

**18<sup>th</sup>**

**ANNUAL  
REPORT**

**2012-13**

**SOURCE NATURAL**

**FOODS AND HERBAL SUPPLEMENTS LIMITED**

## **BOARD OF DIRECTORS:**

MR. ARVIND VARCHASWI N.	MANAGING DIRECTOR
MR. NARAYANAN NARASIMHAN	NON-EXECUTIVE CHAIRMAN & DIRECTOR
MR. SRINIVAS GOWRA	INDEPENDENT DIRECTOR
MR. NIKHIL SEN	INDEPENDENT DIRECTOR
MR. SRIRAM CHANDRASEKARAN	INDEPENDENT DIRECTOR
MR. DIGVIJAY CHOUDARI	INDEPENDENT, DIRECTOR
MR. CHANDRAKANT L. RATHI	INDEPENDENT, 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, 1 <sup>ST</sup> 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 Eighteenth Annual General Meeting of Members of **SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED** will be held on Saturday the 28<sup>th</sup> Day of September, 2013 at 11.30 AM at Hotel Jaya Excellency, Begumpet, Near Airport, Hyderabad – 500 016 to transact the following business:

**ORDINARY BUSINESS:**

1. To consider and adopt the Audited Balance sheet as at 31st March, 2013 and the Profit and Loss Account for the year ended 31st March, 2013 together with reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Narayanan Narasimhan who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr. Srinivas Gowra, 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"

**Place: Bangalore**

**Date: August 23, 2013**

**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, 2013 to September 28, 2013 (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. Since there are only ordinary business to be transacted, there is no need for providing the explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

**BRIEF PROFILES OF DIRECTORS SEEKING RE- APPOINTMENT:****Mr. Narayanan Narasimhan**

N. Narasimhan is Chairman and Director of Source Natural Foods and Herbal Supplements Limited. As a Chairman of the Company, he has guided the Company and its Board in evolving the Company as best manufacturing unit of Herbal and Ayurvedic Company.

He is graduated as an architect from the School of architecture, Madras University, India in the year 1969. He also has a Diploma in housing planning and Building, from Bouwcentrum Centre, Rotterdam, Holland.

He is a member of the Council of Architects and an associate member of the Indian Institute of Architects, New Delhi, India.

**Mr. Srinivas Gowra**

He is a post graduate in Science having rich business experience of over 40 years in varied fields ranging from Finance, Petrochemicals, Real Estate and bio-organics.

He has successfully floated many ventures in all the above fields of business. He also has a distinction of promoting many a young entrepreneurs in many fields and turned them into successful professionals.

He brings to the company this widely rich experience to plays vital role in financial and strategic planning and guiding the business for potential growth in future.

**DIRECTORS' REPORT**

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

Your Directors are pleased to present 18<sup>th</sup> Annual Report of the Company together with Audited Balance Sheet and Profit and Loss Account for the year ended 31<sup>st</sup> March 2013.

**1. FINANCIAL RESULTS:**

Particulars	(Rs. Lakhs)	
	31.03.2013	31.03.2012
Total revenue	376.17	155.13
Profit/ (Loss) before exceptional and extraordinary items and tax	36.11	(48.34)
Exceptional Items	0.64	16.78
Profit before extraordinary items and tax	35.47	(65.13)
Extraordinary Items	-	-
Tax expenses	-	-
Net Profit/Loss) carried to Balance Sheet	35.47	(65.13)
Earnings Per Share (Basic/ Diluted)	0.79	(1.45)

**2. OPERATIONS:**

The Total revenue of the Company for the year ended 31<sup>st</sup> March, 2013 was Rs. 3,76,17,324 which has increased approximately by 143% from the total revenue of the previous year which was Rs. 155,13,167/-. The increase in revenue is due to the expansion in the sales market of the Company. With the efforts of the management, the Company has evolved as a profit making unit in the current year. The Company has made an additional investment of Rs. 31,22,000 in the plant & machinery during the current year under review as the Company intends to improvise and standardise the production process.

**3. FUTURE OUTLOOK:**

Company's vision is to make the Ayurveda reach the masses across the globe. Your Company focuses on such products which will bring Ayurveda in to 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.

The Company intends to create mass awareness of the products through various advertisements and promotional media to further boost the sales of the product. In the next two years the company intends to create a strong marketing team to support the promotional activity and to establish a strong distributor network throughout the country.

**4. DIVIDEND:**

Since the Company has just started making profits and it needs more funds for future operations, your Directors do not recommend any Dividend for the Financial year ended 31.03.2013.

**5. DIRECTORS:**

Pursuant to the provisions of Section 256 of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Narayanan Narasimhan and Mr. Srinivas Gowra retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment.

Mr. Ramesh Chandra Agarwal resigned from the Directorship of the Company due to his personal reasons which was accepted by the Board on November 05, 2012 and the Board appreciates the contribution made by him towards the Company.

The profiles of Directors retiring by rotation 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 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 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, 2013, 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 31.03.2013 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 provided hereunder:-

##### Power and Fuel Consumption

		Current Year
<b>Electricity</b>		
<b>a) Purchased</b>	Units (Kwh)	1,10,424.00
	Total Amount (Rs.)	10,11,969.00
	Rate/Unit (Rs.)	9.16
<b>b) Own Generation</b>	Through Diesel Generator	8,184.10
	Units (Kwh)	
	Total Amount (Rs.)	2,27,175
	Cost/Unit (Rs.)	27.76

Foreign exchange earnings of the company during the current financial year is NIL and there were few expenditures in foreign currency for the purpose of renewal of certificates to an extent of Rs. 37,875.80/-.

#### 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 and traded regularly.

### **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 Agreement 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], M/s. Susarla & Co. has been re-appointed as cost auditing firm of the Company with effect from June 18, 2013 for conducting Cost Audit and issue of Cost Compliance Certificate of the Company for the financial year 2013-14.

