

Lotus Chocolate Company Limited

A Subsidiary of



Report Junction.com
13th ANNUAL REPORT
2001

(A member of The MUI Group)

Lotus Chocolate Company Limited

BOARD OF DIRECTORS

Mr. Khet Kok Yin	Director
Ms. Patricia Goh Siew Mei	Director
Mr.Sushil Premchand	Director
Mr.Chan Chong Lum	Director
Dr.Easo John	Director
Ms.T Sarada	Director
Mr.J Harinarayan, IAS	Director
Mr.R Badrinarayanan	Managing Director

AUDITORS

M/s. K. Vijayaraghavan & Associates
Hyderabad-34

REGISTRAR & SHARE TRANSFER AGENTS

M/s.Sathguru Management
Consultants Private Limited
Plot No.15, Hindi Nagar,
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 District, Andhra Pradesh,
PIN-502 296.

Bank of Baroda
Khairtabad Branch,
Hyderabad-500 004.

Lotus Chocolate Company Limited

NOTICE OF THE THIRTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Thirteenth Annual General Meeting of Lotus Chocolate Company Limited will be held at 9.00 AM on Wednesday, the 26th June, 2002 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 31.12.2001 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 Ms Patricia Goh Siew Mei who retires by rotation and being eligible, offers herself for reappointment.
3. To appoint a Director in the place of Mr Chan Chong Lum who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration.

For and on behalf of the Board
Sd/-

R Badrinarayanan
Managing Director

Place : Hyderabad
Date : 28th March, 2002

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, Raj Bhavan 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 June, 2002 to Wednesday the 26th June, 2002 (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.

INFORMATION ON DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AS REQUIRED UNDER CLAUSE 49VI(A) OF THE LISTING AGREEMENT WITH STOCK EXCHANGES.

Ms Patricia Goh Siew Mei

Ms. Patricia Goh Siew Mei, (46) resident of Kuala Lumpur, is the representative director of our Holding Company, Network Foods International Limited, Singapore. She is also director of Pan Malaysian Holdings Berhad Group, Malaysia which forms part of MUI Group. She is not a member of any Committee within the meaning of Clause 49 of the Listing Agreement with the Stock Exchanges.

Mr Chan Chong Lum

Mr. Chan Chong Lum, (50) resident of Malaysia, is the representative director of our Holding Company, Network Foods International Limited, Singapore. He is also a director in Fairbridge Corporation, Wellon Distribution Pte Ltd (Singapore), Network Foods Industries Sdn Bhd (Malaysia) and Sparkton Investment Limited (Hong Kong) all of which are foreign based companies. He is not a member of any Committee within the meaning of Clause 49 of the Listing Agreement with the Stock Exchanges.

For and on behalf of the Board
Sd/-

R Badrinarayanan
Managing Director

Place : Hyderabad
Date : 28th March, 2002

Lotus Chocolate Company Limited

DIRECTORS' REPORT

To the Members,

Your Directors present the 13th Annual Report together with the audited accounts for the year ended 31st December, 2001.

FINANCIAL RESULTS

	Rs in lakhs	
	2001 (12Months)	2000 (12Months)
Income	1057.15	1353.06
Gross Profit before Interest & Depreciation	(470.68)	(0.30)
Interest	62.87	74.54
Depreciation	99.70	92.35
Extra-ordinary items	(6.94)	13.38
Loss for the year	(626.31)	(180.57)
Loss brought forward from previous year	(1541.80)	(1361.23)
Loss carried forward to Balance Sheet	(2168.11)	(1541.80)

PERFORMANCE

The company experienced an extremely difficult year of intense competition in all its markets which severely affected consumer offtake of Chocotreats. Despite this difficult environment the company managed to marginally increase its Industrial Chocolate Turnover to support the operation.

Towards the end of the year the company embarked on a reconfiguration exercise to position it more effectively in the changing market scenario and comply with International Accounting Standards. The company also managed to secure an initial export trial order to the Middle East and the market reaction is awaited.

