



**LOTUS CHOCOLATE COMPANY LIMITED**

**26<sup>th</sup> ANNUAL REPORT  
2014-2015**



**LOTUS CHOCOLATE COMPANY LIMITED****BOARD OF DIRECTORS**

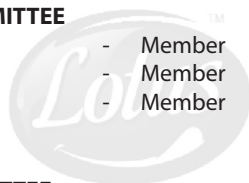
Shri.P. Prakash Pai	- Director
Shri P. Ananth Pai	- Director
Shri Subramanya Ram Ganapath	- Whole Time Director
Shri Gottemukkala Venkatapathi Raju	- Independent Director
Shri Dilip Mangesh Kalelkar	- Whole Time Director (Technical)
Smt. Ashwini Pai	- Women Director
Shri Abhijeet Pai	- Director
Shri Bharathan Rajagopalan Thatai	- Independent Director
Shri Rabindranath Jarugumilli	- Independent Director

**STATUTORY COMMITTEES****AUDIT COMMITTEE**

Shri P. Prakash Pai	- Chairman
Shri P. Ananth Pai	- Member
Shri Gottemukkala Venkatapathi Raju	- Member
Shri Bharathan Rajagopalan Thatai	- Member

**NOMINATION & REMUNERATION COMMITTEE**

Shri P. Prakash Pai	- Member
Shri P. Ananth Pai	- Member
Shri Gottemukkala Venkatapathi Raju	- Member

**STAKEHOLDERS RELATIONSHIP COMMITTEE**

Shri P. Prakash Pai	- Member
Shri P. Ananth Pai	- Member
Shri Gottemukkala Venkatapathi Raju	- Member
Shri Subramanya Ram Ganapath	- Member

**RISK MANAGEMENT COMMITTEE**

Shri P. Prakash Pai	- Member
Shri P. Ananth Pai	- Member
Shri Subramanya Ram Ganapath	- Member

**COMPANY SECRETARY**

Shri U.V. Kini

**CHIEF FINANCIAL OFFICER**

Shri Kommula Ganeswara Rao

**BANKERS**

State Bank of India  
Industrial Finance Branch,  
Somajiguda, Hyderabad - 500082

**AUDITORS**

M/s. S.R. Mohan & Company,  
Chartered Accountants  
3rd Floor, North Block, Raghava Ratna Towers, Chirag Ali Lane,  
Abids, Hyderabad-500 001

**SECRETARIAL AUDITOR**

M/s. Rakhi Agarwal & Associates  
A-10, Janata Hsg. Society,  
Opp. Pantaloons, Shyamlal Building,  
Begumpet, Hyderabad -500 016

**REGISTRAR & TRANSFER AGENT**

CIL SECURITIES LIMITED  
214, Raghavaratna Towers,  
Chiragali Lane, Abids  
Hyderabad,500001  
Phone # +91-040-2320 2465  
Email ID: advisors@cilsecurities.com  
Website: www.cilsecurities.com

**FACTORY**

Doulatabad  
Hathnoora Mandal,  
Medak District, Telangana,  
PIN-502 296.

**REGISTERED OFFICE:****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.  
Ph No's :91-40-23352607/08/09  
Fax No :91-40-23352610  
Email: complaints@lotuschocolate.com  
Website: www.lotuschocolate.com  
CIN NO:L15200AP1988PLC009111

**NOTICE OF 26<sup>th</sup> ANNUAL GENERAL MEETING**

NOTICE is hereby given that the **26<sup>th</sup> Annual General Meeting** of the members of **LOTUS CHOCOLATE COMPANY LIMITED** will be held at 10.00 a.m., Tuesday, 29<sup>th</sup> September, 2015 at Lions Bhavan, Near Paradise Circle, Secunderabad to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2015 and the Statement of Profit & Loss for the year ended 31<sup>st</sup> March, 2015 along with the Auditors' Report, Directors' Report & Corporate Governance Report thereon.
2. To appoint a Director in place of Smt. Ashwini Pai who retires by rotation and being eligible offers herself for re-appointment.
3. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** in terms of the provisions of Sections 139 and 142 and other applicable provisions, if any, of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 (including any statutory modifications or re-enactments thereof, for the time being in force) appointment of M/s. S.R. Mohan & Co., Chartered Accountants (Firm Regn No: 002111S) approved in the 25th Annual General Meeting until the conclusion of 28th Annual General Meeting is hereby ratified in this Annual General Meeting till the conclusion of next Annual General Meeting of the Company, on a remuneration as may be decided by the Board of Directors of the Company.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby severally authorized to do all acts and take all such steps as may be necessary, proper and expedient to give effect to this resolution."

By Order of the Board

**For LOTUS CHOCOLATE COMPANY LIMITED**

Sd/-

**P. Ananth Pai**

DIRECTOR

DIN: 00048339

Sd/-

**G.S. Ram**

WHOLE TIME DIRECTOR

DIN: 02395478

Place : Hyderabad

Date : 20.08.2015

**NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of himself and such proxy need not be a member of the company. Proxies, in order to be valid and effective, must be delivered at the registered office of the company not later than forty-eight hours before the commencement of the Meeting. Pursuant to provisions of the Companies Act, 2013 and the Companies (Management and Administration) Rules, 2014 a person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying voting rights.
2. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorizing such representative to attend and vote on their behalf at the Meeting.
3. Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
4. Members who hold shares in Dematerialized form are requested to write their DP ID and Client ID and those who hold shares in Physical Form are requested to write their Folio Number in the attendance slip for attending the Meeting.
5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the registered office of the Company on all working days except Saturdays and Sundays, between 11.00 AM and 1.00 PM up to the date of the Meeting.
7. Brief resume of the Director including those proposed to be re-appointed, nature of their expertise in specific functional areas, names of Companies in which they hold directorships and memberships / Chairmanships of Board Committees, shareholding and relationships between directors inter – se stipulated under clause 49 of the Listing Agreement are provided in the Report on Corporate Governance forming part of the Annual Report.

8. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, 23.09.2015 to Tuesday, 29.09.2015 (both days inclusive).
9. Explanatory Statement as required under section 102 of the companies in respect of special business is annexed hereto- not applicable as no special business to be transacted.
10. The Shareholders are expected to send their queries on Annual Report to the Company Secretary, at least 7 days before the date of meeting, so that the requisite information/ explanations can be provided in time.
11. M/s.CIL Securities Limited, Regd. Office: 214, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad-500001, is the Share Transfer Agent (STA) of the Company. All communications in respect of share transfers and change in the address of members may be communicated to them.
12. Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant share certificates to the Share Transfer Agent/Company.
13. Electronically copy of the Annual Report for 2015 is being sent to all the members whose email ids are registered with the company/ Depository participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2015 is being sent in the permitted mode.
14. Members may also note that the Notice of the 26th Annual General Meeting and Annual Report for 2015 will also be available on the Company's **website:www.lotuschocolate.com** their download. The physical copies of the aforesaid documents will also be available at the Company's Registered office in Hyderabad for inspection during normal business hours on working days. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send request to the Company's investor email id: info@lotuschocolate.com.
15. All documents referred to in the accompanying Notice and Explanatory Statement shall be open for inspection at the Registered Office of the Company during normal business hours (10.00 am to 5.00 pm) on all working days except Sunday, up to and including the date of the Annual General Meeting of the Company.
16. Voting through electronic means:
  - i. According to Section 108 of Companies Act, 2013, read with Rule 20 of Companies (Management and Administration) Rules, 2014 e-voting is mandatory for all listed companies or companies having Shareholders not less than one thousand.
  - ii. In compliance with provisions of Sections 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rule 2014, the Company is pleased to provide members facility to exercise their right to vote at the 26th Annual General Meeting (AGM) by electronic means and the business may be transacted through e- Voting Services provided by Central Depository services (India) Limited (CDSL).
  - iii. A member may exercise his vote at any general meeting by electronic means and company may pass any resolution by electronic voting system in accordance with Rule 20 of the Companies (Management and Administration) Rules, 2014.
  - iv. During the e-voting period, members of the Company, holding shares either in physical form or dematerialized form, as on the fixed or record date, may cast their vote electronically.
  - v. The e-Voting shall remain open for 3 days from 10.00 AM of Saturday, 26th Day of September 2015 to 5.00 PM of 28th September 2015, Monday.
  - vi. The Company has appointed Ms. Rakhi Agarwal, Practicing Company Secretary as scrutinizer for conducting the e-voting process for the Annual General Meeting in a fair and transparent manner.
  - vii. Vote once cast by the member cannot be changed/ altered.