### **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: Bangalore**

**Date: August 23, 2013**

**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**  
**Plot No.22&23, SVCIE, Bachupally, Miyapur,**  
**Hyderabad- 500 325,**

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 31<sup>st</sup> March 2013 (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 4 times respectively on May 28, 2012, August 14, 2012, November 05, 2012 and February 14, 2013 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 20<sup>th</sup> September, 2012 to 27<sup>th</sup> September, 2012 (both days inclusive) for complying with Section 154 and the Listing Agreement.
6. The Annual General Meeting for the financial year ended on 31<sup>st</sup> March, 2012 was held on 27<sup>th</sup> September, 2012 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 2012-13. 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 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. 1,81,97,928/- have been duly approved by the Board and Central Government under the said provisions of the Act. The Company has filed application to the Central Government for approving contracts with related parties during the financial year under preview before entering into any contracts. The Company during the year has filed compounding application with the Company Law Board- Sothern Region Bench 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 Seven Directors. One director resigned from the Directorship of the Company on November 05, 2012. During the year, there was no appointment of Additional/Alternate Directors.
15. There were no new appointments of Whole time director or Managing Director. There is no remuneration paid to ant Whole time director.
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; has filed petitions before Company Law Board ( Southern Regional Bench) under Section 621A and obtained approval from Registrar of Companies for change of name. No other applications were made or approvals obtained from 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 in form of Long Term Loan to the extent of Rs. 2,21,76,000 /- as on March 31, 2013 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' which was approved by the Registrar of Companies w.e.f June 06, 2012.
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 : 22.08.2013

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		

**Annexure B :**

**Forms and Returns as filed by the Company with Registrar of Companies, Central Government or other authorities during the financial year ended 31<sup>st</sup> March 2013:**

S.No	Particulars of document	Date of document	Date of filing	Whether delayed	Whether Additional fees paid
1.	Balance Sheet u/s 210	31.03.2012	04.12.2012	No	No
2.	Annual Return u/s 159	27.09.2012	03.12.2012	Yes	Yes
3.	Compliance Certificate	27.09.2012	27.10.2012	No	No
4.	Form-23D	28.10.2012	19.11.2012	No	No
5.	Form-32	5.11.2012	10.11.2012	Yes	Yes
6.	Form-23B	09.11.2012	01.10.2012	No	No
7.	Form-32	02.10.2012	02.10.2012	No	No
8.	Form-23D	18.08.2012	20.08.2012	NA	NA
9.	Form-24A	31.03.2012	18.04.2012	NA	NA
10.	Form-24A	31.03.2012	20.04.2012	NA	NA
11.	Form 24A	01.09.2012	03.09.2012	NA	NA
12.	Form 24A	01.07.2013	02.07.2013	NA	NA
13.	Form 24A	01.07.2013	02.07.2013	NA	NA
14.	Form 61	12.07.2013	12.07.2013	NA	NA
15.	Form 61	12.07.2013	12.07.2013	NA	NA
16.	Form 61	12.07.2013	12.07.2013	NA	NA
17.	Form 61	12.07.2013	12.07.2013	NA	NA
18.	Form 61	12.07.2013	12.07.2013	NA	NA

**Regional Director - Applications were made under Section 297 of the Act in Form 24A.**

**Central Government - Section 21/ 23**

**Company Law Board – U/s 621A for compounding u/s 297**

Place : Hyderabad

Date : 22.08.2013

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

C.P. No: 3479

FCS No: 3489

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### AYURVEDA AND HERBAL SUPPLEMENTS SECTOR

India is expected to be the third largest consumer market by 2020 behind China and USA. India has been the fastest growing market for the past 15 years. During the fiscal year, the growth in Ayurveda Sector has remained stable.

The Indian Market for Herbal Industry is estimated at Rs. 4,205 Crores. The export of Ayurvedic Drugs & allied herbal products is estimated at Rs. 440 Crores. The market for Herbal Industry is been increasing and the potential market by 2020 is estimated at Rs. 7,000 Crores. Most of the Ayurvedic Products have been exported to other countries as nutritional or food supplements.\*

The Ayurvedic & Herbal Industry is getting standardised with manufacturers adopting global standards in the operations of the Company. The Industry players have started with proper documentation, quality control procedures in the entire operations and documented validation of the products.

\*Source EXIM REPORT

### OUTLOOK AND FUTURE PLANS

The steady growth in income has enabled the Company to achieve profitability in the current financial year under review. In the year, the Company has entered into tie up with Food World in Bangalore and Hyderabad along with existing tie ups with Ratnadeep, Balaji Grand Bazaar, Reliance Retail and 'The Kerala State Co-operative Consumers' Federation' in Kerala.

The Company intends to create mass awareness of the products through various advertisements and promotional media to further boost the sales of the product. The Company has started selling its products through more than 100 distributors across India during the current year. In the next two years the company intends to create a strong marketing team to support the promotional activity and to establish a strong distributor network throughout the country.

The Company was able to obtain approval for more products under the USDA and EU Organic certifications. The Company has emerged with new flavours in the existing product lines. We have also invested in the advertisement media for the products to create higher awareness amongst its end users.

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

### OPPORTUNITIES, RISKS AND THREATS

The increasing demand for the herbal products, standardisation of the manufacturing operations in the Ayurveda/Herbal industry and increasing awareness amongst people on the advantages of natural herbs are leading the herbal & Ayurveda industry grow steadily.

Lack of supply of standard quality raw materials and stricter registration procedures in international regulatory bodies are the major threats for the herbal industry.

### INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company has a sound internal control system in the operations. We are also exploring opportunities to install software for effective management of the operations of the unit. 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.

### 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 31.03.2013.

### SECURED LOANS

Secured loans of the Company as on 31.03.2013 are NIL

**FIXED ASSETS**

New assets worth Rs.31.22 Lakhs have been acquired during the Year and added to the block, as a result the net block of fixed assets stands at Rs.347.98 Lakhs for the year ended 31.03.2013 after providing an accumulated depreciation of Rs.158.53 Lakhs

**HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

The human and industrial relations have remained peaceful and composed during the year. The Company always provides its staff a comfortable and motivating environment to work. The Company is also looking to expand its sales team to boost the revenue of the Company. The Company adopts standard operational procedures to ensure smooth functioning of the unit. It also provides its staff with the electronic gadgets to work efficiently and comfortably. Hence, the attrition rates have been very less in the Company when compared to the others in the same industry.

