

The profile Mr. Chandrakant L Rathi are given elsewhere in the Annual Report.

### **6. AUDITORS:**

M/s. Vijay Narayan & Co., Chartered Accountants were appointed as the Statutory Auditors of the Company at 19<sup>th</sup> Annual General Meeting of the Company held on 15<sup>th</sup> September, 2014 to hold office until the conclusion of the Annual General Meeting of the Company to be held during the year 2017 subject to the ratification of members at every Annual General Meeting.

In view of the above, necessary Resolution is proposed to be passed at the 20<sup>th</sup> Annual General Meeting ratifying the appointment of M/s. Vijay Narayan & Co., Chartered Accountants as the Statutory Auditors of the Company from the conclusion of the 20<sup>th</sup> Annual General Meeting of the Company until the conclusion the next Annual General Meeting of the Company

The Statutory Auditor's Report for the financial year 2014-15 does not contain any qualification, reservation or adverse remarks and therefore does not require any comments from the Directors.

#### **7. FIXED DEPOSITS:**

Your Company has not accepted any Fixed Deposits from the Public within the meaning of Section 73 to 76 of the Companies Act, 2013, during the year under review.

#### **8. DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the provisions under Section 134(5) of the Companies Act, 2013, with respect to Directors' Responsibility Statement, the Directors confirm:

- a. That in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and no material departures have been made from the same;
- b. That they have selected such accounting policies and applied them consistently, and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- c. That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. That they have prepared the annual accounts on a going concern basis;
- e. That they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f. That they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **9. CHANGE IN THE NATURE OF BUSINESS:**

There is no change in the nature of business of the Company during the year.

#### **10. MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THESE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT:**

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which these financial statements relate on the date of this report.



## **11. SECRETARIAL AUDITOR AND SECRETARIAL AUDIT REPORT:**

The Board has appointed Mr. Ajay S Shrivastava, Company Secretary in whole time practice, to carry out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the financial year 2014-15. The report of the Secretarial Auditor is annexed to this report as Annexure-1.

The Secretarial Auditor has observed that the Company has not complied with the provisions stated in Section 203 of the Companies Act, 2013 with regard to appointment of the Chief Financial Officer (CFO) during the Audit period.

In this connection the explanation of the Board is as follows:

The Company after incurring losses has now entered into revival stage and has started earning profits.

The Paid-up Share Capital of the Company is less than Rs.10.00 crores and it has already appointed other Key Managerial Personnel. However appointment of Chief Financial Officer will also be completed at the earliest.

## **12. EXTRACT OF ANNUAL RETURN:**

Pursuant to the Section 92(3) of the Companies Act, 2013 extract of the Annual Return is annexed to this report as Annexure-2

## **13. MANAGEMENT DISCUSSION AND ANALYSIS:**

The Management Discussion and Analysis Report pursuant to the Corporate Governance Clause of the Listing Agreement is annexed to this report as Annexure-3

## **14. CORPORATE GOVERNANCE REPORT:**

The Report on Corporate Governance as per Clause 49 of the Listing Agreement is attached herewith as Annexure-4 which forms a part this report. The Compliance Certificate on Corporate Governance received from the Statutory Auditors is also given as an Annexure to this report.

## **15. PARTICULARS OF REMUNERATION TO DIRECTORS / KMP / EMPLOYEES:**

There were no employees during the year 2014-15 covered under the provisions of Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached as 'Annexure- 5 which forms part of this report.

**16. POLICY ON DIRECTORS APPOINTMENT, ANNUAL PERFORMANCE EVALUATION OF THE BOARD AND POLICY ON REMUNERATION:**

Pursuant to the requirement under Section 134(3)(e) and Section 178(3) of the Companies Act, 2013, the policy on appointment of Board members including criteria for determining qualification, positive attributes, independence of a director and the policy on remuneration of Directors, KMP and other employees is attached as Annexure- 6 respectively, which forms part of this report.

**17. NUMBER OF BOARD MEETINGS CONDUCTED DURING THE YEAR UNDER REVIEW:**

The Company conducted five Board meetings during the financial year under review. The Board Meetings were held on 26.05.2014, 04.08.2014, 14.08.2014, 13.11.2014, 14.02.2015.

**18. DECLARATION OF INDEPENDENT DIRECTORS:**

The Directors of the Company have given the Declaration pursuant to the provisions of Section 149 of the Companies Act, 2013.

**19. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:**

Pursuant to the provisions of Section 134 of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules 2014, the details of conservation of energy and technology absorption and Foreign exchange earnings and outgo are attached as Annexure- 7

**20. RESEARCH AND DEVELOPMENT:**

Research & Development is a core activity in any medical /nutraceuticals industry. Your Company is currently involved in carrying out various Research & Development to bring more herbal and organic products in to the existing / new product portfolio and to add more value to the existing products. The Company is also emphasizing on organic food and nutritional supplements with an optimum mix of naturally available ingredients for attaining a sustainable improvement in the Health of all age Groups.

**21. LISTING:**

The shares of your Company are listed in the BSE Limited.

**22. CODE OF CONDUCT:**

The Company has adopted a uniform Code of Conduct for Directors, Senior Management Personnel and other Executive level officers to ensure proper ethical standards and further ensure due compliance to such established standards.

**23. SUBSIDIARY/ HOLDING COMPANIES:**

There are no subsidiaries to your Company as on the date of report. In terms of the shareholding, the Company is a subsidiary of Sumeru Ayurveda Private Limited on account of shareholding.

**24. STATEMENT CONCERNING DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT:**

The Company has comprehensive risk assessment and minimization procedure which are reviewed by the Board.

The Company identifies risks and control systems to mitigate them are in place. In the opinion of the Board, at present there are no risks which may threaten the existence of the Company.

**25. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013**

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review and hence the details required to be furnished herein are NIL.

**26. PARTICULARS OF CONTRACTS OR ARRANGEMENTS MADE WITH RELATED PARTIES:**

All the related party transactions are entered on arm's length basis and in the ordinary course of business and are in compliance with the applicable provisions of the Companies Act, 2013 and the listing agreement.

The details of the transactions with related parties are provided in the Notes to the financial statements.

**27. ADEQUACY OF INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO FINANCIAL STATEMENTS:**

The Company has in place adequate internal financial controls with reference to financial statements. During the year under review, such controls were tested and no reportable material weakness in the design or operation were observed.

**28. THE DETAILS OF DIRECTORS OR KEY MANAGERIAL PERSONNEL WHO WERE APPOINTED OR HAVE RESIGNED DURING THE YEAR:**

There are no appointments or resignations of directors or Key Managerial Personnel during the year.

**29. DISCLOSURE OF COMPOSITION OF AUDIT COMMITTEE AND PROVIDING VIGIL MECHANISM:**

The following are the details of the Audit Committee of the Company as on 31<sup>st</sup> March 2015.

Name	Designation
Mr. Gowra Srinivas	Chairman
Mr. Nikhil Sen	Member
Mr. Sriram Chandrasekaran	Member

The Company has established a vigil mechanism which is overseen through the Audit Committee. The Audit Committee Chairman has been appointed as the Ombudsman of Vigil mechanism. Adequate safeguards against victimization of employees and Directors who express their concerns, forms part of the mechanism. The Company has also provided direct access to the chairman of the Audit Committee on reporting issues concerning the interests of the employees and the Company. The policy is available on the website of the Company.

**30. THE NAMES OF COMPANIES WHICH HAVE BECOME OR CEASED TO BE ITS SUBSIDIARIES, JOINT VENTURES OR ASSOCIATE COMPANIES DURING THE YEAR:**

During the year no company has become or ceased to be a subsidiary or joint venture or associate company of Company.

**31. ACKNOWLEDGEMENTS:**

Your Directors take this opportunity to express their gratitude for continuous support and co-operation extended by Government Authorities, Bankers and other business associates along with our esteemed Shareholders and employees.

Place: Bangalore

On Behalf of the Board

Date: 12<sup>th</sup> August, 2015

Arvind Varchaswi N.  
Managing Director  
DIN: 00143713

Nikhil Sen  
Director  
DIN: 00842114

**ANNEXURE-1**

**Form No. MR-3**

**SECRETARIAL AUDIT REPORT**

**FOR THE FINANCIAL YEAR ENDED 31.03.2015**

**[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  
**SOURCE NATURAL FOODS & HERBAL SUPPLEMENTS LIMITED**  
No. 201, Sumeru Towers,  
#54/46, Second Floor  
11th Main Road, 39th A Cross  
Jayanagar 4th T Block  
Bangalore - 560041

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **SOURCE NATURAL FOODS & HERBAL SUPPLEMENTS LIMITED (CIN-L24231AP1995PLC019106)** (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 **SOURCE NATURAL FOODS & HERBAL SUPPLEMENTS LIMITED** 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 31<sup>ST</sup> March, 2015, the Company has 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 the Company for the financial year ended on 31<sup>ST</sup> March, 2015 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;

**ANNEXURE-1**

**Form No. MR-3**

**SECRETARIAL AUDIT REPORT**

**FOR THE FINANCIAL YEAR ENDED 31.03.2015**

**[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

**SOURCE NATURAL FOODS & HERBAL SUPPLEMENTS LIMITED**

No. 201, Sumeru Towers,

#54/46, Second Floor

11th Main Road, 39th A Cross

Jayanagar 4th T Block

Bangalore - 560041

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **SOURCE NATURAL FOODS & HERBAL SUPPLEMENTS LIMITED (CIN-L24231AP1995PLC019106)** (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 **SOURCE NATURAL FOODS & HERBAL SUPPLEMENTS LIMITED** 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 31<sup>ST</sup> March, 2015, the Company has 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 the Company for the financial year ended on 31<sup>ST</sup> March, 2015 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 (FEMA) and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; - **Not Applicable during the Audit Period**
- (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, 1992;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; -
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **Not Applicable to the Company during the Audit Period**
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **Not Applicable to the Company during the Audit Period**
  - (f) 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;
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **Not Applicable to the Company during the Audit Period** and
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **Not Applicable to the Company during the Audit Period**
  - (i) Pharmacy Act, 1948, Drugs and Cosmetics Act, 1940, Homoeopathy Central Council Act, 1973, Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954, Narcotic Drugs and Psychotropic Substances Act, 1985, Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974, Petroleum Act 1934, Poisons Act 1919, Food Safety And Standards Act, 2006, Insecticides Act 1968, Biological Diversity Act, 2002, The Indian Copyright Act, 1957, The Patents Act, 1970, The Trade Marks Act, 1999, Indian Boilers Act, 1923

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.-

**Not Notified during the Audit Period, hence Not Applicable**

(ii) The Listing Agreements entered into by the Company with BSE Limited.

During the Audit period under review and as per the clarification, representations provided by the Management in writing & oral in the Secretarial Audit checklist prepared by me, I confirm that the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, Listing Agreement, SEBI notifications etc. mentioned above.

*The Company has not complied with the provisions stated in Section 203 of the Companies Act, 2013 with regard to appointment of the Chief Financial Officer (CFO) during the Audit period. Apart from this No other Observation and Non-Compliance was found for the year under review*

**I further report that** compliance of applicable financial laws including Direct and Indirect Tax laws by the Company has not been reviewed in this Audit since the same has been subject to review by the Statutory Auditors and other designated professionals

**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.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking
- Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

**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.



**I further report that** during the audit period, the Company has converted warrants (which were originally issued on 5<sup>th</sup> December, 2013) into equity shares in two tranches of Rs. 10 each issued at premium of Rs.2.74/-. On 14.08.2014, 9,00,000 equity shares and on 29.04.2015, 3,36,891 equity shares were issued pursuant to conversion.

**Place :** 12.08.2015

**Date :** Hyderabad

Sd/

Name of Company Secretary in practice: **AJAY S.SHRIVASTAVA**

FCS No. 3489

C P No.: 3479

**'ANNEXURE '**

To,

The Members

**SOURCE NATURAL FOODS & HERBAL SUPPLEMENTS LIMITED**

No. 201, Sumeru Towers,

#54/46, Second Floor

11th Main Road, 39th A Cross

Jayanagar 4th T Block

Bangalore - 560041

This report is to be read with our letter of even date which is annexed as ' Annexure I and forms an integral part of this report.

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.
4. Where ever 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.

**Place :** 12.08.2015

**Date :** Hyderabad

Sd/

Name of Company Secretary in practice: **AJAY S.SHRIVASTAVA**

FCS No. 3489

C P No.: 3479!

