



LOTUS CHOCOLATE COMPANY LIMITED

**25th ANNUAL REPORT
2013-2014**



BOARD OF DIRECTORS

Shri P.Prakash Pai
Shri P.Ananth Pai
Shri Ganpath Subramanya Ram
Shri Gottemukkala Venkatapathi Raju
Shri Dilip Mangesh Kalelkar
Smt Ashwini Pai
Shri Abhijeet Pai

Director
Director
Whole Time Director
Director
Whole Time Director (Technical)
Director
Director

Audit Committee

Shri P.Prakash Pai
Shri P.Ananth Pai
Shri G.S.Ram
Shri G V P Raju

Bankers

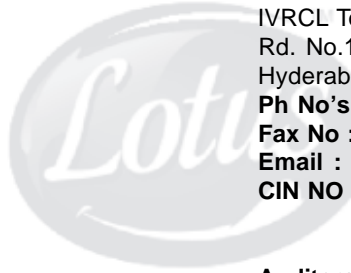
State Bank of India
Industrial Finance Branch
Somajiguda,
Hyderabad-500 082.

Shareholders'/Investors Grievance Committee

Shri P.Prakash Pai
Shri P.Ananth Pai
Shri G.S.Ram
Shri G V P Raju

Registered Office

8-2-596 , 1st Floor, 1B,
Sumedha Estates, Avenue - 4,
IVRCL Towers, St.No.1.
Rd. No.10 Banjara
Hyderabad-500 034.
Ph No's : 91-40-23352607/08/09
Fax No : 91-40-23352610
Email : complaints@lotuschocolate.com
CIN NO : L15200AP1988PLC009111



Auditors

M/s. S.R. Mohan & Co.
3rd Floor, North Block,
Raghava Ratna Towers,
Chirag Ali Lane, Abids,
Hyderabad - 500001

Remuneration Committee

Shri P.Prakash Pai
Shri P.Ananth Pai
Shri G.S.Ram
Shri G V P Raju

Registrar & Share Transfer Agents

M/s.CIL Securities Limited
Reg.Off.: 214, Raghava Ratna Towers,
Chirag Ali Lane, Abids,
Hyderabad - 500 001.

Works

Doulatabad
Hathnoora Mandal,
Medak District, Andhra Pradesh,
PIN - 502 296.

NOTICE OF THE TWENTY FIFTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of Lotus Chocolate Company Limited will be held at 10.00 A.M. on Tuesday, the 30.09.2014 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 31.03.2014 and the Balance Sheet as at that date together with the Report of Auditors and the Report of the Board of Directors.
2. To consider and if thought fit to pass with or without modification(s) the following resolution as an ordinary resolution:
"RESOLVED THAT pursuant to provisions of Section 139 and other applicable provisions if any, of the Companies Act, 2013 read with the Companies (Audit and Auditor) Rules, 2014 and other applicable rules, if any (including any statutory modifications or re-enactments thereof for the time being in force) M/s. S R Mohan & Co. Chartered Accountants (Registration No.020026), be and are hereby reappointed as Statutory Auditors of the Company to hold office from the conclusion of this 25th Annual General Meeting till the conclusion of 28th Annual General Meeting to be held in the year 2017 (subject to ratification of their appointment by the members at every AGM held after this AGM), at such remuneration plus service tax, out of pocket, travelling and other expenses etc. and to authorise the Board of Directors of the Company to fix such remuneration as may be recommended by the Audit Committee may be paid on progressive dealing basis or otherwise as agreed upon between the said auditor and the Board of Directors of the Company."
3. To appoint Director in the place of Shri Abhijeet Pai (DIN 02100465), 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 (DIN 02435073), Director who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS

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

"Resolved that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions if any, of the Companies Act 1956 read with Schedule XIII thereto, consent of the Shareholders of the Company, be and is hereby accorded to the re-appointment of Shri. Ganpath Subramanya Ram as Whole-Time Director for a period of five years with effect from 04/11/2013 and payment of remuneration to him on the terms and conditions as specified below :

Terms and Conditions

Salary including perquisites : ₹ 62,150 p.m. (No PPF)."

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

"Resolved that pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions if any, of the Companies Act 1956 read with Schedule XIII thereto, and section 196, 197 read with schedule V of the Companies Act 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and such other applicable provisions if any of the Companies Act, consent of the shareholders of the Company, be and is hereby accorded to the re-appointment of Shri. Dilip Mangesh Kalelkar as Whole-Time Director (Technical) for a period of five years with effect from 01.05.2014 and payment of remuneration to him on the terms and conditions as specified below :

Terms and Conditions

Salary including perquisites : ₹ 50,000. p.m.”

7. To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOVED that pursuant to the provisions of Section 148 and other applicable provisions of the Companies Act, 2013 and the Companies(Audit or Auditors) Rules, 2014 (including any statutory modification(s) or re-enactments thereof, for the time being in force),M/s.SVRR & Associates (Registration No.31669), the Cost Auditors appointed by the Board of Directors of the Company to conduct the audit of the Cost Records of the Company for the financial year ended 31st March, 2015, with a remuneration,plus service tax, out of pocket, travelling and other expenses etc,as fixed by the Board of Directors on the recommendation of the Audit Committee be and is hereby ratified.”

“RESOVED further that the Board of Directors of the Company be and is hereby authorised to do all the acts and take all such steps as may be necessary,proper or expedient to give effect to this resolution.”

For and on behalf of the Board

P. Ananth Pai
Director

G.S. Ram
Whole Time Director

Place : Hyderabad

Date : August 20, 2014

NOTES

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself only on a poll and a proxy need not be a member. The instrument appointing a proxy should however be deposited at the registered office of the company not less than forty-eight hours before the commencement of the meeting.

2. Instrument of proxies in order to be effective must be deposited at the Company's registered office at # 8-2-596, 1st 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, 22nd day of September, 2014 to Tuesday, 30th day of September, 2014 (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. Members may kindly refer “Corporate Governance Report” (Form part hereof), for details, about the Directors to be appointed / reappointed.
7. Members are advised to avail themselves of nomination facility as per the section 72 of the Companies Act, 2013 for which Nomination Form can be avail from the RTA.
8. Corporate Members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authoring their representative for voting purpose and to attend at the Annual General Meeting (AGM).

9. Instructions about Voting :

The Members are requested to opt for one mode of voting, i.e. either through e-voting or postal ballot. If a Member casts votes by both modes, then voting done through a valid e-Voting shall prevail and physical ballot form voting of that Member shall be treated as invalid.

Please refer the following detailed instructions for both modes voting.

A) Voting through electronic means:

- i. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is providing Members facility to exercise their right to vote at the Postal Ballot by electronic means through e-Voting Services provided by Central Depository Services (India) Limited (CDSL) :

The instructions for e-voting are as under:

- i. Log on to the e-voting website www.evotingindia.com
- ii. Click on “Shareholders” tab.
- iii. Select the “LOTUS CHOCOLATE COMPANY LIMITED” from the drop down menu and click on “SUBMIT”
- iv. Enter your User ID - For CDSL : 16 digits beneficiary ID, For NSDL: 8 Character DP ID followed by 8 Digits Client ID, Members holding shares in Physical Form should enter Folio Number registered with the Company and then enter the Captcha Code as displayed and Click on Login.
- v. If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used. If you are a first time user follow the steps given below.
- vi. Fill up the following details in the appropriate boxes:

PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders).
DOB#	Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.
DIVIDEND BANK DETAILS	Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.

* Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the sequence number (available in the Address Label pasted in the cover and/ or in the e-mail sent to Members) in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name. Eg. If your name is Ramanathan with sequence number 1 then enter RA00000001 in the PAN field.

Please enter any one of the details in order to login. In case both the details are not recorded with the depository or Company, please enter the Member id / folio number in the Dividend Bank details field.

vii. After entering these details appropriately, click on “SUBMIT” tab.

viii. Members holding shares in physical form will then reach directly the Company selection screen. However, Members holding shares in demat form will now reach ‘Set Password’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform.

ix. For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

x. Click on the relevant EVSN for Lotus Chocolate Company Limited.

xi. On the voting page, you will see Resolution Description and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

xii. Click on the “Resolutions File Link” if you wish to view the entire Resolutions.

- xiii. After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
 - xiv. Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
 - xv. You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
 - xvi. If Demat account holder has forgotten the changed password then Enter the User ID and Captcha Code click on Forgot Password & enter the details as prompted by the system.
 - xvii. Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves as Corporates. After receiving the login details they have to link the account(s) which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the Scrutinizer to verify the same.
- II. The voting period begins on 23.09.2014 (09.00 AM) and ends on 24.09.2014 (06.00 PM). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as of 22.09.2014 (i.e., the cut-off may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
 - III. In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.co.in under help Section or write an email to helpdesk.evoting@cdslindia.com or complaints@lotuschocolate.com
- IV. The voting rights of shareholders shall be in proportion to the shares held by them in the paid up equity share capital of the Company as on 22.09.2014
 - V. Rakhi Agarwal, Practicing Company Secretary (Membership No: 7047), has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
 - VI. The Scrutinizer shall within a period not exceeding three working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman/Managing Director of the Company.
- B) Voting by using the Postal Ballot Form:**
- I. A Ballot Form is provided (enclosed separately) for the benefit of Members who do not have access to e-voting facility, to enable them to send their assent or dissent by post.
 - II. Please complete and sign the Ballot Form (no other form or photocopy thereof is permitted) and send it so as to reach the Scrutinizer appointed by the Board of Directors of the Company, not later than the close of working hours (1700 hours) on 24.09.2014. For this purpose, a self-addressed prepaid "Business Reply Inland Letter" ("BR Letter") is enclosed and postage will be paid by the Company, if posted in India. The BR Letter bears the name and address of the Registered Office of the Company, and is to the attention of the Scrutinizer. However, BR Letters containing the Ballot Form(s), if deposited in person or sent by courier or registered / speed post at the expenses of the Member, will also be accepted.
 - III. The Form should be signed by the Member as per the specimen signature registered with the Company / Depository Participants. In case of joint holding, the Form should be completed and signed by the first named Member and in his/ her absence, by the next named joint holder.