**CAUTIONARY STATEMENT**

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

**Place: Bangalore**

**Date: 23.08.2013**

**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 Seven Directors:

NAME	Designation	Category	No. of other Director ships	Attendance at Board meeting	Attendance at previous AGM
Mr. Narayanan Narasimhan	Chairman & Director	Promoter & Non-Executive	5	3	No
Mr. Arvind Varchaswi N.	Managing Director	Promoter & Executive	5	4	Yes
Mr. Digvijay Chowdhari	Director	Non-Executive & Independent	1	3	Yes
Mr. Chandrakanth Laxminarayan Rathi	Director	Non-Executive & Independent	5	4	Yes
Mr. Nikhil Sen	Director	Non-Executive & Independent	5	4	Yes
Mr. Gowra Srinivas	Director	Non-Executive & Independent	12	4	Yes
Mr. Sriram Chandrasekaran	Director	Non-Executive & Independent	2	3	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 2012-13, the Board met 4 (four) times on the following dates, viz May 28, 2012, August 14, 2012, November 05, 2012 and February 14, 2013. 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.
- Compliance Status 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 2012-13 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, 2013, 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 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 28, 2012, August 14, 2012, November 05, 2012 and February 14, 2013.

The following are the details of the Director, their attendance at the Audit Committee Meeting held during the year 2012-13.

Name	Designation	Attendance
Mr. Srinivas Gowra	Chairman	4
Mr. Nilkhil Sen	Member	4
Mr. Sriram Chandrasekaran	Member	3

#### 9. Shareholders Investors Grievances Committee:

During the year 4 meetings of the Committee were held on May 28, 2012, August 14, 2012, November 05, 2012 and February 14, 2013.

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

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.

#### 10. Remuneration Committee:

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

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

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

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

YEAR	LOCATION	DATE	TIME
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
2011-12	Hotel Fortune Manohar, Begumpet, Hyderabad-500016	29.09.2012	11.00 am

#### Postal Ballot Resolution:

The Company has conducted Postal Ballot by issuing Notice on 31<sup>st</sup> March, 2012 and the result was announced on 17<sup>th</sup> 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, 2013."

Place: Bangalore  
Date: August 23, 2013

sd/-

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.

#### 14. 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.

#### 15. General Shareholder Information

- 1) 18<sup>th</sup> Annual General Meeting  
Date and Time  
Venue

September 28, 2013, 11.30 AM  
Hotel Jaya Excellency, Begumpet, Near Airport  
Hyderabad – 500 016

- 2) Financial Calendar (2013-14) (Tentative)

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

For the year ending 31st March, 2014 Quarterly Un-audited / Annual Audited results shall be announced as follows:

Financial reporting for	Proposed Date
Unaudited Results for the Quarter ending: 30th June, 2013	On or before 14th August, 2013
Unaudited Results for the Quarter ending: 30th September, 2013	On or before] 14th November, 2013
Unaudited Results for the Quarter ending: 31st December, 2013	On or before 14th February, 2014
Audited Results for the year ended 31st March,2014	On or before 31 <sup>st</sup> May, 2014

- 3) Book Closure Date

September 20<sup>th</sup>, 2013 to September 28<sup>th</sup>, 2013

- 4) Registered Office

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

- 5) Listing of Equity Shares:

Bombay Stock Exchange Limited (BSE)

- 6) Listing Fees

Listing fee has been paid to BSE  
Exchange Limited till the year 2012-13

- 7) Stock Code

531398

- 8) ISI 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		
	HIGH PRICE	LOW PRICE	NO.OF SHARES TRADED
APRIL, 2012	19.80	14.05	12,019
MAY, 2012	19.10	16.15	11,103

JUNE, 2012	23.30	17.90	3,429
JULY, 2012	19.05	14.05	9,281
AUGUST, 2012	25.20	17.95	1,383
SEPTEMBER, 2012	26.40	21.50	65
OCTOBER, 2012	20.60	17.75	491
NOVEMBER, 2012	16.90	13.60	5,408
DECEMBER, 2012	22.90	16.40	3,942
JANUARY, 2013	24.35	12.10	47,058
FEBRUARY, 2013	12.48	10.39	1,43,153
MARCH, 2013	11.87	8.75	67,594

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

Venture Capital & Corporate Investment Pvt. Ltd.,  
12-10-167, Bharat Nagar  
Hyderabad - 500 018.  
Phone: 040 23818475 Fax: 040-238680 email: info@vccilindia.com

#### 17) Share Holding Pattern as on 31<sup>st</sup> March 2013

Sl. No.	Category of Shareholder	Number of Shareholders	Total Number of shares	Total Percentage
1	<b>PROMOTER AND PROMOTER GROUP – (a) Body Corporate</b>	1	28,50,000	63.33%
2	<b>PUBLIC SHAREHOLDING</b>			
	(a) Mutual Funds/UTI	1	4,960	0.11%
	(b) Bodies Corporate	81	3,33,961	7.42%
	(c) Individuals			
	i Individual Shareholders holding nominal share capital upto Rs. 1 Lakh	3680	5,24,815	11.66%
	ii Individual Shareholders holding nominal share capital in excess of Rs. 1 Lakh	15	7,65,187	17.00%
	(d) Clearing Member	18	16,968	0.38%
	(e) Trust	1	158	0.004%
	(f) Non Resident Individuals	15	3,991	0.09%

#### 18) Distribution of Share Holding as on 31st March 2013

Slab of Share holding in Rs. (paid up value)	No. of Shares Holders	% of Shareholders to Total No of Shareholder	Amount in Rs.	% to Holding to Total shareholding
Upto - 5000	3617	94.88	27,79,940	6.18
5001 - 10000	98	2.57	7,50,120	1.67
10001 - 20000	42	1.11	6,16,240	1.37
20001 - 30000	8	0.21	1,81,650	0.40
30001 - 40000	5	0.13	1,78,480	0.40
40001 - 50000	10	0.26	4,59,130	1.02
50001 - 100000	14	0.37	10,08,900	2.24
100001 and above	18	0.47	3,90,25,940	86.72
Total	3,812	100	4,50,00,400	100

**19) 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.

**20) Dematerialization of Shares:**

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

As on 31st March, 2013, 44,62,769 Equity Shares of Rs.10/- each aggregating to 99.17% are being held with NSDL & CSDL in demat form of the paid up capital & the rest 37,271 aggregating to 0.83 % are in physical form.