**ANNEXURE-2**

**FORM No. MGT-9**

**EXTRACT OF ANNUAL RETURN**

**as on the financial year ended March 31, 2015**

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

**I. REGISTRATION AND OTHER DETAILS:**

i)	CIN	L24231AP1995PLCO19106
ii)	Registration Date	2 <sup>nd</sup> January, 1995
iii)	Name of the Company	SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED
iv)	Category/Sub-Category of the Company	Public Company Limited by Shares
v)	Address of the Registered office and contact details	201, II Floor, Sumeru Towers #54/46, 39 <sup>th</sup> A Cross, 11 <sup>th</sup> Main Road Jayanagar 4 <sup>th</sup> T Block, Bangalore-560 041
vi)	Whether listed Company	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Venture Capital & Corporate Investment Private Limited 12-10-167, Bharatnagar Hyderabad- 500 018

**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:

Sr. No	Name and Description of main Product/Services	NIC Code of the Product/Services	% to total turnover of Company
1	Ojasvita	21003	31.64
2	Shakti drops	21003	31.86
3	Capsules	21003	10.81

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -**

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section of Companies Act,2013
1	Sumeru Ayurveda Private Limited	U85191KA2007PTC042791	Holding Company	72.95	2(46)

**IV. SHAREHOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

**i) Category-wise Shareholding**

Category of shareholders	No. of Shares held at the beginning of the year (April 1, 2014)				No. of Shares held at the end of the year (March 31, 2015)				%Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
1) Indian									
a) Individual/HUF									
b) State Govt.(s)									
c) Bodies Corporate	3550000	-	3550000	68.27	4450000		4450000	72.95	25.35
d) Banks/FI									
e) Any Other									
<b>Sub-total (A)(1)</b>	<b>3550000</b>	<b>-</b>	<b>3550000</b>	<b>68.27</b>	<b>4450000</b>		<b>4450000</b>	<b>72.95</b>	<b>25.35</b>



Capital Funds									
i) Others (specify) Foreign Portfolio Corpn. Qualified Foreign Investor									
<b>Sub-total (B)(1)</b>	-								
<b>2. Non-Institutions</b>									
a) Bodies Corporate									
i) Indian (Domestic)	318391	1500	319891	6.15	316988	1500	318488	5.22	0.44
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs1 Lac	514077	30503	544580	10.47	531201	30423	561624	9.21	3.12
ii) Individual shareholders holding nominal share capital in excess of Rs.1 Lac	767595	-	767595	14.76	744285		744285	12.20	3.04
c) Others									
-Trust		158	158	--		158	158	--	

- NRI (Repat)	3841	150	3991	0.08	4211	150	4361	0.07	9.27
- NRI (Non-Repat)									
Clearing Member	13825	-	13825	0.27	21124		21124	0.35	52.80
Sub-total (B)(2)	1617729	32311	1650040	31.73	1617809	32231	1650040	27.05	
Total Public Shareholding (B) = (B)(1) + (B)(2)	1617729	32311	1650040	31.73	1617809	32231	1650040	27.05	
C. Shares held by Custodian for GDRs & ADRs	-	-	-						
Grand Total (A+B+C)	5167729	32311	5200040	100.00	6067809	32231	6100040	100.00	

### ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (April 1, 2014)			Shareholding at the end of the year (March 31, 2015)			% Change in 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	Sumeru Ayurveda Private Limited	3555000	68.27	NA	4450000	72.95	NA	25.35

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

9,00,000 Shares were allotted to the promoters on 14<sup>th</sup> August, 2014 on conversion of share warrants allotted on preferential basis.

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sr. No.	Top Ten Shareholders	Shareholding at the beginning of the year (April 1, 2014)		Cumulative Shareholding at the end of the year (March 31, 2015)	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
1	IONIC HEALTHCARE PVT LTD	261000	5.01	261000	4.28
2	MANMOHAN AGARWAL	199255	3.83	199255	3.27
3	RAMESH CHANDRA AGARWAL	105483	2.02	105483	1.73
4	PUSHAPALATA AGARWAL	95860	1.84	95860	1.57
5	MUKESH SURYAKANT PAREKH	88298	1.69	88298	1.45
6	RAMESH CHANDRA AGARWAL	50883	0.97	50883	0.83
7	BAGEERATHI SUBRAMANIAM	50000	0.96	50000	0.82
8	SANJEEV REDHU	42967	0.82	42967	0.7
9	DIPAK KANAYALAL SHAH MITA DIPAK SHAH SHARAD KANYALAL SHAH.	30000	0.57	30000	0.49
10	GOVINDAN SUBRAMANIAN	30000	0.57	31638	0.52
11.	DIPAK KANAYALAL SHAH MITA DIPAK SHAH SHARAD KANYALAL SHAH.	30000	0.57	30000	0.49



v) Shareholding of Directors and Key Managerial Personnel:

Sr. No.		Shareholding at the beginning of the year (April 1, 2014)		Cumulative Shareholding at the end of the year (March 31, 2015)	
		No. of Shares	% of Total Shares of the Company	No. of Shares	% of Total Shares of the Company
1	Mr. Srinivas Gowra	7232	0.13	7232	0.11
2	Mr. C L Rathi	955	0.01	955	0.01
3	Mr. Nikhil Sen	3151	0.06	3151	0.05
4	Mr. Sriram Chandrasekaran			2	-
5	Mrs. Bharathy			2	-
6	Mr. Arvind Varchaswi N	-	-	-	-
7	Mrs. Rashmi P G	-	-	-	-

Date wise increase/decrease in shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)

## VI. Indebtedness

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

	Rs			
	Secured Loans	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year	-	-	-	-
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (I + ii + iii)	-	-	-	-
Change in Indebtedness during the financial year				
• Addition	<b>1100927</b>	-	-	-
• Reduction	<b>216984</b>	-	-	-
Net Change	<b>883943</b>	-	-	-
Indebtedness at the end of the financial year		-	-	-
i) Principal Amount	<b>883943</b>	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	<b>883943</b>	-	-	-

**VII. Remuneration of Directors and Key Managerial Personnel.**

(Rs Lacs)

A Remuneration to Managing Directors, Whole Time Directors and Manager			
Sr. No	Particulars of Remuneration	Name of MD/WTD/Manager	Total Amount (Rs Lacs)
		Mr. Arvind Varchaswi N Managing Director	
1	1. Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	9.00	9.00
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961.		
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	--	
2.	Stock Option	--	
3	Sweat Equity	--	
4.	Commission - As % of Profit - Others, specify Executive Incentive Compensation Plan/Bonus	--	
5	Others, please specify : Employer contribution to Provident Fund	0.22	0.22
	<b>Total (A)</b>	<b>9.22</b>	<b>9.22</b>
	Ceiling as per the Act •	5% of the Net Profits of the Company	

(Rs Lacs)

<b>B. Remuneration to other Directors</b>			
Sr. No	Particulars of Remuneration	Name of Director	Total Amount (Rs Lacs)
1	Independent Directors	NIL	NA
	Fee for attending Board & Committee meetings		
	Commission		
	Others, please specify		
	Total (1)		
2	Other Non-executive Directors	NIL	NA
	Fee for attending Board & Committee meetings		
	Commission		
	Others, please specify		
	Total (2)		
	Total (B) = (1+2)	NA	NA
	Total Managerial Remuneration		
	Overall Ceiling as per the Act	: 1% of the Net Profits of the Company	

(Rs Lacs)

Sr. No	Particulars of Remuneration	Company Secretary	Total Amount (Rs Lacs)
1	1. Gross Salary (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	4.44	4.44
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961		
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961		
2.	Stock Option		
3	Sweat Equity		
4.	Commission - As % of Profit - Others, specify Executive Incentive Compensation Plan/Bonus		
5	Others, please specify : Employer contribution to Provident Fund	0.17	0.17
	Total (A)	4.61	4.61

VIII. Penalties/ Punishment/Compounding of offences: NIL

Place: Bangalore

Date: 12<sup>th</sup> August, 2015

On Behalf of the Board

Arvind Varchaswi N.  
Managing Director  
DIN: 00143713

Nikhil Sen  
Director  
DIN: 00842114

## ANNEXURE-3

### MANAGEMENT DISCUSSION & ANALYSIS REPORT

#### Industry Structure and Development- Indian Economy

The Indian Economy at the beginning of the year 2014-15, was not encouraging for growth due to high inflation rate, lack of investors' confidence, weak rupee etc. But it appeared in brighter spot towards the end of the fiscal 2014-15. The economic reforms got a push, which turned the general mood. The International Monetary Fund has forecasted that India is set to become the world's fastest growing major economy, ahead of China in the next couple of years. India is expected to grow at 7.5% in 2015 and 2016.

#### AYURVEDA AND HERBAL SUPPLEMENTS SECTOR

Your Company operates in the Ayurveda and herbal industry which has been identified as one of the key sectors of growth and innovation for the Country. As per the World Health Organisation, nearly 80 per cent of the people in Asian and African countries use traditional medicines as their primary medical aid.

Treatment of illness and maintenance of health using herbal medicines is the oldest and most popular form of Healthcare practice known to humanity that has been practised by all cultures in all ages throughout the history of civilization. According to the World Health Organization (WHO), approximately 25 per cent of modern drugs used in the United States have been derived from plants. In Japan, 60-70 per cent of allopathic doctors prescribe 'kampo' medicines (composed mainly of herbal medicines) for their patients. This practice prevail in many other countries also. In many economically developed Asian countries, such as China, Japan, Thailand and South Korea, herbal medicines continue to be widely used even though allopathic medicines and high quality modern healthcare facilities are now readily available there.

Indians have been traditionally inclined towards natural products for their medicinal and beauty needs. India has a history and knowledge of using natural products. While consumers in the rest of the world have to be educated about the benefits of natural herbs, this knowledge is well inherited in India from generations.

Consumers are more aware and better informed than ever before with regards to the Ayurveda and Food Industry. They are becoming conscious of the ingredients that go into the products that they use and are averse to chemicals that are known to cause side effects. On the supply side, companies are engaging in advanced research of plant-derived peptides, encapsulated actives, active plant stem cells, complex extraction processes, and clinical testing to deliver products that are acceptable to the well-informed customers.

The market for ayurvedic and herbal products is expected to grow at a rapid pace over the coming decades. Ayurvedic manufacturers are investing in research and constantly, coming up with new and innovative technology and products that are resulting in better and more effective ayurvedic products.

## **OUTLOOK**

Moving forward the Company expects increased sales for its products helped by improvements in GDP growth, increase in disposable income

In this financial year under review, your company continued to promote its products in social advertisement media. Introduction of new products and new variants in the existing product portfolio also continued.

The Company has tied up with modern trade outlets like Reliance, Food World, Ratnadeep, Food Bazaar across the metros. The Company is establishing a strong marketing and sales team internally and appointing distributors and dealers across the country to develop a strong market base.

The Company is investing more in research and development for introduction of more new products/variants in the product lines and to improve the standards of the existing products.

With Changes in technology, rise in organised retailing, emerging E Commerce and changes in the overall environment the outlook for the Company appear very promising.

## **OPPORTUNITIES AND THREATS**

The opportunities in the Ayurvedic and Herbal supplements market are huge which among others include increased income of consumers, changes in life style and cultural pattern and especially increased health awareness among all age groups. Your Company is capturing these opportunities through continuous evolution of its products catering to the needs of youth as well as older population, penetrating its distributing network and reach, creating awareness about the value of its products through planned use of social media and others that connect consumers. Optimal use of new age channels like E Commerce and Digital media will also be made to explore the opportunities.

Large investments required in clinical trials of the products, huge expenditure required for advertisement to face the competitive industry, lack of supply of standard quality raw materials and stricter registration procedures in international regulatory bodies continue to be the major threats for the herbal industry.

## **RISKS AND CONCERNS**

Business Risks and Concerns exists for all entities. Some of them being delay in revival of the economy, inflationary conditions, counterfeits and look alike, unexpected change in regulations.

These risks and concerns are mitigated through appropriate risk management systems which has been an integral part of the business of the Company

## **INTERNAL CONTROL SYSTEM AND ITS ADEQUACY**

The Company has a sound internal control system in the operations. We have installed software for effective management of the operations of the unit. The Company is carrying out internal audits at regular intervals so as to ensure that irregularities and operational inefficiencies are eliminated. Such Audits are carried out in accordance with the requirements of the Company under the supervision of the Audit Committee and is being improved from time to time by including new methodologies and further improving the existing ones.

The final report on the Audit is submitted to the Board of Directors after being reviewed by the Audit Committee. The Board shall review the policies adopted and procedures followed and shall approve the same on finding them appropriate to the requirement. The Audit Committee comprises of the members from the Board so as to ensure total transparency and consists of three Independent non-executive Directors. The committee performs the task of review of internal control systems from time to time and unaudited financials every quarter before recommending them to the Board of Directors.

## **SHARE CAPITAL**

During the financial 2014-15, the company has issued 9,00,000 Equity Shares of face value of Rs. 10/- each at Rs. 12.74 per share (including premium of Rs. 2.74 per share thereof) to the existing Promoter Company "**Sumeru Ayurveda Private Limited**" upon conversion of the Share Warrants issued under Preferential Allotment on January 06, 2014.

## **SECURED LOANS**

Secured loans of the Company as on 31.03.2014 are NIL and as on 31.03.2015 Rs.1,77,552/-

## **FIXED ASSETS**

New assets worth Rs.41,18,736/- have been acquired during the Year and added to the block, as a result the net block of fixed assets stands at Rs.3,65,80,383 for the year ended 31.03.2015 after providing an accumulated depreciation of Rs.2,35,15,302/-.



