

## BOARD OF DIRECTORS

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Shri P Prakash Pai	Director
Shri P Anantha Pai	Director
Shri Ganpath Subramonia Ram	Whole Time Director
Shri Gottemukkala Venkatapathi Raju	Director
Shri Dilip Mangesh Kalelkar	Whole Time Director(Technical)
Ms Ashwini Pai	Whole Time Director
Shri Abhijeet Pai	Director

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### Auditors

M/s. S.R.Mohan & Co.  
3<sup>rd</sup> Floor, North Block,  
Raghava Ratna Towers,  
Chirag Ali Lane,  
Hyderabad-500 001.

### Registrar & Share Transfer Agents

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

### Registered Office

# 8-2-596 , 1<sup>st</sup> Floor, 1B,  
Sumedha Estates, Avenue - 4,  
IVRCL Towers, St.No.1. Rd. No.10  
Banjara Hills,  
Hyderabad-500 034.

### 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 TWENTY SECOND ANNUAL GENERAL MEETING**

NOTICE is hereby given that the Twenty Second Annual General Meeting of Lotus Chocolate Company Limited will be held at 10.00 A.M. on Friday, the 30.09.2011 at LIC Bhavan, Lions Bhavan, Paradise, Secunderabad to transact the following business:

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Profit and Loss Account for the Year ended 31.03.2011 and the Balance Sheet as at that date together with the Report of Auditors and the Report of the Board of Directors.
2. To re-appoint M/s. S. R. Mohan & Co., Chartered Accountants, Hyderabad as 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.
3. To appoint a Director in the place of Shri P. Abhijeet Pai, Director who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Shri Gottemukkala Venkatapathi Raju, Director who retires by rotation and being eligible, offers himself for reappointment.

**For and on behalf of the Board**

**Sd/-**

**P. Anantha Pai  
Director**

**Sd/-**

**G.S. Ram  
Whole Time Director**

Place : Hyderabad

Date : 11.08.2011

### **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 #8-2-596, 1<sup>st</sup> Floor, 1B, Sumedha Estates, Avenue-4, IVRCL Towers, St.No.1,

Road No.10, Banjara Hills, Hyderabad-500 034 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 Monday, 26<sup>th</sup> day of September, 2011 to Friday, 30<sup>th</sup> day of September, 2011 (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 re-appointment as required under Clause 49VI(A) of the Listing Agreement with Stock Exchanges.**

#### **Shri Abhijeet Pai**

Shri Abhijeet Pai is an Engineering Graduate by qualification. He is the President of M/s. Puzzolana Machinery Fabricators for the last 5 years and has taken active part in overseas and domestic business development.

#### **Shri Gottemukkala Venkatapathi Raju**

Shri Gottemukkala Venkatapathi Raju is an AMIE Mechanical by qualification and has approximately 30 years of extensive experience in designing and development of machines for crushing, screening and material handling equipments.

## DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 22<sup>nd</sup> Annual Report together with the audited accounts for the year ended 31<sup>st</sup> March, 2011.

## FINANCIAL RESULTS

₹ in lakhs

	Year ended 2011	Year ended 2010
Income	3902.54	3076.44
Gross Profit before Interest & Depreciation	(337.13)	213.32
Interest	(81.79)	(56.91)
Depreciation	(50.67)	(46.79)
Profit/(loss) for the year	(469.59)	109.61
Loss brought forward from previous year	(2039.57)	(2149.19)
Loss carried forward to Balance Sheet	(2526.31)	(2039.57)

Loss carried forward to Balance Sheet is ₹ 2526.31 lakhs.

## PERFORMANCE

Lotus has achieved a sales turnover at ₹ 3902.54 Lakhs for the period ended 31.03.2011. The Company continued to follow its policy of offering value to the customers with sales prices just below inflation. The Management is addressing this area of concern as major initiatives are planned during the current fiscal year. Your company's performance has been led through modest investments in our brands, products, innovation initiatives, expansion into new product categories and an uphill task in managing operating costs through cost efficiency measures.