In case of members receiving e-mail:

- (i) The voting period begins on Saturday, 26.09.2015 at 10.a.m and ends on Monday, 28.09.2015 at 5.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off- date 22.09.2015 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com)
- (iii) Click on "Shareholders" tab.
- (iv) Now, select the "LOTUS CHOCOLATE COMPANY LIMITED" from the drop down menu and click on "SUBMIT"
- (v) Now Enter your User ID
  - a. For CDSL: 16 digits beneficiary ID,
  - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
  - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

<b>For Members holding shares in Demat Form and Physical Form</b>	
PAN*	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> <li>• 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 8 digits of the sequence number in the PAN field.</li> <li>• 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 in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul>
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#	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> <li>• Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field.</li> </ul>

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
- (x) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' 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. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

- (xii) Click on the EVSN for the relevant <LOTUS CHOCOLATE COMPANY LIMITED> on which you choose to vote.
- (xiii) 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.
- (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xv) 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.
- (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvii) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xviii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xix) Note for Non-Individual Shareholders and Custodians
- 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.
  - They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
  - After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
  - The list of accounts should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to 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.

**In case of members receiving the physical copy:**

- (A) Please follow all steps from sl. no. (i) to sl. no. (xvii) above to cast vote.
- (B) The voting period begins on Saturday 26.09.2015 at 10.00 am and ends on Monday 28.09.2015 at 5vpm.  
During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date 22.09.2015 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (C) 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](http://www.evotingindia.co.in) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).

REGISTERED OFFICE  
#8-2-596, 1ST Floor,  
1B, Sumedha Estate,  
Avenue-4, IVRCL Towers,  
St.No.1, Road No.10  
Banjara Hills,  
Hyderabad-500034  
Telangana State.

**BY ORDER OF THE BOARD OF DIRECTORS**

Sd/-  
**P. Ananth Pai**  
DIRECTOR  
Din No. 00048339

Sd/-  
**G. S. Ram**  
WHOLETIME DIRECTOR  
Din No. 02395478

Date : 20.08.2015



## DIRECTORS' REPORT

To The Members of  
Lotus Chocolate Company Limited

The Directors have pleasure in presenting the 26<sup>th</sup> Annual Report of your Company and the Audited financial statements for the financial year ended 31<sup>st</sup> March 2015 together with Auditors' Report thereon.

### FINANCIAL RESULTS:

The performance of the Company during the year has been as under:

(Amount in ₹. Lakhs)

	<b>Current Year Ended 31.03.2015</b>	<b>Previous Year Ended 31.03.2014</b>
Turnover	<b>6077.95</b>	5630.02
Other Income	<b>65.76</b>	5.29
Profit/(Loss) before exceptional, items	<b>77.67</b>	(270.07)
Profit/(Loss) before Taxation	<b>71.07</b>	(269.30)
Net Profit after Taxation	<b>71.07</b>	(269.30)

### PERFORMANCE:

During the year under review the turnover of the Company ₹. 60.78 Crores in comparison to the previous year's figure at ₹. 56.30 Crores.

The company has achieved net profit after tax which is reported at ₹. 71.07 lakhs in comparison to loss of ₹. 269.30 lakhs in the previous year. The company has been trying hard to reduce the interest and other costs and to get more profits. In future after adopting all cost cutting measures and by improving its overall sales the company is hopeful of performing much better and improves its profitability accordingly.

### FIXED DEPOSITS:

The Company has not accepted or invited any Deposits and consequently no deposit has matured / become due for re-payment as on 31<sup>st</sup> March 2015.

### DIRECTORS:

All Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement. Further, there has been no change in the circumstances which

may affect their status as independent director during the year.

The brief particulars of the Directors seeking appointment / re-appointment at this Annual General Meeting are being annexed to the Corporate Governance Report.

Pursuant to the provisions of Section 203 of the Act, the appointment of Shri Dilip Mangesh Kalelkar and Shri Subramanya Ram Ganpath, Whole-time Directors, Shri. Kommula Ganeswara Rao, Chief Financial Officer, Shri U.V. Kini, Company Secretary were formalized as the Key Managerial Personnel of the Company.

### BOARD EVALUATION

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out performance evaluation taking into consideration of various aspects of the Board's functioning, composition of Board, and its Committees, execution, and performance of specific duties, obligations and governance. The Performance of evaluation of Independent Directors was completed. The Performance evaluation of Chairman and the Non-Independent Directors was carried out by the Independent Directors. The Board of Directors expressed their satisfaction with evaluation process.

### REMUNERATION POLICY

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy which lays down a framework in relation to selection, appointment and remuneration to Directors, Key Managerial Personnel and Senior Management of the Company. The Remuneration Policy is stated in the Corporate Governance Report.

### MEETINGS

During the year 9(Nine) Board Meetings and 5(Five) Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period of 120 days as prescribed under the Companies Act, 2013 and Clause 49 of the Listing Agreement.

### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

## RELATED PARTY TRANSACTIONS

All transactions entered with Related Parties for the year under review were on arm's length basis and in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. All Related Party Transactions are placed before the Audit Committee as also the Board for approval, where ever required. Prior omnibus approval of the Audit Committee is obtained for the transactions which are of a foreseeable and repetitive nature. A statement giving details of all related party transactions entered into pursuant to the omnibus approval so granted are placed before the Audit Committee and the Board of Directors on a quarterly basis. The Company has developed a Policy on Related Party Transactions for the purpose of identification and monitoring of such transactions. The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website.

The particulars of contracts and arrangements with related parties referred to in sub-section (1) of section 188 is prepared in Form AOC-2 pursuant to clause (h) of the Companies (Accounts) Rules, 2014 and the same is annexed herewith as "Annexure-I" to this Report.

## SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURT:

There are no significant and material orders passed by the Regulators/ Courts that would impact the going concern status of the Company and its future operations.

## AUDITORS

### Statutory Auditors

Pursuant to the provisions of Section 139 of the Act and the rules framed there under, M/s S. R. Mohan & Company, Chartered Accountants, were appointed as statutory auditors of the Company from the conclusion of the 25th Annual General Meeting of the Company held on 30th September, 2014 till the conclusion of the 28th Annual General Meeting to be held in the year 2017, subject to ratification of their re-appointment at every AGM.

### Secretarial Auditors

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and The Companies

(Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed M/s. Rakhi Agarwal & Associates, Company Secretaries in Practice to undertake the Secretarial Audit of the Company for the Financial Year 2014-15. The Report of the Secretarial Audit Report is annexed herewith as "Annexure-II".

### Internal Auditors

M/s Vasanth Pai & Co. Chartered Accountants performs the duties of internal auditors of the Company and their report is reviewed by the Audit Committee from time to time.

### ISO 9001:22000 CERTIFICATION

Your Company continues to hold ISO 9001-2008 Certification by meeting all the requirements of Certification from time to time.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report for the year under review as stipulated under Clause 49 of the Listing Agreement with the stock exchanges, is presented in a separate section forms part of the Annual Report.