PLAN

The company is carefully reassessing its business mix to capitalise on available opportunities emerging from the rapidly changing market. Lotus is in the process of establishing a strategic manufacturing alliance with a major food player in the FMCG category, which could provide a marked improvement in capacity utilisation with consequential benefits. The company will also continue to explore further export opportunities in the year to come.

PARTICULARS OF EMPLOYEES

During the year under review, none of the employees of the Company have drawn remuneration as specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

Ms Patricia Goh Siew Mei and Mr Chan Chong Lum retire by rotation in the 13th Annual General Meeting and they being eligible offer themselves for reappointment.

AUDITORS

M/s K Vijayaraghavan & Associates, Chartered Accountants, Statutory Auditors of your Company hold office until the conclusion of the 13th 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 preparation 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 their gratitude to the shareholders of the Company for the confidence reposed in the management.

For and on behalf of the Board

R Badrinarayanan
Managing Director

Dr.Easo John
Director

Place : Hyderabad
Date : 28.3.2002



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 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, 2001	Year ended 31 st December, 2000
A. Power & fuel consumption in respect of		
1. Electricity		
a. Purchased :		
Units (kWh)	10,31,760	10,30,070
Total (Rs.)	48,01,761	48,21,594
Rate per unit (Rs.)	4.65	4.68
b. Own Generation :		
Through Diesel Generator		
Units (kWh)	1,15,997	1,29,546
Units per Litre of Diesel Oil	2.20	2.26
Cost per Unit (Rs.)	8.29	6.76
2. Furnace Oil/LSHS/LDO/HSD		
Qty (Lts)	70,180	85,590
Total Amount (Rs.)	12,83,592	13,71,165
Average (Rs/Ltr)	18.29	16.02
B. Consumption per unit of production		
Cocoa & Chocolate products (tonnes)		
i. Electricity (KWH/Tonnes)	871	908
ii. Furnace Oil/LSHS/LDO/ HSD (KL/Tonne)	0.053	0.067

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 range the development activities mainly focussed on Chocolates Enrobing on fruit bars, melt resistance study of Moulded chocolate products, and improve the taste and flavour of center cream chocolate.

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 re-launched in consumer range Tango Fruit & Nut.

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, and crumb making chocolate.

4. Expenditure on R & D:

	Rs.
a. Capital	-
b. Recurring	45,158
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	7.77
ii) Foreign Exchange Outgo (including raw materials, components and spare parts of capital goods and other expenditures in foreign currency including dividends)	77.20

Place : Hyderabad

Date : 28.3.2002

R Badrinarayanan
Managing Director

For and on behalf of the Board

Dr. Easo John
Director

Lotus Chocolate Company Limited

COMPLIANCE REPORT ON CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT.

1. Company's Philosophy on Corporate Governance

Your Company is committed to good Corporate Governance and has benchmarked itself against the prescribed standards. The fundamental objective of Corporate Governance is the enhancement of shareholder value and protecting the interests of the stakeholders. Your Company's philosophy of Corporate Governance is aimed at assisting the management in the efficient conduct of the business of the Company and in meeting its obligations to shareholders and others.

2. Board of Directors

(a) Composition of the Board

The Company's Board consists of eight Directors including the Promoter Director and an Executive Director. The Executive Director receives only the remuneration payable to him and does not have any material pecuniary relationship or transactions with the Company, its Promoter, Management or Subsidiaries. Even if the number of independent Directors is reckoned by excluding the said Executive Director (besides the Promoter Director), the Company has as many as six independent Directors including the non-executive Chairman.

(b) Attendance of each Director at Board Meetings and the last Annual General Meeting (AGM)

Four Board Meetings were held during the financial year 2000-2001.

