

17th

**ANNUAL
REPORT**

2011-12

SOURCE NATURAL

FOODS AND HERBAL SUPPLEMENTS LIMITED

BOARD OF DIRECTORS:

MR. ARVIND VARCHASWI N.	MANAGING DIRECTOR
MR. NARAYANAN NARASIMHAN	NON-EXECUTIVE CHAIRMAN & DIRECTOR
MR. GOWRA SRINIVAS	INDEPENDENT DIRECTOR
MR. NIKHIL SEN	INDEPENDENT DIRECTOR
MR. SRIRAM CHANDRASEKARAN	INDEPENDENT DIRECTOR
MR. RAMESH CHANDRA AGARWAL	INDEPENDENT DIRECTOR
MR. DIGVIJAY CHOUDARI	INDEPENDENT, ADDITIONAL DIRECTOR
MR. CHANDRAKANT L. RATHI	INDEPENDENT, ADDITIONAL DIRECTOR

REGISTERED OFFICE PLOT NO. 22 & 23, SVCIE, BACHUPALLY,
QUTHBULLAPUR MANDAL, HYDERABAD – 500 090

INVESTORS CONTACT EMAIL ID 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 & CORPORATION INVESTMENTS
PRIVATE LIMITED, 12-10-167, BHARATNAGAR,
HYDERABAD – 500 018.

NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of Members of **SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED** will be held on Monday the 27th Day of September, 2012 at 11.00 AM at Crystal Palace, Hotel Fortune Manohar, Begumpet, Hyderabad – 500 016 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance sheet as on 31st March, 2012 and the Audited Profit and Loss Account for the year ended 31st March, 2012 together with reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Sriram Chandrasekaran who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Nikhil Sen, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint the Auditors and fix their Remuneration and for this purpose pass the following resolution as Ordinary resolution:-

"RESOLVED THAT M/s. VIJAY NARAYAN & CO., Chartered Accountants, Hyderabad, retiring auditors of the Company be and are hereby re- appointed as Auditors of the Company pursuant to the provisions of Section 224 of the Companies Act, 1956 to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the company be and are hereby authorized to fix their remuneration including for other services and out of pocket expenses"

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. C. L. Rathi, who was appointed as an Additional Director with effect from December 26, 2011 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article No. 97 of Article of Association of the Company and who holds office up to the date of this Annual General Meeting, and in respect of whom a notice has been received from a Member in writing, under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a director of the company liable to retire by rotation."

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Digvijay Choudari, who was appointed as an Additional Director with effect from December 26, 2011 on the Board of the Company in terms of Section 260 of the Companies Act, 1956 and Article No. 97 of Article of Association of the Company and who holds office up to the date of this Annual General Meeting, and in respect of whom a notice has been received from a Member in writing, under Section 257 of the Companies Act, 1956, proposing his candidature for the office of a Director, be and is hereby appointed as a director of the company liable to retire by rotation."

Place: Hyderabad

Date: August 14, 2012

For Source Natural Foods And Herbal Supplements Limited

By Order of the Board

Sd/-

Arvind Varchaswi N.

Managing Director

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. 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.
3. The Register of Members and Share Transfer Books shall remain closed from September 20, 2012 to September 27, 2012 (both days inclusive) for the purpose of Annual General Meeting.
4. Members are requested to notify their change of address, if any.
5. 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.
6. 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.
7. Explanatory statement pursuant to section 173(2) of the Companies Act, 1956 in respect of Item Nos. 5 and 6 is annexed hereto.

Explanatory Statement

(pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 5

Mr. C. L. Rathi was appointed as an Additional Director of the Company with effect from December 26, 2011 by the Board of Directors of the Company. As per the provisions of Section 260 of the Companies Act, 1956, Mr. C. L. Rathi holds office up to the date of forthcoming Annual General Meeting. The Company has received notice in writing under Section 257 of the Companies Act, 1956, along with a requisite deposit, proposing his candidature for the office of Director liable to retire by rotation.

Mr. C. L. Rathi is holding Directorship in the following companies:-

- Advanced Enzyme Technologies Limited.
- Atharva Capital Ventures Private Limited
- Chandrakant Rathi Finance And Investment Company Private Limited
- Advanced Vital Enzymes Limited
- Advanced Enzytech Solutions Limited

None of the Directors of the Company except Mr. C. L. Rathi is in any way concerned or interested in this Resolution.

The Board of Directors of your Company is of the opinion that his appointment would be beneficial to the Company and hence recommend the Resolution at item no. 5 for your approval.

Item No. 6

Mr. Digvijay Choudari was appointed as an Additional Director of the Company on December 26, 2011 with effect from December 26, 2011 by the Board of Directors of the Company. As per the provisions of Section 260 of the Companies Act, 1956, Mr. Digvijay Choudari holds office up to the date of forthcoming Annual General Meeting. The Company has received notice in writing under Section 257 of the Companies Act, 1956, along with a requisite deposit, proposing his candidature for the office of Director liable to retire by rotation.

Mr. Digvijay Choudari is also holding Directorship in the following company:-

- Sri Sumeru Realty Private Limited

None of the Directors of the Company except Mr. Digvijay Choudari is in any way concerned or interested in this Resolution.

The Board of Directors of your Company is of the opinion that his appointment would be beneficial to the Company and hence recommend the Resolution at item no. 5 for your approval.

BRIEF PROFILES OF DIRECTORS SEEKING RE- APPOINTMENT OR BEING APPOINTED:

Mr. Sriram Chadracharan

Mr. Sriram Chadracharan is Engineering graduate from BITS, Pilani and a Management graduate from IIM, Lucknow. He has been associated with Tata Administrative Services at Leadership cadre and has worked as GM (Sales & Marketing) with Taj Group of Hotels, Manager (Brand)Tata Sons and Manager (Marketing) with Tata Motors. He has also been Business Productivity Advisor with Microsoft Corporation and, is now the Chief Executive Officer and Director with Broadvision Group of companies specializing in Brand advisory services and People transformation strategies. He brings a rich marketing branding experience of over 15 years to the Company.

Mr. Nikhil Sen

Mr. Nikhil Sen is a Management Post Graduate having about 30 years of business experience, He started as Management trainee with Britannia Industries Limited and rose to the position of COO. He has been instrumental in many path breaking strategies at Britannia, including the launch of the now famous TIGER brand. He is now the Managing Director of Unibic Biscuits India Private Limited. He brings to the Company very rich experience in launching multi brand products, FMCGs etc which will enable the Company immensely to launch consumer products.

Mr. C. L. Rathi

Mr. C. L. Rathi 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.

A stalwart in the field of enzymes, Mr Rathi has been called upon for many special assignments. These include:-

- 1) Consultant to the Kerala State Government on the formation of Kerala's biotechnology policy in 2003.
- 2) Speaker at the DECHEMA conference 2005 at Frankfurt for 'White Biotechnology' to discuss the potential of industrial biotechnology. Sharing the dais with 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.
- 3) Panelist at the CII seminar on "Bio Business Opportunities in Maharashtra" exchanging notes with Ernst and Young, ICICI Bank and MIDC.

Mr. Digvijay Choudari

Mr. Digvijay Choudari has completed his graduation from Indian Institute & Technology, Bombay and MS in Electrical & Computer Engineering from 'The University of Texas at Austin'. He has expertise in various arenas like Project Management, Business Development, Negotiation and Contracts Management. He has widely travelled and attended as faculty at various conferences and seminars on youth empowerment.

He is director in Sri Sumeru Realty Private Limited and has undertaken various prestigious construction projects successfully.

DIRECTORS' REPORT

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

Your Directors are pleased to present 17th Annual Report of the Company together with Audited Balance Sheet and Profit and Loss Account for the year ended 31st March 2012.

1. FINANCIAL RESULTS:

(Rs. Lakhs)

Particulars	31.03.2012	31.03.2011
Sales	1,54,93,397	45,19,785
Profit/ (Loss) before exceptional and extraordinary items and tax	(48,34,991)	(1,30,04,720)
Exceptional Items	16,78,845	-
Profit before extraordinary items and tax	-	-
Extraordinary Items	-	-
Tax expenses	-	-
Net Profit/Loss) carried to Balance Sheet	(65,13,836)	(1,30,04,720)
Earnings Per Share (Basic/ Diluted)	(1.45)	(2.89)

2. OPERATIONS:

The Total revenue of the Company for the year ended 31st March, 2012 was Rs. 1,54,93,397 which has increased approximately 3.4 times when compared to the Total revenue of the previous year which was Rs. 45,19,785/-. The increase in revenue is due to the increased sales. The loss of the Company has decreased from Rs. 1,30,04,720 to 65,13,836 in the current financial year. The Company has made an additional investment of Rs. 10,50,000 in the plant & machinery during the current year as the Company intends to improvise and standardise the production process.

3. CHANGE OF NAME:

During the year, the name of the company has changed from 'Inwinex Pharmaceuticals Limited' to 'Source Natural Foods and Herbal Supplements Limited' vide special resolution passed by the members of the Company through Postal Ballot on May 17, 2012 and approval of the Registrar of Companies, Andhra Pradesh granted on June 06, 2012.

4. FUTURE OUTLOOK:

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

The Company intends to focus on the standardisation of production and related processes. It also intends to invest in the Research and Development to achieve wider product portfolio.

4. DIVIDEND:

In view of the losses suffered during the year and in order to conserve resources, your Directors do not recommended any Dividend for the Financial year ended 31.03.2012.

