

Lotus Chocolate Company limited

A Subsidiary of



**11th ANNUAL REPORT
1999**

(A member of The MUI Group)

Lotus Chocolate Company Limited

BOARD OF DIRECTORS

Mr. Loy Yet King
Mr. Khet Kok Yin
Mr. Sushil Premchand
Mr. Chan Chong Lum
Dr. Easo John
Mrs. T. Sarada
Mr. J. Harinarayan, IAS
Mr. R. Badrinarayanan
Managing Director

AUDITORS

M/s. K. Vijayaraghavan & Associates
Hyderabad - 500 034.

Registrars & Share Transfer Agents

M/s. Sathguru Management Consultants
Private Limited
Plot No. 15, Hindi Nagar Colony
Punjagutta, Hyderabad - 500 034.

REGISTERED OFFICE

6-3-903/A/1/1,
RajBhavan Road,
Somajiguda,
Hyderabad - 500 082.

BANKERS

State Bank of India
Industrial Finance Branch
Somajiguda, Hyderabad - 500 082.

WORKS

Doulatabad
Hathnoora Mandal,
Medak Dist, Andhra Pradesh
PIN - 502 296

Bank of Baroda
Khairatabad Branch
Hyderabad - 500 004.

Lotus Chocolate Company Limited

NOTICE OF THE ELEVENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Eleventh Annual General Meeting of Lotus Chocolate Company Limited will be held at 9.00 AM on Wednesday, the 26th April, 2000 at Sundarayya Kala Nilayam, Baghlingampally, Hyderabad 500 044 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the Year ended 31.12.1999 and the Balance Sheet as at that date together with the Report of Auditors and the Report of the Board of Directors.
2. To appoint a Director in the place of Mr Sushil Premchand who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Dr Easo John who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if deemed fit to pass with or without modification the following resolution as an Ordinary Resolution:-

"RESOLVED THAT Mr Chan Chong Lum who was appointed as an Additional Director of the Company with effect from 27.7.1999 under Article 98 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company in the vacancy caused by the resignation of Mr Susantha Gunawardene."

For and on behalf of the Board

R Badrinarayanan
Managing Director

Place : Hyderabad
Date : 17th March, 2000

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. Instrument of proxies in order to be effective must be deposited at the Company's registered office at 6-3-903/A/1/1, Rajbhavan Road, Somajiguda, Hyderabad - 500 082 not less than 48 hours before the meeting.
3. Members/Proxies should bring the attendance slip duly filled-in for attending the meeting.
4. The Register of Members and Share Transfer books of the Company will remain closed from Tuesday the 25th April, 2000 to Wednesday the 26th April, 2000(both days inclusive).
5. Members desiring any information on the Accounts are requested to write to the company at least seven days before the meeting so as to enable the management to keep the information ready.
6. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the business set out under item no. 5 is annexed hereto.

Lotus Chocolate Company Limited

ANNEXURE TO NOTICE EXPLANATORY STATEMENT

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

Item No. 5

Mr Chan Chong Lum was inducted as an Additional Director on the Board of your company on 27.7.1999 representing the holding company viz. Network Foods International Limited, Singapore and he holds office upto the date of the ensuing Annual General Meeting.

The appointment of Mr Chan Chong Lum will be in the vacancy caused by the resignation of Mr Susantha Gunawardene.

Notice as required under Section 257 of the Companies Act, 1956 together with requisite deposit has been received from a member proposing the appointment of Mr Chan Chong Lum as Director of your company.

Your Directors commend the Resolution to the members for approval.

The Articles of Association and the notice received under section 257 and other related documents will be available for inspection at the Registered office of the company between 11.00 AM to 1.00 PM.

None of the Directors of the Company except Mr Chan Chong Lum is concerned or interested in this resolution.

For and on behalf of the Board

R Badrinarayanan
Managing Director

Place : Hyderabad
Date : 17th March, 2000



Lotus Chocolate Company Limited

DIRECTORS' REPORT

To the Members,

Your Directors present the 11th Annual Report together with the audited accounts for the year ended 31st December, 1999.

FINANCIAL RESULTS

	Rs in lacs	
	1999	1998
	(12 Months)	(12 Months)
Income	1645.26	1857.79
Gross Profit before		
Interest & Depreciation	77.87	119.44
Interest	74.40	78.32
Depreciation	88.82	102.93
Loss for the year	85.35	61.81
Prior period adjustment	0.05	0.02
Extra-ordinary items	(6.00)	24.69
Loss brought forward		
from previous year	1281.83	1195.31
Loss carried forward		
to Balance Sheet	1361.23	1281.83

PERFORMANCE

The Company has registered an operating profit of Rs 77.87 lacs. Sales of Consumer Products continued with a growth of 17% despite stiff competition. A theme-based Chocotreat – Kiddies and Pincapple Eclairs were launched and consumer response is encouraging. The performance could have been better but for the drop in offtake of Industrial Products by a major customer.

PLAN

Focus will be on consumer products with a view to improve profitability. Efforts to ensure better visibility of 'its Brand' will continue.

Y2K COMPLIANCE

The company has successfully entered into the new millenium without any glitches.

PARTICULARS OF EMPLOYEES

The information required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed hereto and the same forms an integral part of the report.

PARTICULARS REGARDING ENERGY CONSERVATION ETC.

The particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed to this Report.

DEPOSITS

The Company has not accepted any deposit during the year under review.

