



Report  Junction.com

**15th ANNUAL REPORT
2003**

BOARD OF DIRECTORS

Mr.Woon See Soon

Director

Ms.T Sarada

Director

Mr.J Harinarayan, IAS

Nominee Director

Mr P Shivaramakrishna

Director

Mr K Srinivas

Director

Mr Alapati Ramakrishna

Director

Mr Devabhaktuni Durga Prasad

Director

Ms B S Radhika

Alternate Director

AuditorsM/s. K.Vijayaraghavan &
Associates**Registrar & Share
Transfer Agents**M/s.Sathguru Management
Consultants Private Limited
Plot No.15, Hindi Nagar,
Panjagutta, Hyderabad
500 034.**Company Secretary**

Ms Pameela Paruchuri

Registered Office# 403, Fourth Floor,
Diamond House,
Panjagutta,
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.

NOTICE OF THE FIFTEENTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Fifteenth Annual General Meeting of Lotus Chocolate Company Limited will be held at 9.30 AM on Friday, the 30th April, 2004 at Function Hall, Jubilee Hills International Centre, Jubilee Hills, Hyderabad 500 033 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the Year ended 31.12.2003 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 T Sarada who retires by rotation and being eligible, offers herself for reappointment.

SPECIAL BUSINESS

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

"RESOLVED THAT Mr Paruchuri Shivaramakrishna, who was appointed as an Additional Director of the Company with effect from 29th October, 2003 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."

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

"RESOLVED THAT Mr Katuri Srinivas, who was appointed as an Additional Director

of the Company with effect from 29th October, 2003 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."

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

"RESOLVED THAT Mr Alapati Ramakrishna, who was appointed as an Additional Director of the Company with effect from 29th October, 2003 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."

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

"RESOLVED THAT Mr Devabhaktuni Durga Prasad, who was appointed as an Additional Director of the Company with effect from 29th October, 2003 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."

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

"Resolved that pursuant to the provisions of Sections 198, 269, 309, 310, 311, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-

enactment thereof for the time being in force, Mr G S Ram be and is hereby appointed as the Manager of the Company upto a period of five years with effect from 29th October, 2003 or till a successor has been appointed whichever is earlier on NIL salary and perquisites."

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

"Resolved that pursuant to the provisions of Sections 198, 269, 309, 310, 311, 385, 386, 387, 388 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modifications or re-enactment thereof for the time being in force, Mr G S Ram be and is hereby appointed as the Manager of the Company upto a period of five years with effect from 29th October, 2003 or till a successor has been appointed whichever is earlier, on such salary and perquisites as set out in the Explanatory Statement attached to the notice convening this meeting."

- 9 To consider and, if deemed fit, to pass, with or without modification, the following resolution as a Special Resolution :

"Resolved that the Company hereby accords its consent and approval under section 314 (1) and other applicable provisions, if any, of the Companies Act, 1956 to Ms B S Radhika, Alternate Director for Mr Woon See Soon, for holding and continuing to hold office or place of profit as Controller – Marketing under the Company and a contract of service for a remuneration of Rs. 24,065/- per month together with usual

allowances and benefits, amenities and facilities including staff superannuation fund, retiring gratuity and provident fund benefits applicable to other employees occupying similar post or posts within the same grade."

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

"Whereas resignation has been received from the retiring auditors of the Company, M/s K Vijayaraghavan & Associates, Chartered Accountants.

Now therefore it is resolved that M/s S.R. Mohan & Co., Chartered Accountants, Hyderabad, be and are hereby appointed as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration as may be mutually agreed upon between the said S.R. Mohan & Co., and the Board of Directors of the Company."

11. To consider complete erosion in network of the Company as on 31st December, 2003 and to pass with or without modifications, the following resolution as an ordinary resolution :

"Resolved that despite the fact that the accumulated losses of the Company exceeds the network of the Company, the shareholders express their full confidence in the Board of Directors of the Company and the Directors be and are hereby authorised to avail of the measures to assist the Company in terms of the Sick Industrial Companies (Special Provisions) Act, 1985 or any other schemes."