## **HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

The Company has always been considering Human Capital as most important and valuable assets to the Company.

Leadership development is a key focus area and the company provides opportunities to develop internal talent of its employees at all levels. Learning and development is another focus area wherein the employees are encouraged to acquire and improve their efficiency both internally and externally.

Human and industrial relations have remained peaceful and composed during the year. The Company always provides its staff a comfortable and motivating environment to work. The Company has expanded its sales team to boost the revenue of the Company. The Company adopts standard operational procedures to ensure smooth functioning of the unit.

The number of permanent employees of the Company as on 31<sup>st</sup> March, 2015 was 40.

## **CAUTIONARY STATEMENT**

Statements made in the Management Discussion and Analysis Report which describes the objectives, projections, estimates, approximations, predictions etc., may be considered to be forward looking statements and are stated as per the applicable laws and regulations. Actual results may differ from those expressed or speculated and are determined by many factors both domestic and global demand-supply conditions, processes, raw material availability, tax laws, government policies and other statutory obligations and implications which may affect the actual results which may be different from what the Directors envisaged in terms of future performance and outlook.

**Place: Bangalore**

**On Behalf of the Board**

**Date: 12<sup>th</sup> August, 2015**

**Arvind Varchaswi N.  
Managing Director  
DIN: 00143713**

**Nikhil Sen  
Director  
DIN: 00842114**

## ANNEXURE-4

### CORPORATE GOVERNANCE REPORT

#### 1. Company Philosophy on Code of Corporate Governance:

Corporate governance refers to the set of systems, principles and processes by which a company is governed. They provide the guidelines as to how the company can be directed or controlled such that it can fulfil its goals and objectives in a manner that adds to the value of the company for all stakeholders in the long term. Stakeholders in this case would include everyone ranging from the board of directors, management, shareholders to customers, employees and society at large.

Good Corporate Governance helps to enhance long term shareholders value and interest. This can be achieved through increase awareness for responsibility, transparency and professionalism and a focus on effective control.

The Board of Directors of your Company are committed to the continued adherence to the Corporate Governance.

As a part of the compliance of the revised Clause 49 of the Listing Agreement, the Company presents hereunder the required disclosures in the form of a report for the information of all the stakeholders.

#### 2. Board of Directors:

As on 31<sup>st</sup> March 2015, the Company's Board of Directors consists of the following Seven Directors:

	NAME	Designation	Category	No. of other Director ships	Attendance at Board meeting	Attendance at previous AGM
1	Mr. Narayanan Narasimhan	Chairman & Director	Promoter & Non-Executive	3	2	No
2	Mr. Arvind Varchaswi N.	Managing Director	Promoter & Executive	4	5	Yes
3	Mr. Chandrakant Laxminarayan Rathi	Director	Non-Executive & Independent	5	4	Yes
4	Mr. Nikhil Sen	Director	Non-Executive & Independent	4	5	Yes

5	Mr. Gowra Srinivas	Director	Non-Executive & Independent	13	5	Yes
6	Mr. Sriram Chandrasekaran	Director	Non-Executive & Independent	2	4	Yes
7	Ms. Bharathy*	Director	Non-Executive Minority Independent woman director	Nil	2	--

\*Appointed with effect from 15<sup>th</sup> September, 2014

Mr. Chandrakant Laxminarayan Rathi is a Chairman in one Board Committee and member in two Board Committees of other Public company

None of the above Directors are acting as a member in more than Ten Committees and as chairman in more than Five Committees across all Companies in which they are the Directors.

Mr. Arvind Varchaswi, Managing Director is the son Mr. Narayanan Narasimhan, Non-Executive Chairman and Director. Except this the other directors are not related to each other inter-se.

### 3. Board Meeting:

During the year 2014-15, the Board met 5 (Five ) times on the following dates, viz., May 26, 2014, August 4, 2014, August 14, 2014, November 13, 2014, and February 14, 2015. The maximum gap between any two successive meetings was less than 120 days.

### 4. Information Supplied to the Board:

The Board members are given agenda papers along with necessary documents and information in advance of each meeting of the Board and Committees. In addition to the regular business items, the following are regularly placed before the Board to the extent applicable.

- Quarterly and Half yearly results of the Company.
- Minutes of the Audit Committee, Shareholders Committee meetings and Nomination and Remuneration Committee.
- Details of Agreements entered into by the Company.
- Compliance of any statutory or listing requirements.

#### **5. Minutes of the Board/ Committee Meeting:**

The minutes of the each Board and Committee meeting was prepared and approved by the Board/Committee and signed in the next meeting.

#### **6. Code of Conduct:**

The Company has prescribed a Code of Conduct for its directors and senior management. The same has been posted on the Company's website. The declaration from the Managing Director stating that all the Directors and the senior management of the Company have affirmed compliance with the Code of Ethics for the financial year 2014-15 is provided in this report.

#### **7. Board Committees:**

The Company is committed to be transparent on all the matters by providing efficient and effective disclosures required for the discussions made by the Board and their Committees on the relevant matters. Further the Board has delegated certain powers to some of the Committees of its members and these Committees decided the matters referred and reported to the Board by recommendations in the Board meeting. The Company has constituted three Committees viz. Audit Committee, Nomination and Remuneration Committee and Stake holders Relationship Committee.

#### **8. Audit Committee:**

The terms referred in the audit Committee include the following:

1. Review of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
3. Approval of payment to statutory auditors for any other services rendered by them.
4. Reviewing with management the annual financial statements before submission to the board, focusing primarily on:
  - i. Any changes in accounting policies and practices.
  - ii. Major accounting entries based on exercise of judgment by management.
  - iii. Qualifications in draft audit report.
  - iv. Significant adjustments arising out of audit.

- v. The going concern assumption.
- vi. Compliance with accounting standards.
- vii. Compliance with stock exchange and legal requirements concerning financial statements.
- viii. Any related party transactions.

5. Reviewing the quarterly financial statements before submission to the Board.

6. Reviewing with the management, external and internal auditors, the adequacy of internal control systems, and recommending improvements to the management.

7. Discussion with internal auditors any significant findings and follow up thereon.

8. Reviewing the findings of any internal investigations by the internal auditors into matters wherever suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

9. Discussion with external auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

10. Reviewing the company's financial and risk management policies.

11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

During the year 5 meetings of the Committee were held on May 26, 2014, August 4, 2014, August 14, 2014, November 13, 2014 and February 14, 2015.

The following are the details of the Director, their attendance at the Audit Committee Meeting held during the year 2014-15.

Name	Designation	Attendance
Mr. Gowra Srinivas	Chairman	5
Mr. Nikhil Sen	Member	5
Mr. Sriram Chandrasekaran	Member	4

### 9. Stakeholders Relationship Committee:

At the Board Meeting held on 26<sup>th</sup> May, 2014, the Shareholders Grievances Committee was re-named as Stakeholders Relationship Committee pursuant to the provisions of the Companies Act, 2013.

During the year 4 meetings of the Committee were held on May 26, 2014, August 14, 2014, November 13, 2014 and February 14, 2015.

Name	Designation	Attendance
Mr. Arvind Varchaswi N.	Chairman	4
Mr. Gowra Srinivas	Member	4
Mr. Nikhil Sen	Member	4

Name of Designation of Compliance Officer

Vijayendra R.

Company Secretary and Compliance Officer

E mail: [cs@source-natural.com](mailto:cs@source-natural.com)

No Investors complaint was received during the year and there were no unresolved Investors Complaints at the end of the year.

### 10. Nomination and Remuneration Committee:

At the Board Meeting held on 26<sup>th</sup> May, 2014, the Remuneration Committee was re-named as Nomination and Remuneration Committee pursuant to the provisions of the Companies Act, 2013.

The composition of the Nomination and Remuneration Committee as on date is as under:

Name	Designation	Category of Directorship
Mr. Nikhil Sen	Chairman	Non-Executive
Mr. Gowra Srinivas	Member	Non-Executive
Mr. Sriram Chandrasekaran	Member	Non-Executive

During the year a meeting of this committee was held on 14<sup>th</sup> February, 2015.

The Remuneration policy of the Company is given in the Annexure-6 to the Directors Report.

The details of Remuneration to the Directors are provided in the MGT-9 (Annexure-2 of the Directors Report.)

### 11. Details of Annual/Extra ordinary General Meeting:

Locations and time of General meeting held in past 3 years:

YEAR	LOCATION	DATE	TIME	Special Resolutions passed
2011-12 (AGM)	Hotel Fortune Manohar, Begumpet, Hyderabad - 500 016	27/09/2012	11:00 A.M.	NIL
2012-13 (AGM)	Hotel Jaya Excellency, Begumpet, Near Airport, Hyderabad - 500 016	28/09/2013	11:30 A.M.	NIL
2013-14 (AGM)	Hotel Jaya Excellency, Begumpet, Near Airport, Hyderabad - 500 016	15/09/2014	11:30 A.M.	1.Appointment of Mr. Srinivas Gowra as an Independent Director 2. Appointment of Mr. Nikhil Sen as an Independent Director 3.Appointment of Mr. Sriram Chandrasekaran as an Independent Director 4. Appointment of Ms. Bharathy as a non- executive minority woman independent director 5. Shifting of the Registered office of the Company from the state of Andhra Pradesh to the state of Karnataka.
2014-15 (EGM)	Hotel Pai Comforts #1319, 100 Ft Road J P Nagar 2 <sup>nd</sup> Phase J P Nagar Bangalore- 560 078	29.032015	11.30	1 Approval of related party transaction with Sumeru Ayurveda Private Limited. 2 Approval of Related party Transaction with Arvind Exports.

### 12. DISCLOSURES:

(a) No transaction of material nature has been entered into by the company with directors or management and their relatives etc. that may have a potential conflict with the interests of the company. The Register of contracts containing transactions in which directors are interested is placed before the Board regularly.

(b) There has been no instance of non-compliance by the Company on any matter related to the capital markets. Hence the question of penalties or strictures being imposed by SEBI or Stock Exchanges does not arise.

(c) The Company is in compliance with all the mandatory requirements of Corporate Governance and has fulfilled the non- mandatory requirements as prescribed in Annexure XIII of the revised Clause 49 of the Listing Agreement with Stock Exchanges except items 2 and 4 of said Annexure.

(d) The Company has followed the Accounting Standards issued by the Institute of Chartered Accountants of India, to the extent applicable, in the Preparation of the Financial Statements

(e) The Company has laid down procedures to inform Board Members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management control risks through means of a properly defined framework

(f) The Company has adopted with the Code of Conduct applicable to all Directors, senior management and employees. The Declaration as required under Clause 49 is given in this report,

(g) The Company has adopted Whistle Blower Policy of the Company, which among others allows access to the Audit Committee of the Company.

(h) The Company has adopted Policy on dealing with Related Party Transactions, which is uploaded on the website of the Company.

**13. CEO Certification:** The Managing Director has given a certificate as per in Clause 49 of the Listing Agreement.

The Management Discussion and Analysis is provided as an Annexure-3 of this report.

#### **14. Means of Communication**

The financial results are published by the Company in prescribed format in Financial Express and Sanje Vani within 48 Hr of approval of the Board and they are also uploaded on the website of the Company.



## 15. General Shareholder Information

- 1) 20<sup>th</sup> Annual General Meeting  
Date and Time

26<sup>th</sup> September, 2015, 11.00 AM

Venue

Hotel Pai Comforts #1319,  
100 Feet Road, J P Nagar II Phase,  
Bangalore – 500 078

- 2) Financial Calendar (2015-16) (Tentative)

The Financial year of the company is from 1st April of the year to 31st March of the next year

For the year ending 31st March, 2016 quarterly Un-audited / Annual Audited results shall be announced as follows:

Financial reporting for	Proposed Date
Unaudited Results for the Quarter ending: 30th June, 2015	On or before 14th August, 2015
Unaudited Results for the Quarter ending: 30th September, 2015	On or before 14th November, 2015
Unaudited Results for the Quarter ending: 31st December, 2015	On or before 14th February, 2016
Audited Results for the year ended 31st March, 2016	On or before 30 <sup>th</sup> May, 2016

- 3) Book Closure Date

19<sup>th</sup> September 2015 to 26<sup>th</sup> September, 2015  
(Both days inclusive)

- 4) Registered Office

No: 201, Sumeru Towers, 2<sup>nd</sup> Floor, #54/46 39<sup>th</sup> A  
Cross, 11<sup>th</sup> Main Road, Jayanagar IV T Block  
Bangalore - 500 041

- 5) Listing of Equity Shares:

BSE Limited, Mumbai (BSE)

<b>6) Listing Fees</b>	Listing fee has been paid to BSE Limited till the year 2015-16
<b>7) Stock Code</b>	531398
<b>8) ISIN No.</b>	INE679COIOI9
<b>9) CIN Number</b>	L24231AP1995PLC019106

#### 10) Market Price Data

The monthly high and low quotations and volume of shares traded on BSE.