### CORPORATE GOVERNANCE:

The Company has implemented the procedures and adopted practices in conformity with the Code of Corporate Governance enunciated in Clause 49 of the Listing Agreement with the Stock Exchanges.

A separate report on corporate governance practices followed by the Company together with a Certificate from the Company's Auditors confirming compliances forms an integral part of this Report.

### EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as "Annexure-III".

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company and its subsidiaries. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

### **RISK MANAGEMENT**

The Board of the Company has formed a Risk Management Committee to frame, implement and monitor the risk management policy/plan for the Company and ensuring its effectiveness. The Risk Management Committee oversees the Risk Management process including risk identification, impact assessment, effective implementation of the mitigation plans and risk reporting. The Audit Committee has additional oversight in the area of financial risks and controls. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The development and implementation of risk management policy has been covered in the management discussion and analysis, which forms part of this report.

### **VIGIL MECHANISM / WHISTLE BLOWER POLICY**

In order to ensure that the activities of the Company and its employees are conducted in a fair and transparent manner by adoption of highest standards of professionalism, honesty, integrity and ethical behaviour the company has adopted a vigil mechanism policy.

### **HUMAN RESOURCES**

Many initiatives have been taken to support business through organizational efficiency, process change support and various employee engagement programmes which has helped the Organization achieve higher productivity levels. A significant effort has also been undertaken to develop leadership as well as technical/ functional capabilities in order to meet future talent requirement.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3)(c) of the Companies Act, 2013:

- a) That in the preparation of the accounts for the financial year ended 31st March, 2015, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- b) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the year under review;
- c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) That the Directors have prepared the accounts for the financial year ended 31st March 2015 on a 'going concern' basis;
- e) That proper internal financial controls were in place and that the financial controls were adequate and were operating effectively; and
- f) That devised proper systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

### **PARTICULARS IN RESPECT OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO**

The information on Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo required to be disclosed under Section 134(3)(m) of the Companies Act, 2013, read with Rule 8 of the Companies (Accounts) Rules, 2014 are provided in the Annexure forming part of this Report.

### DISCLOSURE AS PER SEXUAL HARRASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed there under.

During the financial year 2014-15, the Company received no complaints on sexual harassment.

### PARTICULARS OF EMPLOYEES

The Company has not employed any individual whose remuneration falls within the purview of the limits prescribed under the provisions of Section 197 of the Companies Act, 2013, read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

### PARTICULARS OF REMUNERATION

Disclosures with respect to the remuneration of Directors and employees as required under Section 197(12) of Companies Act, 2013 and Rule 5 (1) Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided as follows:

- (i) The ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year;

Name of the Director	Ratio to Median Remuneration
Shri Subramanya Ram Ganpath, WTD	5.026
Shri Dilip Mangesh Kalelkar, WTD	4.043

- (ii) The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;

Name of Person	% increase in remuneration
Shri Subramanya Ram Ganpath, WTD	--
Shri Dilip Mangesh Kalelkar, WTD	--
Shri U. V.Kini, Company Secretary*	--
Shri Shri Kommula Ganeswara Rao*, CFO	--

\*Shri U.V. Kini appointed as Key Managerial Personnel of Company and no Remuneration paid by Company.

\*Shri Kommula Ganeswara Rao has been appointed as Chief Financial Officer w.e.f 14.05.2015

- (iii) The percentage increase in the median remuneration of employees in the financial year is 4%.
- (iv) The number of permanent employees on the rolls of company is 145.
- (v) The explanation on the relationship between average increase in remuneration and company performance;

On an average, employees received an increase of 4%. The increase in remuneration is in line with the market trends.

- (vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the company;

Particulars	₹
Remuneration of Key Managerial Personnel (KMP) during financial year 2014-15 (aggregated)	1,345,800
Total Revenue	614,370,722
Remuneration (as % of Total Revenue)	0.22

- (vii) variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year;

Particulars	Unit	As at 31.03.2015	As at 31.03.2014
Closing rate of share at BSE	₹.	47	63
EPS (Consolidated)	₹.	0.55	(2.10)
Market Capitalization	₹.	603,529,303	808,986,087
Price Earnings ratio	Ratio	85	(30)

- (viii) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are

any exceptional circumstances for increase in the managerial remuneration;

The average increase in salaries of employees other than managerial personnel in 2014-15 was - 4%.

Percentage increase in the managerial remuneration for the year was - Nil

- (ix) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;

Name of Person	Remuneration (₹)	Total Revenue (₹)	Remuneration as % of Total Revenue
Shri Subramanya Ram Ganpath, WTD	745,800	614,370,722	0.121
Shri Dilip Mangesh Kalelkar, WTD	600,000	614,370,722	0.098

- (x) The key parameters for any variable component of remuneration availed by the directors - No.
- (xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year - Nil.
- (xii) Affirmation that the remuneration is as per the remuneration policy of the company - Yes.

Your Directors wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry, despite increased competition from several existing and new players.

#### CAUTIONARY STATEMENT

Statements in the Board's Report and the Management Discussion & Analysis describing the Company's objectives, expectations or forecasts may be forward-looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

#### ACKNOWLEDGEMENTS:

The Board desires to place on record its sincere appreciation for the support and co-operation that the Company received from the suppliers, customers, strategic partners, Bankers, Auditors, Registrar and Transfer Agents and all others associated with the Company. The Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be the Company's endeavor to build and nurture strong links with trade based on mutuality, respect and co-operation with each other.

By Order of the Board

**For LOTUS CHOCOLATE COMPANY LIMITED**

Sd/-  
**P. Ananth Pai**  
DIRECTOR  
DIN: 00048339

Sd/-  
**G.S. Ram**  
WHOLE TIME DIRECTOR  
DIN: 02395478

Place : Hyderabad  
Date : 20.08.2015

**ANNEXURE TO THE DIRECTORS' REPORT**

Information Under Section 134(3) (m) of The Companies Act, 2013, Read with Rules 8(3) of the Companies (Accounts) Rules, 2014:

**A. Conservation of Energy**

## a. Energy Conservation measures taken:

The Company has installed the following energy saving devices:

- CFL Lamps and LED 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) &amp; (b) above for reduction of energy consumption &amp; consequent impact on the cost of production of goods.

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

		Year ended 31 <sup>st</sup> March, 2015	Year ended 31 <sup>st</sup> March, 2014
<b>A.</b>	<b>Power &amp; fuel consumption in respect of</b>		
	1. Electricity		
	a. Purchased :		
	Units (Kwh)	1,964,710	1,978,476
	Total (₹.)	14,987,726	15,288,306
	Rate per unit (₹.)	7.63	7.72
	b. Own Generation :		
	Through Diesel Generator		
	Units (Kwh)	253,640	327,784
	Units per Liter of Diesel Oil	2.95	3.20
	Cost per Unit (₹.)	21.84	18.93
	2. Furnace Oil/LSHS/LDO/HSD		
	Qty (Lts)	Nil	Nil
	Total Amount (₹.)	Nil	Nil
	Average (₹/ltr)	Nil	Nil
	3. Wood/Coal		
	Qty (Kgs.)	649,000	645,370
	Total Amount (₹.)	3,407,250	3,311,372
	Average (₹/Kgs.)	5.25	5.13

<b>B.</b>	<b>Consumption per unit of production</b>		
	Cocoa & Chocolate products (tonnes)		
	i. Electricity (KWH/Tonnes)		
	- Cocoa	545 units/MT	623 units/MT
	- Chocolate	484 units/MT	499 units/MT
	ii. Furnace Oil/LSHS/LDO HSD (KL/Tonne)		
	- Cocoa	Nil	Nil
	- Chocolate	Nil	Nil
	iii. Wood/coal (KG/MT)		
	- Cocoa	315 Kgs/MT	415 Kgs/MT
	- Chocolate	50 Kgs/MT	55 Kgs/MT

**B Technology Absorption**

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

**Research & Development**

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

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

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

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

3. Future Plans & Actions

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

4. Expenditure on R & D:

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

1. 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):

₹ in Lacs

i)	Foreign Exchange earnings	69.80
ii)	Foreign Exchange Outgo (including raw materials, components and spare parts of capital goods and other expenditures in foreign currency including dividends)	106.70

By Order of the Board

**For LOTUS CHOCOLATE COMPANY LIMITED**

Sd/-  
**P. Ananth Pai**  
DIRECTOR  
DIN: 00048339

Sd/-  
**G.S. Ram**  
WHOLE TIME DIRECTOR  
DIN: 02395478

Place : Hyderabad

Date : 20.08.2015

**ANNEXURE-I****FORM NO. AOC-2**

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

**1. Details of contracts or arrangements or transactions not at arm's length basis:**

No transactions.