S.No.	Name of the Director	Category of Directorship	No. of Board Meetings held during the tenure of the Director	No. of Board Meetings Attended	Attendance at the last AGM
1.	Dr. Easo John	Independent Non-executive Chairman	40	31	Yes
2.	T Sarada	Independent Promoter Director	74	65	No
3.	R Badrinarayanan	Independent Managing Director	38	37	Yes
4.	J Harinarayanan	Independent Non-executive Director	23	7	No
5.	Sushil Premchand	Independent Non-executive Director	35	26	Yes
6.	Goh Siew Mei	Independent Non-executive Director	3	Nil	No
7.	Khet Khok Yin	Independent Non-executive Director	21	2	No
8.	Chan Chong Lum	Independent Non-executive Director	7	Nil	No

Lotus Chocolate Company Limited

Notes:

Date of last Annual General Meeting (AGM) - 25.04.2001.

(c) Pecuniary relationship or transactions of the non-executive Directors vis-à-vis the Company.

The Company's non-executive Directors do not have any pecuniary relationship or transactions with the Company.

(d) Number of other Boards/Board Committees each Director (being a Director of the Company as at the end of the financial year) is a Director/Chairman of :

S.No.	Name of the Director	No. of other Companies in which Director	No. of Committees (other than those constituted by the Company in which Member/Chairman)
1.	Dr.Easo John	3	Nil
2.	T Sarada	Nil	Nil
3.	R Badrinarayanan	3	Nil
4.	J Harinarayanan	1	Nil
5.	Sushil Premchand	Nil	Nil
6.	Goh Siew Mei	Nil	Nil
7.	Khet Khok Yin	Nil	Nil
8.	Chan Chong Lum	Nil	Nil

(e) Number of Board Meetings held during the financial year and the dates of the Board Meetings

Four Board Meetings were held during the financial year 2000-2001. The time gap between any two Board Meetings did not exceed by more than four months.

The dates on which the said Board Meetings were held are as follows:

1st Board Meeting - 19th March, 2001

2nd Board Meeting - 25th April, 2001

3rd Board Meeting - 30th July, 2001

4th Board Meeting - 31st October, 2001

3. Audit Committee**(a) Brief description of terms of reference**

The terms of reference of the Audit Committee are comprehensive and covers the matters specified for *Audit Committees under the Listing Agreement with Stock Exchanges.*

(b) Composition, Names of members and Chairperson

A qualified and an independent Audit Committee consisting of three members, all being independent Directors, was constituted on April 25th, 2001.

Lotus Chocolate Company Limited

The Committee consists of:

1. Mr. Sushil Premchand
2. Dr. Easo John
3. Ms. T Sarada

(c) Meetings and attendance during the year

Three meetings of the Audit Committee was held on 25th April, 2001 , 30th July, 2001 and 31st October, 2001 and all members of the Committee attended the meeting but for one member who attended only two meetings.

4. Remuneration of Directors

(a) Remuneration to Non-Executive Directors

Presently, the non-executive Directors do not receive any remuneration from the Company and are paid sitting fees for attending the meetings of the Board and Committees thereof.

(b) Remuneration to Executive Director

The details of remuneration paid to Executive Director during the financial year 2000-01, are given below:

Name of the Executive Director	All elements of remuneration package i.e., salary, allowances and perquisites (Rs.in lakhs)	Fixed component and performance linked incentives along with performance criteria (Rs. in lakhs)	Service contracts, notice period, severance fees	Stock Option details (whether issued at a discount as well as the period over which accrued and over which exercisable)
Shri R Badrinarayanan	4.67	Please see note (i)

Note:

- (i) Shri R Badrinarayanan was appointed as Managing Director of the company for a period of five years with effect from 04.10.1998.

5. Shareholders/Investors Grievances Committee

The Board of Directors designated an "Investor Grievance Committee" on 30-07-2001 as a measure of good corporate governance and to strengthen the investor relations. The following Directors of the company have been constituted as members of the above committee:

- 1) Mr. R Badrinarayanan, Managing Director
- 2) Ms. T Sarada, Director
- 3) Dr. Easo John, Director

(a) Name of the Non-executive Director heading the Committee

The Committee functions under the Chairmanship of Dr. Easo John, a non-executive and independent director.