5. DIRECTORS:

Pursuant to the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Sriram Chandrasekaran and Mr. Nikhil Sen retire by rotation at the conclusion of the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

During the year, Mr. Chandrakant Laxminarayan Rathi and Mr. Digvijay Choudhari have given their consents to act as Directors and pursuant to Section 264, the Board appointed them as Additional Directors in their meeting held on December 26, 2011 and their term expires at the ensuing Annual General Meeting. The Board recommends their appointment as

Directors by passing the requisite resolutions at the ensuing Annual General meeting. Notices have been received from a Member in writing, under Section 257 of the Companies Act, 1956, proposing their candidature for the office of a Director.

The profiles of Directors retiring by rotation and of those proposed to be appointed are given elsewhere in the Annual Report.

6. AUDITORS:

M/s. Vijay Narayan & Co., Chartered Accountants retire as the Statutory Auditors of the Company at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment for holding office until the conclusion of next Annual General Meeting, Pursuant to the provisions of Section 224(ID) of the Companies Act, 1956. Their remuneration shall be fixed by the Board of Directors as per the terms of arrangement agreed upon.

7. FIXED DEPOSITS:

Your Company has not accepted any Fixed Deposits from the Public or its shareholders within the meaning of the section 58A of the Companies Act, 1956, during the year under review.

8. COMPLIANCE CERTIFICATE UNDER SECTION 383A OF THE COMPANIES ACT, 1956:

Pursuant to Section 383A of the Companies Act, 1956, the company is required to obtain compliance certificate from a Practising Company Secretary certifying that the company has duly complied with all applicable statutory regulations and requirements and file the same with the Registrar of Companies, Andhra Pradesh. In this connection, a Compliance Certificate issued by Mr. Ajay S. Shrivastava, a Practising Company Secretary has been obtained and is attached hereto.

9. DIRECTORS RESPONSIBILITY STATEMENT:

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, in respect of the financial statements as at 31st March, 2012, Your Directors state:

- (i) That in the preparation of the Annual accounts, the applicable accounting standards have been followed.
- (ii) That your Directors have selected appropriate accounting policies and applied them consistently and diligently so as to depict 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 account for that period.
- (iii) That your Directors have taken proper and sufficient care with respect to the maintenance of required and mandated records under the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and preventing any frauds and irregularities.
- (iv) That your Directors have prepared the Annual Accounts for the Financial Year ended 31.03.2012 as per the going concern concept.

10. PARTICULARS OF EMPLOYEES:

During the year under review, all the employees have drawn their salaries within the Limits specified under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 as amended from time to time.

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

Pursuant to the provisions of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, the particulars of conservation of energy and technology absorption are annexed hereto and Foreign exchange earnings and outgo are NIL.

Power and Fuel Consumption

		Current Year
Electricity		
a) Purchased	Units (Kwh)	68,466
	Total Amount (Rs.)	446259
	Rate/Unit (Rs.)	6.52
b) Own Generation	Through Diesel Generator	2,405
	Units (Kwh)	
	Total Amount (Rs.)	75,520
	Cost/Unit (Rs.)	31.40

12. RESEARCH AND DEVELOPMENT:

Research & Development is a core activity in any pharma 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

13. LISTING:

The shares of your Company are listed in the Bombay Stock Exchange.

14. 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.

15. 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.

16. CORPORATE GOVERNANCE REPORT:

The Code of Corporate Governance as per Clause 49 of the Listing Requirement is attached herewith. The Compliance Certificate on Corporate Governance received from the Statutory Auditors is also given as an Annexure to this report.

17. COST AUDITOR APPOINTMENT

Pursuant to Section 233B of the Companies Act, 1956 and General Circular No. 15/2011 [52/5/CAN-2011], Mr. Nagendra S. has been appointed as cost auditor of the Company with effect from July 22, 2012 for conducting Cost Audit and issue of Cost Compliance Certificate of the Company for the financial year 2011-12.

18. 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: Hyderabad

Date: August 14, 2012

On Behalf of the Board

Sd/-

**Arvind Varchaswi N.
Managing Director**

Sd/-

**Narayanan Narasimhan
Director**

FORM
(See Rule 3)

Company Registration No: L24231AP1995PLC019106
Authorized Share Capital: Rs. 9,00,00,000/-
Paid Up Share Capital: Rs. 4,50,00,400/-

COMPLIANCE CERTIFICATE

To,

The Members of
SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED
(Formerly Inwinex Pharmaceuticals Limited)
Plot No.22&23, SVCIE, Bachupally, Miyapur,
Hyderabad- 500 325, A.P.

I have examined the Registers, records, books and papers of **M/s SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED** (Formerly Inwinex Pharmaceuticals Limited) (hereinafter called Source Natural) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2012 (financial year). In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by SOURCE NATURAL, its Directors, officers and agents, I certify that in respect of the aforesaid financial year:

1. SOURCE NATURAL has kept and maintained all Registers as stated in **Annexure 'A'** to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. SOURCE NATURAL has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities, as required under law, within the time prescribed under the Act and the rules made there under.
3. SOURCE NATURAL being a Public Limited Company has the minimum prescribed paid-up capital.
4. The Board of Directors duly met 5 times respectively on May 23, 2011, August 13, 2011, November 14, 2011, February 09, 2012 and March 31, 2012 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed, in the Minutes Book maintained for the purpose.
5. SOURCE NATURAL being a listed company has closed its Register of members and Share transfer books for the purpose of Annual General Meeting from 21st September, 2011 to 26th September, 2011 (both days inclusive) for complying with Section 154 and the Listing Agreement.
6. The Annual General Meeting for the financial year ended on 31st March, 2011 was held on 26th September, 2011 after giving due notice to the members of SOURCE NATURAL and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.

No Extra Ordinary General Meeting of members was held during the financial year 2011-12. However, the Company has conducted Postal Ballot by issuing Notice on 31st March, 2012 and the result was announced on 17th May, 2012 for the Change of Main Objects of the Company, Change of Name of the Company and Remuneration to the Mr. Arvind Varchaswi N., Managing Director of the Company.

7. SOURCE NATURAL has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act during the year.

SOURCE NATURAL has entered into contracts falling within the purview of Section 297 of the Act, the value of the Contracts is Rs. 46,09,461/- have been duly approved by the Board and Central Government under the said provisions of the Act. Company during the year has filed compounding application with the Company Law Board (ROC, Hyderabad) for entering into transactions u/s 297 in the previous years.

8. SOURCE NATURAL has made all necessary entries in the register maintained under Section 301 of the Act for the transactions, which required to be recorded therein, during the financial year under review.
9. As there were no instances falling within the purview of Section 314 of the Act, SOURCE NATURAL has not obtained any approvals from the Board of Directors, members and previous approval of the Central Government, as the case may be.
12. SOURCE NATURAL has not issued any duplicate certificate during the financial year.
13. The Company SOURCE NATURAL has:
 - (i) delivered all the certificates on allotment of securities and on lodgment thereof for transfer / transmission or any other purpose in accordance with the provisions of the Act.
 - (ii) Not declared any dividend during the year, hence provisions of Sections 205 to 207 are not applicable.
 - (iii) Duly complied with the requirements of Section 217 of the Act.
 - (iv) Not made any Investments during the financial year.
14. The Board of Directors of SOURCE NATURAL is duly constituted with EIGHT Directors. During the year, there was appointment of 2 Additional Directors of the Company passed by the Board of Directors. Further there were no appointments of Alternate Directors during the financial year.
15. There were no new appointments of Whole time director or Managing Director. However, a remuneration was fixed for the vide resolution passed by the members of the Company through postal ballot on 17th May, 2012 and the same is within the limits prescribed under the Act.
16. SOURCE NATURAL has not appointed any sole selling agents during the financial year.
17. SOURCE NATURAL has made applications and obtained approval from the Regional Director under Section 297 of the Companies Act, 1956; further SOURCE NATURAL was not required to obtain any approvals of the Central Government (except for the approval of name already obtained from Central Government), Company Law Board, Regional Director, Registrar of Companies and/or such authorities prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. SOURCE NATURAL has not made any fresh issue of shares during the financial year under review.
20. SOURCE NATURAL has not bought back any shares during the financial year.
21. There was no redemption of preference shares or debentures during the financial year.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. SOURCE NATURAL has not invited / accepted any deposits falling within the purview of Section 58A during the financial year. However the Company has received Inter Corporate Deposits of Rs. 20,236,349 /- from Holding company.
24. SOURCE NATURAL has not borrowed any amounts from any Bank/ Financial Institution during the financial year. Since the borrowings are NIL, the provisions of Section 293(1)(d) of the Act are not attracted.
25. SOURCE NATURAL has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the Register kept for the purpose. .

26. SOURCE NATURAL has not altered the provisions of the memorandum with respect to situation of the registered office from one state to another during the year under scrutiny.
27. SOURCE NATURAL has altered the provisions of the memorandum with respect to the objects of the Company during the period vide postal ballot resolutions passed by the members of the Company on May 17, 2012.
28. SOURCE NATURAL has altered the provisions of the memorandum with respect to name of the Company vide postal ballot resolutions passed by the members of the Company on May 17, 2012 to alter the name of the Company from 'Inwinex Pharmaceuticals Limited' to 'Source Natural Foods and Herbal Supplements Limited'.
29. SOURCE NATURAL has not altered the provisions of the memorandum with respect to share capital of the Company during the year under scrutiny.
30. SOURCE NATURAL has not altered its Articles of Association during the year under review except to that of substitution of new name of the Company in the existing Articles of Association of the Company.
31. There was / were no prosecution initiated against or show cause notices received by the Company or its Directors during the financial year, for offences under the Act and that as per the declaration made by the Directors, individually, have not suffered any disqualification under the provisions of Section 274(1) (g) of the Act.
32. As explained by the Management, SOURCE NATURAL has not received any money as security from its employees during the financial year.
33. As explained to us, SOURCE NATURAL has duly deposited the contributions to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

Place : Hyderabad
Date : 14.08.2012

sd/-

Name of the Company Secretary: **AJAY.S SHRIVASTAVA**
C.P. No: 3479
FCS No: 3489

Annexure A:

Registers as maintained by the Company

Register of Investments u/s 49

Register of charges u/s 143 – NIL

Register of members u/s 150 / 151 with Registrar/ Share Transfer Agent.