**2. Details of material contracts or arrangement or transactions at arm's length basis:**

Sl. No.	(a) Name(s) of the related party and nature of relationship	(b) Nature of contracts/ arrangements/ transactions	(c) Duration of the contracts/ arrangements/ transactions	(d) Salient terms of the contracts or arrangements or Transactions including the value, if any:	(e) Date(s) of approval by the Board, if any:	(f) Amount paid as advances, if any:
1	Shri. P. Prakash Pai Director	Unsecured Loans	01.04.2014 to 31.03.2015	Unsecured Loans	14.05.2015	--
2	Shri. P. Ananth Pai Director	Unsecured Loans	01.04.2014 to 31.03.2015	Unsecured Loans	14.05.2015	--
3	Puzzolana Machinery Fabricatore (Hyd) LLP Common Key Management Personnel	i. Purchase of Machinery & Spare Parts ii. Chocolates Sales	01.04.2014 to 31.03.2015	i. Purchase of Machinery & Spare Parts ii. Chocolates Sales	14.05.2015	--
4	Soubhagya Confectionery (P) Limited Common Key Management Personnel	i. Purchase/ Sales  ii. Job Work	01.04.2014 to 31.03.2015	Purchase/ Sales  ii. Job Work	14.05.2015	--



**ANNEXURE II****SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2015**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
**LOTUS CHOCOLATE COMPANY LIMITED.**

I have conducted the secretarial audit of the compliance of applicable statutory provisions of the Act, Rules and Regulations as mentioned below and the adherence to good corporate practices by Lotus Chocolate Company Limited (herein after called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification on the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and other authorised representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has during the audit period covering the financial year ended on 31ST March, 2015 (Audit Period) complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2015 ("Audit Period") according to the provisions of:

- i) The Companies Act, 2013 (the Act) and the rules made there-under;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there-under;
- iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there-under;
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there-under to the Extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange

Board of India Act, 1992 ('SEBI Act'):-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - (c) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- vi) The Listing Agreements entered into by the Company with Stock Exchange(s),

The Company's main business is into manufacturer of the finest chocolates, cocoa products and cocoa derivatives. Accordingly, the Industry specific major Acts as applicable to the Company are complied.

I, further report that the Company has, in my opinion, complied with the provisions of Companies Act, 2013 and rules made there under, as notified by the Ministry of Corporate Affairs and the Memorandum and Articles of Association of the Company.

I further report that, during the period under review, provisions of the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') were not applicable to the Company under the financial year under report:

- (a) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (b) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
- (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (d) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
- (e) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

I, further report that:

- (a) The Company has complied with the clauses of Equity Listing Agreements entered into with stock exchanges.
- (b) Secretarial Standards were not considered in the Audit, as the same were not notified during the period considered for Audit.

I, further report that:

- (a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors except in respect of number of Independent Directors.
- (b) The changes in the composition of the Board of Directors that took place during the year under review were carried out in compliance with the provisions of the Act.
- (c) Adequate Notice is given to all the Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least 7 days in advance.
- (d) There is adequate system for seeking and obtaining further information and clarifications on the agenda items before the meeting and meaningful participation at the meeting.
- (e) Majority decision is carried through and there were no instances of dissenting members in the Board of Directors.
- (f) It is also noted that the Company has an Internal Audit System to constantly monitor the process for efficient compliances.

I, further report that there exist adequate systems and processes in the Company that commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the year under report, the Company has not undertaken any event / action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

**For RAKHI AGARWAL & ASSOCIATES**

Sd/-  
**RAKHI AGARWAL**  
COMPANY SECRETARY  
FCS NO.7047  
CP NO.6270

Place : Hyderabad  
Date : 20.08.2015

Note : This report is to be read with our letter of even date which is annexed as 'ANNEXURE A' and forms an integral part of this report.

## 'ANNEXURE A'

To,  
The Members of  
**LOTUS CHOCOLATE COMPANY LIMITED,**

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For RAKHI AGARWAL & ASSOCIATES**

Sd/-  
**RAKHI AGARWAL**  
COMPANY SECRETARY  
FCS NO.7047  
CP NO.6270

Place : Hyderabad  
Date : 20.08.2015

**ANNEXURE III****FORM NO. MGT 9****EXTRACT OF ANNUAL RETURN**

As on financial year ended on 31.03.2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

**I. REGISTRATION & OTHER DETAILS:**

1.	CIN	L15200AP1988PLC009111
2.	Registration Date	03/10/1988
3.	Name of the Company	LOTUS CHOCOLATE COMPANY LIMITED
4.	Category/Sub-category of the Company	Company Limited by Shares/ Indian Non-Government Company.
5.	Address of the Registered office & contact details	8-2-596, 1 <sup>st</sup> Floor, 1B, Sumedha Estates, Avenue-4 IVRCL Tower, Street No.1, Road no. 10, Banjara Hills Hyderabad, Telangana - 500034
6.	Whether listed company	Listed
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	CIL SECURITIES LIMITED 214, Raghavaratna Towers, Chiragali Lane, Abids Hyderabad,500001 Phone # +91-040-2320 2465 Email ID: <a href="mailto:advisors@cilsecurities.com">advisors@cilsecurities.com</a> Website: <a href="http://www.cilsecurities.com">www.cilsecurities.com</a>

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the company shall be stated)**

S. No.	Name and Description of main products / services	NIC/ITC Code of the Product/service	% to total turnover of the company
1	Cocoa Powder	180500.00	12.63

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -**

Name and address of the Company	CIN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
NA	NA	NA	NA	NA

**IV. A) SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**

## Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2015]				No. of Shares held at the end of the year[As on 31-March-2014]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) <b>Indian</b>									
a) Individual/ HUF	9,253,020	--	9,253,020	72.06	9,253,020	--	9,253,020	72.06	--
b) Central Govt	--	--	--	--	--	--	--	--	--
c) State Govt(s)	--	--	--	--	--	--	--	--	--
d) Bodies Corp.	--	--	--	--	--	--	--	--	--
e) Banks / FI	--	--	--	--	--	--	--	--	--
f) Any other	--	--	--	--	--	--	--	--	--
<b>Total shareholding of Promoter (A)</b>	<b>9,253,020</b>	<b>--</b>	<b>9,253,020</b>	<b>72.06</b>	<b>9,253,020</b>	<b>--</b>	<b>9,253,020</b>	<b>72.06</b>	<b>--</b>
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds	--	--	--	--	--	--	--	--	--
b) Banks / FI	100	1,600	1,700	0.01	100	1,600	1,700	0.01	--
c) Central Govt	--	--	--	--	--	--	--	--	--
d) State Govt(s)	--	700	700	0.01	--	700	700	0.01	--
e) Venture Capital Funds	--	--	--	--	--	--	--	--	--
f) Insurance Companies	--	--	--	--	--	--	--	--	--
g) FIs	--	--	--	--	--	--	--	--	--
h) Foreign Venture Capital Funds	--	--	--	--	--	--	--	--	--
i) Others – Foreign Banks	--	1,500	1,500	0.01	--	1,500	1,500	0.01	--
<b>Sub-total (B)(1):-</b>	<b>100</b>	<b>3,800</b>	<b>3,900</b>	<b>0.03</b>	<b>100</b>	<b>3,800</b>	<b>3,900</b>	<b>0.03</b>	<b>--</b>