**21) Outstanding Bonds/ Convertible Instruments – Nil****22) Plant Location & Address for Correspondence:**

Source Natural Foods and Herbal Supplements Limited, Plot No: 22 & 23, SVCIE, Bachupally, Qutubullapur Mandal, Hyderabad - 500 090.

**Place: Bangalore**

**Date: August 23, 2013**

**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 31<sup>st</sup> March,2013, 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, 2013, 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 23, 2013

## AUDITOR'S REPORT

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

1. We have audited the attached Balance Sheet of SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED as at 31<sup>st</sup> March 2013 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 31<sup>ST</sup> March, 2013 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2013 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 31<sup>st</sup> March 2013.

- b) In the case of the Profit and Loss Account, of the Profit 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: 14<sup>th</sup> May 2013**

**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.

- a) The Fixed Asset Register showing full particulars, including quantitative details and situation of fixed assets is maintained 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 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.

- 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.

- 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.

<b>Number of Parties</b>	<b>Amount Involved (Rs.)</b>
<b>1</b>	<b>22,176,000</b>

- c) The rate of interest and other term and conditions of loans taken by the company secured or unsecured are prime face not prejudicial to the interests of company.
  - d) The terms of repayment for loans taken are reasonable.
  - 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. 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. (a) The transactions that need to be entered into register in pursuance of section 301 of the companies Act have been so entered.



- a) Each of these transactions has been made at prices which are reasonable having regard to the prevailing market prices.
6. 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. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business
8. 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.
- 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

Name of the Tax/Duty	Name of the Dues	Amount	F.Y to which Amount relates.	Forum where dispute is pending.
VAT/ Sales Tax	Additional Sales Tax	3,40,633.00	1999-2000	Sales Tax Department
Income Tax	Disallowance of Work in Progress	30,60,512.00	2007-08	Assistant Commissioner of Income Tax
ESI	Omission of ESI under Different Heads	5,51,907.00	1999-2002	ESI Court
Excise Duty	CENVAT Credit availed- dispute in proof of documents.	5,11,930.00	October,2007	Commissioner
TDS	TDS deducted but not paid	1,47,650	2009-10	Assessing Officer

10. Accumulated losses of Rs.2,70,33,171/- at the end of the financial year are more than 50% of its net worth and the company has derived profit from its operation in the current financial year and incurred cash losses in the financial year immediately preceding financial year .

11. 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.
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.

**For Vijay Narayan & Co**  
**Chartered Accountants**

**Vijay N Kale**  
**(Proprietor)**

**Place: Hyderabad**  
**Date: 14<sup>th</sup> May 2013.**

**Member Ship No. 020322**  
**Firm Registration No. 010917S**

**SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED**  
**(Formerly INWINEX PHARMACEUTICALS LIMITED)**  
**Plot No.22 & 23, SVCIE, Bachupally, Qutubullapur (M), Hyderabad- 500 090**

**BALANCE SHEET AS AT 31ST MARCH, 2013**

	<b>PARTICULARS</b>	<b>Note No.</b>	<b>As At Year End 31.03.2013</b>	<b>As At Previous Year End 31.03.2012</b>
<b>I.</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' Funds</b>			
	(a) Share Capital	2	4,50,00,400	4,50,00,400
	(b) Reserves and Surplus	3	(2,09,31,011)	(2,44,78,261)
	(c) Money received against Share Warrants		-	-
<b>2</b>	<b>Share Application Money pending allotment</b>		-	-
<b>3</b>	<b>Non-Current Liabilities</b>			
	(a) Long-Term Borrowings	4	2,21,76,000	2,02,36,349
	(b) Deferred Tax Liabilities (Net)		-	-
	(c) Other Long-Term Liabilities		-	-
	(d) Long-Term Provisions	5	3,76,364	2,10,839
<b>4</b>	<b>Current Liabilities</b>			
	(a) Short-Term Borrowings		-	-
	(b) Trade Payables	6	26,64,484	26,38,167
	(c) Other Current Liabilities	7	3,12,906	10,42,484
	(d) Short-Term Provisions		-	-
	<b>TOTAL</b>		<b>4,95,99,143</b>	<b>4,46,49,978</b>
<b>II.</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-Current Assets</b>			
	(a) Fixed Assets			
	(i) Tangible Assets	8	3,47,98,386	3,40,86,798
	(ii) Intangible Assets		-	-
	(iii) Capital Work-In-Progress		87,210	-
	(iv) Intangible Asset under Development		-	-
	(b) Non Current Investments		-	-
	(c) Deferred Tax Assets (Net)		-	-
	(d) Long-Term Loans and Advances	9	2,49,363	6,89,962
	(e) Other Non-Current Assets	10	-	3,72,863
<b>2</b>	<b>Current Assets</b>			
	(a) Current Investments		-	-
	(b) Inventories	11	38,23,500	33,45,150
	(c) Trade Receivables	12	12,17,127	2,33,239
	(d) Cash and Cash Equivalents	13	66,90,296	28,23,884
	(e) Short-Term Loans and Advances	14	23,60,397	27,25,220
	(f) Other Current Assets	15	3,72,864	3,72,862
	<b>TOTAL</b>		<b>4,95,99,143</b>	<b>4,46,49,978</b>

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.010917S**

**For and on behalf of The Board**

sd/-

**Arvind Varchaswi N**  
**Managing Director**

sd/-

**Narayanan**  
**Narasimhan**  
**Director**

Place : Bangalore  
Date: May 14, 2013

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

**SOURCE NATURAL FOODS AND HERBAL SUPPLEMENTS LIMITED**  
**(Formerly INWINEX PHARMACEUTICALS LIMITED)**  
**Plot No.22 & 23, SVCIE, Bachupally, Qutubullapur (M), Hyderabad- 500 090**

**PROFIT & LOSS STATEMENT FOR THE PERIOD ENDED 31.03.2013**

Figures in Rs.