12. To consider and, if deemed fit, to pass, with or without modification, the following resolution as Special Resolution :

"Resolved that based on the annual accounts of the Company for the year ended 31st December, 2003, the Board of Directors after assessment of the same and all other relevant factors formed an opinion under the provisions of Section 3 (1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 that the Company has become a sick industrial company as its accumulated losses exceeded its networth and the Board of Directors be and are hereby authorised to make a reference under Section 15(1) of the said Act to the Board for Industrial and Financial Reconstruction (BIFR) for determination of the measures which shall be adopted with respect to the Company."

"FURTHER RESOLVED THAT Mr Devabhaktuni Durga Prasad, Director of the Company be and is hereby authorised to sign the application and all the supporting documents required to be filed with BIFR in this connection, and do all other acts or deeds as are necessary to give effect to this resolution as resolved in the Board Meeting."

13. To consider and, if deemed fit, to pass, with or without modification, the following resolution as Special Resolution :

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956, the Listing Agreement with the Stock Exchanges and the provisions of The Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003,

or any amendment or modification thereof, and subject to such approvals, permissions and sanctions as may be agreed to by the Board of Directors of the Company ('the Board'), consent be and is hereby accorded to delist the Equity Shares of the Company from The Hyderabad Stock Exchange Limited.

RESOLVED FURTHER THAT consent be and is hereby accorded to the Board, to settle all questions, difficulties or doubts that may arise in this regard and do all such acts, deeds and things as may be necessary, expedient and desirable, for the purpose of giving effect to this Resolution."

14. To consider and, if deemed fit, to pass, with or without modification, the following resolution as Special Resolution :

"Resolved that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and are hereby altered / amended by deleting / inserting / substituting the following clauses of the Articles of Association :

Deletion of Article 14(d)

Insertion of Article 75A

75A POSTAL BALLOT

"Notwithstanding anything contained in the Articles of Association of the Company, pursuant to Section 192A of the Companies Act, 1956, the Company do adopt the mode of passing a resolution by the members of the Company by means of a postal ballot and / or other ways as prescribed in the Companies (Passing of the Resolution by Postal Ballot)

Rules, 2001 instead of transacting such business in a General Meeting of the Company.”

Substitution of Article 76

76 “Five members present in person shall be quorum for General Meeting. A Body Corporate being a member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act. No business shall be transacted at any General Meeting unless the requisite quorum shall be present.”

Substitution of Article 120

120 “The quorum of all the meetings of the Board shall be one – third of its total strength (any fraction contained in that one – third to be rounded off to one) or two (2) Directors whichever number is greater.”

Substitution of Article 128

128 “Subject always to the provisions of the Act, a resolution in writing circulating in draft form to all the Directors for the time being approved by a majority of the directors shall be valid and effectual as if it had been a resolution passed at a meeting of the Board duly convened and held.”

For and on behalf of the Board

Sd/-

P. Shivaramakrishna

Director

Place : Hyderabad

Date : 18th March, 2004

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 #403, Fourth Floor, Diamond House, Panjagutta, 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 Thursday, the 29th April, 2004 to Friday, the 30th April, 2004 (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.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT

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

Item No. 3,4,5 & 6

Consequent upon the takeover of the Company under the provisions of the SEBI (Substantial Acquisition of Shares and takeover) Regulations, 1997 there has been a change in the Management of the Company due to which the constitution of the Board of your Company has been changed.

Mr Paruchuri Shivaramakrishna and Mr Katuri Srinivas were inducted as additional Directors w.e.f. 29th October, 2003. Mr Alapati Ramakrishna and Mr Devabhaktuni Durga Prasad were inducted as additional Directors on 25.02.2004 on the Board of your Company and their appointment is to be regularised at the ensuing Annual General Meeting.

Your Directors recommend the Resolutions for approval.

None of the Directors of the Company except Mr Paruchuri Shivaramakrishna, Mr Katuri Srinivas, Mr Alapati Ramakrishna and Mr Devabhaktuni Durga Prasad is concerned or interested in the Resolution.

Item No. 7

Due to the resignation of Mr R Badrinarayanan, Managing Director w.e.f. 3rd September, 2003, your Company appointed Mr G S Ram as the Manager of the Company w.e.f. 29th October, 2003 under Section 269 of the Companies Act, 1956. Mr G S Ram is an employee of the Company and is working under the direct supervision and control of the Board of Directors.