- There will be one Form for every Folio/ Client ID irrespective of the number of joint holders. A Power of Attorney (POA) holder may vote on behalf of a Member, mentioning the registration number of the POA or enclosing an attested copy of the POA. Exercise of vote is not permitted through proxy.
- IV. For shares held by Companies, Bodies Corporate, Trusts, Societies, etc. the duly completed Form should be accompanied by a certified true copy of the Board Resolution/ Authorization together with attested specimen signature(s) of the duly authorized signatory(ies).
 - V. Votes should be cast in case of each resolution, either in favour or against by putting the tick (4) mark in the column provided for assent/ dissent. Members may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed the Member's total shareholding. If the shareholder does not indicate either "FOR" or "AGAINST" in case of any resolution, it will be treated as "ABSTAIN" for that resolution and the shares held will not be counted under either head.
 - VI. The voting rights of the shareholders shall be in proportion to their shares of the paid-up equity share capital of the Company as on 22.09.2014 ("Cut Off Date") as per the Register of Members of the Company and as informed to the Company by the Depositories in case of Beneficial Owners.
 - VII. Duly completed Forms should reach the Scrutinizer not later than the close of working hours (1700 hours) on 24.09.2014. Ballot Forms received after 24.09.2014 will be strictly treated as if the reply from the Members has not been received.
 - VIII. A Member may request for a duplicate Ballot Form, if so required. However, the duly filled in and signed duplicate. Form should reach the Scrutinizer not later than the date specified at Sl.No.6 above.
 - IX. Unsigned, incomplete, improperly or incorrectly tick marked Ballot Forms will be rejected. A Form will also be rejected if it is received torn, defaced or mutilated to an extent which makes it difficult for the Scrutinizer to identify either the Member or the number of votes or as to whether the votes are in favour or against or if the signature cannot be verified.
 - X. The Scrutinizer's decision on the validity of a Ballot will be final.
 - XI. Members are requested not to send any other paper along with the Ballot Form in the enclosed self-addressed envelope as all such envelopes will be sent to the Scrutinizer and any other paper found in such envelope would be destroyed by him. They are also requested not to write anything on the Ballot Form except giving their assent or dissent and putting their signature.
- C) Other Instructions:**
- I. The Scrutinizer will collate the votes downloaded from the e-voting system and votes received through physical ballot, to declare the final result for each of the Resolutions forming part of the Annual General Meeting Notice.
 - II. The results of the voting shall be declared on or after the Annual General Meeting of the Company. The Results declared, along with the Scrutinizer's Report, shall be placed on the Company's website www.lotuschocolate.com and be communicated to the Stock Exchanges where the Company is listed, viz. BSE Ltd.
 - III. Members may address any query to Shri G.S.Ram, Compliance Officer - Whole Time Director at the Registered Office of the Company,
8-2-596, 1st floor, 1B,
Sumedha Estates (IVRC Towers),
Avenue - 4, Street No -1 (Old Road No.10),
Banjara Hills, Hyderabad,
Andhra Pradesh,
INDIA. Pin: 500034.
Telephone No's : 91-40-23352607/08/09
Fax No : 91-40-23352610
Email : complaints@lotuschocolate.com

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS ITEMS PURSUANT TO Section 102 OF THE COMPANIES ACT, 2013

Item No. 5

As the member are aware, Shri Ganpath Subramanya Ram was appointed as Whole Time Director of the Company and the said tenure is expiring on 03.11.2013, the Board of Directors of the Company, accordingly on its meeting held on 04.11.2013, subject to approval of Members of Company, reappointed Shri Ganpath Subramanya Ram as Whole Time Director for a period of five years with effect from 04.11.2013, at the remuneration recommended by the Remuneration Committee and approved by the Board.

It is proposed to seek the Members approval for the said reappointment and remuneration payable to Shri Ganpath Subramanya Ram, as Whole Time Director, in terms of applicable provisions of Companies Act.

None of the Directors except Shri Ganpath Subramanya Ram, and his relatives are in any way concerned or interested financially or otherwise, in the resolution set out at the Item No.5 of the Notice.

Item No. 6

As the member are aware, Shri Dilip Mangesh Kalelkar was appointed as Whole Time Director (Technical) of the Company and the said tenure is expiring on 01.05.2014, the Board of Directors of the Company, accordingly on its meeting held on 01.05.2014, subject to approval of Members of Company, reappointed Shri Dilip Mangesh Kalelkar as Whole Time Director (Technical) for a period of five years with effect from 01.05.2014, at the remuneration recommended by the Remuneration Committee and approved by the Board.

It is proposed to seek the Members approval for the said reappointment and remuneration payable to Shri Dilip Mangesh Kalelkar as Whole Time Director, in terms of applicable provisions of Companies Act.

None of the Directors except Shri Dilip Mangesh Kalelkar, and his relatives are in any way concerned or interested financially or otherwise, in the resolution set out at the Item No.6 of the Notice.

Item No. 7

The Board at the recommendation of the Audit Committee has approved the appointment of Cost Auditors namely M/s.SVVR Associates (Registration No. 31669) Cost Accountants to conduct the audit of Cost Records of the Company for the financial year ended 31st March, 2015 at a Cost Audit Fees plus service tax, out of pocket , travelling and other expenses etc.

In accordance with the provisions of Section 148 of the Companies Act, 2013 ("Act") and as per the rule 14 of Companies (Audit and Auditors) Rules, 2014 the appointment and remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company. Accordingly consent of the members is sought for passing an Ordinary Resolution as set out at the Item No.7 of the notice for the ratification of the remuneration payable to the Cost Auditors for the financial year ended 31st March, 2015.

The Board commends the Ordinary Resolution set out for approval by the shareholders.

None of the Directors/Managerial Personnel of the Company/relatives are in any way concerned or interested financially or otherwise, in the resolution set out at the Item No.7 of the Notice.

Information on Director seeking re-appointment as require under Clause 49 VI (A) of the Listing Agreement with Stock Exchange

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

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

NOTICE-GREEN INITIATIVE

Dear Shareholders,

Sub: Email address for mailing Annual Reports, Notices and other documents

As a part of "Green Initiative" in the Corporate Governance the Ministry of Corporate Affairs vide Circular No 18/2011 dated 29th April 2011 has enabled Companies to send Annual Reports, Notices and other documents through electronic mail.

In the view of the above, we propose to send the Annual Reports, Notices and other documents to our Members through electronic mail.

- A. For Members holding shares in electronic form, the email address provided by you and made available to us by the Depositories will be used for sending the Annual Report. Kindly update your email address with your Depository Participant, including changes if any. In case you desire to receive in physical form please inform us in writing.
- B. Members holding shares in physical form are requested to register their email address so that the Annual Report can be sent through email. You may register your email id with our Registrar & Transfer Agent, whose address and email id is as under:

CIL Securities Limited,

214, Raghava Ratna Towers,

Chirag Ali Lane, Abids,

Hyderabad - 500 001

e-mail: rta@cilsecurities.com /
secretary@cilsecurities.com

- C. Members can also register their choice by logging in to www.cilsecurities.com and clicking on "MCA's Green Initiative" link.

Thanking you,

Yours sincerely,

For Lotus Chocolate Company Limited

Ganpath Subramanya Ram

Whole Time Director & Compliance Officer

Date: August 20, 2014

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 25th Annual Report together with the audited accounts for the year ended 31st March, 2014.

FINANCIAL RESULTS

₹ in lakhs

	Year ended 2014	Year ended 2013
Income	5680.47	4700.05
Gross Profit before Interest & Depreciation	(162.15)	(49.61)
Interest	(40.65)	(52.54)
Depreciation	(66.50)	(51.28)
Profit/(loss) for the year	(269.30)	(153.43)
Loss brought forward from previous year	(2887.88)	(2734.45)
Loss carried forward To Balance Sheet	(3157.18)	(2887.88)

PERFORMANCE

Lotus has achieved a sales turnover at Rs.5630 Lakhs for the financial year ended 31.03.2014 representing a growth rate of 21.21% over the preceding year. However, the company could not turn the corner as the hike in the input cost has affected the bottom line. Further, stiff competition has resulted in erosion of prices and margins of the products. 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 your brands, products, innovation initiatives, expansion into new product categories and managing operating costs through cost efficiency measures.

BUSINESS PLAN

During the year the company has exported Cocoa butter and work has been initiated for opening up avenues for considerable volumes in the domestic market, focusing on large national players.

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, high escalation in the cost of power/steam generation and heavy power cuts had a cascading impact on product competitiveness.