	PARTICULARS	Note No.	For the Year Ended	For the Previous
			31.03.2013	Year Ended 31.03.2012
I.	Revenue from operations	16	37,526,650	15,503,243
II.	Other Income	17	90,674	9,924
III.	Total Revenue (I+II)		<b>37,617,324</b>	<b>15,513,167</b>
IV.	Expenses:			
	Cost of Materials Consumed	18	8,552,181	5,348,649
	Purchases of Stock-in-trade		-	-
	Changes in inventories of finished goods, working-in-progress and stock-in-trade	19	797,386	(653,714)
	Employee Benefits Expense	20	6,841,919	4,580,445
	Finance Costs		-	-
	Depreciation and Amortisation Expenses	8	2,493,538	2,370,516
	Other Expenses	21	15,320,699	8,702,261
	Total Expenses		<b>34,005,722</b>	<b>20,348,157</b>
V.	Profit before exceptional and extraordinary items and tax (III-IV)		3,611,602	(4,834,990)
VI.	Exceptional items		64,352	1,678,845
VII.	Profit before extraordinary items and tax (V- VI)		3,547,250	(6,513,835)
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII - VIII)		3,547,250	(6,513,835)
X.	Tax expenses:			
	(1) Current tax		-	-
	(2) Deferred tax		-	-
XI.	Profit (Loss) for the period from Continuing operations (VII - VIII)		3,547,250	(6,513,835)
XII.	Profit / (loss) from discontinuing operations		-	-
XIII.	Tax expenses of Discontinuing operations		-	-
XIV.	Profit / (loss) from Discontinuing operations (after tax) (XII - XIII)		-	-
XV.	Profit / (loss) for the period (XI + XIV)		<b>3,547,250</b>	<b>(6,513,835)</b>
XVI.	Earnings per equity share:			
	(1) Basic		<b>0.79</b>	<b>(1.45)</b>
	(2) Diluted		<b>0.79</b>	<b>(1.45)</b>

Significant Accounting Policies

1

Notes on Financial Statements

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.010917S**

Place : Bangalore  
Date : May 14, 2013

**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**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2013**

(Rs. In Lakhs)

Particulars	31.03.2013	31.03.2012
<b>Cash Flow from Operating Activities</b>		
<b>Net Profit/ (Loss) before Tax and Extra-ordinary Items</b>	35.47	(65.14)
Adjustment for:		
Depreciation and Amortisation Expenses	24.94	23.71
Provision for Doubtful Debts and Advances	0.00	0.00
Loss on Deletions of Fixed Assets	0.64	12.99
<b>Operating Profit/ (Loss) Before Working capital Changes</b>	<b>61.05</b>	<b>(28.44)</b>
Inventories	(4.78)	(17.77)
Trade Receivables	(9.84)	8.90
Other Current Assets	8.05	(10.04)
Current Liabilities	(5.38)	7.49
<b>Cash from Operations</b>	<b>49.11</b>	<b>(39.85)</b>
Deffered Revenue Expenses Incurred	0.00	0.00
<b>Net Cash Flow From Operations</b>	<b>49.11</b>	<b>(39.85)</b>
Cash flow from Investing Activities		
Purchase of Fixed Assets	(28.98)	(41.13)
Capital Work - in - Process	(0.87)	0.00
(Increase)/Decrease in Loans & Advances	0.00	0.00
Investment in Fixed Deposits	0.00	0.00
<b>Net Cash used for Investing activities</b>	<b>(29.85)</b>	<b>(41.13)</b>
Cash Flow from Financing Activities		
Unsecured Loans	19.40	102.10
<b>Net Cash from Financing Activites</b>	<b>19.40</b>	<b>102.10</b>
Net Increase in cash and Cash Equivalues	38.66	21.12
Cash and Cash Equivalent, beginning of the year	<b>28.24</b>	<b>7.12</b>
Cash and Cash Equivalent, end of the year	66.90	28.24
1. Cash & Cash Equivalent		
Cash on hand	0.12	0.07
Balances with Schedule Banks in Current Account	66.78	28.17
Total	<b>66.90</b>	<b>28.24</b>
2. Prepared on the basis of the Accounted Financial Statements		
3. The above cash flow statement has been prepared under the "Indirect Method" Setout in Accounting Standard 3 issued by the Institute of Chartered Accountants of India.		

As Per Our Report of Even Date

**For Vijay Narayan & Co.,  
Chartered Accountants****For and on behalf of The Board**

sd/-

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

Place : Bangalore

Date: May 14, 2013

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, 2013

## Note 2 Share Capital

## a) Share Capital

Particulars	As at 31st March, 2013		As at 31st March 2012	
		Rs.		Rs.
<b>Authorised</b> 90,00,000 Equity Shares of Rs. 10/- each		90,000,000		90,000,000
<b>Issued</b> 4500040 Equity Shares of Rs. 10/- each		45,000,400		45,000,400
<b>Subscribed &amp; Paid up</b> 4500040 Equity Shares of Rs. 10/- each		45,000,400		45,000,400
<b>Subscribed but not fully Paid up</b> Nil		-		-
<b>Total</b>		<b>45,000,400</b>		<b>45,000,400</b>

## 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	4,500,040	45,000,400
Shares Issued during the year	0	0
Shares bought back during the year	0	0
Shares outstanding at the end of the year	4,500,040	45,000,400

## c) 28,50,000 Equity Shares are held by Sumeru Ayurveda Private Limited, the holding company as on March 31, 2013 (Previous Year 28,50,000 Equity Shares)