Register of Transfers u/s 108- Up-to-date with Registrar/ Share Transfer Agent

Books of Accounts u/s 209

Register of particulars of contracts u/s 301

Register of Directors u/s 303

Register of Directors shareholdings u/s 307

Register of Loans/ investments/ guarantees given u/s 372A

Minutes Book for General Meetings

Minutes Book for Board Meetings

Place : Hyderabad
Date : 14.08.2011

sd/-

Name of the Company Secretary : **AJAY.S SHRIVASTAVA**
C.P. No: 3479
FCS No: 3489

Annexure B :**Forms and Returns as filed by the Company with Registrar of Companies, Central Government or other authorities during the financial year ended 31st March 2012:**

S.No	Particulars of document	Date of document	Date of filing	Whether delayed	Whether Additional fees paid
1.	Balance Sheet u/s 210	31.03.2011	15.11.2011	Yes	Yes
2.	Annual Return u/s 159	26.09.2011	24.11.2011	No	No
3.	Compliance Certificate	26.09.2011	13.10.2011	No	No
4.	Form-32	26.12.2011	12.01.2012	No	No
5.	Form-32	26.09.2011	02.01.2012	Yes	Yes
6.	Form-61	09.02.2012	14.03.2012	No	No
7.	Form-24A	27.01.2011	31.03.2011	NA	NA
8.	Form-24A	27.01.2011	17.06.2011	NA	NA
9.	Form-24A	31.03.2012	18.04.2012	NA	NA
10.	Form-24A	31.03.2012	20.04.2012	NA	NA

Regional Director - Applications were made under Section 297 of the Act in Form 24A.**Central Government - NIL****Company Law Board - U/s 621A for compounding u/s 297**

Place : Hyderabad

Date : 14.08.2012

sd/-

Name of the Company Secretary : **AJAY.S SHRIVASTAVA**

C.P. No: 3479

FCS No: 3489

MANAGEMENT DISCUSSION & ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT

Ayurveda has established its position around the globe as a unique health care system with a holistic solution to many complex health hazards. Ayurveda and Herbal products have started rising on the horizon of alternative system of medicine. Ayurveda and Herbal supplements were being practiced and used all over the world for many years but have recently started getting legal acceptance in many countries in the world as alternative system of medicine.

The global pharmaceutical industry is estimated to have grown by 5 per cent to 7 per cent in 2011 to reach a market size of US\$ 880 billion, compared to the growth level of 4 per cent to 5 per cent achieved in 2010. The 17 pharma - emerging countries (China, Brazil, Russia, India, Mexico, Turkey, Venezuela, Poland, Argentina, Indonesia, Ukraine, Thailand, South Africa, Egypt, Romania, Pakistan and Vietnam) were forecasted to have grown at 15 per cent to 17 per cent in 2011, to reach a cumulative market size of US\$ 170 billion to US\$ 180 billion. Greater government spending on healthcare and broader public and private healthcare funding are likely to be the key drivers of growth for many of the pharma-emerging markets.

On back of a high middle-class population base, improvements in medical infrastructure and the establishment of intellectual property rights, the Indian pharmaceutical industry is estimated to grow manifold. With the focus of companies shifting to smaller deals catering to niche segments and markets, partnerships seems to be the new norm in the pharmaceutical sector. The strategic execution of maximising on the available resources, both human and financial, is expected to be the way forward for clinical and contract research building capabilities through strategic partnerships.

OUTLOOK AND FUTURE PLANS

Our Company in the current year has increased its revenue by three fold in comparison with the previous financial year as compared to the global growth rate of 7%. Our Company is focusing on standardising the production and bring in more improvement in the current product line by investing more in Research and Development.

The Company has entered into tie ups with public and private sector for marketing its products. During the current year, our Company has tied up with 'The Kerala State Co-operative Consumers' Federation' which was established with main objective of saving the public from the exploitation by retail / middleman. They deal mainly in the wholesale of Food & Grocery, Cosmetics, Household & Electrical, Textiles etc. Our products have entered into the Kerala Market vide the network established by the Federation.

Our Company's products have entered agreements with the private sector of retailers like Ratnadeep and Balaji Grand Bazaar in Hyderabad and Reliance Retail Limited in Bangalore, Hyderabad and Mumbai. Our Company has plans of investing more in promotional activities of our products in future.

The Company is currently thriving to achieve profitable and steady growth by introducing new aspects into the Business plan by diversifying and extending its scope to manufacturing and exporting of Ayurvedic tablets, Capsules, food supplements etc. which currently have a subsisting demand in both domestic and foreign markets. The Company has registered with and obtained certifications from various agencies like ISO 22000 SGS HACCP Certification from SGS, GMP Certification, USDA- Organic products approval, EEC and Indian Organic Certification and has further taken required initiatives to comply with the requirements arising as a result of these certifications from the said agencies and is further implementing new and improved manufacturing processes which proved effective and resourceful in the Industry and has also adopted new and updated technologies that are currently available.

The Strategic Investors who currently comprise the Board have initiated and to some extent affected a major change in the working scenario of the Company by entering into new markets exploiting their benefits by mainly focusing on the field of Ayurveda, which is increasingly being accepted worldwide. The Company has planned to obtain accreditations from various renown certifying authorities having world wide acceptance thereby adding immense value our products. Ayurvedic products are widely acceptable in our Country due to the abundant awareness about the pros of Ayurvedic products. The strategic investors are mainly focusing on this aspect as this holds the potential to bring a positive change on the Company's financial structure in the near future.

OPPORTUNITIES AND THREATS

The growth of middle class in the country has resulted in fast changing lifestyles in urban and to some extent rural areas. This opens a huge market for lifestyle drugs, which has a very low contribution in the Indian markets. Indian manufacturers are one of the lowest cost producers of drugs in the world. With a scalable labour force, Indian manufacturers can produce drugs at 40% to 50% of the cost to the rest of the world. In some cases, this cost is as low as 90%. Indian pharmaceutical industry possesses excellent chemistry and process re-engineering skills. This adds to the competitive advantage of the Indian companies. The strength in chemistry skill helps these Indian companies to develop processes, which are more cost effective.

Strength:

- Rich and time tested Traditional Knowledge (TK) associated with sustainable use of biogenetic resources
- Side effects free medicines.
- Trust in Indian Tradition Medicine System.
- Over 82% is Ayurveda in Indian Tradition Medicine System.

Opportunities

- An ever increasing need for new drugs to handle modern day life-style related chronic ailments
- >60 % of people in developing countries depend on Ayurveda.
- Due to fast life style trend is moving towards "HERBAL".
- India has become a top-five global destination for investment in all phases of pharmaceutical development and growth of lower-level biotechnology (e.g. vaccines, monoclonal antibodies, etc.) progresses well, but lacks an enabling environment and incentives for investment in traditional medicines.
- Business opportunities for Ayurvedic Industries: Ayurveda is an indigenous system of India and nearly 70% of its population uses the traditional system of medicine. Consumers of Ayurvedic drugs are increasing day by day in India and outside India, and growth in the consumption of herbal medicine is significant.

Presently, a number of Ayurvedic products are being exported as nutraceutical and health care products.

RISKS AND CONCERNS

Risks:

- Lack of good institutions and teachers.
- Lack of world class treatment centers.
- Lack of health Insurance approval.
- Lack of well-trained man power.

Threats:

- Escalation in raw materials price
- Adulteration in the raw materials
- Low exports due to lack of proper documents and scientific data
- Centers opened by untrained people.
- Stricter registration procedures.

INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company has recently modified and improved its internal control system by making the system more efficient, effective, to allow better detection of fraud and lapses. The Company is carrying out internal audits at regular intervals so as to ensure NIL irregularities and operational inefficiencies. 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 polishing the existing ones.

The final report on the Audit is submitted to the Board of Directors after being approved 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.

In this regard, the Board shall seek expert advices and reviews from statutory auditors, Internal Auditor and Consultants to the Company. The Company's Budgetary Control system has been substantially improved to monitor, manage and regulate the Cost and Capital related aspects. The Company has also reconfigured the internal control system so as to keep a continuous and regular check on the Assets of the Company and protect them from any loss or damages which occur due to unauthorized access and usage.

SHARE CAPITAL

During the year under review, there was no further issue of shares. Thus the paid up capital of the Company stands at Rs. 4,50,00,400/- as on 31.03.2012.

SECURED LOANS

Secured loans of the Company as on 31.03.2012 are NIL

FIXED ASSETS

New assets worth Rs.41.12 Lakhs have been acquired during the Year and added to the block, as a result the net block of fixed assets stands at Rs.340.87 Lakhs for the year ended 31.03.2012 after providing an accumulated depreciation of Rs.144.18 Lakhs

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company is currently emphasizing on recruiting additional personnel and work force possessing enough expertise and experience in the field of Ayurvedic products as it has expanded its operations by diversifying in to a new line of products pertaining to the same industry. The human and industrial relations have remained peaceful and composed during the year and the company is currently working on providing much comfortable working environment to the existing personnel and new talents to motivate retain and attract the highly contributing talents. The Company also has good relations with other companies in the similar stream of business and it shall be useful in understanding the market behaviour and phenomenon in depth and to stay updated with competitors both in growth and adoption of new technologies for cost effective operation.