Your Directors recommend the Resolution for approval.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 8

Mr G S Ram is appointed as the Manager of the Company with effect from 29th October, 2003 with Nil salary and perquisites and subsequently, the Board of Directors of your Company at its meeting held on 25th February, 2004, on the recommendation of the Remuneration Committee, fixed the following terms of remuneration paid or payable to the Manager of the Company, Mr G S Ram, with

effect from 16th January, 2004 :

1. SALARY :-

Rs 15,000 /- (Rupees fifteen thousand) per month.

2. PERQUISITES :

The following perquisites will be allowed in addition to salary aforesaid above :

CATEGORY – A

(I) HOUSING

He will be entitled to a House Rent Allowance subject to a ceiling of 50% of the salary.

(II) MEDICAL ALLOWANCE

Reimbursement of Medical Expenses incurred by the Manager for self and family subject to a ceiling of one month's salary in a year.

(III) LEAVE TRAVEL ALLOWANCE

Reimbursement of leave travel expenses incurred by the Manager for self and family subject to a ceiling of two month's salary in a year.

(IV) CONVEYANCE ALLOWANCE

Reimbursement of Conveyance Expenses incurred by the Manager subject to a ceiling of Rs 3,000/- (Rupees three thousand) per month.

(V) ENTERTAINMENT ALLOWANCE

Reimbursement of Entertainment Expenses incurred by the Manager subject to a ceiling of Rs 1,500/- (Rupees one thousand five hundred) per month.

(VI) CLUB FEES

Nil

(VII) PERSONAL ACCIDENT INSURANCE

He will be covered by the Group Personal Accident Insurance provided by the Company.

For the purpose of Category – A, 'Family' means the spouse, dependent children and dependent parents.

CATEGORY – B

Contribution to Provident Fund, Superannuation Fund or Annuity Fund will be as per the rules of the company. The same will not be included in the computation of the ceiling on perquisites to the extent these either singly or but together are not taxable under the Income-tax Act. The Manager shall be entitled to Gratuity at half a month's salary for each completed year of service.

CATEGORY – C

Nil

The resolution provides that the appointment of Manager shall be upto a period of five years from and including 29th October, 2003.

The above terms may be treated as abstract of terms under Section 302 of the Companies Act, 1956.

Your Directors recommend the Resolution for approval.

None of the Directors of the Company except Mr G S Ram is concerned or interested in the Resolution.

Item No. 9

Under Section 314 of the Companies Act, 1956 a special resolution is required for enabling Ms B S Radhika, Alternate Director for Mr Woon See Soon to hold office or place of profit under the Company.

Ms B S Radhika joined on 26th August, 2003 as a Controller – Marketing on a monthly salary of Rs 24,065/- per month and she was appointed as an Alternate Director for Mr Woon

See Soon with effect from 29th October, 2003.

Accordingly, under Section 314 (1) of the Companies Act, 1956, consent of the General Meeting is hereby sought.

Your Directors recommend the Resolution for approval.

None of the Directors of the Company except Ms B S Radhika is concerned or interested in the Resolution.

Item No. 10

The Resignation tendered by the retiring auditors M/s K Vijayaraghavan & Associates, Chartered Accountants, necessitated the Board of Directors to appoint auditor other than the retiring auditors, as per Section 224 of the Companies Act, 1956.

Consequently, the Board of Directors recommend the resolution for appointment of M/s S.R.Mohan & Co., Chartered Accountants, as the Auditors of the Company from the conclusion of this Annual General meeting until the conclusion of next Annual General Meeting.

Your Directors recommend the Resolution for approval.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 11 & 12

The Government of India has promulgated an Act namely, the Sick Industrial Companies (Special Provisions) Act, 1985 under which an industrial company (being a company registered for not less than five years) which has at the end of any financial year accumulated losses equal to or exceeding its entire networth is required in terms of Section 15(1) to make a reference to the Board for Industrial and Financial Reconstruction (BIFR).

within 60 days from the date of finalisation of the duly audited accounts of the Company for the financial year.

Further, based on the annual accounts of the Company upto 31-12-2003, the Board of directors after assessment of the same and all other relevant facts formed their opinion under the provisions of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 that the Company has become a Sick Industrial Company as its accumulated losses of Rs 253.93 Lakhs exceed its networth of Rs 241.81 Lakhs and also in terms of Section 15(1) of the said Act a reference has to be made to the Board of Industrial and Financial Reconstruction (BIFR) for determination of the measures which shall be adopted with respect to the Company.