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

Name of Shareholder	As at 31st March, 2013		As at 31st March 2012	
	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 31st March, 2013	As at 31st March 2012
	Rs.	Rs.
<b>a. Securities Premium Account</b>		
Opening Balance	6,102,160	6,102,160
Add : Securities premium credited on Share issue	-	-
Less : Premium Utilised	-	-
Closing Balance	<b>6,102,160</b>	<b>6,102,160</b>
<b>b. Surplus/(Deficit) in Statement of Profit and Loss</b>		
Opening balance	(30,580,421)	(24,066,586)
(+) Net Profit/(Net Loss) For the current year	3,547,250	(6,513,835)
Closing Balance	<b>(27,033,171)</b>	<b>(30,580,421)</b>
<b>Total</b>	<b>(20,931,011)</b>	<b>(24,478,261)</b>

**Note 4 Long Term Borrowings**

Particulars	As at 31st March, 2013	As at 31st March 2012
	Rs.	Rs.
<u>Secured</u>	-	-
<u>Unsecured</u>		
<b>Loans and advances from related party</b>		
Sumeru Ayurveda Pvt Ltd- Interest Free Loan	22,176,000	20,236,349
Terms of Repayment - Repayable on June 30, 2013 with an option to extend further on a mutually agreeable terms		
<b>Total</b>	<b>22,176,000</b>	<b>20,236,349</b>

**Note 5 Long Term Provisions**

Particulars	As at 31st March, 2013	As at 31st March 2012
	Rs.	Rs.
<b>(a) Provision for employee benefits</b>		
Gratuity (unfunded)	376,364	210,839
<b>(b) Others</b>	-	-
<b>Total</b>	<b>376,364</b>	<b>210,839</b>

**Note 6 Trade Payables**

Particulars	As at 31st March, 2013	As at 31st March 2012
	Rs.	Rs.
Acceptances	-	-
Other Than Acceptances	2,664,484	2,638,167
<b>Total</b>	<b>2,664,484</b>	<b>2,638,167</b>

**Note 7 Other Current Liabilities**

Particulars	As at 31st March, 2013	As at 31st March 2012
	Rs.	Rs.
Other payables		
- Statutory Remittances	123,308	96,115
- Payables on Purchase of Fixed Assets	91,788	224,810
- Advance from Customers	97,810	721,559
<b>Total</b>	<b>312,906</b>	<b>1,042,484</b>

## Note 8 Fixed Assets

S. No.	Particulars	Gross Block				Accumulated Depreciation			Net Block		
		Balance as at 1 April 2012	Additions	Disposals	Balance as at 31st March, 2013	Balance as at 1 April 2012	Depreciation charge for the year	On disposals	Balance as at 31st March, 2013	Balance as at 31st March, 2013	Balance as at 31st March 2012
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
a	<b>Tangible Assets</b>										
	Land	504810	0	0	504810	0	0	0	504810	504810	
	Buildings	21651007	265781	0	21916788	3777778	726691	0	17412319	17873229	
	Plant and Equipment	21975540	2498683	976367	23497856	9013350	1121929	686123	14048700	12962190	
	Furniture and Fixtures	2363382	124917	0	2488298	603456	151764	0	1733078	1759926	
	Vehicles	647589	0	0	647589	645645	1944	0	647589	1944	
	Office equipment	938203	144678	0	1082881	141587	46157	0	187744	796616	
	Others - Computers	424819	88450	0	513269	236736	72191	0	308927	188083	
	<b>Total</b>	<b>48,505,350</b>	<b>3,122,509</b>	<b>976,367</b>	<b>50,651,491</b>	<b>14,418,552</b>	<b>2,120,676</b>	<b>686,123</b>	<b>15,853,105</b>	<b>34,798,386</b>	
b	<b>Intangible Assets</b>	0	0	0	0	0	0	0	0	0	
	<b>Total</b>	-	-	-	-	-	-	-	-	-	
c	<b>Capital Work In Progress</b>	0	87210	0	87210	0	0	0	87210	0	
	<b>Total</b>	-	<b>87,210</b>	-	<b>87,210</b>	-	-	-	<b>87,210</b>	-	
d	<b>Intangible assets under Development</b>	0	0	0	0	0	0	0	0	0	
	<b>Total</b>	-	-	-	-	-	-	-	-	-	
		<b>48,505,350</b>	<b>3,209,719</b>	<b>976,367</b>	<b>50,738,701</b>	<b>14,418,552</b>	<b>2,120,676</b>	<b>686,123</b>	<b>15,853,105</b>	<b>34,885,596</b>	
	<b>Previous Year</b>	<b>46,056,964</b>	<b>4,112,533</b>	<b>1,664,147</b>	<b>48,505,350</b>	<b>12,786,542</b>	<b>1,997,654</b>	<b>365,644</b>	<b>14,418,552</b>	<b>34,086,798</b>	



**Note 9 Long Term Loans & Advances**

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
<b>a. Capital Advances</b>		
Secured, considered good	0	0
Unsecured, considered good	83,963	524,562
Doubtful	0	0
Less: Provision for doubtful advances	0	0
	<b>83,963</b>	<b>524,562</b>
<b>b. Security Deposits</b>		
Secured, considered good	0	0
Unsecured, considered good	165,400	165,400
Doubtful	0	0
Less: Provision for doubtful deposits	0	0
	<b>165,400</b>	<b>165,400</b>
<b>Total</b>	<b>249,363</b>	<b>689,962</b>

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

Particulars	As at 31st March, 2013	As at 31st March, 2012
	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 10 Other Non Current Assets**

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
<b>Unamortised Expenses</b>		
Miscellaneous expenditure	-	372,863
<b>Total</b>	-	372,863

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

Particulars	As at 31st March, 2013	As at 31st March, 2012
	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 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
a. Raw Materials and Components	2,888,294	1,597,743
b. Work-In-Progress	465,104	694,591
c. Finished Goods	470,102	1,038,001
d. Stores and Spares	-	14,815
<b>Total</b>	<b>3,823,500</b>	<b>3,345,150</b>