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 defer 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: Hyderabad

Date: 14.08.2012

By Order of the Board

Sd/-

ARVIND VARCHASWI N.

MANAGING DIRECTOR

CORPORATE GOVERNANCE REPORT

1. Company Philosophy on Code of Corporate Governance

Corporate Governance is commitment to values and ethics in business conduct which stems from the culture, policies, practices, traditions, voluntary adherence to ethical standards and mindset of an organisation. Strong governance standards focusing on fairness, transparency, accountability and responsibility are vital not only for the healthy and vibrant corporate sector but also inclusive growth of the economy. The global financial crisis during the recent past along with incidences of some of the large scale corporate failures and frauds have convincingly revealed the importance of good governance in more emphatic context. Source Natural continues to focus on good Corporate Governance, in line with emerging local and global standards. It understands and respects its fiduciary role in the corporate world. Besides adhering to the prescribed corporate practices as per clause 49 of the Listing Agreement, it voluntarily governs itself as per highest standards of ethical and responsible conduct of business which not only strengthens its bond of trust with the stakeholders but also creates value for the society at large.

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 stake holders.

2. Board of Directors:

As on date, the Company's Board of Directors consists of the following EIGHT Directors:

NAME	Designation	Category	No. of other Director ships	Attendance at Board meeting	Attendance at previous AGM
Mr. Arvind Varchaswi N.	Managing Director	Promoter & Executive	5	4	Yes
Mr. Narayanan Narasimhan	Chairman & Director	Promoter & Non-Executive	5	5	Yes
Mr. Ramesh Chandra Agarwal	Director	Non-Executive & Independent	1	-	No
Mr. Digvijay Chowdhari	Additional Director	Non-Executive & Independent	1	4	No
Mr. Chandrakanth Laxminarayan Rathi	Additional Director	Non-Executive & Independent	5	4	No
Mr. Nikhil Sen	Director	Non-Executive & Independent	5	4	Yes
Mr. Gowra Srinivas	Director	Non-Executive & Independent	12	3	Yes
Mr. Sriram Chandrasekaran	Director	Non-Executive & Independent	2	4	Yes

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.

3. Board Meeting:

During the year 2011-12, the Board met 5 (five) times on the following dates, viz May 23, 2011, August 13, 2011, November 14, 2011, February 09, 2012 and March 31, 2012. The maximum gap between any two successive meetings was less than 4 months.

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, Share holders Committee meetings.
- Details of Agreements entered into by the Company.

- Non-Compliance of any statutory or listing requirements.

5. Minutes of the Board Meeting:

The minutes of the each Board and Committee meeting is 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 2011-12 has been reproduced below:

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 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, 2012, as envisaged in Clause 49 of the Listing Agreement with Stock Exchange.

7. Board Committees:

The Company has committed to be transparent on all the matters by providing efficient and effective disclosures of 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 report to the Board by recommendations in the Board meeting. The Company has been constituted three Committees viz. Audit Committee, Remuneration Committee and Shareholders Grievances Committee.

8. Audit Committee:

The terms referred in the audit Committee include the following:

1. Oversight 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 4 meetings of the Committee were held on May 23, 2011, August 13, 2011, November 14, 2011 and February 09, 2012.

The following are the details of the Director, their attendance at the Audit Committee Meeting held during the year 2011-12.

Name	Status	Attendance
Mr. Gowra Srinivas	Chairman	2
Mr. Nikhil Sen	Member	3
Mr. Sriram Chandrasekaran	Member	4

9. Remuneration Committee:

Remuneration Committee of the Company was constituted by the Board of Directors of the Company in their meeting held on February 09, 2012. The following are the details of the members, their attendance at the Remuneration Committee Meeting held during the year 2011-12.

Name	Status	Attendance
Mr. Nikhil Sen	Chairman	Yes
Mr. Gowra Srinivas	Member	Yes
Mr. Sriram Chandrasekaran	Member	Yes

10. Shareholders Investors Grievances Committee:

The composition of the shareholders/ Investors grievances committee as on date is as under:

Name	Designation	Category of Directorship
Mr. Arvind Varchaswi N.	Chairman	Executive
Mr. Gowra Srinivas	Member	Non-Executive
Mr. Nikhil Sen	Member	Non-Executive

In accordance with the Clause 49(IV) (G) (iv) of the Listing Agreement with the Stock Exchange, all the complaints received from the share holders were resolved within the prescribed time limit and none of the grievances pending as on the date of the report.

11. Details of Annual/Extra ordinary General Meeting:

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

YEAR	LOCATION	DATE	TIME
2008-2009	Plot No.22 & 23, 30.12.2009 9.30am SVCIE, BachepaUy, Miyapur, Hyderabad – 500 090	30.12.2009	9.30am
2009-2010	Hotel Fortune Manohar, Begumpet, Hyderabad- 500016	27.09.2010	11.30am
2010-11	Sapphire Hall, Hotel Fortune Manohar, Begumpet, Hyderabad- 500016	26.09.2011	11.30am

Postal Ballot Resolution:

The Company has conducted Postal Ballot by issuing Notice on 31st March, 2012 and the result was announced on 17th May, 2012 for the Change of Main Objects of the Company, Change of Name of the Company and Remuneration to the Mr. Arvind Varchaswi N., Managing Director of the Company.

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 1D of the revised Clause 49 of the Listing Agreement with Stock Exchanges.

(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 as below:

"All the Directors and Senior Management of the Company have affirmed compliance with the Company's Code of Conduct for the financial year ended 31st March, 2012."

Place: Hyderabad

sd/-

Date: August 14, 2012

Arvind Varchaswi N.
Managing Director

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

The Management Discussion and Analysis is provided elsewhere in this report.

I. Means of Communication

The financial results are published by the Company in prescribed format in Financial Express and Prajashakti within 48 Hr of approval of the Board.

II. General Shareholder Information

1) 17th Annual General Meeting

Date and Time

September 27, 2012

Venue

Crystal Boutique Hall, Hotel Fortune

2) Financial Calendar (2012-13) (Tentative)

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

For the year ending 31st March, 2012 Quarterly Un-audited / Annual Audited results shall be announced as follows:

Financial reporting for	Proposed Date
Unaudited Results for the Quarter ending: 30th June, 2012	On or before 15th August, 2012
Unaudited Results for the Quarter ending: 30th September, 2011	On or before] 15th November, 2011
Unaudited Results for the Quarter ending: 31st December, 2011	On or before 15th February, 2012
Audited Results for the year ended 31st March,2012	On or before 30th June, 2012

3) Book Closure Date

September 20th, 2012 to September 27th, 2012

4) Registered Office

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

5) Listing of Equity Shares:

The Stock Exchange, Mumbai (BSE)

6) Listing Fees

Listing fee has been paid to Mumbai Stock Exchange till the year 2012-13

7) Stock Code

531398

8) ISIN No.

INE679COIO19

9) CIN Number

L24231AP1995PLC019106

10) Market Price Data

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

MONTH	BSE, MUMBAI		NO.OF TRADED	SHARES
	HIGH PRICE	LOW PRICE		
APRIL, 2011	20.45	17.25	4012	

MAY, 2011	26.15	17	4093
JUNE, 2011	26.3	17.2	15108
JULY, 2011	22.1	15.75	5533
AUGUST, 2011	22.45	15.25	2512
SEPTEMBER, 2011	26	21.5	1456
OCTOBER, 2011	26	18	20611
NOVEMBER, 2011	22.75	17.15	8453
DECEMBER, 2011	25.55	20.45	701
JANUARY, 2012	28.4	23.8	373
FEBRUARY, 2012	31.5	25.25	2836
MARCH, 2012	30.9	14.55	27772

14) Investors' Correspondence / Registrar & Share Transfer Agents:

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

15) Share Holding Pattern as on 31st March 2012

Category Code	Category of Shareholder	Number of Share Holders	Total Number of Shares	Number of Shares held in Dematerialized Form	Total Shareholding as a % of total Number of Shares	
					As a % of (A+B)	As a % of (A+B+C)
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)
A	Promoter and Promoter Group					
(1)	Indian					
(a)	Individuals/Hindu Undivided Family	0	0	0	-	-
(b)	Central Government /State Government (s)	0	0	0	-	-
(c)	Bodies Corporate	1	2850000	2850000	63.33	63.33
(d)	Financial Institutions / Banks	0	0	0	-	-
(e)	Any other(PAC)	0	0	0	-	-
	Sub-Total (A)(1)	1	2850000	2850000	63.33	63.33
(2)	Foreign					
(a)	Individuals (Non Resident Individuals/ Foreign Individuals)	0	0	0	-	-
(b)	Bodies Corporate	0	0	0	-	-

