

Lotus Chocolate Company Limited

A Subsidiary of



For Lotus Chocolate Company Limited

Rachin of annual
Authorised Signatory
(Company Secretary)

Report



com

12th ANNUAL REPORT

Lotus Chocolate Company Limited

BOARD OF DIRECTORS

Mr. Khet Kok Yin
Ms. Goh Siew Mei
Mr. Sushil Premchand
Mr. Chan Chong Lum
Dr. Easo John
Ms. 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,
Raj Bhavan 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 TWELFTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twelfth Annual General Meeting of Lotus Chocolate Company Limited will be held at 9.00 AM on Wednesday, the 25th April, 2001 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 31.12.2000 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 Khet Khok Yin who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in the place of Ms T.Sarada who retires by rotation and being eligible, offers herself 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 Ms Ghow Siew Mei who was appointed as an Additional Director of the Company with effect from 12.3.2001 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 Loy Yet King."
6. To consider and if thought fit to pass with or without modification (s) the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 31 of the Companies Act, 1956 and all other applicable provisions, if any (including any statutory modifications and re-enactments thereof for the time being in force and as may be enacted hereinafter) and subject to any approvals if necessary, the Articles of Association of the Company be and are hereby altered in the manner following :

In existing Article 2 dealing with definitions, the following be inserted after the existing definition.

- (i) "Beneficial Owner" shall mean beneficial owner as defined in clause (1) of Section 2 of the Depositories Act, 1996.
- (ii) Depositories Act 1996 shall include any statutory modification or reenactment thereof and
- (iii) "Depository" shall mean a Depository as defined in clause (e) of sub section (1) of section 2 of the Depository Act, 1996.
- (iv) "Member" means the duly registered holder from time to time of the shares of the Company and include the subscribers to the Memorandum of the Company and the Beneficial Owner as defined above

Under the heading "Transfer and Transmission of Shares", after Article 61 of the Articles of Association, the following new Article 61A be inserted as follows :

Article 61A : Dematerialisation of Securities

Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities in a dematerialized form pursuant to the Depositories Act, 1956.

Options for investors (1)

Every person subscribing to securities offered by the Company shall have the option either to receive security certificates or hold the securities with a depository. Where a person opts to hold his security with a depository, the Company shall intimate such depository the details of allotment of the security, and on receipt of the such information, the depository shall enter in its records the name of the allottee as the beneficial owner of that security.

Securities in depositories to be in fungible form (2)

All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

Lotus Chocolate Company Limited

Rights of Depositories and Beneficial Owners (3)

- (a) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owners.
- (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities, which are held by a depository.

Service of documents (4)

Notwithstanding anything in the Act, or these Articles to the contrary, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or disks.

Transfer of Securities (5)

Nothing contained in Section 108 of the Act, or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entered as beneficial owners in the records of depository.

Allotment of Securities dealt with in a depository (6)

Notwithstanding anything in the Act, or these Articles, where securities are dealt with by a depositor, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.

Distinctive number of Securities held in a depository (7)

Nothing contained in the Act or these Articles regarding the necessity of having distinctive number for securities issued by the Company shall apply to securities held with a depository.

Register and Index of beneficial owners (8)

The Register and index of beneficial owners maintained by a depository under Depositories Act, 1956 shall be deemed to be the Register and Index of Members and Security holders for the purposes of these Articles."

For and on behalf of the Board

R Badrinarayanan
Managing Director

Place : Hyderabad
Date : 19th March, 2001.

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 24th April, 2001 to Wednesday the 25th April, 2001 (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 and item no. 6 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

Ms. Goh Siew Mei was inducted as an Additional Director on the Board of your company on 12.3.2001 representing the holding company viz. Network Foods International Limited, Singapore and she holds office upto the date of the ensuing Annual General Meeting.

The appointment of Ms Goh Siew Mei will be in the vacancy caused by the resignation of Mr Loy Yet King.

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 Ms Goh Siew Mei 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 from 11.00 A.M. to 1.00 PM.

None of the Directors of the Company except Ms Goh Siew Mei is concerned or interested in this resolution.

Item No. 6

Consequent upon the passing of the Depositories Act, 1996 and the wide acceptance of the depository system, your Company has entered into and agreement with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL), to facilitate holding of and trading thereof of the Company's equity shares in the electronic form. Accordingly some of the provisions of the Companies Act, 1956 pertaining to issue, holding, transfer and transmission and dealing in shares thereof have to be amended for to facilitate depository system. Few of the Articles of Association are being amended to and new Articles are inserted in view of the provisions of the Depository Act, 1996. The required amendments are to give effect to the legal and practical aspects of the Depository system and are self explanatory.