Month	BSE, MUMBAI			Sensex	
	High Rs	Low Rs	No of Shares Traded	High	Low
April, 2014	11.00	9.93	40,063	22,939.31	22,197.51
May, 2014	11.02	10.19	16,537	25,375.63	22,277.04
June, 2014	12.10	9.47	1,03,497	25,725.12	24,270.20
July, 2014	9.55	7.71	10,718	26,300.17	24,892.00
August, 2014	10.37	7.77	17,840	26,674.38	25,232.82
September, 2014	17.88	10.00	3,77,158	27,354.99	26,220.49
October, 2014	16.00	13.21	92,397	27,894.32	25,910.77
November, 2014	18.46	12.56	1,21,714	28,822.37	27,739.56
December, 2014	16.50	13.20	83,132	28,809.64	26,469.42
January, 2015	18.00	13.40	1,21,644	29,844.16	26,776.12
February, 2015	15.15	11.88	92,101	29,560.32	28,044.49
March, 2015	18.20	14.00	2,08,724	30,024.74	27,248.45

**16) Investors' Correspondence / Registrar & Share Transfer Agents:**

Venture Capital & Corporate Investment Pvt Ltd.,  
12-10-167, Bharat Nagar  
Hyderabad - 500 018.

Phone: 040-23818475  
Fax: 040-23868024  
E mail: [info@vccilindia.com](mailto:info@vccilindia.com)

**17) Share Holding pattern as on 31st March 2015**

SL No	Category	Number of Share holders	No of shares held	Shares held in dematerialized form	% of shares held to the total paid capital
	Promoter - Bodies Corporate	1	4450000	4450000	72.95
	Bodies Corporate	66	318488	316988	5.22
	Individual shareholders holding nominal share capital upto Rs.1 lakhs.	3537	561624	531201	9.21
	Individual shareholders holding nominal share capital in excess of Rs.1 lakhs.	14	744285	744285	12.20
	CLEARING MEMBER	18	21124	21124	0.35
	TRUST	1	158	-	-
	Non Resident Individuals	15	4361	4211	0.07
	Total	3652	6100040	6067809	100.00

**18) Distribution of Share Holding as on 31st March 2015**

Slab of Shareholding in Rs. (paid up value)	No. of Shares Holders	% of Shareholders to Total No of Shareholder	Amount in Rs.	% to Holding to Total shareholding
Upto - 5000	3456	94.63	2616940	4.29
5001 - 10000	95	2.6	738640	1.21
10001 - 20000	43	1.18	649190	1.06
20001 - 30000	11	0.3	262800	0.43
30001 - 40000	3	0.08	98720	0.16
40001 - 50000	9	0.25	410640	0.67
50001 - 100000	18	0.49	1406550	2.31
100001 and above	17	0.47	54816920	89.86
Total	3652	100	61000400	100

**19) Shares held by Non-Executive Directors**

Shares held by Non-Executive Directors as on March 31<sup>st</sup> 2015 is as follows:-

Sl. No.	Name of the Director	No. of Shares held
1	Mr. Srinivas Gowra	7,232
2	Mr. C. L. Rathi	955
3	Mr. Nikhil Sen	3,151
4	Mr. Sriram Chandrasekaran	2
5	Mrs. Bharathy	2

## **20) Remuneration to the Managing Director**

During the year 2014-15, Mr. Arvind Varchaswi N, Managing Director was paid remuneration of Rs. 75,000/- per month in terms of the special resolution passed by the members of the Company on May 27, 2012.

## **Share Transfer System**

Share transfers which are received in physical form are processed by the Registrar and Share Transfer Agents and the share certificates are returned after affecting the transfer, subject to the documents being valid and complete in all respects.

## **21) Dematerialization of Shares as on March 31<sup>st</sup> 2015**

The company's trading of equity shares came under compulsory dematerialization from 07.02.2001

As on 31st March, 2015, 6067809 Equity Shares of Rs.10/- each aggregating to 99.47% of the paid up capital are being held with NSDL & CSDL in demat form & the rest 32,231 aggregating to 0.53 % are in physical form.

The entire promoter shareholding of 44,50,000/- Equity Shares of Rs. 10/- each are held in dematerialised form.

**22) Outstanding Bonds/ Convertible Instruments** – 3,36,891 Equity Share Warrants allotted to the promoter, Sumeru Ayurveda Private Limited was outstanding as on March 31, 2015; These Equity Share Warrants were converted into 3,36,891 Equity Shares of Rs.10/- face value each on 29<sup>th</sup> April, 2015 and now there are no outstanding warrants due for conversion.

## **23) Postal Ballot:**

During the year 2014-15 the proposal for shifting of registered office from the State of Telangana to the State of Karnataka, which required the approval of the members of the Company through Postal Ballot as per the provisions of the Companies Act, 2013 was conducted through postal ballot. Mr. Ajay S Shrivastava, Company Secretary in Practice was appointed as Scrutinizer for the Postal Ballot Program.

The proposal was carried with requisite majority both through the postal ballot and at the Annual General Meeting of the Company held on 15<sup>th</sup> September, 2014

**24) Plant Location:**

Plot No: 22 & 23, SVCIE, Bachupally, Quthbullapur Mandal, Hyderabad - 500 090.

**25) Address for Correspondence**

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

**Place: Bangalore**

**On Behalf of the Board**

**Date: 12<sup>th</sup> August, 2015**

**Arvind Varchaswi N.  
Managing Director  
DIN: 00143713**

**Nikhil Sen  
Director  
DIN: 00842114**

**Declaration of Code of Conduct:**

This is confirm that the Board has laid down the Code of conduct for all the Directors and senior management personal of the Company. It is to further confirm that all Directors and senior management personals of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended on 31st March, 2015, as envisaged in Clause 49 of the Listing Agreement with Stock Exchange.

**Place: Bangalore**

**Date: 12.08.2015**

**By Order of the Board**

**Sd/-  
ARVIND VARCHASWI N.  
MANAGING DIRECTOR**

## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**TO THE MEMBERS OF SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED**

We have examined the compliance of conditions of corporate Governance by SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED , for the year ended 31st March,2015, as stipulated in clause 49 of the Listing Agreements of the said Company with stock Exchange (s).

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

In our opinion and to the best of our information and according to the explanations given to us, and the representation 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 Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that based on report given by the Registrars of the Company to the Investors Grievance Committee, as on March 31, 2015, there were no investor grievance matters against the Company remaining unattended pending for more than 30 days.

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

For Vijay Narayan & Co,  
Firm registration No.010917S  
Chartered Accountants

Sd/-  
Vijay N. Kale  
Proprietor  
Membership No.020322

Place: Hyderabad  
Date: August 12, 2015

## ANNEXURE-5

### Details regarding the Remuneration paid to the Managing Director, other Directors and other employees of the Company for the year 2014-15

(i) the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;

7.55: 1

(ii) the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;

Remuneration is paid only to the Managing Director and to the Company Secretary.

There was no increase in salary to the Managing Director during the year and the

The Remuneration of the Company Secretary was increased by 12.12%

(iii) the percentage increase in the median remuneration of employees in the financial year;  
5.75%

(iv) the number of permanent employees on the rolls of company;  
As on 31.03.2014- 45 As on 31.03.2015 - 40

(v) the explanation on the relationship between average increase in remuneration and company performance;

During the year the performance of the company (Revenue from Operations) increased by 44%, compared to the 14.05% average increase in remuneration of the employees. The increase in salary is designed to attract, motivate and retain employees who are essential for the growth of the Company and is as per the prevailing Industry Standards.

(vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the company;

During the year the performance of the company (Revenue from Operations) increased by 44%, compared to the 12.12% increase in remuneration of the KMP, which is as per the prevailing Industry Standards.



(vii) variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase or decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year;

Financial year ending	Closing price of the shares of the Company at BSE Rs.	Market Capitalization Rs in Crores.	Price Earning Ratio	Increase in market quotation of shares compared to the Public offer of shares*
31.03.2014	10.29	5.35	31.18	2.90% increase
31.03.2015	14.00	8.54	53.84	40.00% increase

The Initial Public issue of the shares of the Company were made at par (Rs.10.00) during November, 1995

(viii) 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 percentile increase in the remuneration of the employees of the Company was 14.05%, compared to 12.12% of the managerial personnel. The increase in remuneration was normal and as per the Industry Standards.

(ix) comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;

During the year the performance of the company (Revenue from Operations) increased by 44%, compared to the 12.12% increase in remuneration of the Key Managerial Personnel.

(x) the key parameters for any variable component of remuneration availed by the directors;

Only the Managing Director of the Company is paid remuneration and there are no variable component in his remuneration.

(xi) the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year; and

1.11:1

(xii) affirmation that the remuneration is as per the remuneration policy of the company.

The Remuneration paid is as per the Remuneration policy of the Company.

**Place: Bangalore**

**On Behalf of the Board**

**Date: 12<sup>th</sup> August, 2015**

**Arvind Varchaswi N.  
Managing Director  
DIN: 00143713**

**Nikhil Sen  
Director  
DIN: 0084211**

## ANNEXURE-6

### **POLICY ON DIRECTORS APPOINTMENT, APPRAISAL PROCEDURE, REMUNERATION POLICY TO DIRECTORS/KMP / EMPLOYEES**

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#### **Policy on appointment of Board Members**

Constitution & Size

Members

Chairman

Executive Members

Independent Members

Profile

Board should ideally comprise of 6-8 Members

50% of members should be independent

The skill profile of the Board members will be driven by the following key tasks defined by the Board

Focus on corporate Governance

Guiding strategy and Enhance Shareholders value

Monitoring Performance, Management Development and Compensation

Control and Compliance

The Company appoints the Directors with rich experience and expertise in various sectors of finance, information technology, corporate strategy, Marketing, Corporate Law, Finance, Administration and in the area of FMCG.

The criteria for appointment of Directors will also be based on company's priority at the time of appointment.

I. Criteria for Determining Qualifications, Positive Attributes & Independence of Director:

#### **a) Qualifications of Independent Director:**

An Independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, operations or other disciplines related to the company's business.

#### **b) Positive attributes of Independent Directors:**

An independent director shall be a person of integrity, who possesses relevant expertise and experience and who shall uphold ethical standards of integrity and

probity; act objectively and constructively; exercise his responsibilities in a bonafide manner in the interest of the company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the company in implementing the best corporate governance practices.

**c) Independence of Independent Directors:**

An Independent director should meet the requirements of the Companies Act, 2013 and Clause 49 of the Listing Agreement concerning independence of directors.

**II. Remuneration Policy for Directors, Key Managerial Personnel and other employees**

**a) Nonexecutive Directors:**

The Board of Directors of the Company shall approve the payment of sitting fees for every meeting of the board or committee thereof attended by the Non-executive Directors as a member.

Commission to NEDs if any shall be approved by the Nomination and Remuneration Committee and Board of Directors and shall be according to the Companies Act, 2013. The payment of commission shall be based on their attendance at the board and the committee meetings as member.

Additional commission, apart from commission referred to above, may be paid to non-executive directors as may be decided by the board of directors of the company from time to time, depending on the extra time and effort as may be devoted and contribution as may be made by the non-executive directors.

The company has no stock options plans and no payment by way of bonus, pension, incentives etc. shall be paid.

**b) Managing Director & Key Managerial Personnel & Other Employees**

The objective of the policy is directed towards having a compensation philosophy and structure that will reward and retain talent.

The Company while deciding the remuneration package takes into consideration the following items:

- a. employment scenario
- b. remuneration package of the industry and
- c. remuneration package of the managerial talent of other industries.

The Remuneration to Managing Director shall take into account the Company's overall performance, MD's contribution for the same & trends in the industry in general, in a manner which will ensure and support a high performance culture.

The company has no stock options, plans and hence, such instruments do not form part of his remuneration package.

The Remuneration to others will be such as to ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

Remuneration to Directors, Key Managerial Personnel and Senior Management will involve a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and may pay commission (variable component) to Managing and Whole-time Directors after necessary approvals. Salary will be paid within the range of Companies Act, 2013. Annual increments will be effective from 1st April each year, as recommended by the Remuneration Committee, are approved by the Board. The ceiling on perquisites and allowances as a percentage of salary, is fixed by the Board. Within the prescribed ceiling, the perquisites package is approved by the Remuneration Committee. Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the Remuneration Committee, subject to overall ceilings stipulated in Companies Act, 2013. Specific amount payable to such directors is based on the performance criteria laid down by the Board which broadly takes into account the profits earned by the Company for the year.

**Note:** The above criteria and policy are subject to review by the Nomination & Remuneration committee & the Board of Directors of the Company.

#### **Performance Evaluation:**

As a member of the Board, their performance as well as the performance of the entire Board and its Committees will be evaluated annually. Evaluation of each director shall be done by all the other directors. The criteria for evaluation shall be disclosed in the Company's Annual Report. However, the actual evaluation process shall remain confidential and shall be a constructive mechanism to improve the effectiveness of the Board / Committee.

The board, through its nomination committee or similar board committee should regularly review its required mix of skills and experience and other qualities such as its demographics and diversity in order to assess the effectiveness of the board. This should be by means of a self-evaluation of the board as a whole, its committees and the contribution of each individual director.