(c)	Institutions	0	0	0	-	-
(d)	Any Other	0	0	0	-	-
	Sub-Total (A)(2)	0	0	0	-	-
	Total Shareholding of Promoter and					
	Promoter Group A=(A)(1) + (A)(2)	1	2850000	2850000	63.33	63.33
B	Public Shareholding					
(1)	Institutions					
(a)	Mutual Funds/UTI	1	4960	0	0.11	0.11
(b)	Financial Institutions/Banks	0	0	0	-	-
(c)	Central Government/State Government(s)	0	0	0	-	-
(d)	Venture Capital Funds	0	0	0	-	-
(e)	Insurance Companies	0	0	0	-	-
(f)	Foreign Institutional Investors	0	0	0	-	-
(g)	Foreign Venture Capital Investors	0	0	0	-	-
(h)	Any Other	0	0	0	-	-
	Sub-Total (B)(1)	1	4960	0	0.11	0.11
(2)	Non-institutions					
(a)	Bodies Corporate	79	294406	292906	6.54	6.54
(b)	Individuals					
	i Individual Shareholders holding nominal share capital upto Rs. 1 Lakh	3715	535441	497738	11.90	11.90
	ii Individual Shareholders holding nominal share capital in excess of Rs. 1 Lakh	12	808185	808185	17.96	17.96
(c)	CLEARING MEMBER	18	2966	2966	0.07	0.07
(d)	TRUST	1	158	0	-	-
(e)	Non Resident Individuals	15	3924	3774	0.09	0.09
(f)	Foreign Bodies Corp	0	0	0	-	-
(g)	Foreign Nation	0	0	0	-	-
	Sub-Total (B)(2)	3840	1645080	1605569	36.56	36.56
	Total Public Shareholding					
	B=(B)(1)+(B)(2)	3841	1650040	1605569	36.67	36.67
	Total (A)+(B)	3842	4500040	4455569	100.00	100.00
(C)	Shares held by Custodians and against which Depository Receipts have been issued					
(1)	Promoter and Promoter Group	0	0	0	0	0
(2)	Public	0	0	0	0	0
	GRAND TOTAL (A) + (B) +	3842	4500040	4455569	100.00	100.00

	(C)					
--	-----	--	--	--	--	--

16) Distribution of Share Holding as on 31st March 2012

Slab of Share holding in Rs.	No. of Share Holders	% to Total Holding	Amount in Rs.	% to Total
Upto - 5000	3656	95.16	2800220	6.22
5001 - 10000	94	2.45	718100	1.6
10001 - 20000	44	1.15	650440	1.45
30001 - 40000	6	0.16	135310	0.3
30001 - 40000	8	0.21	273930	0.61
40001 - 50000	11	0.29	498980	1.11
50001 - 100000	9	0.23	731570	1.63
100001 and above	14	0.36	39191850	87.09
Total	3842	100	45000400	100

17) 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.

18) Dematerialization of Shares:

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

As on 31st March, 2012, 44,55,569 Equity Shares of Rs.10/- each aggregating to 99.01% are being held with NSDL & CSDL in demat form of the paid up capital & the rest 44,471 aggregating to 0.99 % are in physical form.

19) Outstanding Bonds/ Convertible Instruments – Nil**20) Plant Location & Address for Correspondence:**

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

Place: Hyderabad

Date: August 14, 2012

For and on behalf 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,2012, 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, 2012, 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 14, 2012

AUDITOR'S REPORT**TO THE MEMBERS OF INWINEX PHARMACEUTICALS LIMITED**

1. We have audited the attached Balance Sheet of INWINEX PHARMACEUTICALS LIMITED as at 31st March 2012 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the companies (Auditor's Report) Order , 2003 (as amended) issued by the central Government of India in terms of sub-section 227 of the Companies Act,1956,we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit:
- ii) 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:
- iii) The Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account:
- iv) The Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report Comply with the Accounting Standards referred to in sub –section (3c) of Section 211 of the Companies Act, 1956.
- v) On the basis of the written representation received from the directors, as on 31ST March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act,1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India .
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012.
 - b) In the case of the Profit and Loss Account, of the Loss for the year ended on that date: and
 - c) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For Vijay Narayan & Co
Chartered Accountants

Sd/-

Vijay N Kale
(Proprietor)

Place: Hyderabad
Date: 28th May, 2012

Member Ship No. 020322
Firm Registration No. 010917S

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in Paragraph 3 of our report of even date)

1. FIXED ASSETS

- a) The Fixed Asset Register showing full particulars, including quantitative details and situation of fixed assets is in the process of update by the management.
- b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification under development 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 verification.
- c) There was no substantial disposal of fixed assets during the year.

2. INVENTORIES

- a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- b) In our opinion & according to explanation given to us the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) In our opinion, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

3. Loans Granted/Taken

- a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- b) As informed, the Company has taken loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. The number of parties and the amount involved in the transaction are given below.

Number of Parties	Amount Involved (Rs.)
1	20,236,349

- c) The rate of interest and other term and conditions of loans taken by the company secured or unsecured are prime rate not prejudicial to the interests of company.
- d) The terms of repayment for loans taken have not been specified.
- e) There is no overdue amount more than rupees one Lakh to be recovered and as such no action is required in this regard.

4. INTERNAL CONTROL SYSTEM

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 for the sale of goods and services, During the course of our audit, no major weakness has been noticed in internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.

5. MAINTENANCE OF REGISTER UNDER SECTION 301 OF COMPANIES ACT, 1956

- a) The transactions that need to be entered into register in pursuance of section 301 of the companies Act have been so entered.
- b) Each of these transactions has been made at prices which are reasonable having regard to the prevailing market prices.

6. PUBLIC DEPOSITS

The Company has not accepted any deposits from the public to which the provisions of section 58A, 58AA or any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules ,1975 Apply

7. INTERNAL AUDIT SYSTEM

In our opinion, the Company has an internal audit system commensurate with the size and nature of its business

8. COST RECORDS

We have broadly reviewed the books of account maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1) (d) Of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.

9. STATUTORY DUES

- a) According to the records of the Company, provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it have generally been regularly deposited during the year with appropriate authorities.
- b) According to the records of the Company , the dues outstanding of income tax , sales tax, wealth tax, service tax , custom duty, excise duty, cess on account of any dispute , are as follows : Disputed Sales Tax Demand Rs.3.40 Lakhs

10. NET WORTH EROSION

Accumulated losses of Rs.24478262/- at the end of the financial year are less than 50% of its net worth and the company has incurred cash losses in the current financial year and in the financial year immediately preceding financial year also.

11. REPAYMENT OF LOANS

As per the information and explanations given by the management, the Company has not taken any loan from financial institutions, bank or debenture holders, the Provisions of Clause (xi) of the Para 4&5 of the order are not applicable to the company during the year.

12. According to the information and explanation given to us and based on the document and records provided to us, the company has not granted loans and advances on the basis of security by way of pledge of share, debenture and other securities. The Provisions of Clause (xi) of the Para 4&5 of the order are not applicable to the company during the year.

13. In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society, the provisions of clause (xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

14. In our opinion , the Company is not dealing in or trading in shares , securities, debentures and other investment , Accordingly ,the provisions of clause (xiv) of the Companies (Auditor' Report)Order, 2003,(as amended) are not applicable to the company .
15. According to the information and explanation given to us, the Company has not given any guarantee for which the loans were obtained. The Provisions of Clause (xv) of the Para 4&5 of the order are not applicable to the company during the year.
16. Based on information and explanation given to us by the management, the company has not taken any term loans. The Provisions of Clause (xvi) of the Para 4&5 of the order are not applicable to the company during the year.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short –term basis have been used for long–term investment and vice versa. The Provisions of Clause (xvii) of the Para 4&5 of the order are not applicable to the company during the year.
18. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the companies Act, 1956. The Provisions of Clause (xviii) of the Para 4&5 of the order are not applicable to the company during the year.
19. The Company has not issued any debentures and this clause is not applicable to the company.
20. The Company has not raised any money by the way of public issue during the year. Therefore the provisions of clause (xx) of the said Order are not applicable to the Company.
21. No fraud on or by the company has been noticed or reported during the year. The Provisions of Clause (xxi) of the Para 4&5 of the order are not applicable to the company during the year.

For Vijay Narayan & Co
Chartered Accountants

Sd/-

Vijay N Kale
(Proprietor)

Place: Hyderabad
Date: 28th May, 2012

Member Ship No. 020322
Firm Registration No. 010917S

INWINEX PHARMACEUTICALS LIMITED
 Plot No.22 & 23, SVCIE, Bachipally, Qutubullapur (M), Hyderabad- 500 090

BALANCE SHEET AS ON 31st MARCH, 2012

PARTICULARS		Note No.	As at Year End 31.03.2012	As at Previous Year End 31.03.2011
I. EQUITY AND LIABILITIES				
1 Shareholders' Funds				
	(a) Share Capital	2	4,50,00,400	4,50,00,400
	(b) Reserves and Surplus	3	(2,44,78,262)	(1,79,64,426)
	(c) Money received against Share Warrants		-	-
2 Share Application Money pending allotment				
			-	-
3 Non-Current Liabilities				
	(a) Long-Term Borrowings	4	2,02,36,349	1,00,26,000
	(b) Deferred Tax Liabilities (Net)		-	-
	(c) Other Long-Term Liabilities		-	-
	(d) Long-Term Provisions	5	2,10,839	1,11,635
4 Current Liabilities				
	(a) Short-Term Borrowings		-	-
	(b) Trade Payables	6	26,38,167	28,15,478
	(c) Other Current Liabilities	7	10,42,484	2,15,327
	(d) Short-Term Provisions		-	-
TOTAL			4,46,49,977	4,02,04,414
II. ASSETS				
1 Non-Current Assets				
	(a) Fixed Assets			
	(i) Tangible Assets	8	3,40,86,798	3,32,70,422
	(ii) Intangible Assets		-	-
	(iii) Capital Work-In-Progress		-	-
	(iv) Intangible Asset under Development		-	-
	(b) Non Current Investments		-	-
	(c) Deferred Tax Assets (Net)		-	-
	(d) Long-Term Loans and Advances	9	6,89,962	1,65,400
	(e) Other Non-Current Assets	10	3,72,863	7,45,725
2 Current Assets				
	(a) Current Investments		-	-
	(b) Inventories	11	33,45,150	15,68,491
	(c) Trade Receivables	12	2,33,239	11,23,590
	(d) Cash and Cash Equivalents	13	28,23,884	7,12,258
	(e) Short-Term Loans and Advances	14	27,25,219	22,45,665
	(f) Other Current Assets	15	3,72,863	3,72,863
TOTAL			4,46,49,978	4,02,04,414

Significant Accounting Policies
 Notes on Financial Statements

1
 2 to 28

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

For and on behalf of The Board

sd/-

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

Place : Bangalore

Date: 28.05.2012

sd/-

Arvind Varchaswi N.
Managing Director

sd/-

Narayanan
Narasimhan
Director

sd/-

Rashmi P.G.
Company Secretary &
Compliance Officer

INWINEX PHARMACEUTICALS LIMITED
Plot No.22 & 23, SVCIE, Bachipally, Qutubuliapur (M), Hyderabad- 500 090

PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 31.03.2012

Figures in Rs.