## BUSINESS PLAN

During the year under review the Company withstood heavy competition, reflecting strong consumer demand for all its products and services.

The most significant impact will be the cost escalation on the prime inputs, higher escalation on the cost of power/ steam generation, had a cumulative devastating impact on the product

competitiveness.

Indeed a passionate commitment to serve a larger segment of customers is the core of your company's business strategy.

Going forward the Company's relentless endeavor to create new benchmarks in sustainable business practices will lend it an unique source of competitive advantage in an increasingly challenging socio- economic environment.

## ISO CERTIFICATION

Your company's manufacturing factory located at Narsapur, Medak District has been certified to the latest version of IS 22000 (FSMS- Standard for Food Safety Management System) by Llyods, a leading International Certification Company.

This certification indicates our commitment in a sustainable manner, in meeting global quality, environment, health and safety standards. This is a milestone in our quest for quality.

Our Company has been rated by CRISIL as SME III.

## RESEARCH AND DEVELOPMENT

Efforts made on the process front:

1. It is our constant investment and innovation in our basic approach, by adding quality and originality to the products/creations.
2. The Company is able to manage the stiff competition and retained the esteemed customers within its fold and also increase processing capacity.
3. Further new products will be introduced later part of this year. To achieve this, the Company is making innovative energies to harness skills, raising performance and leadership qualities.
4. We work closely with our clients own food technologies, ensuring quality performance and stability under the most rigorous industrial processing conditions.
5. The Company is earnestly focusing on installing a full fledged chocolate and confectionary laboratory scale machinery to fabricate tailor made products to our prestigious customers.

## **BIFR**

Our Company has come out with Board of Industrial and Financial Reconstruction (BIFR) which was registered earlier, since our Company has achieved its positive net worth.

## **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**

Shri Abhijeet Pai and Shri Gottemukkala Venkatapathi Raju, Directors retires by rotation at the 22nd Annual General Meeting and being eligible offers themselves for reappointment.

## **AUDITORS**

M/s S R Mohan & Company, Chartered Accountants, Hyderabad, Statutory Auditors of your Company hold office until the conclusion of the 22nd Annual General Meeting and are being proposed for re-appointment. The Company has received a certificate from them to the effect that their appointment if made would be within the limits prescribed under Section 224(1) of the Companies Act, 1956.

## **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 hard work put in by the employees of the Company in its operations. The Directors acknowledge the support and co - operation received from Banks and other Governmental Agencies.

The Directors express their gratitude to the shareholders of the Company for the confidence and faith reposed in the management

**For and on behalf of the Board**

**Sd/-**

**P.Anantha Pai  
Director**

**Sd/-**

**G.S.Ram  
Whole Time Director**

Place : Hyderabad

Date : 11.08.2011

## 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:

The Company has installed the following energy saving devices:

- CFL Lamps
- Power Capacitors
- Steam Condensate Recovery
- Street Lighting Timer
- Water Level Controller

b. Additional investment and proposals, if any, being implemented for reduction of consumption of energy:

Energy saving devices are being installed to reduce consumption of electrical energy.

c. Impact of measures at (a) & (b) above for reduction of energy consumption & consequent impact on the cost of production of goods.