The performance evaluation of non-executive directors could be done by a peer group comprising the entire Board of Directors, excluding the director being evaluated; and Peer Group evaluation could be the mechanism to determine whether to extend / continue the terms of appointment of non-executive directors.

#### **Assessment:**

The list of questions which would be of use for the assessment of each of the non-executive director are as under:-

1. How well prepared and well informed the nonexecutive directors for board meetings?
2. Is the attendance of non-executive directors at meetings satisfactory?
3. Do the non-executive directors show willingness to spend time and effort learning about the company and its business?
4. Do the non-executive directors willing to participate in events outside board meetings such as factory visits?
5. What has been the quality and value of non- executive director's contributions at board meetings?
6. What has been their contribution to the development of (i) Strategy and (ii) risk management?
7. How successfully the non-executive directors brought their knowledge and experience to bear in the consideration of strategy?
8. How effectively the non-executive director probed to test assumptions?
9. Where necessary, how resolute are they in holding to their views and resisting pressure from others?
10. How effectively have they followed up matters about which they have expressed concern?
11. How good are their relationship with other board members, the company secretary and senior management?
12. How actively and successfully do they refresh their knowledge and skill?
13. Are they up-to-date with the latest developments in areas such as the corporate governance framework and financial reporting and in the industry and market conditions?
14. How well do they communicate with other board members, senior management and others?
15. Can they present their views convincingly, yet diplomatically?
16. Do they listen to the views of others?

The list excludes any specific questions about the performance of each nonexecutive director on board committee, although some of the questions in this list could be made applicable to their committee in which they serve. The answers to these questions

provide an assessment of performance and also indicate the areas in which the performance may be required to be improved upon.

**Types of Evaluation Mechanism:**

**i. Formal / informal way of assessing effectiveness of the board members**

The board could recognize the importance of reviewing and improving upon its performance and meets regularly to discuss the effectiveness of its functioning and to agree ways in which performance can be further improved formally or informally.

**ii. Assessing by using the peer-to-peer performance evaluation**

The performance evaluation of non-executive directors could also be done through a peer-to-peer performance evaluation of the Board of Directors and the Directors could be marked on a scale 1 to 5, with respect three broad parameters namely, guiding strategy, monitoring reference and statutory compliance & corporate governance and such other key points which the company thinks of importance.

**iii. External member could present themselves to their peer and assessment is done**

The Board evaluates the performance on non-executive / independent directors through a peer- evaluation process which could also be one of the ways. In this process each external Board member could present before the entire Board on how they have performed / added value to the company. Every Board member could evaluate each external Board member on a scale of 1 to 10 based on the performance indicators.

**Report to the Board:**

At the end of the evaluation process, the chairman and the Senior Independent Director should submit a report to the board members on the results of the evaluation process.

**Disclosures through Annual Report**

The board could report the same to the shareholders by way of disclosure in the annual report.

**Place: Bangalore**

**On Behalf of the Board**

**Date: 12<sup>th</sup> August, 2015**

**Arvind Varchaswi N.  
Managing Director  
DIN: 00143713**

**Nikhil Sen  
Director  
DIN: 00842114**

## ANNEXURE-7

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo.

### A. Conservation of Energy.

i. The steps taken or impact on conservation of energy.

The Company initiated and implemented a number of energy conservation techniques during the year both at the manufacturing unit and at the offices of the Company. Some of them are:

Use of Energy Efficient Lighting systems like mercury vapour lamps, high power sodium vapour lamps and LED lights.

Use of natural lighting whenever possible.

switching off machines / equipment when not in use and switching off lights in areas not having adequate activity by regrouping/repositioning the activity so that there will not be any wastage of energy due to lighting.

Switching off Main Machines and lights during lunch breaks.

Reduction of water consumption through re-use

Monitoring of utilization of energy in lighting and other auxiliary equipments.

Creating awareness among employees about the necessity of energy conservation by celebrating energy conservation week.

The management has also Plans to utilize alternative and renewable sources of energy like Wind and Solar energy.

The measures taken for conservation of energy has led to better pollution control, reduced the impact on environment, cost reduction, improved hygienic conditions and consistency in quality and improved productivity.

During the year there was no capital investment on energy conservation equipments.



**B. TECHNOLOGY ABSORPTION.**

The products of the company have a high level of technology and require intensive technology. These are being constantly updated. Technology Development Plans of the Company have resulted in reducing the cost of production and also provided flexibility in manufacturing.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO.**

Foreign Exchange Earned. Nil

Foreign Exchange Outgo Rs.94,014.

**Place: Bangalore**

**Date: 12<sup>th</sup> August, 2015**

**On Behalf of the Board**

**Arvind Varchaswi N.**  
**Managing Director**  
**DIN: 00143713**

**Nikhil Sen**  
**Director**  
**DIN: 00842114**

## Independent Auditors' Report

**TO THE MEMBERS OF,  
SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED,**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED ("the company"), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss, the 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 in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion and 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;

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2015;
- b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Report on other Legal and Regulatory Requirements**

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 our audit.
- b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss and the Cash flow Statement, dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the financial statements.
- 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 written representations received from the directors as on 31 March, 2015, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015, from being appointed as a director in terms of Section 164(2) of the Act.
- f) We have made statements on matters specified in Companies Audit Report Order 2015, in the Annexure attached to this report.

Place: Hyderabad  
Date: 27-05-2015

for Vijay Narayan & Co  
Chartered Accountants

Vijay N Kale  
Proprietor  
MM No 020322  
FRN No 010917S

**Report under Companies (Auditors' Report) Order, 2015**

**Source Natural Foods and Herbal Supplements Limited**

**Annexure to the Auditors' Report**

The Annexure referred to in our report to the members of **Source Natural Foods and Herbal Supplements Limited** for the year ended on 31<sup>st</sup> March, 2015.

**1. IN RESPECT OF ITS FIXED ASSETS: [ (i) ]**

- a. The Company has maintained proper records showing full particulars including quantitative details and the situation of fixed assets on the basis of available information.
- b. As explained to us ,all the fixed assets have been physically verified by the management in a phased periodical manner ,which in our opinion is reasonable ,having regard to the size of the company and the nature of its assets .No material discrepancies were noticed on such physical verification .

**2. IN RESPECT OF INVENTORIES: :[(ii) ]**

- a. The inventories have been physically verified during the year by the management .In our opinion, the frequency of verification is reasonable.
- b. In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c. The Company has maintained proper records of inventories .As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.

**3. IF LOANS GRANTED: [(iii) ]**

In our opinion and according to the information and explanation given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act.

**4. IN RESPECT OF INTERNAL CONTROL:[(iv) ]**

In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and also for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system.

5. **IN RESPECT OF DEPOSIT FROM PUBLIC: [(v) ]**

According to information and explanations given to us, the Company has not accepted any deposits from the public. Therefore, the provisions of the Clause (v) of the order are not applicable.

6. **COST ACCOUNTING RECORDS: [ (vi) ]**

According to information and explanations given to us the provisions of section 148 of Companies Act, 2013 relating to cost audit and maintenance of cost records are not mandatory to the company. Therefore, the provisions of clause (vi) of the order are not applicable.

7. **IN RESPECT OF STATUTORY DUES: [ (vii) ]**

a. According to the records of the company, **UNDISPUTED STATUTORY DUES** including Provident Fund, Employees' State Insurance, Income tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues have been generally regularly deposited with the appropriate authorities. According to the information and explanation given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at March 31, 2015 for the period exceeding 6 months from the date of becoming payable.

b. The **DISPUTED STATUTORY DUES** aggregating to Rs.32,17,173/-, that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

Sr. No.	Name of the statute	Nature of the Dues	Amount (Rs.)	Period to which amount relate (FY)	Forum where dispute is pending
1	VAT/Sales Tax	Additional Sales Tax	3,40,633/-	1999-2000	Sales Tax Department
2	Excise duty - CENVAT Credit Availed	Dispute in proof of documents	5,11,930/-	2007-08	Appellate Tribunal
3	ESI	Additional contributions on various heads of accounts	5,51,907/- (including penalty Rs. 8,47,308/-)	1999-2000, 2000-01 and 2001-02	ESI Court
4	Income Tax TDS	For Payment of TDS collected	1,47,650/-	Jan - March 2008	Commissioner of Income Tax (Appeals)
5	Excise	For Payment of Excise duty on exempted goods	13,42,727/-	2005-06	Appellate Tribunal

6	CST	Order pending for payment of Differential taxes as C forms not submitted	1,96,769/-	2009-10	Appeal Deputy Commissioner
7	EPF	Penalty and Interest levied on belated payments. Department to send revised statements	1,25,557/-	01/04/2000 to 31/12/2013	Assistant Provident Fund Commissioner
	Total		32,17,173		

c. According to information and explanations given to us the company is not under the obligation to make contribution necessary to the Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 and rules made thereunder.

8. **LOSS MAKING COMPANY: [ (viii) ]**

The Company does not have accumulated losses more than fifty percent of its net worth at the end of the financial year. The Company has not incurred any cash losses during the financial year covered by the audit and no cash loss incurred in the immediately preceding financial year.

9. **REPAYMENT OF DUES: [ (ix) ]**

Based on our audit procedures and according to the information and explanation given to us, we are of opinion that the Company **has not defaulted** in repayment of dues to financial institutions, banks and debenture holders.

10. **GUARANTEE GIVEN: [(x)]**

According to information and explanations given to us the company has not given guarantee for the loans taken by others from banks or financial institution; hence clause (x) the Order is not applicable.

11. **END -USE-OF BORROWING: [ (xi) ]**

According to information and explanations given to us the Company has raised new term loans during the year. The term loans have been applied for the purposes for which they were raised.

12. **FRAUD: [ (xii) ]**

Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

Place: Hyderabad  
Date: 27-05-2015

for Vijay Narayan & Co  
Chartered Accountants

Vijay N Kale  
Proprietor  
MM No 020322  
FRN No 010917S

**SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED**

Regd. Office: No. 201, Second Floor, #54/46, 39th A Cross, 11th Main Road, Jayanagar 4th T Block,  
Bangalore - 560 041

PARTICULARS		Note No.	Figures in Rs.	
			As At Year End 31.03.2015	As At Previous Year End 31.03.2014
<b>I. EQUITY AND LIABILITIES</b>				
<b>1 Shareholders' Funds</b>			6,10,00,400	5,20,00,400
(a) Share Capital	2		(1,39,44,227)	(1,72,89,725)
(b) Reserves and Surplus	3		42,91,991	1,57,57,991
(c) Money received against Share Warrants			-	-
<b>2 Share Application Money pending allotment</b>			-	-
<b>3 Non-Current Liabilities</b>			7,06,422	-
(a) Long-Term Borrowings	4		-	-
(b) Deferred Tax Liabilities (Net)			-	-
(c) Other Long-Term Liabilities	5		6,54,448	3,96,774
(d) Long-Term Provisions			-	-
<b>4 Current Liabilities</b>			1,77,522	-
(a) Short-Term Borrowings	6		62,37,273	31,34,194
(b) Trade Payables	7		8,94,989	9,96,342
(c) Other Current Liabilities	8		-	-
(d) Short-Term Provisions			-	-
<b>TOTAL</b>			<b>6,00,18,818</b>	<b>5,49,95,975</b>
<b>II. ASSETS</b>				
<b>1 Non-Current Assets</b>				
(a) Fixed Assets	9		3,59,46,130	3,79,11,337
(i) Tangible Assets			6,34,253	8,15,469
(ii) Intangible Assets			-	-
(iii) Capital Work-In-Progress			-	-
(iv) Intangible Asset under Development			-	-
(b) Non Current Investments			-	-
(c) Deferred Tax Assets (Net)	10		2,97,263	1,65,400
(d) Long-Term Loans and Advances	11		-	-
(e) Other Non-Current Assets			-	-
<b>2 Current Assets</b>				
(a) Current Investments	12		1,25,26,850	49,26,101
(b) Inventories	13		22,75,274	35,44,322
(c) Trade Receivables	14		54,60,349	46,72,736
(d) Cash and Cash Equivalents	15		28,78,699	29,60,609
(e) Short-Term Loans and Advances	16		-	-
(f) Other Current Assets			-	-
<b>TOTAL</b>			<b>6,00,18,818</b>	<b>5,49,95,975</b>

Significant Accounting Policies and  
Notes on Financial Statements

1 to 31

As Per our Report of Even Date  
**For Vijay Narayan & Co.,**  
Chartered Accountants

For and on behalf of The Board

**Vijay N Kale**  
Proprietor  
Membership No. 020322  
Firm Registration No.0109175

**Arvind Varchaswi N**  
Managing Director

**Narayanan Narasimhan**  
Director

**Rashmi P.G.**  
Company Secretary

Place : Bangalore  
Date : May 27, 2015



**SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED**  
 Regd. Office: No. 201, Second Floor, #54/46, 39th A Cross, 11th Main Road, Jayanagar 4th T Block,  
 Bangalore - 560 041

**PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 31.03.2015**

		Figures in Rs.		
	PARTICULARS	Note No.	For the Year Ended 31.03.2015	For the Previous Year Ended 31.03.2014
I.	Revenue from Operations	17		
II.	Other Income	18	6,54,22,343	4,54,43,296
III.	Total Revenue (I+II)		21,144	68,589
			<b>6,54,43,487</b>	<b>4,55,11,885</b>
IV.	Expenses:			
	Cost of Materials Consumed	19	1,76,26,475	1,08,56,342
	Purchases of Stock-In-Trade		70,37,900	23,17,900
	Changes in inventories of finished goods, working-in-progress and stock-in-trade		-	-
	Employee Benefits Expense	20	(37,97,704)	(7,09,659)
	Finance Costs	21	1,32,12,591	97,69,060
	Depreciation and Amortisation Expenses	23	75,764	-
	Other Expenses	9 & 24	54,30,589	25,83,598
	Total Expenses	22	2,42,36,734	1,89,71,358
			<b>6,38,22,349</b>	<b>4,37,88,599</b>
V.	Profit before exceptional and extraordinary items and tax (III-IV)			
VI.	Exceptional Items		16,21,138	17,23,286
VII.	Profit before extraordinary items and tax (V- VI)		41,760	-
VIII.	Extraordinary Items		15,79,378	17,23,286
IX.	Profit before tax (VII - VIII)		-	-
X.	Tax expenses:		15,79,378	17,23,286
	(1) Current tax		-	-
	(2) Deferred tax		-	-
XI.	Profit (Loss) for the period from Continuing operations (VII - VIII)		-	-
XII.	Profit / (loss) from discontinuing operations		15,79,378	17,23,286
XIII.	Tax expenses of Discontinuing operations		-	-
XIV.	Profit / (loss) from Discontinuing operations (after tax) (XII - XIII)		-	-
XV.	Profit / (loss) for the period (XI + XIV)		-	-
XVI.	Earnings per equity share:		<b>15,79,378</b>	<b>17,23,286</b>
	(1) Basic		<b>0.26</b>	<b>0.33</b>
	(2) Diluted		<b>0.26</b>	<b>0.33</b>

Significant Accounting Policies  
 Notes on Financial Statements

1 to 31

As Per our Report of Even Date  
**For Vijay Narayan & Co.,**  
**Chartered Accountants**

For and on behalf of The Board

**Vijay N Kale**  
 Proprietor  
 Membership No. 020322  
 Firm Registration No.0109175

**Arvind Varchaswi N**  
 Managing Director

**Narayanan Narasimhan**  
 Director

Place : Bangalore  
 Date: May 27, 2015

**Rashmi P.G.**  
 Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2015**

(Rs. In Lakhs)

Particulars	31.03.2015	31.03.2014
<b>Cash Flow from Operating Activities</b>		
<b>Net Profit/ (Loss) before Tax and Extra-ordinary Items</b>	15.79	17.23
Adjustment for:		
Depreciation and Amortisation Expenses	54.31	25.84
Amortisation of Intangible Expenses	0.00	0.91
Interest	0.76	0.00
Loss / (Profit) on Deletions of Fixed Assets	0.00	(2.22)
<b>Operating Profit/ (Loss) Before Working capital Changes</b>	<b>70.86</b>	<b>41.75</b>
Inventories	(76.01)	(11.03)
Trade Receivables	12.69	(23.27)
Current Liabilities	30.01	11.74
<b>Cash from Operations</b>	<b>37.55</b>	<b>19.19</b>
Deferred Revenue Expenses Incurred	0.00	0.00
<b>Net Cash Flow From Operations</b>	<b>37.55</b>	<b>19.19</b>
Cash flow from Investing Activities	(39.83)	(60.07)
Purchase of Fixed Assets	0.00	0.87
Capital Work - in - Process	(0.50)	(5.16)
(Increase)/Decrease in Loans & Advances	0.00	0.00
Investment in Fixed Deposits	<b>(40.33)</b>	<b>(64.36)</b>
<b>Net Cash used for Investing activities</b>		
Cash Flow from Financing Activities	0.00	227.58
Share Application Money	0.00	0.00
Loss on Capital Reduction	0.00	19.18
Share Premium	2.58	0.00
Long Term Provisions	8.84	0.00
Secured Loans	(0.76)	0.00
Interest	0.00	(221.76)
Unsecured Loans	<b>10.66</b>	<b>25.00</b>
<b>Net Cash from Financing Activities</b>	<b>7.88</b>	<b>(20.18)</b>
Net Increase in cash and Cash Equivalents	<b>46.73</b>	<b>66.90</b>
Cash and Cash Equivalents, beginning of the year	54.60	46.73
Cash and Cash Equivalents, end of the year		
1. Cash & Cash Equivalents	0.22	0.14
Cash on hand	54.38	46.58
Balances with Schedule Banks in Current Account	<b>54.60</b>	<b>46.73</b>
Total		
2. Prepared on the basis of the Accounted Financial Statements		
3. The above cash flow statement has been prepared under the "Indirect Method" Setout in Accounting Standard 3 issued by the Institute of Chartered Accountants of India.		

As Per Our Report of Even Date  
**For Vijay Narayan & Co.,**  
 Chartered Accountants

For and on behalf of The Board

**Vijay N Kale**  
 Proprietor  
 Membership No. 020322  
 Firm Registration No.0109175

**Arvind Varchaswi. N**  
 Managing Director

**Narayanan Narasimhan**  
 Director

Place : Bangalore  
 Date: May 27, 2015

**Rashmi P.G.**  
 Company Secretary

## **Note 1- SIGNIFICANT ACCOUNTING POLICIES**

### **a. The Accounting Convention:**

The financial statements are prepared in historical cost convention and as a going concern concept. Accounting policies not referred to specifically are consistent with generally accepted accounting principles.

### **b. Revenue Recognition:**

The Company generally follows the mercantile system of accounting and recognises income and expenditure on accrual basis, except in the circumstances specifically mentioned below:

Sales Return : Breakages & Claims, Goods Returned Back and discounts.

### **c. Fixed Assets:**

Fixed Assets are stated at cost less accumulated depreciation. Cost includes freight, taxes and any attributable cost of bringing the asset to its working condition for its intended use.

### **d. Depreciation:**

Depreciation on assets is provided on straight line method, at the rates and in the manner prescribed under Schedule II to the Companies Act, 2013. Adopted useful life as per schedule II of the companies act in the current year.

### **e. Inventories:**

a. Raw Material, Packing Material, Stores and Spare Parts are valued at cost by following FIFO method.

b. Work in Process is valued at cost.

c. Finished Goods are valued at lower of cost or net realisable value.

### **f. Retirement Benefits:**

Employees Provident Fund is administered by Regional Provident Fund Commissioner to whom remittances are made. Employer's Contribution is charged to revenue.

Gratuity amount payable to employees is provided based on actuarial Valuation during the Year. The Company has formed a trust for Gratuity purposes and has a Gratuity Fund registered with Life Insurance Corporation of India.

### **g. Prior period items etc:**

There are no material items relating to prior period, non- recurring in nature and extraordinary items.

**h. Taxes on Income:**

To provide and determine current tax as the amount of tax payable in respect of taxable income for the period. To provide and recognise deferred tax on timing differences between taxable income and accounting income subject to consideration of prudence. Not to recognise deferred tax asset on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that there will be sufficient future taxable income available to realise such assets.

The Company has adopted AS 22 – Accounting for Taxes on Income. The accumulated net deferred tax asset on account of timing difference between book and tax loss has not been recognised due to virtual uncertainty that there will be future taxable income in near future available to realise such losses.

**i. Foreign Currency Transactions:**

To account for transactions in foreign currency at the exchange rate prevailing on the date of transaction. Gains/losses arising out of fluctuations in the exchange rates are recognised in Profit and Loss Account in the period in which they arise except in respect of fixed assets where exchange variance is adjusted in carrying amount of the respective fixed assets. There is no significant transactions during the year.

Notes on Financial Statements for the Year Ended 31st March, 2015  
**Note 2 Share Capital**

**a) Share Capital**

Particulars	As at 31st March 2015		As at 31st March 2014	
		Rs.		Rs.
<b>Authorised</b> 90,00,000 Equity Shares of Rs. 10/- each		9,00,00,000		9,00,00,000
<b>Issued</b> 61,00,040 Equity Shares of Rs. 10/- each		6,10,00,400		4,50,00,400
<b>Subscribed &amp; Paid up</b> 61,00,040 Equity Shares of Rs. 10/- each 3,36,891 Equity Share Warrants of Rs. 12.74/- each		6,10,00,400 42,91,991		4,50,00,400 1,57,57,991
<b>Subscribed but not fully Paid up</b> Nil		-		-
<b>Total</b>		<b>6,52,92,391</b>		<b>6,07,58,391</b>

**b) The Reconciliation of the number of shares outstanding is set out below**

Particulars	Equity Shares	
	Number	Amount
Shares outstanding at the beginning of the year	52,00,040	5,20,00,400
Shares Issued during the year	9,00,000	90,00,000
Shares bought back during the year	0	0
Shares outstanding at the end of the year	61,00,040	6,10,00,400

c) 44,50,000 Equity Shares are held by Sumeru Ayurveda Private Limited, the holding company as on 31st March, 2015 (Previous Year 35,50,000 Equity Shares)

**d) The Details of Shareholders holding more than 5% Shares**

Name of Shareholder	As at 31st March 2015		As at 31st March 2014	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Sumeru Ayurveda Pvt Ltd	44,50,000	72.95	35,50,000	68.27

**Note 3 Reserves and Surplus**

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
<b>a. Securities Premium Account</b>		
Opening Balance	80,20,160	61,02,160
Add : Securities premium credited on Share issue	24,66,000	19,18,000
Less : Premium Utilised	-	-
Closing Balance	<b>1,04,86,160</b>	<b>80,20,160</b>
<b>b. Surplus/(Deficit) in Statement of Profit and Loss</b>		
Opening balance	(2,53,09,885)	(2,70,33,171)
(+) Fixed Assets Written Off Previous Year	(6,99,880)	-
(+) Net Profit/(Net Loss) For the current year	15,79,378	17,23,286
Closing Balance	<b>(2,44,30,387)</b>	<b>(2,53,09,885)</b>
<b>Total</b>	<b>(1,39,44,227)</b>	<b>(1,72,89,725)</b>

**Note 4 Long Term Borrowings**

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
Secured	7,06,422	-
<b>Total</b>	<b>7,06,422</b>	<b>-</b>

**Note 5 Long Term Provisions**

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
(a) Provision for employee benefits Gratuity (unfunded)	6,54,448	3,96,774
(b) Others	-	-
<b>Total</b>	<b>6,54,448</b>	<b>3,96,774</b>

**Note 6 Short Term Borrowings**

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
Current Portion of Secured Loans	1,77,522	-
<b>Total</b>	<b>1,77,522</b>	<b>-</b>

**Note 7 Trade Payables**

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
Acceptances	62,37,273	31,34,194
Other Than Acceptances	-	-
<b>Total</b>	<b>62,37,273</b>	<b>31,34,194</b>

**Note 8 Other Current Liabilities**

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
Other payables	3,21,322	3,31,345
- Statutory Remittances	-	1,60,574
- Payables on Purchase of Fixed Assets	5,73,667	5,04,423
- Advance from Customers	-	-
<b>Total</b>	<b>8,94,989</b>	<b>9,96,342</b>