**Note 12 Trade Receivables**

Particulars	As at 31st March, 2013	As at 31st March, 2012
	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	1,188,567	154,721
Unsecured, considered doubtful	-	-
Less: Provision for doubtful debts	-	-
	<b>1,188,567</b>	<b>154,721</b>
Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Secured, considered good	-	-
Unsecured, considered good	28,560	78,518
Unsecured, considered doubtful	2,609,755	2,609,755
Less: Provision for doubtful debts	2,609,755	2,609,755
	<b>28,560</b>	<b>78,518</b>
<b>Total</b>	<b>1,217,127</b>	<b>233,239</b>

Trade Receivable stated above include debts due by:

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
Directors *	-	-
Other officers of the Company *	-	-
Firm in which director is a partner *	-	-
Private Company in which director is a member	-	-
	<b>-</b>	<b>-</b>

\*Either severally or jointly

**Note 13 Cash and Cash Equivalents**

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
i) In Current Accounts	3,847,422	2,816,837
ii) In Deposits Accounts	2,831,000	-
b. Cash on hand	11,874	7,047
<b>Total</b>	<b>6,690,296</b>	<b>2,823,884</b>

**Note 14 Short Term Loans and Advances**

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
<b>a. Security Deposits</b>		
Secured, considered good	0	0
Unsecured, considered good	1,206,733	1,182,535
Doubtful	350,000	350,000
Less: Provision for doubtful loans and advances	350,000	350,000
	<b>1,206,733</b>	<b>1,182,535</b>
<b>b. Loans and Advances to Employees</b>		
Secured, considered good	0	0
Unsecured, considered good	517,640	556,000
Doubtful	112,089	112,089
Less: Provision for doubtful loans and advances	112,089	112,089
	<b>517,640</b>	<b>556,000</b>
<b>c. Prepaid Expenses - Unsecured, Considered good</b>	60,083	53,966
<b>d. Balances with government authorities- Unsecured</b>		
(i) Cenvat Credit Receivable		
Considered Good	21,474	521,541
Doubtful	343,142	343,142
Less: Provision for doubtful balances	343,142	343,142
	<b>21,474</b>	<b>521,541</b>
<b>e. Other Loans and Advance</b>		
Secured, considered good	0	0
Unsecured, considered good	554,467	411,178
Doubtful	983,009	983,009
Less: Provision for Doubtful loans and advances	983,009	983,009
	<b>554,467</b>	<b>411,178</b>
<b>Total</b>	<b>2,360,397</b>	<b>2,725,220</b>

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

	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
Directors *	0	0
Other officers of the Company *	517,640	556,000
Firm in which director is a partner *	0	0
Private Company in which director is a member	0	0
<b>Total</b>	<b>517,640</b>	<b>556,000</b>

\*Either severally or jointly

**Note 15 Other Current Assets**

Particulars	As at 31st March, 2013	As at 31st March, 2012
	Rs.	Rs.
<b>Unamortised Expenses</b>		
Miscellaneous expenditure	372,864	372,862
<b>Total</b>	<b>372,864</b>	<b>372,862</b>

**Note 16 Revenue from Operation**

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
Sale of products	35,842,496	16,738,267
Sale of services	4856615	0
Other operating revenues	259526	9846
	<b>40958637</b>	<b>16748113</b>
<u>Less:</u>		
Excise duty	3,431,987	1,244,870
<b>Total</b>	<b>37,526,650</b>	<b>15,503,243</b>

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
Sale of Product Comprises of manufactured goods		
a) Ojasvita Powder	14,709,207	8,718,420
b) Ayurvedic Medicines	18,105,571	6,774,977
<b>Total</b>	<b>32,814,778</b>	<b>15,493,397</b>

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
<b>Sale of Services Comprises</b>		
a) Conversion Charges	4452345	0
<b>Total</b>	<b>4452345</b>	<b>0</b>

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
<b>Other Operating Revenue</b>		
a) Profit on Sale of Plant & Machinery	60383	0
b) Other Indirect Income Written back	176420	0
c) Others	22723	9846
<b>Total</b>	<b>259526</b>	<b>9846</b>

**Note 17 Other Income**

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
Interest Income	90,674	9,924
Other Non Operating Income	-	-
<b>Total</b>	<b>90,674</b>	<b>9,924</b>

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

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
Opening Stock	1,597,743	489,613
Add : Purchased during the year	9,842,732	6,456,779
	11,440,475	6,946,392
Less: Closing Stock	2,888,294	1,597,743
<b>Total</b>	<b>8,552,181</b>	<b>5,348,649</b>

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

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
Sugar	1,130,448	795,794
Others	7,421,733	4,552,855
<b>Total</b>	<b>8,552,181</b>	<b>5,348,649</b>

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

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
<b>Inventories at the end of the Year</b>		
Finished Goods	470,102	1,038,001
Work in Process	465,104	694,591
	935,206	1,732,592
<b>Inventories at the beginning of the Year</b>		
Finished Goods	1,038,001	749,370
Work in Process	694,591	329,508
	1,732,592	1,078,878
<b>Net (Increase) / Decrease</b>	<b>797,386</b>	<b>(653,714)</b>

**Note 20 Employee Benefits Expenses**

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
(a) Salaries and Incentives	5,365,954	3,953,120
(b) Contributions to -Provident Fund	177,724	227,671
(c) Gratuity	165,525	99,204
	232,716	300,450
(e) Directors Remunerations	900,000	-
<b>Total</b>	<b>6,841,919</b>	<b>4,580,445</b>

**Note 21 Other Expenses**

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
Power and Fuel	1,560,344	765,244
Rent	347,750	186,545
Repairs and Maintenance - Machinery	53,770	163,372
Repairs and Maintenance - Others	111,218	140,337
Factory Maintenance	203,442	264,482
Analytical Testing Charges	262,400	354,788
Labour Charges	3,481,732	2,135,256
Insurance	52,111	57,190
Rates and Taxes	782,909	-
Payments to Auditors (Refer Note (i) below)	226,064	143,500
Travelling and Conveyance	1,109,518	404,045
Postage & Telephone	414,432	284,309
Printing and Stationery	246,446	185,030
Freight and Forwarding	1,529,788	644,324
Commission	1,732,825	1,091,073
Security Service Charges	179,318	160,263
Sales Promotion Expenses	315,288	417,748
Legal and Professional	872,100	497,500
Miscellaneous Expenses	1,839,244	807,255
<b>Total</b>	<b>15,320,698</b>	<b>8,702,261</b>