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

	Year ended 31 <sup>st</sup> March, 2011	Year ended 31 <sup>st</sup> March, 2010
<b>A. Power &amp; fuel consumption in respect of</b>		
1. Electricity		
a. Purchased :		
Units (Kwh)	17,43,419	19,50,987
Total (₹)	82,24,818	75,11,300
Rate per unit (₹)	4.71	3.85
b. Own Generation : Through Diesel Generator		
Units (Kwh)	1,45,36	1,85,242
Units per Litre of Diesel Oil	2.22	2.45
Cost per Unit (₹)	15.69	15.06
2. Furnace Oil/LSHS/LDO/HSD		
Qty (Lts)	—	Nil
Total Amount (₹)	—	Nil
Average (₹/ltr)	—	Nil
3. Wood/Coal		
Qty (Kgs.)	5,64,700	7,85,950
Total Amount (₹)	19,59,509	28,92,296
Average (₹/Kgs.)	3.47	3.68
<b>B. Consumption per unit of production</b>		
<b>Cocoa &amp; Chocolate products (tones)</b>		
i. Electricity (KWH/Tonnes)		
- Cocoa	513 units/MT	408 units/MT
- Chocolate	434 units/MT	321 units/MT
ii. Furnace Oil/LSHS/LDO HSD (KL/Tonne)		
- Cocoa	—	Nil
- Chocolate	—	Nil
iii. Wood/coal (KG/MT)		
- Cocoa	312 Kgs/MT	226 Kgs/MT
- Chocolate	60 kgs/MT	59 Kgs/MT

## **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:

Research and Development work has been continued to develop tailor-made recipes. Improved the packing mode of consumer products with better appeal and product protection. Improvements in Cocoa process carried out to improve product safety and quality. Cocoa plant is being certified for HACCP (Food Safety Systems) and successfully undergone through surveillance audits.

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

The Company could sustain the stiff competition and is able to retain the esteemed customers within its fold and also increase its capacity.

3. Future Plans & Actions

Further new Chocolate products will be introduced later this year. To achieve this the Company is making special efforts to development management skills, raising performance, Leadership capabilities sharpening the customers at all levels within the company.

4. Expenditure on R & D:

	₹
a. Capital	-
b. Recurring	-
c. Total as % turnover	-

5. Technology Absorption, Adoption and Innovation : -

### **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:

The Company has exported its Cocoa and Chocolate Products to Nepal and Europe.

g. Total foreign exchange used and earned (CIF Value):

	₹ / lacs
i) Foreign Exchange earnings	354.40
ii) Foreign Exchange Outgo (including raw materials, components and spare parts of capital goods and other expenditures in foreign currency including dividends)	536.46

**For and on behalf of the Board**

Place : Hyderabad

Date : 11.08.2011

**Sd/-**  
**P. Anantha Pai**  
**Director**

**Sd/-**  
**G.S. Ram**  
**Whole Time Director**

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

### 1. Company's Philosophy on Corporate Governance

The Company has adopted adequate control systems and adherence to Corporate Governance to enable its Board of Directors to effectively discharge its responsibilities in the best interest of its stakeholders, customers, employees and the society.

The Company's philosophy on Corporate Governance ensures the fullest commitment of the Management and envisages the attainment of the highest level of transparency, accountability and equity, in all facets of its activities and operations.

### 2. Board of Directors

#### (a) Composition of the Board

The Company's Board presently consists of Seven Directors, out of which four are Non-Executive Directors and three are Executive Directors of the Company.

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

Nine.9. Board Meetings were held during the financial year ended 2011:

S.No.	Name of the Director	Category of Directorship	No. of Board Meetings held in the year during the tenure of the Director	No. of Board Meetings attended	Attendance at the last AGM
1.	P.Anantha Pai	Independent Non-executive Director	9	9	Yes
2.	P.Prakash Pai	Independent Non-executive Director	9	9	Yes
3.	G.S.Ram	Independent Executive Director	9	9	Yes
4.	G.V.Raju	Independent Non-executive Director	9	9	Yes
5.	Dilip Mangesh Kalelkar	Independent Executive Director	9	5	Yes
6.	P.Ashwini Pai	Independent Executive Director	9	9	Yes
7.	P.Abhijeet Pai	Independent Non-executive Director	9	9	Yes
8.	T.Sarada*	Independent Promoter Non-executive Director	9	--	--

Date of last Annual General Meeting (AGM) – 30.09.2010.