Note 9 Fixed Assets

S. No.	Particulars	Balance as at 1 April 2014		Gross Block		Balance as at 31st March, 2015		Accumulated Depreciation		Balance as at 31st March, 2015		Net Block	
		Rs.	Rs.	Additions	Disposals	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
a	<b>Tangible Assets</b>												
	Land	5,04,810	-	-	-	5,04,810	-	-	-	-	5,04,810	-	5,04,810
	Buildings	2,41,75,532	7,77,388	-	-	2,49,52,910	-	9,96,450	-	-	1,86,09,706	-	1,86,09,706
	Plant and Equipment	2,55,30,946	19,12,620	-	-	2,73,07,566	-	31,96,004	5,61,565	-	1,37,26,983	-	1,37,26,983
	Furniture and Fixtures	25,25,656	45,000	-	1,36,000	98,24,324	-	4,19,530	1,11,761	1,310	11,26,357	-	11,26,357
	Vehicles	6,97,889	13,58,978	-	-	19,06,667	-	84,571	-	-	7,32,160	-	7,32,160
	Office equipment	11,38,983	31,450	-	-	11,70,431	-	3,80,498	21,294	-	5,28,883	-	5,28,883
	Others - Computers	6,83,389	93,000	-	-	7,77,169	-	1,72,320	5,260	-	2,15,482	-	2,15,482
	<b>Total</b>	<b>5,52,05,672</b>	<b>41,18,736</b>	<b>1,36,000</b>	<b>1,36,000</b>	<b>5,91,89,609</b>	<b>1,72,95,535</b>	<b>52,49,373</b>	<b>6,99,880</b>	<b>1,310</b>	<b>3,39,46,130</b>	<b>3,79,11,337</b>	<b>3,79,11,337</b>
b	<b>Intangible Assets</b>												
		9,06,077	-	-	-	9,06,077	-	1,81,216	0	0	6,34,253	-	6,34,253
	<b>Total</b>	<b>9,06,077</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,06,077</b>	<b>-</b>	<b>1,81,216</b>	<b>-</b>	<b>-</b>	<b>6,34,253</b>	<b>-</b>	<b>6,34,253</b>
c	<b>Capital Work In Progress</b>												
		0	0	0	0	0	0	0	0	0	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
d	<b>Intangible assets under Development</b>												
		-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Grand Total</b>	<b>5,61,12,849</b>	<b>41,18,736</b>	<b>1,36,000</b>	<b>1,36,000</b>	<b>6,00,95,686</b>	<b>1,73,86,143</b>	<b>54,30,589</b>	<b>6,99,880</b>	<b>1,310</b>	<b>2,35,15,302</b>	<b>3,65,00,383</b>	<b>3,65,00,383</b>
	<b>Previous Year</b>	<b>5,06,51,491</b>	<b>55,44,937</b>	<b>9,89,576</b>	<b>9,89,576</b>	<b>5,52,06,872</b>	<b>1,98,53,105</b>	<b>22,10,734</b>	<b>3,79,11,337</b>	<b>7,68,304</b>	<b>1,72,95,535</b>	<b>3,79,11,337</b>	<b>3,47,98,386</b>

**Note 10 Long Term Loans & Advances**

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
<b>a. Capital Advances</b>		
Secured, considered good	0	0
Unsecured, considered good	1,09,815	0
Doubtful	0	0
Less: Provision for doubtful advances	0	0
	<b>1,09,815</b>	<b>-</b>
<b>b. Security Deposits</b>		
Secured, considered good	0	0
Unsecured, considered good	1,87,448	1,65,400
Doubtful	0	0
Less: Provision for doubtful deposits	0	0
	<b>1,87,448</b>	<b>1,65,400</b>
<b>Total</b>	<b>2,97,263</b>	<b>1,65,400</b>

Disclosure pursuant to Note no. L (iv) of Part I of Schedule III to the Companies Act, 2013

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
Directors *	0	0
Other officers of the Company *	0	0
Firm in which director is a partner *	0	0
Private Company in which director is a member	0	0
	<b>-</b>	<b>-</b>

\*Either severally or jointly

**Note 11 Other Non Current Assets**

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
<b>Unamortised Expenses</b>		
Miscellaneous expenditure	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Disclosure pursuant to Note no. M (iii) (c) of Part I of Schedule III to the Companies Act, 2013

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
Directors *	0	0
Other officers of the Company *	0	0
Firm in which director is a partner *	0	0
Private Company in which director is a member	0	0
	<b>-</b>	<b>-</b>



**Note 12 Inventories**  
(At lower of Cost or Net Realisable Value)

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
a. Raw Materials and Components	56,06,730	24,13,654
b. Work-In-Progress	26,47,405	6,23,175
c. Finished Goods	27,95,164	10,21,690
d. Stores and Spares	16,275	-
e. Material Traded Items	14,61,276	8,67,582
<b>Total</b>	<b>1,25,26,850</b>	<b>49,26,101</b>

**Note 13 Trade Receivables**

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
Trade receivables outstanding for a period less than six months from the date they are due for payment	-	-
Secured, considered good	17,52,793	33,91,659
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
Less: Provision for doubtful debts	-	-
	<b>17,52,793</b>	<b>33,91,659</b>
Trade receivables outstanding for a period exceeding six months from the date they are due for payment	-	-
Secured, considered good	5,22,481	1,52,663
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
Less: Provision for doubtful debts	-	-
	<b>5,22,481</b>	<b>1,52,663</b>
<b>Total</b>	<b>22,75,274</b>	<b>35,44,322</b>

Trade Receivable stated above include debts due by:

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
Directors *	-	-
Other officers of the Company *	-	-
Firm in which director is a partner *	-	-
Private Company in which director is a member	-	-
	-	-

\*Either severally or jointly

**Note 14 Cash and Cash Equivalents**

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
a. Balances with banks	-	-
i) In Current Accounts	54,38,434	21,30,765
ii) In Deposits Accounts	-	25,27,511
b. Cash on hand	21,915	14,460
<b>Total</b>	<b>54,60,349</b>	<b>46,72,736</b>

Note 15 Short Term Loans and Advances

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
<b>a. Security Deposits</b>		
Secured, considered good	0	0
Unsecured, considered good	17,70,727	17,45,727
Doubtful	3,50,000	3,50,000
Less: Provision for doubtful loans and advances	3,50,000	3,50,000
	<b>17,70,727</b>	<b>17,45,727</b>
<b>b. Loans and Advances to Employees</b>		
Secured, considered good	0	0
Unsecured, considered good	5,49,630	5,13,280
Doubtful	1,12,089	1,12,089
Less: Provision for doubtful loans and advances	1,12,089	1,12,089
	<b>5,49,630</b>	<b>5,13,280</b>
<b>c. Prepaid Expenses - Unsecured, Considered good</b>	91,461	77,827
<b>d. Balances with government authorities- Unsecured</b>		
(i) Cenvat Credit Receivable		
Considered Good	21,665	29,027
Doubtful	3,43,142	3,43,142
Less: Provision for doubtful balances	3,43,142	3,43,142
	<b>21,665</b>	<b>29,027</b>
<b>e. Other Loans and Advance</b>		
Secured, considered good	0	0
Unsecured, considered good	4,45,216	5,52,638
Doubtful	9,83,009	9,83,009
Less: Provision for Doubtful loans and advances	9,83,009	9,83,009
	<b>4,45,216</b>	<b>5,52,638</b>
<b>f. Interest Acrued on FDR's</b>	0	42,109
<b>Total</b>	<b>28,78,699</b>	<b>29,60,609</b>

Disclosure pursuant to Note No.R (iv) of Part I of Schedule III to the Companies Act, 2013

	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
Directors *	0	0
Other officers of the Company *	5,49,630	5,13,280
Firm in which director is a partner *	0	0
Private Company in which director is a member	0	0
<b>Total</b>	<b>5,49,630</b>	<b>5,13,280</b>

\*Either severally or jointly

Note 16 Other Current Assets

Particulars	As at 31st March 2015	As at 31st March 2014
	Rs.	Rs.
<b>Unamortised Expenses</b>		
Miscellaneous expenditure	0	0
<b>Total</b>	<b>-</b>	<b>-</b>

**Note 17 Revenue from Operation**

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
Sale of Products	5,55,50,338	4,03,68,932
Sale of Services	68,87,211	61,77,100
Sale of Trading	79,64,035	26,21,437
Other Operating Revenues	46,740	2,95,284
	<b>7,04,48,324</b>	<b>4,94,62,752</b>
Less:		
Excise duty	50,25,981	40,19,456
<b>Total</b>	<b>6,54,22,343</b>	<b>4,54,43,296</b>

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
Sale of Product Comprises of manufactured goods		
a) Ojasvita Powder	1,90,04,227	1,47,21,445
b) Ayurvedic Medicines	3,22,36,377	2,21,42,756
<b>Total</b>	<b>5,12,40,605</b>	<b>3,68,64,200</b>

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
<b>Sale of Services Comprises</b>		
a) Conversion Charges	61,70,963	56,62,376
<b>Total</b>	<b>61,70,963</b>	<b>56,62,376</b>

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
<b>Other Operating Revenue</b>		
a) Profit on Sale of Plant & Machinery	-	2,22,425
b) Sale of Trading Goods	79,64,035	26,21,436
c) Other Indirect Income Written back	12,745	28,995
d) Others	33,995	43,864
<b>Total</b>	<b>80,10,775</b>	<b>29,16,719</b>

**Note 18 Other Income**

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
Interest Income	21,144	68,589
Other Non Operating Income	-	-
<b>Total</b>	<b>21,144</b>	<b>68,589</b>

Note 19 a. Cost of Raw Materials (Including Packing Material) Consumed - Indigenous

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
Opening Stock (Includes Traded Rs. Nil)	32,81,236	28,88,294
Add : Purchased RM & PM, Consumbles	2,08,19,551	1,03,81,702
Add : Purchased Traded*	76,31,594	31,85,482
	3,17,32,381	1,64,55,477
Less: Closing Stock - RM & PM	56,06,730	24,13,654
Less: Closing Stock- Traded	14,61,276	8,67,582
<b>Total</b>	<b>2,46,64,375</b>	<b>1,31,74,241</b>

\* Traded Items are Veg Capsules

b. Particulars of Raw Material (Including Packing Material) Consumed

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
Sugar	12,35,464	11,33,213
Others	2,34,28,911	1,20,41,028
<b>Total</b>	<b>2,46,64,375</b>	<b>1,31,74,241</b>

Note 20 Changes in Inventories of Finished Goods, Stock in Process and Stock in Trade

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
<b>Inventories at the end of the Year</b>		
Finished Goods	27,95,164	10,21,690
Work in Process	26,47,405	6,23,175
	54,42,569	16,44,865
<b>Inventories at the beginning of the Year</b>		
Finished Goods	10,21,690	4,70,102
Work in Process	6,23,175	4,65,104
	16,44,865	9,35,206
<b>Net (Increase) / Decrease</b>	<b>(37,97,704)</b>	<b>(7,09,659)</b>

Note 21 Employee Benefits Expenses

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
(a) Salaries and Incentives	1,10,33,515	78,33,865
(b) Contributions to -Provident Fund	4,88,494	2,52,483
(c) Gratuity	2,67,013	3,82,765
(d) Staff Welfare Expenses	5,23,569	3,99,947
(e) Directors Remunerations	9,00,000	9,00,000
<b>Total</b>	<b>1,32,12,591</b>	<b>97,69,060</b>

**Note 22 Other Expenses**

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
Power and Fuel	24,93,223	20,78,308
Rent	6,38,740	4,54,777
Repairs and Maintenance - Machinery	1,05,528	4,56,145
Repairs and maintenance - Buildings	3,67,968	4,74,665
Repairs and Maintenance - Others	4,18,324	4,11,777
Factory Maintenance	2,37,941	2,52,207
Analytical Testing Charges	17,05,540	6,37,396
Labour Charges	60,20,884	48,15,695
Insurance	1,08,321	68,596
Rates and Taxes	11,78,014	9,25,185
Payments to Auditors (Refer Note (i) below)	3,20,537	3,02,813
Travelling and Conveyance	13,40,981	10,52,654
Postage & Telephone	5,22,410	5,36,419
Printing and Stationery	3,48,920	2,70,476
Freight and Forwarding	18,21,705	10,55,680
Commission	11,09,646	-
Security Service Charges	4,45,745	2,58,391
Selling Distribution Expenses	37,42,235	30,85,989
Legal and Professional Charges	8,17,422	16,43,700
Other Expenses	3,11,434	1,90,486
<b>Total</b>	<b>2,40,55,518</b>	<b>1,89,71,358</b>

**Notes****i. Payments Auditors**

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
a. Statutory Audit	1,12,360	1,12,360
b. For Taxation Matters	1,27,277	65,733
c. Other Certification Fees	80,900	1,24,720
<b>Total</b>	<b>3,20,537</b>	<b>3,02,813</b>

**ii. Expenditure in Foreign Currency**

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
Registration & Renewals	1,03,708	32,577
<b>Total</b>	<b>1,03,708</b>	<b>32,577</b>

**Note 23 Finance Cost**

Particulars	0	0
	Rs.	Rs.
Interest on Long Term borrowings Bank	75,764	-
<b>Total</b>	<b>75,764</b>	<b>-</b>

**Note 24 Amortisation Expenses**

Particulars	For the Year Ended 31st March, 2015	For the Year Ended 31st March, 2014
	Rs.	Rs.
Miscellaneous Expenditure Written Off During the Year	1,81,216	3,72,864
<b>Total</b>	<b>1,81,216</b>	<b>3,72,864</b>

## 25.1 Contingent Liabilities

	Rs. In Lakhs	
	As on 31.03.2015	As on 31.03.2014
a. Bank guarantee against where counter Guarantee have been given	Nil	Nil
b. Claims against the Company not acknowledged as debt	Nil	Nil

25.2 The Deputy Commissioner (C.T.) had vide his Assessment order No. 2467/199-2000 has confirmed the action of C.T.O. Gowliguda and had issued a revised order to collect additional sales tax of Rs. 6,81,265 for the year 1999-2000. The company has effected payment of Rs. 3,40,633 towards 50% payment in respect of disputed sales tax liability for the Assessment year 1999-2000 pursuant to the order from Additional Commissioner. The Company received an order dated November 07, 2013 from the Deputy Commissioner that Rs. 343,633/- needs to be paid by the Company towards the sales tax collected during the period 1999-2000. The Company is yet to receive sales tax recovery order from the department for the same.