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 a unique source of competitive advantage in an increasingly challenging socio- economic environment.

FSSC CERTIFICATION

Your company's manufacturing factory located at Narsapur, Medak District has been certified to the latest version of FSSC 22000:2010 (Food Safety Standard Certification by TUV NORD).

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.

RESEARCH AND DEVELOPMENT

1. The introduction of medicinal and organic ingredients in the manufacturing of chocolates had lead to a new trend and development in the country, which will be adapted by major manufacturers to remain active in the market. Keeping this in view, emphasis has been given by R & D team of flavor manufacturers specific. Development of Choco- pie enrobing mass and biscuit cream for reputed indigenous and MNC firms are under process.

2. Work on innovative consumer range of products is under progress. Adequate exposure and training are being imparted to the team in relevant areas for better understanding of the process, process controls and product needs.

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

In accordance with the provisions of Section 152 of the Companies Act 2013 directors Shri.Abhijeet Pai and Shri.G V P Raju retire by rotation at the Annual General Meeting and being eligible offer themselves for reappointment. Shri Ganpath Subramanya Ram and Shri Dilip Mangesh Kalelkar was reappointed as Whole Time Directors of the Company.

AUDITORS REPORT

The observations made in the Auditor's Report, read together with the relevant notes thereon are self explanatory and hence, do not call for any comments.

AUDITORS

M/s S R Mohan & Company, Chartered Accountants Hyderabad, Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 141(3)(g) of Companies Act, 2013. Accordingly the said Auditors are reappointed as Statutory Auditors of the Company at the ensuing Annual General Meeting till the conclusion of 28th Annual General Meeting to be held in the year 2017 (subject to ratification of their appointment

by the members at every AGM held after this AGM).

Listing Arrangements

The Company's shares are listed on **BSE LIMITED**.

The Company has paid up to date annual listing fee of the Stock Exchange.

Public Deposits

During the year under review the Company has not accepted any public deposits.

Insurance

Adequate Insurance cover has been taken for properties of the Company including Buildings, Computers, Office Equipments, Vehicles, etc.

Management's Discussion and Analysis Report Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, now section 134 of Companies Act 2013, with respect to Directors' Responsibility Statement, it is hereby confirmed that:-

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

Corporate Governance

The Company is committed to maintain the highest standards of Corporate Governance. Your Directors affirmed to the requirements set out in the Listing Agreement with the Stock Exchanges and have implemented all the stipulations prescribed. The Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges forms part of the Annual Report. The requisite certificate from the Practising Company Secretary, Rakhi Agarwal from Rakhi Agarwal & Associates, confirming compliance with the conditions of Corporate Governance as stipulated under the aforesaid Clause 49, is annexed to this Report. A Cash Flow Statement for the Financial Year 2013-14 of the Company is attached to the Balance Sheet.

ACKNOWLEDGEMENT

Your 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

P.Ananth Pai
Director

G.S.Ram
Whole Time Director

Place : Hyderabad

Date : August 20, 2014

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.

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

		Year ended 31 st March, 2014	Year ended 31 st March, 2013
A.	Power & fuel consumption in respect of		
	1. Electricity		
	a. Purchased :	19,78,476	12,83,695
	Units (Kwh)		
	Total (₹.)	1,52,88,306	95,50,390
	Rate per unit (₹.)	7.72	7.43
	b. Own Generation :		
	Through Diesel Generator		
	Units (Kwh)	3,27,784	6,32,466
	Units per liter of Diesel oil	3.20	2.90
	Cost per Unit (₹.)	18.93	17.61
	2. Furnace Oil/LSHS/LDO/HSD		
	Qty (Lts)	Nil	Nil
	Total Amount (₹.)	Nil	Nil
	Average (₹./Ltr)	Nil	Nil
	3. Wood/Coal		
	Qty (Kgs.)	6,45,370	5,61,835
	Total Amount (₹.)	33,11,372	34,09,182
	Average (₹./Kgs.)	5.13	6.06

B.	Consumption per Unit of Production Cocoa & Chocolate products (tones)		
	i. Electricity (KWH/Tonnes)		
	- Cocoa	623 units/MT	626 units/MT
	- Chocolate	499 units/MT	454 units/MT
	ii. Furnace Oil/LSHS/LDO HSD (KL/Tonne)		
	- Cocoa	Nil	Nil
	- Chocolate	Nil	Nil
	iii. Wood/coal (KG/MT)		
	- Cocoa	415 Kgs/MT	525 Kgs/MT
	- Chocolate	55 Kgs/MT	53 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 develop 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.
- g. Total foreign exchange used and earned (CIF Value):

	₹. /lacs
i) Foreign Exchange earnings	224.29
ii) Foreign Exchange Outgo (including raw materials, components and spare parts of capital goods and other expenditures in foreign currency including dividends)	119.02

For and on behalf of the Board

Place : Hyderabad
Date : August 20, 2014

P. Ananth Pai
Director

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 consists of seven Directors, out of which five are Non-Executive Directors and two are Executive Directors of the Company.

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

Five .5. Board Meetings were held during the financial year ended 2014:

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.Ananth Pai	Independent Non-executive Promoter Director	5	5	Yes
2.	P.Prakash Pai	Independent Non-executive Promoter Director	5	5	Yes
3.	G.S.Ram	Independent Executive Director	5	5	Yes
4.	G.V.P.Raju	Independent Non-executive Director	5	5	Yes
5.	Dilip Mangesh Kalelkar	Independent Executive Director	5	2	Yes
6.	P.Ashwini Pai	Independent Non-Executive Director	5	-	Yes
7.	P.Abhijeet Pai	Independent Non-executive Director	5	-	---

Date of last Annual General Meeting (AGM) - 30.09.2013.

(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	6	—
2.	P.Ananth Pai	6	—
3.	P.Ashwini Pai	1	—
4.	P.Abhijeet Pai	7	—
5.	G.V.P.Raju	—	—
6.	G.S.Ram	1	—
7.	Dilip Mangesh Kalelkar	—	—

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

Five(5) Board Meetings were held during the financial year 2014. 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 st Board Meeting	-	11.08.2013
2 nd Board Meeting	-	19.08.2013
3 rd Board Meeting	-	04.11.2013
4 th Board Meeting	-	13.11.2013
5 th Board Meeting	-	12.02.2014

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

The Committee consists of the following members:

The Committee consists of:

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

(c) Meetings during the year

Three meetings of the Audit Committee were held.

4. Remuneration Committee

The Committee consists of:

1. Shri P.Prakash Pai - Chairman
2. Shri P.Ananth Pai - Member
3. Shri G V P Raju - Member
4. Shri G S Ram - Member

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 and Shri Dilip Mangesh Kalelkar.

6. Shareholders/Investors Grievances Committee

The following are the members of the Committee:

1. Shri P.Prakash Pai, Director
2. Shri P.Ananth Pai, Director
3. Shri G S Ram, Whole Time Director
4. Shri G V P 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 2014:

Nature of Complaint	Received	Cleared
Any other complaints	1	1
Total	1	1

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.

The details in respect of the last **three** Annual General Meetings of the Company are as follows:

Date of the Meeting (Relating to Calendar Year)	AGM held relating to accounting year ended	Venue of the Meeting	Time of Meeting
30 th September, 2013	31-03-2013	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
30 th September, 2012	31-03-2012	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
30 th September, 2011	31-03-2011	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m

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

This information is provided in the Notes appended to the Explanatory Statement under the heading "Additional information on Directors recommended for appointment/ seeking re-election at the ensuing Annual General Meeting."

(c) Whether special resolutions were put through Postal Ballot last year, details of voting pattern, person who conducted the Postal Ballot exercise, proposed to be conducted through Postal Ballot and procedure for Postal Ballot.

Not applicable. None of the resolutions had been proposed to be passed through Postal Ballot.

8. Disclosures

- (a) **Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.**

Forming part of the Note to Accounts of the Company.

- (b) **Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.**

None.

9. Means of Communication

Half yearly Report sent to each of the shareholders	Published in English and Regional Newspaper
Quarterly Results - Newspapers normally published in	Published in English - Business Standard Telugu - Andhra Bhoomi
Website where quarterly results are displayed	sebidifar.nic.in

10. General Shareholder information

- (a) The Company is registered in the state of Telengana. The Corporate identity Number (CIN) allotted to the Company by Ministry of Corporate Affairs (MCA) is L15200AP1988PLC009111. As indicated in the Notice to our Shareholders, the Annual General Meeting of the Company will be held on **30th day of September, 2014, Tuesday at 10.00 A.M.**

- (b) Date of book closure: **22nd day of September, 2014 to 30th day of September, 2014** for the purpose of the Annual General Meeting.

- (c) No gifts will be given at the Annual General Meeting.

- (d) The shares of the company is listed on:

- The Stock Exchange, Mumbai

The listing fees for all the years have been paid to the stock exchange where the company's shares are listed.

- (e) **Stock Code**

Stock Code-BSE-LANGLSY Scrip Code No. 523475

- (f) **Registrar & Share Transfer Agents**

M/s CIL SECURITIES LIMITED

Reg.Off.: 214, Raghava Ratna Towers, Chirag Ali Lane, Abids,
Hyderabad - 500 001.

Tel.No.040-23202465, 23203155

- (g) **Share Transfer System**

The shareholders are advised to contact the Registrar and Share Transfer Agents at their address for effecting transfer of shares both in physical and electronic form.