PARTICULARS	Note No.	For the Year Ended	
		31.03.2012	For the Previous Year Ended 31.03.2011
Revenue from operations	16	1,54,93,397	45,19,785
Other Income	17	19,770	3,59,829
Total Revenue (I+II)		1,55,13,168	48,79,614
Expenses:			
Cost of Materials Consumed	18	53,48,649	26,24,497
Purchases of Stock-in-trade		-	-
Changes in inventories of finished goods, working-in-progress and stock-in-trade	19	(6,53,714)	(7,16,420)
Employee Benefits Expense	20	45,80,445	25,65,396
Finance Costs		-	-
Depreciation and Amortisation Expenses	8	23,70,516	21,48,935
Other Expenses	21	87,02,262	1,12,61,926
Total Expenses		2,03,48,159	1,78,84,334
Profit before exceptional and extraordinary items and tax (III-IV)		(48,34,991)	(1,30,04,720)
Exceptional items		16,78,845	-
Profit before extraordinary items and tax (V- VI)		(65,13,836)	(1,30,04,720)
Extraordinary Items		-	-
Profit before tax (VII - VIII)		(65,13,836)	(1,30,04,720)
Tax expenses:			
(1) Current tax		-	-
(2) Deferred tax		-	-
Profit (Loss) for the period from Continuing operations (VII - VIII)		(65,13,836)	(1,30,04,720)
Profit / (loss) from discontinuing operations		-	-
Tax expenses of Discontinuing operations		-	-
Profit / (loss) from Discontinuing operations (after tax) (XII - XIII)		-	-
Profit / (loss) for the period (XI + XIV)		(65,13,836)	(1,30,04,720)
Earnings per equity share:			
(1) Basic		(1.45)	(2.89)
(2) Diluted		(1.45)	(2.89)

Significant Accounting Policies
Notes on Financial Statements

1
2 to 28

As Per our Report of Even Date

For Vijay Narayan & Co.,
Chartered Accountants

sd/-

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

Place : Bangalore

Date: 28.05.2012

For and on behalf of The Board

sd/-

sd/-

Arvind Varchaswi N.
Managing Director

Narayanan Narasimhan
Director

sd/-

Rashmi P.G.
Company Secretary & Compliance
Officer

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(Rs. In Lakhs)

Particulars	31.03.2012	31.03.2011
Cash Flow from Operating Activities:		
Net Profit/ (Loss) before Tax and Extra-ordinary Items	(65.14)	(130.05)
Adjustment for:		
Depreciation and Amortisation Expenses	23.71	21.49
Provision for Doubtful Debts and Advances	0.00	43.98
Loss on Deletions of Fixed Assets	16.79	0.00
Operating Profit/ (Loss) Before Working capital Changes	(24.64)	(64.58)
Inventories	(17.77)	(8.39)
Trade Receivables	8.90	(4.37)
Other Current Assets	0.00	1.87
Current Liabilities	7.49	(3.20)
Cash from Operations	(26.02)	(78.66)
Deffered Revenue Expenses Incurrec	0.00	0.00
Net Cash Flow From Operations	(26.02)	(78.66)
Cash flow from Investing Activities		
Purchase of Fixed Assets	(40.30)	(74.14)
Capital Work - in - Process	0.00	15.23
(Increase)/Decrease in Loans & Advances	(10.04)	(8.95)
Investment in Fixed Deposits	0.00	89.90
Net Cash used for Investing activities	(50.34)	22.04
Cash Flow from Financing Activities		
Share Aplication Money	0.00	0.00
Loss on Capital Reduction	0.00	0.00
Share Premium	0.00	0.00
Unsecured Loans	102.10	53.00
Net Cash from Financing Activites	102.10	53.00
Net Increase in cash and Cash Equivalues	25.75	(3.62)
Cash and Cash Equivalent, beginning of the year	7.12	10.74
Cash and Cash Equivalent, end of the year	28.24	7.12
1. Cash & Cash Equivalent		
Cash on hand	0.07	0.13
Balances with Schedule Banks in Current Account	28.17	6.99
Total	28.24	7.12
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

sd/-

Vijay N Kale
Proprietor
Membership No. 020322
Firm Registration No.0109174

Place : Bangalore
Date: 28.05.2012

For and on behalf of The Board

sd/-

Arvind Varchaswi N.
Managing Director

sd/-

Narayanan Narasimhan
Director

sd/-
Rashmi P.G.
Company Secretary & Compliance Officer

Notes on Financial Statements for the Year Ended 31st March, 2012

Note 2 Share Capital

a) **Share Capital**

Particulars	As at 31 March 2012		As at 31 March 2011	
		Rs.		Rs.
Authorised 90,00,000 Equity Shares of Rs. 10/- each		9,00,00,000		9,00,00,000
Issued 4500040 Equity Shares of Rs. 10/- each		4,50,00,400		4,50,00,400
Subscribed & Paid up 4500040 Equity Shares of Rs. 10/- each		4,50,00,400		4,50,00,400
Subscribed but not fully Paid up Nil		-		-
Total		4,50,00,400		4,50,00,400

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

Particulars	Equity Shares	
	Number	Amount
Shares outstanding at the beginning of the year	45,00,040	4,50,00,400
Shares Issued during the year	0	0
Shares bought back during the year	0	0
Shares outstanding at the end of the year	45,00,040	4,50,00,400

c) 28,50,000 Equity Shares are held by Sumeru Ayurveda Private Limited, the holding company as on March 31, 2012 (Previous Year 28,50,000 Equity Shares)

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

Name of Shareholder	As at 31 March 2012		As at 31 March 2011	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Sumeru Ayurveda Pvt Ltd	2850000	63.33	2850000	63.33
Ionic Healthcare Pvt Ltd	261000	5.80	261000	5.80

Note 3 Reserves and Surplus

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
a. Securities Premium Account		
Opening Balance	61,02,160	61,02,160
Add : Securities premium credited on Share issue	-	-
Less : Premium Utilised	-	-
Closing Balance	61,02,160	61,02,160
b. Surplus/(Deficit) in Statement of Profit and		
Opening balance	(2,40,66,586)	(1,10,61,866)
(+) Net Profit/(Net Loss) For the current year	(65,13,836)	(1,30,04,720)
Closing Balance	(3,05,80,422)	(2,40,66,586)
Total	(2,44,78,262)	(1,79,64,426)

Note 4 Long Term Borrowings

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
Secured	-	-
Unsecured		
Loans and advances from related party Sumeru Ayurveda Pvt Ltd- Interest Free Loan Terms of Repayment - Repayable on June 30, 2013 with an option to extend further on a mutually agreeable terms	2,02,36,349	1,00,26,000
Total	2,02,36,349	1,00,26,000

Note 5 Long Term Provisions

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
(a) Provision for employee benefits Gratuity (unfunded)	2,10,839	1,11,635
(b) Others	-	-
Total	2,10,839	1,11,635

Note 6 Trade Payables

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
Acceptances	-	-
Other Than Acceptances	-	-
Total	-	-

Note 7 Other Current Liabilities

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
Other payables		
- Statutory Remittances	96,115	76,639
- Payables on Purchase of Fixed Assets	2,24,810	-
- Advance from Customers	7,21,559	1,38,688
Total	10,42,484	2,15,327

Nota 6 Fixed Assets

S. No.	Particulars	Gross Block			Accumulated Depreciation			Net Block	
		Balance as at April 2011	Additions	Disposals	Balance as at 31 March 2012	Balance as at 1 April 2011	On disposals	Balance as at April 2012	Balance as at 31 March 2011
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
a	Tangible Assets								
	Land	504810	0	0	504810	0	0	504810	504810
	Buildings	21407899	1824597	1581488	21651008	3429353	0	17873230	17978546
	Plant and Equipment	21008727	1049472	82659	21975540	8007096	365644	12962190	13001631
	Furniture and Fixtures	1902002	461380	0	2363382	470495	0	1759926	1431507
	Vehicles	647589	0	0	647589	584124	0	1944	63465
	Office equipment	355646	582557	0	938203	111684	0	796616	243962
	Others - Computers	230292	194527	0	424819	183791	0	188083	46501
	Total	4,60,56,964	41,12,533	16,64,147	4,85,05,350	1,27,86,542	3,65,644	3,40,86,798	3,32,70,422
b	Intangible Assets								
	Total	0	0	0	0	0	0	0	0
c	Capital Work In Progress								
	Total	0	0	0	0	0	0	0	0
d	Intangible assets under Development								
	Total	0	0	0	0	0	0	0	0
	Grand Total	4,60,56,964	41,12,533	16,64,147	4,85,05,350	1,27,86,542	19,97,654	3,40,86,798	3,32,70,422
	Previous Year	3,86,42,875	74,14,089	-	4,60,56,984	1,10,10,469	17,76,073	3,32,70,422	2,76,32,406