The Management on its part made concerted efforts to implement various strategies and policy measures recommended / suggested by the Board from time to time with utmost sincerity, dedication and commitment. However, notwithstanding all these efforts of the Management, the erosion of networth took place owing to the following factors beyond the control of the Management.

1. Erosion of working capital funds due to operational losses.
2. Non availability of Bank support limits capacity utilisations and correct only.
3. Uncertainty over availability of financial support from Bank.
4. High interest burden and inability to increase the turnover due to inadequacy of Working Capital.

The Directors have given serious consideration to this matter and proposed to refer the Company to BIFR for determination of rehabilitation measures.

Your Directors recommend the Resolution for approval.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 13

The Equity Shares of the your Company are presently listed on the following Stock Exchanges in India :

1. The Stock Exchange, Mumbai (BSE)
2. The Hyderabad Stock Exchange Limited, Hyderabad (HSE)

With the nationwide networking terminals of The Stock Exchange, Mumbai, the investors have access to online trading in the Company's securities across the Country. The trading volumes in the Company's shares on the Hyderabad Stock Exchange are either nil or insignificant, with bulk of the securities being traded on the BSE terminals.

Hence, it is proposed to de-list the Securities of the Company from the Hyderabad Stock Exchange Limited inline with the SEBI (Delisting of Securities) Guidelines, 2003, by passing a Special Resolution at the General Meeting of the shareholders of the Company. The securities of the Company shall continue to be listed at The Stock Exchange, Mumbai. The Company would also comply with the additional conditions, if any, imposed by the Hyderabad Stock Exchange Limited to comply by the SEBI guidelines.

According to the SEBI Guidelines stated above, the Company can delist from any Stock Exchange without giving any exit option to the

Shareholders provided that the Shares of the Company continue to be listed on The Stock Exchange, Mumbai. Since the Company's shares continue to be listed at the aforesaid Stock Exchange, no exit option is being offered to the Shareholders.

Your Directors recommend the Resolution for approval.

None of the Directors of the Company is concerned or interested in the Resolution.

Item No. 14

Article 14, 76, 120 and 128

Due to change in the management of the Company as a result of Takeover under the provisions of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997, SAIL is no longer holding majority of the shares in the Company. Consequently, certain amendments are proposed to the Articles of Association of the Company. Accordingly, amendments have been proposed to some of the Articles as stated in the resolution set out at Item No. 14 of the Notice. The said resolution is set out as a Special Resolution as required under Section 31 of the Companies Act, 1956.

In line with the above, Article 14(d), which reads as follows, shall be deleted :

14(d) "Notwithstanding anything contained in sub – clauses (a), (b) and (c) above, where at any time it is proposed to increase the subscribed capital of the Company by allotment of further shares, whether out of unissued share capital, SAIL shall be offered for subscription on terms no less favourable such number of shares as shall be proportionate to its then shareholding in the Company provided that SAIL shall be at liberty to waive in writing the

right to be offered as aforesaid, wholly or partly.

Insertion of Article 75A

The Central Government has notified the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 under Section 192A of the Companies Act, 1956. According to the said Rules, the Company has to pass certain resolutions only by the postal ballot. Necessary provision has been made in the Articles of Association of the Company by inserting Article 75A after the Article 75.

Your Directors recommend the Resolution for approval.

None of the Directors of the Company is concerned or interested in the Resolution.

The existing Articles of Association and other related documents will be available for inspection at the Registered Office of the Company between 11.00 a.m. to 1.00 p.m. on any working day.

Information on Directors seeking appointment/re-appointment as required under Clause 49 VI (A) of the Listing Agreement with Stock Exchanges.

Ms T Sarada

Ms T Sarada is the original promoter director of Lotus Chocolate Company Limited. She is a renowned film actress of Indian Cinema with over 260 films to her credit in many languages. She was awarded the coveted "President's Award" (the Urvasi award) for best actress thrice and has earned international recognition at major film festivals.

She was elected as the Member of Parliament and currently, she is actively participating in politics.

She is the Chairman of the Shareholders' /