(h) Distribution of Shareholding as on 31st March, 2014 :

	Category	Number of Shares Held	Percentage of Shareholding (%)
A	Promoter's Holding		
1	Promoter's - Indian Promoters - Foreign Promoters	9,253,020 —	72.06 —
	Sub - Total	9,253,020	72.06
B	Non - Promoters Holding		
2	Institutional Investors	—	—
A	Mutual Funds & UTI	—	—
B	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non - Govt. Institutions)	3,900	0.03
C	FIs —	—	—
	Sub - Total	3,900	0.03
3	Others		
A	Private Corporate Bodies	242,303	1.89
B	Indian Public	3,331,453	25.94
C	Any other - NRIs / OCBs	10,373	0.08
	Sub - Total	3,584,129	27.91
	Grand Total	12,841,049	100.00

(i) Dematerialization of Shares:

The shares are traded in dematerialized form with effect from **June 28th, 2001**. Our Company had entered into agreements with National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd.(CDSL) to establish electronic connectivity and facilitate scripless trading. The list of Depository Participants is available with the National Securities Depository Limited (NSDL) at www.nsdl.co.in. The **International Securities Identification Number (ISIN)** allotted to the Company's scrip is **INE026D01011**.

(j) Outstanding GDRs/ADRs/Warrants or any other Convertible instruments, conversion date and likely impact on equity.

The Company has not issued any GDRs/ADRs/Warrants or any other convertible instruments so far.

(k) Plant Location : Doulatabad, Narsapur Taluq, Medak District, 502296.

(l) Address for correspondence

LOTUS CHOCOLATE COMPANY LIMITED #8-2-596, 1st Floor, 1B, Sumedha Estates, Avenue - 4, IVRCL Towers, St.No.1., Rd. No.10, Banjara Hills, Hyderabad-500 034.

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

The Equity Shares of the Company are listed in the following Stock Exchange and the listing fees till date have been paid by the Company.

Non-Regional

The Stock Exchange, Mumbai 1st Floor, Rotunda Building, B.S.Marg, Fort, Mumbai - 400 001

CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance of conditions of corporate governance, by LOTUS CHOCOLATE COMPANY LIMITED , for the year ended 31.03.2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

We state that as the records maintained, no investor grievances against the Company are pending for a period exceeding one month before Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Hyderabad

Dated: August 20, 2014



For RAKHI AGARWAL & ASSOCIATES
COMPANY SECRETARIES

Sd/-
RAKHI AGARWAL
PROPRIETOR
FCS NO.7047, CP NO.6270

CEO/CFO CERTIFICATIONS

As required by sub clause V of the Clause 49 of the Listing Agreement entered with the Stock Exchanges, we have certified to the Board that for the financial year ended 31st March 2014, the Company has complied with the requirements of the said sub clause.

Place : Hyderabad
Date : August 20, 2014

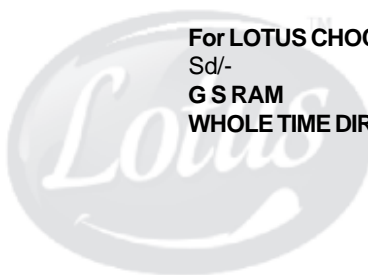
For LOTUS CHOCOLATE COMPANY LIMITED
Sd/-
G S RAM
WHOLE TIME DIRECTOR/COMPLIANCE OFFICER

COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

As provided under Clause 49 of the Listing Agreement entered with the Stock Exchange, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct and the Ethics for the financial year ended 31st March, 2014.

Place : Hyderabad
Date : August 20, 2014

For LOTUS CHOCOLATE COMPANY LIMITED
Sd/-
G S RAM
WHOLE TIME DIRECTOR/COMPLIANCE OFFICER



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and development:

The chocolate market is a rewarding market from the perspective of confectionery producers. Increasing population and disposable income has helped in increasing the penetration of the market not only in India, but also across Asia-Pacific. Mass consumption of chocolate and chocolate intermediaries across all strata of population is instrumental in this robust growth. The Indian chocolate market is also growing rapidly due to the huge demand for cocoa & chocolate-based products.

2. Opportunities and threats:

With the boom in the software industry and other economic activities of the present day, the earning levels of the people in general at both urban and rural levels have recorded a discernible improvement in India. This has resulted in ever growing demand for the confectionery products entailing immense potential for the chocolate industry. This apart, there are multinational companies operating in the market like Nestle, Cadbury etc. These branded consumer chocolate companies are outsourcing their cocoa and chocolate ingredient needs to a few selected processing companies. Our company has been successfully catering to such requirements of some of the multi-national companies.

The chocolate industry is characterised by a high level of consolidation and fierce competition between the companies on all levels of the value chain. This competition has resulted in erosion of prices and margins. Further, availability of major raw material suffers from seasonal fluctuation. By adopting effective cost control measures and also advance planning methods in procurement of the material, the company can overcome these threats.

3. Segment-wise or product-wise performance:

The Company caters to both industrial and consumer demand. The industrial segment includes large chocolate consumers like bakeries, ice cream manufacturers besides some multinational companies. For the retail consumers, the company offers a wide range of products to suit every pocket.

4. Outlook:

The company is one of India's select manufacturers of the finest chocolates, cocoa product and cocoa derivatives. Currently, the company's products are supplied to chocolate makers and chocolate users in India and also abroad, from local bakeries to multi-national companies. Incorporated in 1989 and having commenced operations in 1992, the company has acquired reputation as a reliable business partner for the supply of cocoa and chocolate products.

The company's outlook for the FY: 2015: Lotus brand has become synonymous with uncompromising quality, consistency, reliability and hygiene which vitally important in food products business. With its quality consciousness and strict compliance with the processes and all parameters, the company visualizes bright prospects in the current financial year 2014-15 as well as in future.

5. Internal control systems and their adequacy:

The company has adequate and internal control system to ensure the safeguarding of the company's assets against loss and to verify that all the transactions are authorized, recorded and reported correctly. An extensive exercise of internal audit, periodical review by the management strengthen the above procedures.

6. Financial and Operational Performance:

Detailed financial information is available in the Director's report and attached accounts statements.

7. Material Developments in Human Resources / Industrial relations :

The Company recognizes the importance and contribution of its human resources for its growth and development and in turn is committed to the development of its employees. The employee's relations have been cordial and satisfactory during the year under review. The company has about 245 employees in its various departments.

8 Cautionary statement:

Statements made in this report describing the company's projections, estimates, expectations or predictions may be "forward looking" within meaning of applicable securities laws and regulations. Actual results may differ from such estimates whether expressed or implied. Factors which would make a significant difference to the company's operations include availability of quality cocoa beans, market prices of other important raw materials like milk powder, vegetable fat etc., changes in Government regulations and tax laws economic conditions affecting demand/supplies and other environmental factors over which the company does not have control



INDEPENDENT AUDITOR'S REPORT

To
The Members of Lotus Chocolate Company Limited

1. Report on the Financial Statements

We have audited the accompanying financial statements of Lotus Chocolate Company Limited, which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- (2) As required by section 227(3) of the Act, we report that:
 - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).
 - (e) on the basis of written representations received from the directors as on March 31, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company..

Place : Hyderabad
Date : August 20, 2014

For S.R. Mohan & Co.,
Chartered Accountants
FR No. 002111S

Sd/-

B. Brahmanandam, Partner
Membership No. 020026

Ref: LOTUS CHOCOLATE COMPANY LIMITED
ANNEXURE REFERRED TO IN PARAGRAPH 5(1) OF AUDITORS' REPORT OF EVEN DATE

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a phased programme of physical verification of Fixed Assets which in our opinion is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off a substantial part of Fixed Assets during the period, which affects the going concern concept.
- (d) None of the fixed assets has been revalued during the year.
- (ii) (a) As explained to us, all the inventory of the Company except stock-in-process has been physically verified by the management at the year-end. Stock-in-process has been taken as per the management's technical estimate. In our opinion and according to the information and explanations given to us, the frequency of the verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management and read with our comments in paragraph (ii) (a) above, are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) On the basis of examination of the records of inventory and according to the information and explanations given to us, we are of the opinion that the Company is maintaining proper records of inventory. Discrepancies noticed on physical verification of stocks were not material.
- (iii) (a) On the basis of examination of records and according to the information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) On the basis of examination of records and according to the information and explanation given to us, the Company has taken unsecured loans from two parties in the previous year, covered in the register maintained under section 301 of companies Act, 1956. The maximum amount at any time during the year was Rs1882.38 Lakhs and year-end balance outstanding was Rs.1882.38 Lakhs.
- (c) In our opinion, the rate of interest and other terms and conditions on which loans taken are not prejudicial to the interest of the Company.
- (d) The aforesaid loans given to the company are repayable on demand and there is no repayment schedule. Therefore, the question of repayment being regular does not arise.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to the purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion, and according to the information and explanation given to us, there is no continuing failure to correct major weaknesses in the internal control system.

- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs.5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits under section 58A or any other relevant provisions of the Companies Act, 1956 and rules framed there under.
- (vii) In our opinion, Company has internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records of the Company and the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.
- (b) According to records of the Company and the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess were outstanding as at 31st March, 2014 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company and as per the information and explanations given to us by the management, the details of disputed statutory dues which have not been deposited are as given below:

Name of Statute	Nature of dues	Amount (Rs in Lakhs)	Period to which it relates	Forum where pending
Customs	Customs Duty	319.04	1996-1997	High Court, Chennai
Customs	Customs Duty	180.00	1996-1997	Appellate Tribunal, Chennai

- (x) In our opinion, the accumulated losses of the company are more than its Net Worth as on 31st March, 2014. The Company has incurred Cash Loss of Rs.202.80 lakhs during the financial year covered by our audit and Rs. 102.14Lakhs in the immediately preceding financial year.
- (xi) Based on our examination of documents and records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.

- (xii) Based on our examination of documents and records and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of the pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or nidhi/ mutual benefit fund/society. Therefore, the provisions of the clause 4(xiii) of the Companies (Auditor's Report) Order,2003 are not applicable to the Company.
- (xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not taken any term loan during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on a short-term basis have been used for long-term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act,1956 during the year.
- (xix) According to the information and explanations given to us and the records examined by us, no debentures have been issued during the year. Accordingly, provisions of Clause 4(xix) of the Order are not applicable to the Company.
- (xx) Based on the records examined by us, the Company has not raised monies by public issue during the year.
- (xxi) During the course of our examination of books of account carried out in accordance with generally accepted practices in India, we have neither come across any incidence of fraud on or by the neither Company nor have we been informed of any such case by the management.

Place : Hyderabad
Date : August 20, 2014

For S.R. Mohan & Co.,
Chartered Accountants
FR No. 002111S

Sd/-
B. Brahmanandam, Partner
Membership No. 020026

Balance Sheet as at 31 March, 2014

	Particulars	Note No.	As at 31 March, 2014 Amount in ₹	As at 31 March, 2013 Amount in ₹
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	2	202,346,490	202,346,490
	(b) Reserves and surplus	3	(248,836,317)	(221,906,167)
			(46,489,827)	(19,559,677)
2	Non-current liabilities			
	(a) Long-term borrowings	4	186,026,554	139,266,554
	(b) Other long-term liabilities	5		6,544,147
	(c) Long-term provisions	6	5,581,059	4,700,767
			191,607,613	150,511,468
3	Current liabilities			
	(a) Short-term borrowings	7	12,670,856	29,807,241
	(b) Trade payables	8	50,332,620	56,455,727
	(c) Other current liabilities	9	14,694,646	17,259,434
	(d) Short-term provisions	10	4,368,968	4,475,140
			82,067,090	107,997,542
	TOTAL		227,184,877	238,949,333
B	ASSETS			
1	Non-current assets			
	(a) Fixed assets	11		
	(i) Tangible assets		60,148,995	57,386,653
	(ii) Intangible assets		760,000	-
	(iii) Capital work-in-progress		313,836	3,320,000
			61,222,831	60,706,653
	(b) Long Term Loans & Advances & Deposits	12	5,945,116	5,419,737
2	Current assets			
	(a) Current investments	13	0	1,764,100
	(b) Inventories	14	44,006,285	50,662,441
	(c) Trade receivables	15	98,736,585	103,375,032
	(d) Cash and cash equivalents	16	8,553,468	7,842,007
	(e) Short-term loans and advances	17	3,288,779	3,200,613
	(f) Other current assets	18	5,431,814	5,978,750
			160,016,930	172,822,943
	TOTAL		227,184,877	238,949,333
	Significant Accounting Policies and Notes form integral part of Financial Statements.	1 to 35		

In terms of our report attached.

For S.R.Mohan & Co

Chartered Accountants

FRN: 002111S

Sd/-

B. BRAHMANANDAM, Partner

Membership No 020026

Place : HYDERABAD

Date : August 20, 2014

For and on behalf of the Board of Directors

Sd/-

P.ANANTH PAI

DIRECTOR

Sd/-

G.S. RAM

WHOLE TIME DIRECTOR

Statement of Profit and Loss for the year ended 31 March, 2014

	Particulars	Note No.	As at 31 March, 2014 Amount in ₹	As at 31 March, 2013 Amount in ₹
A	FROM CONTINUING OPERATIONS:			
I	Revenue From Operations:	19	563,002,277	464,457,160
II	Other income	20	529,445	1,291,146
III	Total revenue (I+II)		563,531,721	465,748,306
IV	Expenses			
	(a) Cost of materials consumed	21	438,015,145	339,702,677
	(b) Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	5,796,574	(1,810,786)
	(c) Employee benefits expense	23	49,198,149	46,857,414
	(d) Finance costs	24	4,197,047	5,254,225
	(e) Depreciation and amortisation expense		6,649,607	5,128,362
	(f) Other expenses	25	86,682,927	86,103,281
	Total expenses		590,539,449	481,235,173
V	"Profit / (Loss) before exceptional and "extraordinary items and tax (III-IV)"		(27,007,728)	(15,486,866)
VI	Exceptional items		0	0
VII	"Profit / (Loss) before extraordinary items" and tax (V + VI)"		(27,007,728)	(15,486,866)
VIII	Extraordinary items (Prior Period Adj.)		77,579	129,217
IX	Profit / (Loss) before tax (VII + VIII)		(26,930,150)	(15,357,650)
X	Tax expense:			
	(a) Current tax expense for current year		0	0
	(b) Deferred tax		0	0
XI	Profit / (Loss) after tax (IX -X)		(26,930,150)	(15,357,650)
XII	Basic and diluted Earnings per Equity Share (face value of ₹10/- each) before prior year adjustment		(2.10)	(1.21)
XIII	Basic and diluted Earnings per Equity Share (face value of ₹10/- each) after prior year adjustment		(2.10)	(1.20)
	"Significant Accounting Policies and Notes form" integral part of Financial Statements."	1-35		

In terms of our report attached.

For S.R.Mohan & Co

Chartered Accountants

FRN: 002111S

Sd-

B. BRAHMANANDAM, Partner

Membership No 020026

Place : HYDERABAD

Date : August 20, 2014

For and on behalf of the Board of Directors

Sd/-

P.ANANTH PAI

DIRECTOR

Sd/-

G.S. RAM

WHOLE TIME DIRECTOR

CASHFLOW STATEMENT FOR THE YEAR ENDED 31.03.2014

Particulars	(In ₹) Year ended 31.03.2014	(In ₹) Year ended 31.03.2013
A. Cash Flow from Operating Activities:		
Net Profit before tax and Extra Ordinary items	(27,007,728)	(15,471,863)
Adjustment for:		
Depreciation	6,649,607	5,128,326
Provision no longer required written back	0	0
Fixed Assets Written Off	0	0
Interest	4,197,047	5,254,225
Operating Profit before working capital Changes	(16,161,074)	(5,089,312)
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Inventories	6,656,156	476,444
Trade and other receivables	4,571,839	(15,493,473)
Adjustments for increase / (decrease) in operating liabilities:		
Trade and other payables	(15,338,215)	42,795,677
Long-term provisions	880,292	(460,440)
CASH GENERATED FROM OPERATIONS	(19,391,001)	22,228,896
Interest Paid	(4,197,047)	(5,254,225)
Cash flow before extra ordinary items	(23,588,049)	16,974,671
Extra Ordinary items	77,579	129,217
NET CASH FROM OPERATING ACTIVITIES	(23,510,470)	17,103,888
B. Cash Flow from Investing activities:		
Purchase of Fixed Assets	(10,485,785)	(25,884,001)
Sale/(Purchase) of Investments	1,764,100	78,900
Adj for sale of Fixed Assets/Depreciation write back	3,320,000	19,186,718
NET CASH USED IN INVESTING ACTIVITIES	(5,401,685)	(6,618,383)
C. Cash Flow from Financing Activities:		
Receipt/(Repayment) of Term Loans	29,623,616	(4,696,238)
NET CASH FROM FINANCING ACTIVITIES	29,623,616	(4,696,238)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS(A+B+C)	711,461	5,789,267
CASH & CASH EQUIVALENTS (As on 31.03.2014)	8,553,468	7,842,007
CASH & CASH EQUIVALENTS (As on 31.03.2013)	7,842,007	2,052,740
NET INCREASE IN CASH & CASH EQUIVALENTS	711,461	5,789,267

Notes:

The above Cash flow statement has been prepared under the 'Indirect Method' as set out in Accounting Standard-3 on Cash flow Statements issued by the Institute of Chartered Accountants of India.

In terms of our report attached.

For S.R.Mohan & Co

Chartered Accountants

FRN: 002111S

Sd-

B. BRAHMANANDAM, Partner

Membership No 020026

Place : HYDERABAD

Date : August 20, 2014

For and on behalf of the Board of Directors

Sd/-

P.ANANTH PAI

DIRECTOR

Sd/-

G.S. RAM

WHOLE TIME DIRECTOR

Notes 1:

SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING ASSUMPTIONS:

The accounts have been prepared under the historic cost convention on the basis of a going concern concept, with revenues recognized and expenses accounted for on their accrual, with due provisions/adjustments for obligations that have been crystallised but not yet incurred.

Accounting policies not specifically referred to herein below are consistent and in consonance with generally accepted accounting principles prevalent in India.

2. BASIS OF PRESENTATION:

The structures of the accounts have been drawn in accordance with the Revised Schedule VI to the Companies Act, 1956.