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2015]				No. of Shares held at the end of the year[As on 31-March-2014]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>2. Non-Institutions</b>									
a) Bodies Corp.	--	--	--	--	--	--	--	--	--
i) Indian	110,221	86,366	196,587	1.53	110,221	86,366	196,587	1.53	--
ii) Overseas	--	--	--	--	--	--	--	--	--
b) Individuals	--	--	--	--	--	--	--	--	--
i) Individual shareholders holding nominal share capital upto ₹. 1 lakh	1,098,935	1,087,598	2,186,533	17.03	1,098,935	1,087,598	2,186,533	17.03	--
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,048,243	93,100	1,141,343	8.89	1,048,243	93,100	1,141,343	8.89	--
c) Others (specify)	--	--	--	--	--	--	--	--	--
Non Resident Indians	12,891	--	12,891	0.10	12,891	--	12,891	0.10	--
Overseas Corporate Bodies	--	--	--	--	--	--	--	--	--
Foreign Nationals	--	--	--	--	--	--	--	--	--
Clearing Members	26,875	--	26,875	0.21	26,875	--	26,875	0.21	--
Trusts	--	--	--	--	--	--	--	--	--
Foreign Bodies - D R	--	--	--	--	--	--	--	--	--
<b>Directors and their Relatives</b>	<b>19,900</b>	--	<b>19,900</b>	<b>0.15</b>	<b>19,900</b>	--	<b>19,900</b>	<b>0.15</b>	--
<b>Sub-total (B)(2):-</b>	<b>2,317,065</b>	<b>1,267,064</b>	<b>3,584,129</b>	<b>27.91</b>	<b>2,317,065</b>	<b>1,267,064</b>	<b>3,584,129</b>	<b>27.91</b>	--
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>2,317,165</b>	<b>1,270,864</b>	<b>3,588,029</b>	<b>27.94</b>	<b>2,317,165</b>	<b>1,270,864</b>	<b>3,588,029</b>	<b>27.94</b>	--

Category of Shareholders	No. of Shares held at the beginning of the year[As on 31-March-2015]				No. of Shares held at the end of the year[As on 31-March-2014]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
C. Shares held by Custodian for GDRs & ADRs	--	--	--	--	--	--	--	--	--
<b>Grand Total (A+B+C)</b>	<b>11,570,185</b>	<b>1,270,864</b>	<b>12,841,049</b>	<b>100</b>	<b>11,570,185</b>	<b>1,270,864</b>	<b>12,841,049</b>	<b>100</b>	--

**B) Shareholding of Promoter-**

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	PRAKASH PERAJE PAI	3,659,272	28.50	Nil	3,659,272	28.50	Nil	Nil
2	ANANTH PERAJE PAI	3,659,272	28.50	Nil	3,659,272	28.50	Nil	Nil
3	ABHIJEET PAI	452,139	3.52	Nil	452,139	3.52	Nil	Nil
4	AMAN PAI	407,139	3.17	Nil	407,139	3.17	Nil	Nil
5	ADITYA PAI	407,139	3.17	Nil	407,139	3.17	Nil	Nil
6	ASHWINI PAI	327,139	2.55	Nil	327,139	2.55	Nil	Nil
7	POORNIMA PAI	188,420	1.47	Nil	188,420	1.47	Nil	Nil
8	NIVEDITA PAI	152,500	1.19	Nil	152,500	1.19	Nil	Nil
	Total	9,253,020	72.06	Nil	9,253,020	72.06	Nil	Nil

**C) Change in Promoters' Shareholding (please specify, if there is no change)**

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	--	--	--	--
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer / bonus/ sweat equity etc.):	--	--	--	--
	At the end of the year	--	--	--	--

**D) Shareholding Pattern of top ten Shareholders:**

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	V. VARIJA VISHWANATH KAMATH				
	At the beginning of the year	412,228	3.21	412,228	3.21
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	--	--	--	--
	At the end of the year	412,228	3.21	412,228	3.21
2	G. VENKATAPATHI RAJU				
	At the beginning of the year	120,000	0.93	120,000	0.93
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	--	--	--	--
	At the end of the year	120,000	0.93	120,000	0.93
3	PRABHAKAR RAO MANDAVA				
	At the beginning of the year	115,409	0.90	115,409	0.90
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	--	--	--	--
	At the end of the year	115,409	0.90	115,409	0.90
4	SUREKHA K				
	At the beginning of the year	51,100	0.39	51,100	0.39

SN	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	--	--	--	--
	At the end of the year	51,100	0.39	51,100	0.39
5	GUDIPUDI VENKATESWARA RAO				
	At the beginning of the year	50,000	0.39	50,000	0.39
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	--	--	--	--
	At the end of the year	50,000	0.39	50,000	0.39
6	O.L.H.C.OF A.P.A/C ASIA PAC. INVTR L				
	At the beginning of the year	50,000	0.39	50,000	0.39
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	--	--	--	--
	At the end of the year	50,000	0.39	50,000	0.39
7	PREMA				
	At the beginning of the year	42,000	0.33	42,000	0.33
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	--	--	--	--
	At the end of the year	42,000	0.33	42,000	0.33
8	MAYUR JAYKUMAR VORA				
	At the beginning of the year	38,800	0.30	38,800	0.30
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	--	--	--	--
	At the end of the year	38,800	0.30	38,800	0.30
9	RAJAN SURESH KRISHNA				
	At the beginning of the year	33,270	0.26	33,270	0.26



SN	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	--	--	--	--
	At the end of the year	33,270	0.26	33,270	0.26
10	SAJJAN RAJ JAIN				
	At the beginning of the year	27,471	0.21	27,471	0.21
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	--	--	--	--
	At the end of the year	27,471	0.21	27,471	0.21

#### E) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	PRAKASH PERAJE PAI (Director)				
	At the beginning of the year	3,659,272	28.50	3,659,272	28.50
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	--	--	--	--
	At the end of the year	3,659,272	28.50	3,659,272	28.50
2.	ANANTH PERAJE PAI (Director)				
	At the beginning of the year	3,659,272	28.50	3,659,272	28.50
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	--	--	--	--
	At the end of the year	3,659,272	28.50	3,659,272	28.50
3.	ABHIJEET PAI (Director)				
	At the beginning of the year	452,139	3.52	452,139	3.52
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	--	--	--	--
	At the end of the year	452,139	3.52	452,139	3.52
4.	ASHWINI PAI (Women Director)				
	At the beginning of the year	327,139	2.55	327,139	2.55

SN	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	--	--	--	--
	At the end of the year	327,139	2.55	327,139	2.55
5	SUBRAMANYA RAM GANAPATH (WTD)				
	At the beginning of the year	27,196	0.21	27,196	0.21
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	--	--	--	--
	At the end of the year	27,196	0.21	27,196	0.21
6	U.V. KINI (Wholetime Company Secretary)				
	At the beginning of the year	105	0.001	105	0.001
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):	--	--	--	--
	At the end of the year	105	0.001	105	0.001