25.3 ESI Department has issued a show cause notice for Rs. 5,51,907 on adhoc basis vide their letter No. AP/Ins. 1/52-5639-34/359 dated 26.11.2007 towards omission of contribution on different heads for the period 1999-2000 to 2001-2002. In contest to the Show Cause Notice, company has filed petition for stay vide No.436/09 in Employees Insurance Court, Andhra Pradesh, Hyderabad on 12.03.2009 and obtained stay order. Company has filed a petition challenging the order passed under section 45-A of the ESI Act and the subsequent recovery order issued by the department.

25.4 Commissioner of Central Excise, Hyderabad – IV has appealed to CESTAT against Order No. 7/2006 dated 31.10.2006 of Commissioner (Appeals-II). The Appellate tribunal dismissed the case in favour of the Company vide order passed on 21/11/2013 against which the department has went for an appeal in the tribunal. The Company had filed memorandum of objections against the appeal made by the department. Amount involved in the case is Rs. 13,42,727/-

25.5 The Assessment Order No. 2944 under CST Act 1956 was served on the Company on July 02, 2013 pertaining to the FY 2009-10. The order mentioned that net turnover of Rs. 16,30,835/- was not covered by C Forms and tax at-12.5% is payable on the same which amounts to Rs. 196,769/- along with the tax on inter state sales. The Company had not received any prior communication before serving the Assessment Order and has filed an appeal before the Appeal Deputy Commissioner by making a deposit of 12.5% on August 01, 2013. Company has deposited Rs. 26719/- for the appeal. Final order from the department is awaited for.

Further Re Assessment order vide No.55926 under CST Act 1956 on dated 28/11/2013 pertaining to the FY 2009-10. The order mentioned only Balance tax payable is Rs.5133/-. The

Company has to file the letter at department for Adjustment against which is excess credit of Rs.21,586 /- available during the year.

25.6 The ongoing revenue/civil matter with PIL (Pochiraju Industries Limited) has not progressed for redressal of resolution. Hence the financial implications of the same are not ascertainable.

25.7 The Company had received order from Additional Commissioner of excise department for having availed cenvat credit without having any supporting documents during the month of October 2007 for an amount of Rs. 5,11,930/- even though the Company later submitted photocopies of all the invoices. The Company had filed a petition before Commissioner (Appeals) against the order of Additional Commissioner on April 30, 2013. The Commissioner (Appeals) passed an order in favour of the Company on September 20, 2013. The department later has appealed to the Central Excise Tribunal against the order passed by the Commissioner (Appeals). The Company has filed the memorandum of objections against the appeal with the tribunal.

25.8 The Company has received notice from Income Tax Department vide letter no. AAAC14536Q/1-101/07-08 proposing to disallow the deduction of work in progress for an amount of Rs. 30,62,512. The Company had filed appeal before the Commissioner of Income Tax Appeals-2 which was dismissed vide order dated April 13, 2015. The Company will be filing an appeal against the same with Income Tax Appellate Tribunal. If the said amount is eventually disallowed, the company's loss as per Income Tax will be reduced and there is no constitutionally liabilities. The company has prepared for file the appeal before IT return.

## 26. Segment Reporting as per Accounting Standard – 17

**Business Segment:** The company is operating in a single segment ie. Ayurvedic Medicines and Health Supplements.

**Geographical Segment:** The company presently caters the needs of Indian public and the company is not operating in different economic environments and hence no information is provided under this standard.

## 27. Earning Per Share

	As on 31.03.2015 (in Rs.)	As on 31.03.2014 (in Rs.)
Earnings		
Net Profit for the year	15,79,378	17,23,286
No. of Equity Shares (Rs. 10 each)	61,00,040	52,00,040
Basic (Rs.)	0.26	0.33
Diluted (Rs.)	0.26	0.33

## 28. Related Party Disclosure

Disclosure as required by the Accounting Standard 18 of the Institute of Chartered Accountants of India are given below:

Sumeru Ayurveda Private Limited

Mr. Arvind Varchaswi N.

Mr. Narayanan Narasimhan

Ms. Rashmi P.G.

Holding Company

Key Managerial Personnel

Director

Company Secretary,

Key Managerial Personnel

Sumeru Travel Solutions LLP

Limited Liability Partnership

Sumeru Aviation LLP

Limited Liability Partnership

Divine Services

Partnership Firm

Madhurya

Partnership Firm

Arvind Exports

Partnership Firm

Broadvision Services Private Limited

Private Limited Company

Advance Vital Enzymes Private Limited

Private Limited Company

Advance Enzyme Technologies Limited

Public Limited Company

Broadvision Perspectives India Private Limited

Private Limited Company

Amar Bio Organics (India) Private Limited

Private Limited Company

### Transaction with Related Parties

Amount in Rs.

Nature of Transaction	During the Current Year	During the Previous Year	Receivable (Payable) as on 31.03.2015	Receivable (Payable) as on 31.03.2014
Unsecured Loan	25,00,000	25,00,000	Nil	Nil
Sale to Arvind Exports	87,09,324	19,45,759	Nil	Nil
Sale to Sumeru Ayurveda Private Limited	1,342	4,226.50	Nil	1873



Purchases from Sumeru Ayurveda Private Limited	79,40,506	32,49,192	Nil	Nil
Services from Sumeru Travel Solutions LLP	4,56,335	5,90,223	(1,09,674)	(62,832)
Sale to Divine Services	32,84,335	41,58,203	Nil	9,514
Sale to Broadvision Services P ltd	Nil	2,04,143	Nil	Nil
Sale to Madhurya	5,93,697	4,28,180	Nil	2,16,060
Purchases from Advanced Enzyme Technologies Limited	1,03,147	12,894	Nil	Nil

29. Figures for the previous year have been re-grouped, re-classified and rearranged wherever necessary.

30. Since the Company is not aware of the SSI Status of its creditors, the amounts due to them have not been identified.

31. Paise have been rounded off to the nearest rupee.

As Per our Report of Even Date  
For Vijay Narayan & Co.,  
Chartered Accountants

Vijay N Kale  
Proprietor  
Membership No.020322  
Firm Registration No.010917S

Place : Bangalore

Date : 27.05.2015

For and on behalf of The Board

Arvind Varchaswi N. Narayanan Narasimhan

Managing Director Director

Rashmi P.G.

Company Secretary

**Source Natural Foods and Herbal Supplements Limited**  
 Regd. Office: No 201, #54/46, Sumeru Towers, 2<sup>nd</sup> Floor, 39<sup>th</sup> A Cross,  
 11<sup>th</sup> Main Road, Jayanagar 4<sup>th</sup> T Block, Bangalore-560 041  
 CIN L24231AP1995PLC019106, Phone: 080 26087727, Fax:080 22449505  
 Web: www.source-natural.com, E Mail: info@source-natural.com

**PROXY FORM**

**Name of the Member (s)**  
**Registered Address**

**E mail ID**  
**Folio Number**  
**DP ID and Client ID**

I/We being the member(s) holding ..... Equity Shares of Source Natural Foods and Herbal Supplements Limited. Hereby appoint

SL No.	Name	Address	E mail ID	Signature	
1					Or failing him
2					Or failing him
3					

And whose signatures(s) is/are appended below as my/our proxy to attend and vote (on a poll) for me and on my/our behalf at the 20<sup>th</sup> Annual General Meeting of the Company to be held on 26<sup>th</sup> September, 2015 at Hotel Pal Comforts #1319, 100 Feet Road, J P Nagar II Phase, Bangalore- 560 078 or at any adjournment thereof in respect of such Resolutions as are indicated below

Resolution No	Resolution	Vote (Please mention no. of shares)		
		For	Against	Abstain
1	To adopt the Audited Balance sheet as at 31st March, 2015 and the Audited Statement of Profit and Loss for the year ended 31st March, 2015 together with reports of Directors and Auditors thereon			
2	To appoint a Director in the place of Mr. Arvind Varchaswi, who retires by rotation and being eligible offers himself for reappointment			
3	To ratify the appoint the M/s. Vijay N Kale, Chartered Accountants as Statutory Auditors to hold office upto the conclusion of 21 <sup>st</sup> Annual General Meeting of the Company and fix their Remuneration			
4	To appoint Mr Chandrakant L Rathi as Independent Director of the company			
5	To authorise the Directors of the Company to deal with properties of the Company			

Signed this .....day of ....., 2015

Affix Re1.00  
Revenue Stamp

Signature of the Shareholder(s).....  
 Signature of the Proxyholder(s) .....

**Note:**

1. A Proxy need not be a Member of the Company.
2. This form in order to be effective should be duly stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
3. No gifts will be distributed at the meeting.

Source Natural Foods and Herbal Supplements Limited  
Regd. Office: No 201, #54/46, Sumeru Towers, 2<sup>nd</sup> Floor, 39<sup>th</sup> A Cross,  
11<sup>th</sup> Main Road, Jayanagar 4<sup>th</sup> T Block, Bangalore-560 041  
CIN L24231AP1995PLC019106, Phone: 080 26087727, Fax:080 22449505  
Web: [www.source-natural.com](http://www.source-natural.com), E Mail: [info@source-natural.com](mailto:info@source-natural.com)

20<sup>th</sup> ANNUAL GENERAL MEETING  
ATTENDANCE SLIP

FOLIO No ..... NO OF SHARES .....

DP ID .....

CLIENT ID.....

Name & Address of the Member

I hereby record my/our presence at the 20<sup>th</sup> Annual General Meeting to be held on Saturday the 26<sup>th</sup> Day of September, 2015 at 11.00 AM at Hotel Pal Comforts #1319, 100 Feet Road, J P. Nagar II Phase, Bangalore-560 078

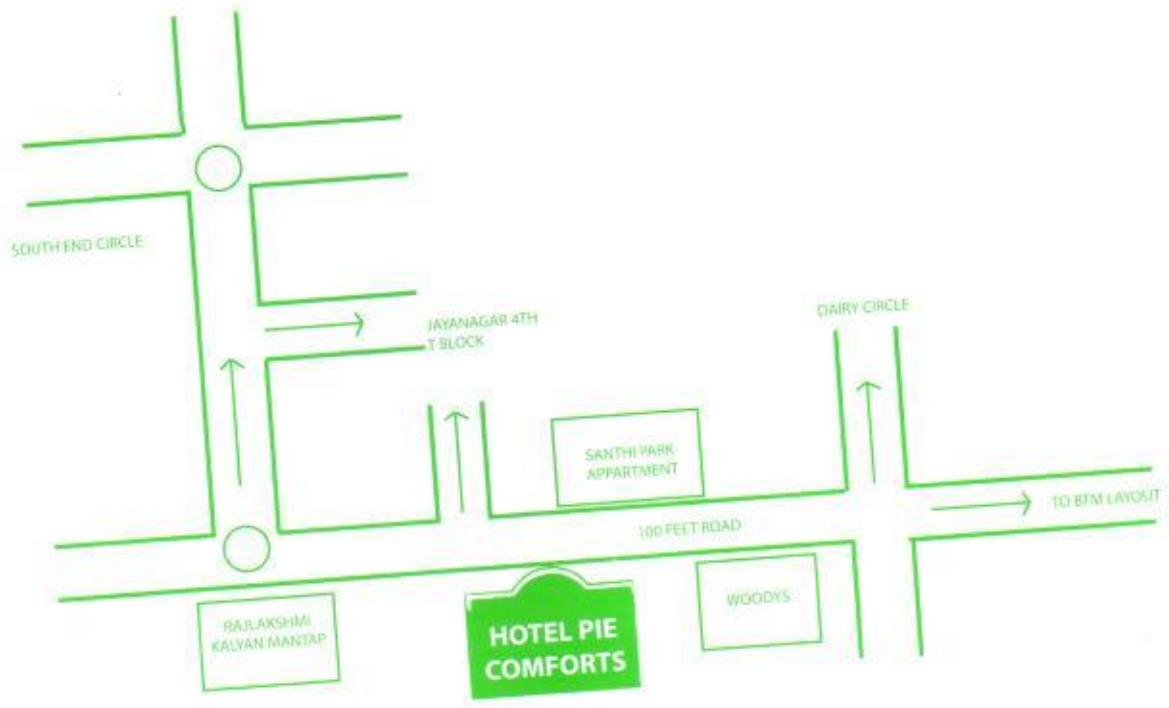
I Certify that I am a registered member/proxy for the member of the Company and hold .....shares of the Company.

Please indicate whether Member/Proxy.

Member                      Proxy

Member's/Proxy's Signature

Note: Shareholder/Proxy holder must bring the Admission slip to the meeting and handover at the entrance duly signed.



Route Map for the venue of 20<sup>th</sup> Annual General Meeting of Source Natural Foods and Herbal Supplements Limited to be held on 26<sup>th</sup> September, 2015 at 11.00 AM

PRINTED MATTER

If Undelivered please return to:

Source Natural Foods and Herbal Supplements Limited  
201, II Floor, Sumeru Towers  
#54/46, 39th A Cross, 11th Main Road,  
Jayanagar 4th T Block, Bangalore - 560 041