3. FIXED ASSETS:

Fixed assets are stated at cost less depreciation. Cost includes freight, installation charges, duties, taxes, insurance, interest levied on borrowed funds used to finance assets in the course of construction and installation and other related incidental charges. Expenditure for additions and improvements are capitalized and expenditure for maintenance and repairs are charged to profit and loss account. When assets are sold or retired, their cost or valuation and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

4. DEPRECIATION:

Depreciation on fixed assets (except land) has been provided on Straight Line Method as per rates provided in Schedule XIV to the Companies Act, 1956.

5. INVESTMENTS:

All investments are stated at cost i.e., cost of acquisition is inclusive of expenditure incidental to acquisition.

Provision for diminution in their market value of current investments is recognized and charged to Profit and Loss Account.

6. INVENTORIES:

Inventories are valued as under:

a) Raw-materials, packing materials, stores and spares:

At cost (determined on a weighted average basis) which includes freight, duty and insurance or net realizable value whichever is lower.

b) Work-in-process:

At cost plus allocation and apportionment of relevant factory overheads applicable till the stage of completion.

c) Finished goods:

1. At factory: Valued at lower of cost or market value. Cost computed on the basis of material, direct labour and allocation and apportionment of relevant factory overheads incurred and excise duty payable on such goods.

2. At branches: Valued at lower of cost or market value. Cost computed on the basis of material, direct labour and allocation and apportionment of relevant factory overheads including excise duty paid on such goods and transport charges to the branch.

7. PROVISIONS:

- A. In accordance with year-end review of the reliability of Trade receivables and other receivables, specific provisions are created and maintained against those Trade receivables and other receivables that in the opinion of the management may not be recovered partially or fully.
- B. Provisions are made for non-moving, obsolete and unserviceable inventories / stores on the basis of technical evaluation.

8. REVENUE RECOGNITION:

Sale of goods is recognized at the point of dispatch of finished goods to Customers.

Sales are exclusive of excise duty and sales tax.

Income from interest on call money arrears, Investment in National savings certificates being insignificant and accounted for on cash basis.

9. RESEARCH AND DEVELOPMENT:

Expenditure pertaining to Research and Development is charged to revenue in the year in which it is incurred.

10. EMPLOYEE BENEFITS

- A) In respect of Gratuity for eligible employees, provision is made as per Actuarial Valuation certified by Mr. K.V.Y .Sastry for the year ended 31/03/2014
- B) In respect of leave encashment, provision is made based on salary as at March, 31, 2014 for the leave accumulated and credited to the respective employees.

11. PRIOR-PERIOD ITEMS:

An item has been determined as prior period item in accordance with the accounting standards issued by the ICAI

12. EXCEPTIONAL ITEM:

An item of income/expense arising from certain ordinary activities of the Company which are of such size, nature or incidence that their disclosure is relevant to be made separately are treated as exceptional item.

13. FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are accounted at the rate prevailing on the transaction date. Exchange differences if any arising on the date of settlement have been charged to profit & loss account.

14. TAXES ON INCOME

Current tax is determined in accordance with the provisions of the Income Tax Act, 1961, as the amount of tax payable to the Tax Authorities in respect of taxable income for the year.

Deferred tax: Since the company has substantial carried forward business losses and unabsorbed depreciation, it is unlikely to have taxable profits in the near future and the deferred tax liability is much lesser than deferred tax assets and hence it is considered prudent not to recognize either deferred tax assets or deferred tax liability.

15. TREATMENT OF CONTINGENT LIABILITIES:

Liabilities, which may or may not arise and not crystallized as at the end of accounting period, have been shown as contingent liabilities.

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

2. SHARE CAPITAL	As at 31.03.2014		As at 31.03.2013	
	Number	Amount	Number	Amount
Authorised:				
Equity Shares - Par Value ₹. 10/- each	14,000,000	140,000,000	14,000,000	140,000,000
Preference Shares - Par Value ₹.10/- each	8,000,000	80,000,000	8,000,000	80,000,000
Issued, Subscribed and fully paid up:				
Equity Shares - Par Value ₹. 10/- each	12,841,049	128,410,490	12,841,049	128,410,490
Less: CALLS UNPAID				
From Members other than Directors		30,000		30,000
		128,380,490		128,380,490
Preference Share Capital				
73,96,600 -10% Redeemable Cumulative Preference Shares ₹ 10/- each (Previous Year 73,96,600)	7,396,600	73,966,000	7,396,600	73,966,000
TOTAL		202,346,490		202,346,490

(A) Reconciliation of Equity Shares:

As at the beginning of the year	12,841,049	128,380,490	12,841,049	128,380,490
Issued During the Year	-	-	-	-
As at the End of the year	12,841,049	128,380,490	12,841,049	128,380,490

(B) Reconciliation of Preference Shares:

As at the beginning of the year	7,396,600	73,966,000	7,396,600	73,966,000
Issued During the Year	-	-	-	-
As at the End of the year	7,396,600	73,966,000	7,396,600	73,966,000

(C) Shareholders holding more than 5% of the Equity Shares in the Company

	As at March 31, 2014	Percentage of holding	As at March 31, 2013	Percentage of holding
Mr. Prakash Peraje Pai	3,659,272	28.50	3,659,272	28.50
Mr. Ananth Peraje Pai	3,659,272	28.50	3,659,272	28.50

(C Rights, Preferences and restrictions attached to the Shares:**(i) Equity Shares:**

Equity shares rank pari passu as regards to dividend and voting rights. Each share has one vote.

(ii) Preference Shares

Preference shares have right to preferential dividend of 10% per annum on cumulative basis and also for redemption of principal over the equity shares. Preference share holders have right to vote only on the matters concerning the preference shares.

The amount is in Indian Rupees

3. RESERVES AND SURPLUSES:	As at 31.03.2014		As at 31.03.2013	
	Amount	Amount	Amount	Amount
(A) Capital Reserve:				
As at the Beginning of the year	27,414,157		27,414,157	
Additions during the year				
Less Transferred to Profit & Loss Statement				
As at end of the year		27,414,157		27,414,157
(B) Securities Premium Account				
As at the Beginning of the year	37,968,442		37,968,442	
Additions during the year				
Less Transferred to Profit & Loss Statement				
As at end of the year		37,968,442		37,968,442
(C) State Investment Subsidy		1,500,000		1,500,000
(D) Surplus/(Deficit) in Profit and Loss				
As at the beginning of the year	(288,788,766)		(273,446,117)	
Additions during the year	(26,930,150)		(15,342,649)	
Transfers during the year				
As at the end of the year		(315,718,916)		(288,788,766)
TOTAL		(248,836,317)		(221,906,167)

4. LONG TERM BORROWINGS:	As at 31.03.2014		As at 31.03.2013	
	Amount	Amount	Amount	Amount
(i) Unsecured Loans				
From others :				
From Directors	185,836,554		139,076,554	
Security Deposit	190,000	186,026,554	190,000	139,266,554
TOTAL		186,026,554		139,266,554

5. OTHER LONG TERM LIABILITY	As at 31.03.2014		As at 31.03.2013	
	Amount	Amount	Amount	Amount
Creditors for Capital Items	–		6,544,147	
		–		6,544,147
TOTAL		–		6,544,147

The amount is in Indian Rupees

6. LONG TERM PROVISIONS:	As at 31.03.2014	As at 31.03.2013
	Amount	Amount
Provision for Employee Benefits:		
Provision for Gratuity	5,190,499	4,389,654
Provision for Leave Encashment	390,560	311,113
Total	5,581,059	4,700,767

Provision made for Gratuity on the assumption that all the eligible employees retire at the year end.

7. SHORT - TERM BORROWINGS:	As at 31.03.2014	As at 31.03.2013
	Amount	Amount
(b) Loans repayable on demand:		
Secured - SBI	8,121,505	29,807,241
Cash Credit Facility		
Loan on Fixed Deposit	4,549,351	0
Total	12,670,856	29,807,241

7.1. Loans from bank is primarily secured by first charge on inventory, trade receivables and other current assets

7.2. The Bank Loan is also collaterally secured by way of first charge on Fixed Assets of the Company including EM of Factory Land and Buildings situated at S No 31 & 39 in Nasthipur Village, Hathnura Mandal, Medak District.

8. TRADE PAYABLES	As at 31.03.2014	As at 31.03.2013
Creditors for Supplies	48,195,173	51,499,499
Creditors for Services	2,137,447	4,956,228
Total	50,332,620	56,455,727

The company has not received any intimation from suppliers regarding their status under micro, small and medium enterprise Act 2006 and hence disclosures if any, relating to amounts unpaid as at the year end to whether with interest paid / payable as required under the said Act has not been given.