**V) INDEBTEDNESS -Indebtedness of the Company including interest outstanding/accrued but not due for payment.**

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	12,670,856	185,836,554	190,000	198,697,410
ii) Interest due but not paid	--	--	--	--
iii) Interest accrued but not due	--	--	--	--
<b>Total (i+ii+iii)</b>	<b>12,670,856</b>	<b>185,836,554</b>	<b>190,000</b>	<b>198,697,410</b>
<b>Change in Indebtedness during the financial year</b>				
* Addition	--	--	--	--
* Reduction	12,670,856	2,597,738	190,000	15,458,594
<b>Net Change</b>				
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	00	183,238,816	00	183,238,816
ii) Interest due but not paid	--	--	--	--
iii) Interest accrued but not due	--	--	--	--
<b>Total (i+ii+iii)</b>	<b>00</b>	<b>183,238,816</b>	<b>00</b>	<b>183,238,816</b>

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

SN.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
		Dilip Mangesh Kalelkar (WTD)	G.S. Ram (WTD)	
1	Gross salary	6,00,000	7,45,800	1345800
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	--	--	--
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	--	--	--
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	--	--	--
2	Stock Option	--	--	--
3	Sweat Equity	--	--	--
4	Commission - as % of profit - others, specify...	--	--	--
5	Others, please specify	--	--	--
	<b>Total (A)</b>	<b>600,000</b>	<b>745,800</b>	<b>1,345,800</b>
	Ceiling as per the Act			

**B. Remuneration to other directors**

SN.	Particulars of Remuneration	Name of Directors		Total Amount
		Bharathan Rajagopalan Thatai	Rabindranath Jarugumilli	
1	Independent Directors			
	Fee for attending board committee meetings	--	--	--
	Commission	--	--	--
	Others, please specify	--	--	--
	Total (1)	--	--	--
2	Other Non-Executive Directors			
	Fee for attending board committee meetings	--	--	--
	Commission	--	--	--
	Others, please specify	--	--	--
	Total (2)	--	--	--
	Total (B)=(1+2)	--	--	--
	Total Managerial Remuneration	--	--	--
	Overall Ceiling as per the Act	--	--	--

**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD**

SN	Particulars of Remuneration	Key Managerial Personnel		Total
		U.V. Kini * (Secretary)	K.G. Rao* (CFO)	
1	Gross salary	--	--	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	--	--	--
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	--	--	--
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	--	--	--
2	Stock Option	--	--	--
3	Sweat Equity	--	--	--
4	Commission	--	--	--
	- as % of profit	--	--	--
	others, specify...	--	--	--
5	Others, please specify	--	--	--
	Total		--	

\*Shri U.V. Kini has been appointed as Key Managerial Personnel of Company and no Remuneration paid by Company.

\*Shri Kommula Ganeswara Rao has been appointed as Chief Financial Officer w.e.f 14.05.2015

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty	--	--	--	--	--
Punishment	--	--	--	--	--
Compounding	--	--	--	--	--
<b>B. DIRECTORS</b>					
Penalty	--	--	--	--	--
Punishment	--	--	--	--	--
Compounding	--	--	--	--	--
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	--	--	--	--	--
Punishment	--	--	--	--	--
Compounding	--	--	--	--	--

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Lotus Chocolate Company Limited to set the highest standards of Corporate Governance right from its inception benchmarked with the best class practices across the globe. Effective Corporate Governance is the manifestation of professional beliefs and values, which configures the organizational values, credo and actions of its employees. The aim of "Good Corporate Governance" is to ensure commitment of the board in managing the company in a transparent manner for maximizing long-term value of the company for its shareholders and all other partners. It integrates all the participants involved in a process, which is economic, and at the same time social.

Hence it harmonizes the need for a company to strike a balance at all times between the need to enhance shareholders' wealth whilst not in any way being detrimental to the interests of the other stakeholders in the company.

### 2. BOARD OF DIRECTORS:

#### a) Composition and Category of Directors:

In terms of compliance with the requirement of clause 49(I)(A) of Listing Agreement, the Company endeavour to have an optimum combination of Executive and Non-Executive Directors to maintain the independence of the Board and separate the functions of Governance and Management through Board and Committees. As on 31<sup>st</sup> March, 2015, the Board consist of the following:

- 3 Independent Non-executive Directors;
- 2 Executive Directors;
- 4 Non-Executive Director.

#### b) Attendance of each director at the Board meetings and the last Annual General Meeting:

The particulars of attendance of Board Meetings and Annual General Meeting by Directors for the financial year ended 31.03.2015 has been set out here below:

S. No	Name of Director	Category	Meetings attended	Attendance at last AGM on 30.09.2014
1	Shri Dilip Mangesh Kalekar	Whole-Time Director	7	Yes
2	Shri Subramanya Ram Ganapath	Whole-Time Director	9	Yes
3	Shri P. Ananth Pai	Director	9	Yes
4	Shri P. Prakash Pai	Director	9	Yes
5	Shri Pai Abhijeet	Director	7	Yes
6	Smt. Ashwini Pai	Women Director	7	Yes
7	Shri Gottemukkala Venkatapathi Raju	Independent Director	9	Yes
8	Shri Bharathan Rajagopalan Thatai	Independent Director	9	-
9	Shri Rabindranath Jarugumilli	Independent Director	-	-

**c) Number of other Directorships, Committee Membership(s) & Chairmanship(s):**

Sl. No.	Name of the Director	Other Directorships	Committee Membership	Committee Chairmanship
1	Shri Dilip Mangesh Kalekar	0	0	0
2	Shri Subramanya Ram Ganapath	1	0	0
3	Shri P. Ananth Pai	6 & 1 (LLP)	0	0
4	Shri P. Prakash Pai	6 & 1 (LLP)	0	0
5	Shri Pai Abhijeet	7	0	0
6	Smt. Ashwini Pai	1	0	0
7	Shri Gottemukkala Venkatapathi Raju	0	0	0
8	Shri Bharathan Rajagopalan Thatai	0	0	0
9	Shri Rabindranath Jarugumilli	0	0	0

**d) Number of Board Meetings held and the date on which held:**

In terms of compliance with the requirement of clause 49(I) (C) of Listing Agreement, 09(Nine) Board Meetings were held during the financial year ended 31.03.2015. The maximum gap between any two Board Meetings was not more than 120 days at any time.

The dates on which the Board meetings were held are:

14.05.2014	13.08.2014	20.08.2014
30.09.2011	12.11.2014	26.11.2014
12.02.2015	28.03.2015	30.03.2015

**BOARD COMMITTEES:**

Details of the Board Committees and other related information are provided hereunder:

**3. AUDIT COMMITTEE:****(i) Brief description of terms of reference:**

The terms of reference stipulated by the Board to the Audit Committee includes review of the following:

- Management Discussion and Analysis of financial condition and results of operations;
- Statement of significant related party transactions submitted by Management;
- Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
- Internal Audit Reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the Chief Internal Auditor.
- 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.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of Audit fees.
- Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
- The annual financial statements before submission to the Board for approval, with particular reference to following with the Management:

- i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (3C) of Section 134 of the Companies Act, 2013
  - ii. Changes, if any, in accounting policies and practices and reasons for the same.
  - iii. Major accounting entries involving estimates based on the exercise of judgment by Management
  - iv. Significant adjustments made in the financial statements arising out of Audit findings
  - v. Compliance with listing and other legal requirements relating to financial statements
  - vi. Disclosure of any related party transactions
  - vii. Qualifications in the draft Audit Report.
- Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
  - Reviewing, with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
  - Reviewing the adequacy of internal audit function, if any, including the structure of the Internal Audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  - Discussion with Internal Auditors any significant findings and follow up there on.
  - Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  - Discussion with Statutory Auditors before the Audit commences, about the nature and scope of Audit as well as post-Audit discussion to ascertain any area of concern.
  - To review the functioning of the Whistle Blower Mechanism.
  - To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

**(ii) Composition:**

The Company's Audit Committee comprises of the following Directors all of whom are Non-Executive, the majority being Independent Directors:

Sl.No	Name of Director	Designation
1	Shri P. Prakash Pai	Chairman
2	Shri P. Ananth Pai	Member
3	Shri Gottemukkala Venkatapathi Raju	Member
4	Shri Bharathan Rajagopalan Thatai	Member

The Company continued to derive immense benefit from the deliberation of the Audit Committee comprising of three Non-Executive Independent Directors and two Independent Director. As Shri Prakash Pai Peraje, who is heading the Audit Committee as Chairman having rich experience and professional knowledge in Finance, Accounts and Company Law, the members always added the value for the Company. Minutes of each Audit Committee are placed before the Board and discussed in the meeting.