The Board is seeking this enabling authorisation to dematerialise its shares at an opportune time as it offers more transparency and safety to the investors and the members at large. The Board recommends the same.

A copy of the existing Articles of Association of the Company along with proposed draft alteration is available for inspection by any member at the registered office of the Company from 11 A.M. To 1.00 P.M. on all working days excluding Sundays and holidays upto the date of Annual General Meeting.

None of the Directors of the Company are in any way concerned or interested in the said resolution.

For and on behalf of the Board

R Badrinarayanan
Managing Director

Place : Hyderabad
Date : 19th March, 2001.

Lotus Chocolate Company Limited

DIRECTORS' REPORT

To the Members,

Your Directors present the 12th Annual Report together with the audited accounts for the year ended 31st December, 2000

FINANCIAL RESULTS

	Rs in lacs	
	2000	1999
	(12 Months)	(12 Months)
Income	1353.06	1645.26
Gross Profit before		
Interest & Depreciation	(0.30)	77.87
Interest	74.54	74.40
Depreciation	92.35	88.82
Loss for the Year	(167.19)	(85.35)
Prior period adjustment	—	0.05
Extra-ordinary items	13.38	(6.00)
Loss brought forward		
from Previous year	(1361.23)	(1281.83)
Loss carried forward		
to Balance Sheet	(1541.80)	(1361.23)

PERFORMANCE

Three new products Malt's, Fun and Magiq were launched by the Company in the last quarter of the year. The initial consumer response appears encouraging. Inadequate funds continued to be a constraint on the Company in creating greater brand awareness which resulted in lower offtake of consumer products.

PLAN

Increased efforts will be deployed on merchandising to provide higher visibility of the Company's products at retail outlets. The Company's Distribution network will also be aggressively widened and strengthened to ensure availability in as many outlets as possible.

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 Khet Khok Yin and Ms. T sarada retire by rotation in the 12th Annual General Meeting and they being eligible offer themselves for reappointment.

Ms Ghow Siew Mei has been appointed as Additional Director effective 12th March, 2001. She will hold office upto the ensuing Annual General Meeting and resolution appointing her as Director is proposed for consideration of the members.

AUDITORS

M/s K Vijayaraghavan & Associates, Chartered Accountants, Statutory Auditors of your Company hold office until the conclusion of the 12th 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.

Lotus Chocolate Company Limited

DIRECTORS RESPONSIBILITY STATEMENT

The Board submits as under :

- that in the preparaton of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Yours 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 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

Dr. Easo John
Director

R. Badrinarayanan
Managing Director

Place : Hyderabad

Date : 19th March, 2001.

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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 electronic ballasts for lighting to reduce power consumption

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.

Nil

d. Total energy consumption & energy consumption per unit of production in prescribed Form 'A'

	Year ended 31 st December, 2000	Year ended 31 st December, 1999
A. Power & fuel consumption in respect of		
1. Electricity		
a. Purchased :		
Units (KWH)	1,030,070	9,20,838
Total (Rs.)	4,821,594	39,28,150
Rate per unit (Rs.)	4.68	4.27
b. Own Generation :		
Through Diesel Generator		
Units (KWH)	129,546	1,22,040
Units per Litre of Diesel Oil	2.26	2.36
Cost per Unit (Rs.)	6.76	6.74
2. Furnace Oil/LSHS/LDO/HSD		
Qty (Lts)	85,590	55,320
Total Amount (Rs.)	1,37,11,65	6,36,180
Average (Rs/Ltr)	16.02	11.50
B. Consumption per unit of Production		
Cocoa & Chocolate products (tonnes)		
i. Electricity (KWH/Tonnes)	908	787
ii. Furnace Oil/LSHS/LDO HSD (KL/Tonne)	0.067	0.042

B Technology Absorption

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

Lotus Chocolate Company Limited

Research & Development

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

R&D work has been continued to develop consumer products as well as industrial products. In consumer products range the development activities mainly focused on Chocolates Enrobed products, Cream center filled Caramel and Moulded Chocolate Products.

In Industrial range continued development work on Ice cream coatings and Compound coating for enrobing.

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

Products launched in consumer range included Kandos Fun, Kandos Maltys and Kandos Magiq.

Products Launched in Industrial range included Lotus Choco Milk Covering, Lotus Compound covering.

3. Future Plans & Actions

R&D work will be continued on an ongoing basis to develop new products in the range of Chocolate enrobed products, Moulded products, Novelty Chocolates and Eclairs.

4. Expenditure on R & D :

	Rs.
a. Capital	-
b. Recurring	42,013
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 development of packaging material and new raw 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)	101.80

For and on behalf of the Board

Dr. Easo John
Director

R. Badrinarayanan
Managing Director

Place : Hyderabad
Date : 19th March, 2001.