Note 9 Long Term Loans & Advances

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
a. Capital Advances		
Secured, considered good	0	0
Unsecured, considered good	5,24,562	0
Doubtful	0	0
Less: Provision for doubtful advances	0	0
	5,24,562	-
b. Security Deposits		
Secured, considered good	0	0
Unsecured, considered good	1,65,400	1,65,400
Doubtful	0	0
Less: Provision for doubtful deposits	0	0
	1,65,400	1,65,400
Total	6,89,962	1,65,400

Disclosure pursuant to Note no. L (iv) of Part I of Schedule VI to the Companies Act, 1956

Particulars	As at 31 March 2012	As at 31 March 2011
	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

*Either severally or jointly

Note 10 Other Non Current Assets

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
Unamortised Expenses		
Miscellaneous expenditure	3,72,863	7,45,725
Total	3,72,863	7,45,725

Disclosure pursuant to Note no. M (iii) (iii) of Part I of Schedule VI to the Companies Act, 1956

Particulars	As at 31 March 2012	As at 31 March 2011
	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

Note 11 Inventories
(At lower of Cost or Net Realisable Value)

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
a. Raw Materials and Components	15,97,743	4,89,613
b. Work-In-Progress	6,94,591	3,29,508
c. Finished Goods	10,38,001	7,49,370
d. Stores and Spares	14,815	-
Total	33,45,150	15,68,491

Note 12 Trade Receivables

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
Trade receivables outstanding for a period less than six months from the date they are due for payment		
Secured, considered good	-	-
Unsecured, considered good	-	-
Unsecured, considered doubtful	-	-
Less: Provision for doubtful debts	-	-
	-	-
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	-	-
Unsecured, considered good	11,82,535	10,99,482
Unsecured, considered doubtful	1,65,400	1,65,400
Less: Provision for doubtful debts	5,21,541	2,65,734
	8,26,394	9,99,148
Total	8,26,394	9,99,148

Trade Receivable stated above include debts due by:

Particulars	As at 31 March 2012	As at 31 March 2011
	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 13 Cash and Cash Equivalents

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
a. Balances with banks (In Current Accounts)	28,16,837	6,98,907
b. Cash on hand	7,047	13,351
Total	28,23,884	7,12,258

Note 14 Short Term Loans and Advances

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
a. Security Deposits		
Secured, considered good	0	0
Unsecured, considered good	11,82,535	10,99,482
Doubtful	3,50,000	3,50,000
Less: Provision for doubtful loans and advances	3,50,000	3,50,000
	11,82,535	10,99,482
b. Loans and Advances to Employees		
Secured, considered good	0	0
Unsecured, considered good	5,56,000	4,40,000
Doubtful	1,12,089	1,12,089
Less: Provision for doubtful loans and advances	1,12,089	1,12,089
	5,56,000	4,40,000
c. Prepaid Expenses - Unsecured, Considered good	53,966	65,952
d. Balances with government authorities- Unsecured		
(i) Cenvat Credit Receivable		
Considered Good	5,21,541	2,65,734
Doubtful	3,43,142	3,43,142
Less: Provision for doubtful balances	3,43,142	3,43,142
	5,21,541	2,65,734
e. Other Loans and Advance		
Secured, considered good	0	0
Unsecured, considered good	4,11,178	3,74,497
Doubtful	9,83,009	9,83,009
Less: Provision for Doubtful loans and advances	9,83,009	9,83,009
	4,11,178	3,74,497
Total	27,25,219	22,45,665

Disclosure pursuant to Note no.R (iv) of Part I of Schedule VI to the Companies Act, 1956

	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
Directors *	0	0
Other officers of the Company *	5,56,000	4,40,000
Firm in which director is a partner *	0	0
Private Company in which director is a member	0	0
Total	5,56,000	4,40,000

*Either severally or jointly

Note 15 Other Current Assets

Particulars	As at 31 March 2012	As at 31 March 2011
	Rs.	Rs.
Unamortised Expenses		
Miscellaneous expenditure	0	0
Total		

Note 16 Revenue from Operation

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Rs.	Rs.
Sale of products	1,67,38,267	48,83,451
Less:		
Excise duty	12,44,870	3,63,666
Total	1,54,93,397	45,19,785

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Rs.	Rs.
Sale of Product Comprises of manufactured goods		
a) Ojasvita Powder	87,18,420	31,65,853
b) Ayurvedic Medicines	67,74,977	13,53,932
Total	1,54,93,397	45,19,785

Note 17 Other Income

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Rs.	Rs.
Interest Income	9,924	52,332
Other income	9,846	3,07,497
Total	19,770	3,59,829

Note 18 a. Cost of Raw Materials (Including Packing Material) Consumed - Indigenously

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Rs.	Rs.
Opening Stock	4,89,613	3,67,486
Add : Purchased during the year	64,56,779	27,46,624
	69,46,392	31,14,110
Less: Closing Stock	15,97,743	4,89,613
Total	53,48,649	26,24,497

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

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Rs.	Rs.
Sugar	13,89,537	5,14,740
Others	39,59,112	21,09,757
Total	53,48,649	26,24,497

Note 19 Changes in Inventories of Finished Goods, Stock in Process and Stock in Trade

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Rs.	Rs.
Inventories at the end of the Year		
Finished Goods	10,38,001	7,49,370
Work in Process	6,94,591	3,29,508
	17,32,592	10,78,878
Inventories at the beginning of the Year		
Finished Goods	7,49,370	5,418
Work in Process	3,29,508	3,57,040
	10,78,878	3,62,458
Net (Increase) / Decrease	(6,53,714)	(7,16,420)

Note 20 Employee Benefits Expenses

Particulars	For the year ended 31 March 2012	For the year ended 31 March 2011
	Rs.	Rs.
(a) Salaries and Incentives	39,53,120	22,18,536
(b) Contributions to -Provident Fund	2,27,671	73,311
(c) Gratuity	99,204	80,625
(d) Staff Welfare Expenses	3,00,450	1,92,924
Total	45,80,445	25,65,396

As required by Accounting Standard 15 "Employee Benefits" (AS-15), the disclosures are as under

I. Defined Contribution Plan		
Charge to Statement of Profit and Loss for Defined Contribution Plan	2011-12	2010-11
	Rs.	Rs.
- Employers Contribution to Provident Fund	2,27,671	73,311

II Defined Benefits Plan		
a) Contribution to Gratuity Fund (Unfunded Scheme)		
In accordance with Accounting Standard 15, actuarial valuation was performed		
For the year ended March 31, 2012 in respect of gratuity based on the following assumptions:		
Particulars	2011-12	
Discount Rate (Per Annum)		8%
Rate of Increase in compensation levels		4%
Attrition Rate		5%
Expected Average remaining working lives of employees (Years)		27.79
b) Expenses recognised in the Statement of Profit and Loss (Non-Funded Scheme)		
Particulars	2011-12	
	Rs.	
Current Service Cost		13,642
Interest Cost on Benefit Obligation		8,930
Net Actuarial (Gain)/loss recognised in the year		76,632
Past Service Cost		-
Net Benefit Expense		99,204
c) Changes in the Present Value of Obligation (Unfunded Scheme)		
Particulars	2011-12	
	Rs.	
Opening Defined Benefit Obligation		1,11,635
Interest Cost		8,930
Current Services Cost		13,642
Benefits Paid		-
Actuarial (gains)/losses on obligation		76,632
Closing Defined Benefit Obligation		2,10,839

Note 21 Other Expenses

Particulars	For the year ended 31	For the year ended
	March 2012	31 March 2011
	Rs.	Rs.
Power and Fuel	7,65,244	5,17,613
Rent	1,86,545	1,53,425
Repairs and Maintenance - Machinery	1,63,372	1,88,274
Repairs and Maintenance - Others	1,40,337	5,32,404
Factory Maintenance	2,64,482	1,84,377
Analytical Testing Charges	3,54,788	2,53,263
Labour Charges	21,35,256	10,16,047
Insurance	57,190	52,997
Rates and Taxes		1,00,769
Payments to Auditors (Refer Note (i) below)	1,43,500	1,00,000
Travelling and Conveyance	4,04,045	2,82,193
Postage & Telephone	2,84,309	1,39,293
Printing and Stationery	1,85,030	1,00,084
Freight and Forwarding	6,44,324	2,07,787
Commission	10,91,073	4,66,667
Security Service Charges	1,60,263	1,36,085
Sales Promotion Expenses	4,17,748	57,689
Legal and Professional	4,97,500	9,26,309
Provision for Doubtful Advances	-	10,95,098
Provision for Doubtful Debts	-	26,09,755
Provision for Doubtful Deposits	-	6,93,142
Miscellaneous Expenses	8,07,257	14,48,655
Total	87,02,262	1,12,61,926

Notes
i. Payments Auditors

Particulars	For the year ended 31	For the year ended
	March 2012	31 March 2011
	Rs.	Rs.
a. Statutory Audit	1,00,000	1,00,000
b. For Taxation Matters	43,500	-
Total	1,43,500	1,00,000

ii. Expenditure in Foreign Currency

Particulars	For the year ended 31	For the year ended
	March 2012	31 March 2011
	Rs.	Rs.
Registration & Renewals	34,462	-
Total	34,462	0

Note 1- SIGNIFICANT ACCOUNTING POLICIES

a. The Accounting Convention:

The financial statements are prepared in historical cost convention and as a going concern. 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.

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 XIV to the Companies Act, 1956.

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.

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.

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 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.