9. OTHER CURRENT LIABILITIES	As at 31.03.2014	As at 31.03.2013
Salaries and other Staff benefits Payable	3,876,449	3,546,365
Salary Recoveries Payable	305,990	381,118
VAT & Other Indirect Taxes Payable	3,359,818	3,512,964
TDS Payable	133,928	313,597
Outstanding Liabilities for Expenses	4,703,050	7,881,897
Advances from Customers	2,315,411	1,623,493
Total	14,694,646	17,259,434

10. SHORT TERM PROVISIONS	As at 31.03.2014	As at 31.03.2013
Provision for Employee benefits		
Bonus	2,229,261	2,215,433
Provision for Gratuity	445,500	445,500
Provision for Leave Salary	110,000	230,000
	2,784,761	2,890,933
Provision for Non-Moving Stock	1,584,207	1,584,207
Total	4,368,968	4,475,140

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Note 11

SCHEDULE OF FIXED ASSETS		(AMOUNT IN INDIAN RUPEES)									
		GROSS BLOCK				DEPRECIATION				NET BLOCK	
DESCRIPTION	AS AT 01-04-2013	ADDITIONS DURING THE PERIOD	ADJ.FOR SALE/ TRA.WO	AS AT 31.03.2014	UPTO 31.03.2013	DURING THE PERIOD	ADJ.FOR SALE/DEL. WRITE BACK	UPTO 31.03.2014	AS AT 31.03.2014	AS AT 31.03.2013	
A TANGIBLE ASSETS:											
LAND - FREEHOLD	230,863	0	0	230,863	0	0	0	0	230,863	230,863	
BUILDINGS	19,168,200	0	0	19,168,200	12,445,526	626,281	0	13,071,807	6,096,393	6,722,674	
PLANT AND MACHINERY	182,330,849	9,132,783	0	191,463,632	135,515,749	5,231,439	0	140,747,188	50,716,444	46,815,100	
ELECTRIC INSTALLATIONS	4,845,142	0	0	4,845,142	4,308,942	132,196	0	4,441,138	404,004	536,200	
FURNITURES AND FIXTURES	2,530,989	35,013	0	2,566,002	2,051,586	49,520	0	2,101,106	464,896	479,403	
OFFICE EQUIPMENT	1,150,506	94,553	0	1,245,059	350,558	48,015	0	398,573	846,486	799,948	
OFFICE EQUIPMENT-COMPUTERS	2,701,990	149,600	0	2,851,590	1,653,242	372,043	0	2,025,285	826,305	1,048,748	
VEHICLES	2,001,188	0	0	2,001,188	1,247,471	190,113	0	1,437,584	563,604	753,717	
Total	214,959,727	9,411,949	0	224,371,676	157,573,074	6,649,607	0	164,222,681	60,148,995	57,386,653	
B INTANGIBLE ASSETS											
TOTAL (A+B)	214,959,727	10,171,949	0	225,131,676	157,573,074	6,649,607	0	164,222,681	60,908,995	57,386,653	
C CAPITAL WORK IN PROGRESS	3,320,000	313,836	3,320,000	313,836	0	0	0	0	313,836	3,320,000	
TOTAL (A+B+C)	218,279,727	10,485,785	3,320,000	225,445,512	157,573,074	6,649,607	0	164,222,681	61,222,831	60,706,653	
PREVIOUS YEAR											
AS AT 31ST MARCH 2013	212,308,585	25,884,001	19,912,859	218,279,727	153,170,887	5,128,362	726,175	157,573,074	60,706,653	59,137,698	

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

12. LONG TERM LOANS & ADVANCES	As at 31.03.2014	As at 31.03.2013
	Amount	Amount
(a) Deposit with Govt. Authorities	5,359,528	4,668,978
(b) Prepaid Expenses	585,588	750,759
Total	5,945,116	5,419,737

13. CURRENT INVESTMENTS:	As at 31.03.2014	As at 31.03.2013
	Amount	Amount
(a) Other Investments:		
Units of Mutual Fund:		
(a) STG - Baroda Poineer- Short Term units of Mutual Fund-Bondfund- Growth Plan (100,000 units of ₹.10 Nav ₹.12.23)	—	1,000,000
(b) S.B.I- PSU Fund Growth	—	1,000,000
Less: Diminution in Value	—	235,900
	—	764,100
100000 units of ₹.10/-each in Baroda Pioneer ST BOND & SBI PSU FUND (Nav ₹.7.64)		
Total		1,764,100

14. INVENTORIES	As at 31.03.2014	As at 31.03.2013
Raw Material	9,391,920	10,603,236
Work -in- Process	10,474,158	11,629,859
Finished Goods	11,879,036	16,519,909
Stores and Spares and Fuel	4,752,139	4,615,350
Stock of Packing Materials	7,509,032	7,294,087
Total	44,006,285	50,662,441

14.1 Raw material, Packing material and Stores and Spares are valued at weighted average cost.

14.2 Work in process and finished goods are valued at lower of the cost or Net Realisable Value

15. TRADE RECEIVABLES:	As at 31.03.2014		As at 31.03.2013	
	Amount	Amount	Amount	Amount
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured - Considered good	5,427,089		9,533,502	
Unsecured - Considered Doubtful	49,260		351,006	
	5,476,349		9,884,508	
Less: Provision for doubtful debts	49,260	98,736,585	351,006	9,533,502
Others				
Unsecured - Considered good		93,309,496		93,841,530
Unsecured - Considered doubtful		0		0
Total		98,736,585		103,375,032

16. CASH AND CASH EQUIVALENTS	As at 31.03.2014		As at 31.03.2013	
	Amount	Amount	Amount	Amount
(a) Balances with Banks				
in Current Accounts	3,166,742		7,628,525	
in earmarked deposit accounts	5,269,225	8,435,967	69,225	7,697,750
(b) Cash on Hand		117,501		144,257
Total		8,553,468		7,842,007

17. SHORT TERM LOANS AND ADVANCES	As at 31.03.2014		As at 31.03.2013	
	Amount	Amount	Amount	Amount
Unsecured - Considered good				
Advances to Suppliers	1,873,432		2,384,197	
Advances to Employees	1,415,346		816,417	
Advances to related parties	-		-	
		3,288,778		3,200,613
Total		3,288,778		3,200,613

The amount is in Indian Rupees

18. OTHER CURRENT ASSETS:	As at 31.03.2014		As at 31.03.2013	
	Amount	Amount	Amount	Amount
Unsecured - Considered good				
Tax Deducted at Source	402,424		390,548	
Interest Accrued	209,779		201,256	
Balance with Government Bodies	3,758,262		3,691,516	
Cenvat Credit	764,762		1,438,502	
Prepaid Expenses	296,587	5,431,814	256,928	5,978,750
Total		5,434,814		5,978,750

19. REVENUE FROM OPERATIONS:	As at 31.03.2014		As at 31.03.2013	
	Amount	Amount	Amount	Amount
Sale of Manufactured Products				
Gross Sales	629,516,609		520,734,522	
Less Excise Duty	66,514,333		56,277,362	
Net Sales		563,002,277		464,457,160
Income from Operations		563,002,277		464,457,160

20. OTHER INCOME	As at 31.03.2014	As at 31.03.2013
Interest Income	281,195	145,643
Creditors balances written back	–	569
Misc. Income	248,250	1,144,934
Total	529,445	1,291,146

21. COST OF MATERIAL CONSUMED	As at 31.03.2014		As at 31.03.2013	
	Amount	Amount	Amount	Amount
A. Raw material				
Opening Stock	10,603,236		12,785,016	
Purchases	395,876,165		306,798,261	
Purchase plus Opening Stock	406,479,401		319,583,277	
Less Closing Stock	9,391,920		10,603,236	
Raw Material Consumed		397,087,481		308,980,041
B. Basic Packing Material				
Opening Stock	7,294,087		7,306,016	
Purchases	41,142,609		30,710,707	
Purchase plus Opening Stock	48,436,696		38,016,723	
Less Closing Stock	7,509,032		7,294,087	
Packing Material Consumed		40,927,664		30,722,636
Total		438,015,145		339,702,677

22. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROCESS	As at 31.03.2014		As at 31.03.2013	
	Amount	Amount	Amount	Amount
A. Opening Stock:				
Finished Goods	16,519,909		19,491,357	
Work in Process	11,629,859		6,847,625	
Total Opening Stock (A)	28,149,768		26,338,982	
B. Closing Stock				
Finished Goods	11,879,036		16,519,909	
Work in Process	10,474,158		11,629,859	
Total Closing Stock (B)	22,353,194		28,149,768	
Decrease/(Increase) in Inventory (A-B)	5,796,574		(1,810,786)	

23. EMPLOYEE BENEFITS EXPENSES	As at 31.03.2014	As at 31.03.2013
Salaries and Wages, Bonus & Ex-gratia	43,393,392	41,450,602
Provident Fund & ESI Contributions	2,253,397	2,208,338
Gratuity	1,091,661	900,341
Leave Encashment	142,527	–
Staff Welfare	971,372	952,333
Directors' Remuneration	1,345,800	1,345,800
Total Employee benefits and Expenses	49,198,149	46,857,414
24. FINANCE COSTS	As at 31.03.2014	As at 31.03.2013
Interest Expenses	3,525,732	4,874,747
Bank Charges	538,905	379,478
Exchange Gain Or Loss A/c.	132,410	–
Total Finance Costs	4,197,047	5,254,225
25. OTHER EXPENSES	As at 31.03.2014	As at 31.03.2013
A. Manufacturing Expense		
Consumption of Stores & Spares	5,609,701	7,349,502
Power & Fuel	26,705,660	24,357,125
Repairs to Building	819,831	269,197
Repairs to Plant & Machinery	903,165	371,238
Repairs to Other Assets	303,666	830,365
Other Manufacturing Expenses	10,661,061	11,531,344
R & D/ Lab Expenses	25,233	454,675
	45,028,317	45,163,445
B. Selling Expenses		
Business Promotion	2,261,945	2,588,891
Stock Damages	1,843,286	3,555,353
Rate Differences	473,283	1,559,708
Sales Incentives and Allowances	11,056,637	8,883,688
Carriage Inwards(Stock Returns)	131,792	144,533
Freight , Hamali and Carriage Outwards	13,049,915	10,711,886
	28,816,858	27,444,060
C. Administration Expenses		
Rates & Taxes other than taxes on Income	2,068,350	1,955,831
Professional Charges	785,148	1,152,325
Rent	2,109,333	1,569,660
Travelling & Conveyance	2,317,595	3,093,876
Meeting & Conferences	11,479	41,258
Insurance	547,198	325,087
Postage, Telephone & Courier Charges	1,253,204	1,285,650
General Expenses	3,665,445	3,992,088
Payment to Auditors - As Statutory Audit Fees	50,000	50,000
As Tax Audit Fees	30,000	30,000
	12,837,752	13,495,776
Total	86,682,927	86,103,281