\*T.Sarada, Director resigned as a Director w.e.f. 14th July, 2011

**(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.	P.Prakash Pai	5	Nil
2.	P.Anantha Pai	5	Nil
3.	P.Ashwini Pai	Nil	Nil
4.	P.Abhijeet Pai	4	Nil
5.	G.V.Raju	Nil	Nil
6.	G.S.Ram	Nil	Nil
7.	Dilip Mangesh Kalelkar	Nil	Nil

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

Nine(9) Board Meetings were held during the financial year 2011. 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:

1 <sup>st</sup> Board Meeting	-	10.05.2010
2 <sup>nd</sup> Board Meeting	-	13.05.2010
3 <sup>rd</sup> Board Meeting	-	24.06.2010
4 <sup>th</sup> Board Meeting	-	13.08.2010
5 <sup>th</sup> Board Meeting	-	17.08.2010
6 <sup>th</sup> Board Meeting	-	13.11.2010
7 <sup>th</sup> Board Meeting	-	05.02.2011
8 <sup>th</sup> Board Meeting	-	14.02.2011
9 <sup>th</sup> Board Meeting	-	31.03.2011

**3. Audit Committee**

**(a) Brief description of terms of reference**

- 1) It shall have authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and external professional advice, if any.

- 2) To seek information from any employee and obtain outside legal or professional advice.
- 3) 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.
- 4) Reviewing with the management the annual financial statements before submission to the Board, internal and external auditors and the adequacy of the internal control systems.
- 5) Reviewing the Company's financial and risk management policies and compliance with internal control systems.

**(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 25<sup>th</sup>, 2001 and further reconstituted again on 30.01.2009. The Committee was reconstituted with the following members:

The Committee consists of:

1. Shri.P.Prakash Pai, Director
2. Shri. P.Anantha Pai ,Director
3. Shri. G S Ram, Whole Time Director
4. Shri G V Raju, Director

**(C) Meetings during the year**

Three meetings of the Audit Committee were held.

**4. Remuneration Committee**

The Board of Directors re-constituted Remuneration Committee on 30.01.2009 with the objective to evaluate compensation and other benefits for Executive Directors and the Manager subject to the approval of the Board of Directors and Members.

The Committee consists :

1. Shri.P.Prakash Pai - Director
2. Shri. P.Anantha Pai - Director
3. Shri G V Raju - Whole Time Director
4. Shri. G S Ram - Director

**5. 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**

There is no change in the remuneration paid to the Whole Time Directors - Shri G S Ram, Ms. Ashwini Pai and Shri Dilip Mangesh Kalelkar.

## 6. Shareholders/Investors Grievances Committee

The Board of Directors designated an “Investor Grievance Committee” on 30-07-2001 which was reconstituted on 30.01.2009 as a measure of good corporate governance and to strengthen the investor relations. The following are the members of the Committee:

1. Shri.P.Prakash Pai, Director
2. Shri. P.Anantha Pai , Director
3. Shri. G S Ram, Whole Time Director
4. Shri G V Raju – Director

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

The Committee functions under the Chairmanship of Shri. P.Prakash Pai, an Independent and Non – Executive Director.

### (b) Name and designation of Compliance Officer

G S Ram, Whole Time Director, has been appointed as the Compliance Officer of the Company.

### (c) Status of Investor Complaints received during the financial year 2011:

Nature of Complaint	Received	Cleared
Non-receipt of Share Certificates sent for transfer	9	9
Demat request pending	2	2
Non-receipt of Dividend warrant	1	1
Any other complaints	1	1
<b>Total</b>		

Note: The Company has attended to the shareholders'/investors' grievances/correspondence generally within a period of 7 days except in cases where constraints by disputes or legal impediments.

### (d) Number of pending share transfers

There were no share transfers pending as at the end of the financial year.

## 7. General Body Meetings

### (a) Details of the location and time of the last three Annual General Meetings (AGMs) of the Company.