22.1 Contingent Liabilities

Rs. In Lakhs

	As on 31.03.2012	As on 31.03.2011
a. Bank guarantee against where counter Guarantee have been given	Nil	Nil
b. Claims against the Company not acknowledged as debt	Nil	Nil
c. The Deputy Commissioner (C.T.) has vide his Assessment order No. 2467/199-2000 has confirmed the action of C.T.O. Gowliguda and has issued a revised order to collect additional sales tax of Rs. 6,81,265 for the year 1999-2000. The Additional Commissioner (C.T.) legal vide his order L11(1)564/2004 dated 22.03.2004 passed on a order staying the collection as the disputed tax subject to the condition that the Company shall pay 50% before 30.03.2004 pending disposal of the main appeal before STAT. 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. Pending final disposal of the disputed liability, the same has been reflected under loans and advances.		
22.2 ESI Department has issued a show cause notice for Rs, 5,51,907 on adhoc basis vide their letter No. AP/Ins. I/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 1203.2009 and obtained stay order.		
22.3 ESI Department also raised a demand for Rs.8479 on actual basis vie their letter No. AP/Ins. I/52-5639-34/540 dated 27.11.2007 towards short payment of contributions for the period 04/01 to 08/01, 10& 11/01, 01/02 to 03/02, 04/02 to 05/02, 10/02 to 02/03.		
22.4 Commissioner of Central Excise, Hyderabad –IV has appealed to CESTAT against the Order No.7/2006 dated 31.10.2006 of Commissioner (Appeals-II) for stay and set aside the order of the Commissioner (Appeals –II). Amount involved in the Appeal is Rs.13,42,727.		
22.5 PIL (Pochiraju Industries Limited) filed a petition on 23.01.2008 at III Additional Chief Judge, City Civil Court vide O.P.No.138/2008 for arbitration and for not to open locks of the factory. The Hon'ble judge after hearing dismissed the case. PIL demanded Rs. 71.00 lakhs (Rs. 60.00 lakhs Security Deposit and Rs.11.00 lakhs towards commission for providing Technical Know how) vide their notice dated 25.03.2008. Inwinex had to receive an amount of Rs. 53,67,803 for the year 2007-08 and 2008-09 from PIL. Hence Inwinex had adjusted the said amount from Rs. 60.00 lakhs of Security Deposit during 2009-10. Further during 2009-10 the company had adjusted an amount of Rs.3.00 lakhs towards Rent. As the case is under Arbitration, if the Company is unable to adjust the said amounts against Security Deposit then the loss of the company will increase by Rs. 56,67,803.		
22.6 The Company has received a show cause notice from the 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/-. However, the Company later submitted photocopies of all the invoices. Reply from the department has been awaited.		

- 22.7 Deposits under Other Current Assets include amounts aggregating to Rs. 4,84,619 paid during the year towards arrear APGST for the years 1996-97, 1997-98 and 1998-99 against arrear notice dated 20.10.2009.
- 22.8 **Deferred Revenue Expenditure:**
During 2009-10 the company had incurred certain expenditure of non recurring nature like payment of underwriting commission, capital reduction scheme expenses, etc which were deferred for a period of five years commencing from 2009-10.
- 22.9 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.

23. 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 environment and hence no information is provided under this standard.

24. Earning Per Share	As on 31.03.2012 (in Rs.)	As on 31.03.2011 (in Rs.)
Earnings		
(Net Loss for the year)	(65,13,836)	(1,30,04,720)
No. of Equity Shares (Rs. 10 each)	45,00,040	45,00,040
Basic (Rs.)	(1.45)	(2.89)
Diluted (Rs.)	(1.45)	(2.89)

25. 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 Ltd	Holding Company
Mr. Arvind Varchaswi N.	Key Managerial Personnel
Mr. Narayanan Narasimhan	Relative of Key Managerial Personnel
Sumeru Travel Solutions LLP	Limited Liability Partnership
Sumeru Aviation Private Ltd	Associate Company
Divine Services	Partnership Firm
Madhurya	Partnership Firm
Arvind Exports	Partnership Firm

Broadvision Services Private Ltd	Associate Company
Advance Vital Enzymes Limited	Associate Company
Advance Enzyme Technologies Limited	Associate Company
Broadvision Prospective India Private Limited	Associate Company
Ionic Healthcare Private Limited	Associate Company
Jenrik Products	Partnership Firm
Mr. Ramesh Chandra Agarwal	Director
Mr. Manmohan Agarwal	Relative of M. Ramesh Chandra Agarwal

Transaction with Related Parties

Amount in Rs.

Nature of Transaction	During the Current Year	During the Previous Year	Receivable (Payable) as on 31.03.2012	Receivable (Payable) as on 31.03.2011
Advances not in the nature of loan	Nil	Nil	97,094 (Ashok Kumar Agarwal)	97,094 (Ashok Kumar Agarwal)
Advances not in the nature of loan	Nil	Nil	874,584 (Jenrik Products)	874,584 (Jenrik Products)
Unsecured Loan	1,02,10,349 (Net off)	53,00,000(Net off)	(2,02,36,349)	(1,00,26,000) – Sumeru Ayurveda Pvt Ltd
Sale to Arvind Exports	24,12,060	13,14,538	(4,89,052)	(85,463)
Sale to Sumeru Ayurveda Private Limited	56,136	3,37,620	Nil	(16,485)
Services from Sumeru Travel Solutions Pvt Ltd	33,451	45,274	(8,245)	(8,245)
Services from Sumeru Travel Solutions LLP	1,28,050	Nil	(81,590)	Nil
Sale to Divine Services	19,60,116	2,11,737	806	816
Sale to Madhurya	Nil	14,116	Nil	14,116
Sale to Broadvision Services P Ltd	19,648	Nil	19,648	Nil

The list of transactions with the related parties for which the approval from Central Government is received:-

Sl. No.	Name of the entity	Nature of transactions	Total Value (in Rs)	Period
1	Arvind Exports	Supply and Job Works for Ayurvedic Products	300 lacs	17-06-2011 to 31-03-2014
2	Sumeru Ayurveda Private Limited	Purchase/Sale of Ayurvedic Products	200 lacs	17-06-2011 to 31-03-2014
3	Sumeru Travel Solutions	Travel Ticketing	9 lacs	17-06-2011 to 31-03-2013
4	Sri Sumeru Realty Private Limited	Consultation for construction related services	8 lacs	17-06-2011 to 31-03-2013
5	Divine Services	Supply of Ayurvedic Products	100 Lacs	17-06-2011 to 31-03-2013
6	Broadvision Services Pvt Ltd	Sale of Ayurvedic/food/Herbal supplemental products to contractee party Obtaining Various Services from the contractee party	2 Crores	18-04-2012 to 31-03-2015
7	Broadvision Prospectives India Pvt Ltd	Sale of Ayurvedic/food/Herbal supplemental products to contractee party Obtaining Various Services from the contractee party	2 Crores	18-04-2012 to 31-03-2015

List of transactions with related parties for which Central Government approval was not obtained and compounding application was filed:-

Sl. No.	Name of the entity	Nature of transactions	Total Value (in Rs)	Period
1	Arvind Exports	Sale of goods	Rs. 10,37,632	2009-10
2	Sumeru Ayurveda Private Limited	Sale of goods	Rs. 45,895	2009-10
3	Divine Services	Sale of goods	Rs. 2,11,737	2010-11
4	Arvind Exports	Sale of goods	Rs. 13,14,538	2010-11
5	Sumeru Ayurveda Private Ltd	Sale of goods	Rs. 3,37,620	2010-11

6	Sumeru Travel Solutions LLP	Obtained Services	Rs. 45,274	2010-11
7	Madhurya	Sale of Goods	Rs. 14,116	2010-2011
8	Divine Services	Sale of goods	Rs. 3,21,000	1/4/2011- 16/6/2011
9	Arvind Exports	Sale of goods	Rs. 6,56,000	1/4/2011- 16/6/2011

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

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

28. Paisa have been rounded off to the nearest rupee.

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

For and on behalf of The Board

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

Sd/- **Sd/-**
Arvind Varchaswi N. **Narayanan Narasimhan**
Managing Director **Director**

Sd/-
Rashmi P.G.
Company Secretary

Place : Bangalore

Date : 28.05.2012

Source Natural Foods and Herbal Supplements Limited
Regd. Office: No. 22 & 23, SVCIE, Bachupally, Quthbullapur Mandal, Hyderabad – 500 090

PROXY FORM

Folio No/DP & Client ID No: _____

I/We _____ resident _____ of _____ being a member/members of the above named Company hereby appoint _____ resident of _____ as my/our proxy to vote for me/us on my/our behalf at the 17th Annual General Meeting of the Company to be held at 11.00 A.M. on Thursday, the 27th day of September 2012 and at any adjournment thereof.

**Affix
1 Rupee
Revenue
Stamp**

Signed this _____ day of _____, 2012

Signature _____

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.

-----Cut here-----

Source Natural Foods and Herbal Supplements Limited
Regd. Office: No. 22 & 23, SVCIE, Bachupally, Quthbullapur Mandal, Hyderabad – 500 090

**17th ANNUAL GENERAL MEETING
ATTENDANCE SLIP**

FOLIO NO..... NO OF SHARES

DP ID NO

CLIENT ID NO

Name & Address of the Member

I hereby record my presence at the 17th Annual General Meeting to be held on Thursday 27th September, 2012 at the Crystal Palace, Hotel Fortune Manohar, Begumpet, Hyderabad – 500 016.

I Certify that I am a registered member of the Company and holdshares.

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.

PRINTED MATTER

BOOK-POST

If Undelivered please return to:

Source: Natural Foods and Herbal Supplements Limited
(Formerly Inwinex Pharmaceuticals Limited)
22& 23, S.V.C.I.E, Bachupally
Quthbullapur Mandal
Hyderabad - 500 090