BOARD OF DIRECTORS

Mr Sushil Premchand and Dr Easo John retire by rotation in the 11th Annual General Meeting and they being eligible offer themselves for reappointment.

Mr Chan Chong Lum has been appointed as Additional Director effective 27.7.1999. He will hold office upto the ensuing Annual General Meeting and resolution appointing him as Director is proposed for consideration of the members.

Lotus Chocolate Company Limited

AUDITORS

M/s K Vijayaraghavan & Associates, Chartered Accountants, Statutory Auditors of your Company hold office until the conclusion of the 11th Annual General Meeting and are recommended for reappointment. The Company has received a certificate from them to the effect that their reappointment if made would be within the limits prescribed under Section 224(1) of the Companies Act, 1956.

appreciation for the support received from Banks, Mutual Funds and other Government Agencies.

The Directors express gratitude to the shareholders of the Company for the confidence reposed in the management.

For and on behalf of the Board

T.Sarada
Director

ACKNOWLEDGEMENT

Your Directors place on record the appreciation for the sincere efforts and active involvement of employees at various levels of the Company in its operations. The Directors also place on record the

R Badrinarayanan
Managing Director

Place : Hyderabad

Date : 17th March, 2000

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Lotus Chocolate Company Limited

ANNEXURE TO THE DIRECTORS' REPORT

Additional information as required under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988:

A. Conservation of Energy

- a. Energy Conservation measures taken :
Installed 50 KVA power capacitor and improved power factor.
- b. Additional investment and proposals, if any, being implemented for reduction of consumption of energy:
Nil
- c. Impact of measures at (a) & (b) above for reduction of energy consumption & consequent impact on the cost of production of goods.
Fuel consumption per MT of production was maintained at constant level.
- d. Total energy consumption & energy consumption per unit of production in prescribed Form 'A'

	Year ended 31 st December, 1999	Year ended 31 st December, 1998
A. Power & fuel consumption in respect of		
1. Electricity		
a. Purchased :		
Units (KWH)	9,20,838	10,22,593
Total (Rs.)	39,28,150	37,43,884
Rate per unit (Rs.)	4.27	3.66
b. Own Generation :		
Through Diesel Generator		
Units (KWH)	1,22,040	1,35,277
Units per Litre of Diesel Oil	2.36	2.65
Cost per Unit (Rs.)	6.74	4.31
2. Furnace Oil/LSHS/LDO/HSD		
Qty (Lts)	55,320	62,674
Total Amount (Rs.)	6,36,180	6,86,347
Average (Rs/Ltr)	11.50	10.95
B. Consumption per unit of production		
Chocolate products (tonnes)		
i. Electricity (KWH/Tonnes)	787	727
ii. Furnace Oil/LSHS/LDO		
HSD (KL/Tonne)	0.042	0.039

Lotus Chocolate Company Limited

B Technology Absorption

- e. Efforts made in technology absorption in Form 'B'

Research & Development

1. Specific areas in which R & D was carried out by the Company:

R & D work has been continued to develop new products in the consumer products range focussing mainly on moulded chocolates and cream filled toffees and Eclairs.

2. Benefits derived as a result of the above R & D :

Products launched included Kandos Kiddies, Centre filled Pineapple Eclairs.

3. Future Plans & Actions

R & D work will be continued on an ongoing basis to develop new products in the range of moulded chocolates, panned products to bring new flavours in Eclairs and in developing novelty chocolates.

4. Expenditure on R & D :

	Rs.
a. Capital	Nil
b. Recurring	71608
c. Total as % turnover	—

5. Technology Absorption, Adoption and Innovation :

Under Technical know-how and Trademark agreement, support is being extended by the foreign collaborator for designing new chocolate moulds and development of packing materials.

C. Foreign Exchange Earnings & Outgo:

- f. Activities relating to exports, initiatives taken to increase the exports; development of new export markets for products and services and export plans:

Exports have been stopped during the year since International prices were unfavourable.

- g. Total foreign exchange used and earned:

	Rs/lacs
i) Foreign Exchange earnings	Nil
ii) Foreign Exchange Outgo(including raw materials, components and spare parts of capital goods and other expenditures in foreign currency including dividends)	87.71

For and on behalf of the Board

T. Sarada
Director

R. Badrinarayanan
Managing Director

Place : Hyderabad

Date : 17th March, 2000

Lotus Chocolate Company Limited

STATEMENT OF PARTICULARS OF EMPLOYEES PURSUANT TO THE PROVISIONS OF SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AS AMENDED UPTO DATE :

Name of the Employee	Age	Designation	Gross Remuneration Rs.	Qualification	Experience in years	Date of Commencement of employment	Particulars of last employment
Mr. R. Badrinarayanan	59	Managing Director	4,71,496	B.Sc.	40	31.5.93	Managing Director Stop & Shop Chain Stores Ltd., Chennai

For and on behalf of the Board

T. Sarada
Director

R. Badrinarayanan
Managing Director

Place : Hyderabad
Date : 17th March, 2000

Disclosure under clause 43 A (2) of the Listing Agreement

The Equity Shares of the Company are listed in the following Stock Exchanges and the listing fee for the year 1999-2000 have been paid by the Company.

Regional

The Hyderabad Stock Exchange Limited
3-6-275, Himayatnagar,
Hyderabad 500 029.

Non-Regional

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai - 400 001.