26. SEGMENT REPORTING		Turnover in Rupees	
	For the Year 2013-14	For the Year 2012-13	
(a) Cocoa Products including chocolates			
India	540,572,873	451,733,238	
Export	22,429,404	12,723,920	
Total	563,002,277	464,457,158	
(b) Conversion	Nil	Nil	

27. IMPORTED AND INDIGENOUS MATERIALS CONSUMED				
Particulars	For the year ended 31 st March 2014		For the year ended 31 st March 2013	
	In ₹.	%	In ₹.	%
Raw Materials :				
Imported	11,402,973	2.88	37,119,830	17.83
Indigenous	384,473,192	97.12	271,860,211	82.17
Total	395,876,165	100	308,980,041	100
Components and Spare Parts				
Imported	498,880	13.46	357,576	43.26
Indigenous	3,206,384	86.54	6,991,925	56.74
Total	3,705,264	100	7,349,501	100

28. EARNINGS PER SHARE		
Particulars	31st March, 2014	31st March, 2013
Numerator		
Net Profit / (Loss) as disclosed in Statement of Profit & Loss	(27,007,728)	(15,471,866)
Net Profit / (Loss) attributable to the Equity Shareholders		
Denominator		
Weighted average No. of Equity Shares	12,841,049	12,841,049
Basic and diluted Earnings Per Share (face value of ₹.10 each)	(2.10)	(1.20)
Basic and diluted Earnings Per Share After Exceptional items	(2.10)	(1.19)

29. RELATED PARTY DISCLOSURES:

Related parties with whom company entered into transactions during the year:

(i) List of Related parties:

(a) Key Management Personnel and Enterprises:

- (i) P. Prakash Pai, Director
- (ii) P. Ananth Pai, Director
- (iii) P. Abhijeet Pai, Director
- (iv) P. Ashwini Pai, Director
- (v) G. S. Ram, CEO, Whole Time Director
- (vi) Dilip Mangesh Kalelkar, Whole Time Director (Technical)

(b) Enterprises / Entities having Common Key Management Personnel

- i. Puzzolona Machinery Fabricators
- ii. Soubhagya Confectionery Private Limited
- iii. Lotus Choco Uganda Limited

The company has identified all related parties and details of transactions are given below. There are no other related parties

Name of the transacting related party	Relationship between the parties	Nature of Transaction	Value / Volume of transactions during the year	Amount outstanding as on 31.03.2014
P. Prakash Pai	Director	Unsecured Loans Taken	28,500,000 (Nil)	92,619,408 (68,139,408)
		Unsecured Loans Repaid	4,020,000 (Nil)	
		Interest	Nil (Nil)	
P. Ananth Pai	Director	Unsecured Loans Taken	27,400,000 (Nil)	93,217,146 (70,937,146)
		Unsecured Loans Repaid	5,120,000 (Nil)	
		Interest	Nil (Nil)	
P. Ashwini Pai	Director	Managerial Remuneration	Nil (Nil)	Nil Nil

G.S. Ram	Whole Time Director	Managerial Remuneration	792,132 (792,132)	62,150 (62,150)
Dilip Mangesh Kalelkar	Whole Time Director (Technical)	Managerial Remuneration	600,000 (600,000)	50,000 (50,000)
Puzzolana Machinery Fabricators	Common Key Management Personnel	1. Purchase of Machinery & Spare parts 2. Chocolate Sales	1,653,698 (3,653,944) 15,200 (Nil)	3,531,154 (6,662,125)
Soubhagya Confectionery (P) Limited	Common Key Management Personnel	Purchases	6,462,991 (Nil)	6,462,991 Nil
Lotus Choco Uganda Limited	Common Key Management Personnel	Purchases	1,454,011 (2,635,304)	Nil Nil

30. PARTICULARS OF MANAGERIAL REMUNERATION:

The amount is in Indian Rupees

Mr. G.S.Ram, Whole Time Director	For the year 2013-14	For the year 2012-13
Salary	745,800	745,800
Perquisites - PF		46,332
Total	745,800	792,132

Mr. Dilip Kalelkar, Whole Time Director (Technical)	For the year 2013-14	For the year 2012-13
Salary	600,000	600,000
Perquisites - PF		
Total	600,000	600,000

Note : We have not paid any managerial remuneration to Ms. Ashiwini Pai

31. CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF:

1. Claims against the Company not acknowledged as debts:
 - a) From Commissioner of Customs, Chennai in respect of Advance licenses not fulfilled within the stipulated time though extension and clubbing of such licences have been allowed by the Licensing authority ₹.18,000,000 (Previous year ₹.18,000,000). The company has received order in favour of the company from

Commissioner of Customs, Chennai Vide order No. 10404/2009 dt 23-12-2009. However the department has preferred an appeal before the appellate tribunal against the order issued by Commissioner Customs, (Seaport-Export).

- b) From Directorate of Revenue Intelligence, Chennai in respect of alleged non fulfillment of export obligation for ₹ 31,900,000 (Previous year ₹ 31,900,000)
2. Accrued and unpaid preference dividend ₹ 108,299,600 (previous year ₹ 100,903,000)

32. EXPENSES/INCOME EARNED INCURRED IN FOREIGN CURRENCY:

Particulars	For the year ended 31.3.2014 ₹ .	For the year ended 31.3.2013 ₹ .
A) Import of material (CIF value)		
Capital Equipment's	NIL	NIL
Raw Materials	11,402,973	27,764,726
Components & Spares	498,880	357,576
B) Expenditure in Foreign Currency		
Foreign travel expenses	NIL	NIL
Interest paid on Foreign Currency Term Loan	NIL	NIL
C) Earnings in Foreign Currency on account of		
Export Sales	22,429,404	12,723,920
D) Earnings in Foreign Currency on account of Dividends	NIL	NIL

33. Balances of Trade receivables, payables and loans & advances are subject to confirmation and reconciliation.

34. Figures have been rounded off to the nearest rupee.

35. Previous years figures have been regrouped / reclassified where ever necessary to conform to the current year's classification.

For S.R.Mohan & Co

Chartered Accountants

FRN: 002111S

B. BRAHMANANDAM

Partner

Membership No 020026

Place : HYDERABAD

Date : August 20, 2014

For and on behalf of the Board of Directors

Sd/-
P.ANANTH PAI
DIRECTOR

Sd/-
G.S. RAM
WHOLE TIME DIRECTOR

Form No. MGT - 11

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN : L15200AP1988PLC009111

Name of the company : Lotus Chocolate Company Limited
Registered Office : Sumedha Estates (IVRCI Towers), Avenue IV, Street No. 1,
(Old Road No.10), Banjara Hills, Hyderabad - 500 034, A.P., India

Name of the Member (s) :
Registered address :
E-mail Id :
Folio No./ Client Id & DP ID :

I/We, being the Member(s) of.....shares of the above named company, hereby appoint :

1. Name :
Address :
E-mail Id :
Signature :, or failing him
2. Name :
Address :
E-mail Id :
Signature :, or failing him
3. Name :
Address :
E-mail Id :
Signature :, or failing him

as my/our proxy to attend and vote (on a poll)for me/us and on my/our behalf at the 25th Annual General Meeting of the Company, to be held on Tuesday, 30th Day of September, 2014 at 10.00 A.M. at LIC Bhavan, Lions Bhavan, Paradise, Secunderabad and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution Nos.

1. Adoption of Accounts and Reports
2. Appointment of Auditor
3. Appointment of Director retiring by rotation
4. Appointment of Director retiring by rotation
5. Reappointment of Shri Ganapath Subramanya Ram as Whole Time Director
6. Reappointment of Shri Dilip Mangesh Kalelkar as Whole Time Director
7. Appointment of Cost Auditor

Affix ₹ 1/-
Revenue
Stamp

Signed this _____ day of _____ 2014

Signature of shareholder

Signature of Proxy holder(s)

Note : This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

Attendance Slip

Attendance by

(Please tick the appropriate)

- Member Proxy Authorised Representative

I hereby record my presence at the 25th Annual General Meeting of the Company being held on Tuesday, 30th Day of September, 2014 at LIC Bhavan, Lions Bhavan, Paradise, Secunderabad.

Name of Proxy (in BLOCK LETTERS):

Shareholder's/Proxy's Signature:

MEMBERS ARE REQUESTED TO BRING THEIR COPIES OF THE ANNUAL REPORT WITH THEM TO THE ANNUAL GENERAL MEETING





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