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

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
a. Statutory Audit	112,360	100,000
b. For Taxation Matters	113,704	43,500
<b>Total</b>	<b>226,064</b>	<b>143,500</b>

**ii. Expenditure in Foreign Currency**

Particulars	For the Year Ended 31st March, 2013	For the Year Ended 31st March, 2012
	Rs.	Rs.
Registration & Renewals	37,876	34,462
<b>Total</b>	<b>37,876</b>	<b>34,462</b>

**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**

	<b>As on 31.03.2013</b>	<b>As on 31.03.2012</b>
a. Bank guarantee against where counter Guarantee have been given	Nil	Nil
b. Claims against the Company not acknowledged as debt	Nil	Nil

22.2 The Deputy Commissioner (C.T.) had vide his Assessment order No. 2467/199-2000 has confirmed the action of C.T.O. Gowliguda and had issued a revised order to collect additional sales tax of Rs. 6,81,265 for the year 1999-2000. The company has effected payment of Rs. 3,40,633 towards 50% payment in respect of disputed sales tax liability for the Assessment year 1999-2000 pursuant to the order from Additional Commissioner. The Company later appealed to Sales Tax Appellate Tribunal wherein the tribunal has allowed appeal against the revision orders of the department vide STAT's order dated 01-12-2010 vide TA No. 936/2001 and has directed the revisional authority to The Company received a notice from the Deputy Commissioner that Rs. 17,320 payable for which the Company replied that Tribunal Order needs to be considered and Rs. 342,633/- which is deposited before appeal needs to be refunded.

22.3 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 12.03.2009 and obtained stay order. Company has now filed a petition challenging the order passed under section 45-A of the ESI Act and the subsequent recovery order issued by the department.

22.4 ESI Department also raised a demand for Rs.8479 on actual basis via 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.

22.5 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.

The Court has dismissed the money suit case amounting to Rs. 11 lakhs since the other party did not submit the relevant documents.

22.6 The Company has received order from Additional Commissioner of excise department for having availed centvat credit without having any supporting documents during the month of October 2007 for an amount of Rs. 5,11,930/- even though the Company later submitted photocopies of all the invoices. The Company has filed a petition before Commissioner (Appeals) against the order of Additional Commissioner on April 30, 2013.

22.7 The Company has received notice from Income Tax Department vide letter no. AAAC14536Q/1-101/07-08 proposing to disallow the deduction of work in progress for an amount of Rs. 30,62,512. If the said amount is eventually disallowed, the company's loss as per Income Tax will be reduced.

22.8 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.

## 22.9 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.

22.10 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.

<b>24. Earning Per Share</b>	<b>As on 31.03.2013 (in Rs.)</b>	<b>As on 31.03.2012 (in Rs.)</b>
Earnings		
Net Profit for the year)	35,47,250	(65,13,836)
No. of Equity Shares (Rs. 10 each)	45,00,040	45,00,040
Basic (Rs.)	0.79	(1.45)
Diluted (Rs.)	0.79	(1.45)

**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
Amar Bio Organics (India) Private Limited	Associate Company
Sri Sri Ayurveda Trust	Associate Entity



## Transaction with Related Parties

Amount in Rs.

Nature of Transaction	During the Current Year	During the Previous Year	Receivable (Payable) as on 31.03.2013	Receivable (Payable) as on 31.03.2012
Unsecured Loan	19,39,651	1,02,10,349 (Net off)	(2,21,76,000)	(2,02,36,349) – Sumeru Ayurveda Pvt Ltd
Sale to Arvind Exports	20,97,968	24,12,060	Nil	(4,89,052)
Sale to Sumeru Ayurveda Private Limited	12,10,209	56,136	Nil	Nil
Services from Sumeru Travel Solutions LLP	6,17,967	1,28,050	(82,067)	(81,590)
Sale to Divine Services	47,39,061	19,60,116	Nil	806
Sale to Broadvision Services P ltd	50,115	19,648	Nil	19,648
Services to Sri Sri Ayurveda Trust	54,29,770	Nil	8,93,870.89	Nil
Sales to Sri Sri Ayurveda Trust	21,13,187	7,03,116.83	(1,495.56)	Nil

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. Paise 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**

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

**Arvind Varchaswi N.      Narayanan Narasimhan  
Managing Director              Director**

**Rashmi P.G.  
Company Secretary**

**Place : Bangalore**

**Date : 14.05.2013**

**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 18th Annual General Meeting of the Company to be held at 11.30 A.M. on Saturday, the 28<sup>th</sup> day of September 2013 and at any adjournment thereof.

Signed this .....day of ....., 2013

**Affix  
1 Rupee  
Revenue  
Stamp**

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**

**18<sup>th</sup> 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 18<sup>th</sup> Annual General Meeting to be held on on Saturday the 28<sup>th</sup> Day of September, 2013 at 11.30 AM at Hotel Jaya Excellency, Begumpet, Near Airport, Hyderabad – 500 016.

I Certify that I am a registered member of the Company and hold .....shares.  
 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.**

**Kind attention Members!!**

Members holding shares in physical form are requested to register/update their e-mail address with Registrar and Transfer Agent of the Company at their address mentioned below:-

**Address of the Registrar and Transfer Agent of the Company:-**

Venture Capital & Corporation Investments Private Limited,  
12-10-167, Bharatnagar, Hyderabad – 500 018

Members holding shares in the dematerialize form are requested to register/update the e-mail address with the concerned Depository Participant.

Alternatively members may intimate the e-mail address along with their respected Client ID and DP ID / Folio No. by Letter / e-mail to the Company on ***“investor\_relations@source-natural.com”***.

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