**(iii) Meeting and attendance during the year:**

In terms of compliance with the requirement of clause 49(II)(B) of Listing Agreement, the Audit Committee met 5 (Five) times during the financial year under review, on 14.05.2014, 13.08.2014, 20.08.2014, 12.11.2014 and 26.11.2014 and the attendance of the members of the Audit Committee as recorded is as under:

SI No	Name of the Director	No. of Meetings Attended
1.	Shri P. Prakash Pai	5
2.	Shri P. Ananth Pai	5
3.	Shri Gottemukkala Venkatapathi Raju	5
4.	Shri Bharathan Rajagopalan Thatai	5

The Statutory Auditors and Internal Auditors of the Company have also attended the above meetings on invitation. The recommendations made by the Audit Committee from time to time have been followed by the Company. The Chairman of the Audit Committee has attended the Annual General Meeting to answer the queries raised by the Shareholders regarding Audit and Accounts.

#### 4. NOMINATION & REMUNERATION COMMITTEE:

##### (i) Brief description of terms of reference:

During the year at a meeting of the Board of Directors of the Company held on 30th March, 2015 in compliance with the provisions of the Companies Act, 2013 and the listing agreement, the Board has renamed its "Remuneration Committee" as the "Nomination and Remuneration Committee". The brief terms of reference of the Nomination and Remuneration Committee, inter alia, include the following:

- a. Identifying and selection of persons for appointment as directors and senior management in accordance with the criteria laid down and to recommend to the Board their appointment.
- b. Formulate the criteria for determining qualifications, positive attributes and independence of a Director.
- c. Recommend/review remuneration of the Managing Director and Whole time Director(s) based on performance and defined assessment criteria.
- d. Recommend to the Board a policy for selection and appointment of Directors, Key Managerial Personnel and other senior management positions.
- e. Formulate and review criteria for evaluation of performance of the Board of Directors
- f. Devise a policy on Board diversity.
- g. Succession planning for the Board level and key management positions.
- h. Carry out any other function as mandated by the Board from time to time and/or enforced by any statutory notification/amendment.

##### (ii) Composition:

SI.No	Name of Director	Designation
1.	Shri P. Prakash Pai	Member
2.	Shri P. Ananth Pai	Member
3.	Shri Gottemukkala Venkatapathi Raju	Member

##### (iii) Attendance during the year:

The Remuneration Committee met 5 (Five) times, during the financial year under review, on 14.05.2014, 13.08.2014, 20.08.2014, 12.11.2014 and 26.11.2014. The attendance of the meeting by the members of the Committee as recorded is as under:

S. No	Name of the Director	No. of Meetings Attended
1.	Shri Ananth Pai Peraje	5
2.	Shri Prakash Pai Peraj	5
3.	Shri Gottemukkala Venkatapathi Raju	5



**REMUNERATION POLICY:**

The nomination and remuneration committee has adopted a Nomination and Remuneration Policy which, interalia, deals with the manner of selection of Board of Directors, KMP & other senior management and their remuneration. The extract of the same is as follows:

**a) Remuneration to Executive Director and KMP:**

Executive Directors and KMP are eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The Executive Director and KMP remuneration is determined based on levels of responsibility and scales prevailing in the industry. The executive directors are not paid sitting fee for any Board/Committee meetings attended by them.

**b) Remuneration to Non-Executive Directors:**

The Non- Executive / Independent Director may receive remuneration by way of sitting fees for attending meetings of Board or Committees thereof.

**(i) Details of Remuneration of Non – Executive Directors:**

The Company does not pay Sitting fees to the Non-executive Directors.

**(ii) Pecuniary relationship or transactions of Non-Executive Director:**

The Non-Executive Independent Directors do not have any other material pecuniary relationship or transactions with the Company, its promoters or its Management, which in the opinion of the Board may affect independence of judgment of such Directors.

**(iii) Details of Remuneration to Executive Directors:**

(Amount in Rs.)

Name of Director	Salary	H R A	Commission	Perks	Total
Shri Subramanya Ram Ganpath, WTD	745,800	--	--	--	745,800
Shri Dilip Mangesh Kalelkar, WTD	600,000	--	--	--	600,000
<b>TOTAL</b>	<b>1,345,800</b>	--	--	--	<b>1,345,800</b>

**FAMILIARISATION PROGRAMMES FOR BOARD MEMBERS:**

Your Company follows a structured orientation and familiarisation programme through various reports/codes/ internal policies for all the Directors with a view to update them on the Company's policies and procedures on a regular basis. Periodic presentations are made at the Board Meetings on business and performance, long term strategy, initiatives and risks involved. The framework on familiarisation programme have been posted in the website of the Company.

**CODE OF CONDUCT:**

The Company has in place a comprehensive Code of Conduct applicable to all the employees and Non-executive Directors including Independent Directors. The Code is applicable to Non-executive Directors including Independent Directors to such extent as may be applicable to them depending on their roles and responsibilities. The Code gives guidance and support needed for ethical conduct of business and compliance of law. A copy of the Code has been posted on the Company's website.

**INDEPENDENT DIRECTORS' MEETING:**

During the year, meeting of Independent Directors was held to review the performance of the Board as a whole on parameters of effectiveness and to assess the quality, quantity and timeliness of flow of information between the management and the Board.

**PERFORMANCE EVALUATION:**

Pursuant to the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Board Committees. A structured questionnaire was prepared after circulating the draft forms, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

The Performance evaluation of the Chairman and Managing Director and the Non-Independent Directors was carried out by the Independent Directors. The Directors express their satisfaction with the evaluation process.

**5. STAKEHOLDERS RELATIONSHIP COMMITTEE:****(i) Brief description of terms of reference:**

During the year at a meeting of the Board of Directors of the Company held on 26<sup>th</sup> November, 2014 in compliance with the provisions of the Companies Act, 2013 and the listing agreement, the Board has renamed its "Shareholders Grievance Committee" as the "Stakeholders Relationship Committee". The Stakeholders Relationship Committee constituted by the Board of Directors inter alia approves transfer of shares and redresses shareholders / investor's grievances and complaints regarding non-receipt of Dividends, Annual Reports, etc.

**(ii) Composition:**

Sl.No.	Name of Director	Designation
1.	Shri P. Prakash Pai	Member
2.	Shri P. Ananth Pai	Member
3.	Shri Gottemukkala Venkatapathi Raju	Member
4.	Shri Subramanya Ram Ganapath	Member

Shri U.V.Kini is acting as Compliance Officer of the Company.

**Status of Investor Complaints for the Financial Year**

Nature of Complaint	Received	Resolved
Non-receipt of Share Certificates sent for transfer	01	01
Non-receipt of Dividend Warrants	03	03
Any other complaints (Change of address)	02	02

There are no outstanding complaints as on 31.03.2015.

**6. RISK MANAGEMENT COMMITTEE:**

The Company has constituted a Risk Management Committee which has laid down procedures to inform the Board of Directors about the Risk Management and its minimization procedures. The Board of Directors review these procedures periodically.

**7. GENERAL BODY MEETINGS:****i) Location and time for the last 3 years General Meetings were:**

Year	Locations	Date	Time
2013-2014	Lions Bhavan, Near Paradise Circle, Secunderabad.	30 <sup>th</sup> September 2014	10.00 a.m
2012-2013	Lions Bhavan, Near Paradise Circle, Secunderabad.	30 <sup>th</sup> September 2013	10.00 a.m
2011-2012	Lions Bhavan, Near Paradise Circle, Secunderabad.	29 <sup>th</sup> September 2012	10.00 a.m

**ii. Whether any special resolutions passed in the previous 3 AGMs**

**2013-14:** In the AGM held on 30TH September, 2014 the company has passed no Special Resolutions.

**2012-13:** In the AGM held on 30th September, 2013 the company has passed no Special Resolutions.

**2011-12:** In the AGM held on 30th September, 2012 the company has passed no Special Resolutions.

**ii) Postal Ballot passed in last year i.e., 2014-15:**

During the year 2014-15 your Company has not passed any resolution through Postal Ballots as per the provisions of Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014.

**9. DISCLOSURES:**

- (i) Disclosures on materially significant related party transactions i.e., transactions of the company of material nature, with its promoter, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large:

Besides the transactions mentioned elsewhere in the Annual Report, there were no materially significant related party transactions during the year conflicting with the interest of the Company.

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

None.

- (iii) **Whistle Blower policy:**

Pursuant to Section 177(9) and (10) of the Companies Act, 2013 and Clause 49 of the Listing Agreement, the Company has formulated Whistle Blower Policy for vigil mechanism for Directors and employees to report to the management about the unethical behavior, fraud or violation of Company's code of conduct. The mechanism provides for adequate safeguards against victimization of employees and Directors who use such mechanism and makes provision for direct access to the Chairperson of the Audit Committee in exceptional cases. None of the personnel of the Company has been denied access to the Audit Committee. The policy is available on the Company website, [www.lotuschocolate.com](http://www.lotuschocolate.com)

- (iv) **Non Mandatory Requirements:**

Adoption of non-mandatory requirements of Clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

**10. MEANS OF COMMUNICATION:****i. Financial / Quarterly Results:**

The Company intimates un-audited as well as audited financial results to the Stock Exchanges, immediately after the Board meetings at which they are approved. The results of the Company are also published in at least one prominent national and one regional newspaper having wide circulation. Normally the results are published in Financial Express (English) and Andhra Bhoomi (Telugu). The financial results are also displayed on the Company's website [www.lotuschocolate.com](http://www.lotuschocolate.com)

**ii. Newspapers wherein results normally published**

The official news releases are published in Business Standard (English) and Andhra Bhoomi (Telugu), Detailed presentations made to institutional investors, financial analyst, etc. are displayed on the Company's website [www.lotuschocolate.com](http://www.lotuschocolate.com).

**Website:**

The website [www.lotuschocolate.com](http://www.lotuschocolate.com) contains a separate dedicated section for the Company's "Investor Relations" where shareholders' information is available. The full Annual Report, shareholding pattern etc. is also available in the 'Investor Relations' sections on the website of the Company.

**CEO/ CFO Certification**

In line with the requirements of Clause 49 (V) of the Listing Agreement, Shri Kommula Ganeswara Rao, Chief Finance Officer have submitted a certificate to the Board, certifying inter-alia, that the Financial Statements and the Cash Flow Statement for the year ended March 31, 2015 were reviewed to the best of their knowledge and belief, that they do not contain any material untrue statement, do not omit any material facts, are not misleading statements, together present a true and fair view and are in compliance with the applicable laws and regulations. The certificate further confirms that the transactions entered into by the Company for establishing internal control, financial reporting, evaluation of the internal control systems and making of necessary disclosures to the Auditors and the Audit Committee have been complied with.

**The Management Discussion and Analysis Report:**

A Report of the Management Discussion and Analysis is attached as part of the Annual Report.

**11. GENERAL SHAREHOLDER INFORMATION:**

<b>Annual General Meeting</b>	Date : 29 <sup>th</sup> September, 2015 Time : 10:00 A.M. Venue : Lions Bhavan, Near Paradise Circle, Secunderabad.
<b>Financial Calendar</b>	1 <sup>st</sup> April to 31 <sup>st</sup> March.
<b>Date of Book Closure</b>	23.09.2015 to 29.09.2015 (both days inclusive)
<b>Listing on Stock Exchanges</b>	BSE Ltd
<b>Stock Code</b>	523475
<b>ISIN Number for NSDL &amp; CDSL</b>	INE026D01011

**i. Registrar and Transfer Agents**

Share Transfers & Communication regarding Share Certificates, Dividends & Change of Address may be sent to

<b>M/s CIL SECURITIES LIMITED</b> 214, Raghava Ratna Tower, Chirag Ali Lane, Chirag Ali Lane, Hyderabad, Telangana 500001 Phone # +91-040-2320 2465 Email ID: advisors@cilsecurities.com Website: www.cilsecurities.com
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**ii. Share Transfer System**

The Transfer of shares in physical form is processed and completed by Registrar & Transfer Agents within a maximum period of 30 days from the date of receipt, provided all the documents are in order. In case of shares in electronic form, the transfers are processed by NSDL/CDSL through respective Depository Participants. In compliance with the Listing Agreement with the Stock Exchanges, a Practicing Company Secretary carries out audit of the system of transfer and a certificate to that effect is issued.

**iii. Reconciliation of share Capital Audit:**

As stipulated by the SEBI, a qualified Practicing Company Secretary carries out the Share Capital Audit to reconcile the total admitted Capital with NSDL and CDSL and the total issued and listed capital. The Audit is carried out every quarter and the Report thereon is submitted to the Stock Exchanges and is also placed before the Board of Directors. The Report inter-alia confirms the total listed and paid up share capital of the Company is in agreement with the aggregate of the total dematerialised shares and those in the physical mode.

**iv. Shareholding Pattern as on 31<sup>st</sup> March, 2015:**

Category	No. of. Shares	% Holding
Promoters	9,253,020	72.06
Promoters Bodies Corporate	---	---
Resident Individuals	3,335,614	25.98
Bodies Corporate	201,503	1.57
Indian Financial Institutions	1,700	0.01
Non Resident Indians	12,891	0.10
Government	700	0.01
Trusts	---	---
Clearing Members	6,925	0.05
Mutual Funds	---	---
Banks – Foreign Banks	1,500	0.01
Directors and Relatives	27,196	0.21
<b>Total</b>	<b>12,841,049</b>	<b>100</b>

**v. Dematerialisation of Shares & Liquidity**

The trading in Company's shares is permitted only on dematerialized form. In order to enable the shareholders to hold their shares in electronic form and to facilitate scrip-less trading, the Company has enlisted its shares with NSDL and CDSL.

**vi. Plant Locations:**

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

**vii. Address for correspondence**

Sl. No.	Shareholders Correspondence for	Address
1.	Transfer/Dematerialization/ Consolidation /Split of shares, Issue of Duplicate Share Certificates, Non-receipt of dividend/ Bonus shares, etc., change of address of Members and Beneficial Owners and any other query relating to the shares of the Company.	<b>M/s CIL SECURITIES LIMITED</b> 214, Raghava Ratna Tower, Chirag Ali Lane, Chirag Ali Lane, Hyderabad, Telangana 500001 Phone # +91-040-2320 2465 Email ID: advisors@cilsecurities.com Website: www.cilsecurities.com
2.	<b>Investor Correspondence / Queries on Annual Report, Revalidation of Dividend Warrants, Sub-Division, etc.</b>	Shri U.V. Kini Company Secretary and Compliance Officer. 8-2-596, 1st Floor, 1B, Sumedha Estates, Avenue-4, IVRCL Towers, Street No. 1, Road No. 10, Banjara hills, Hyderabad, Telangana – 500034 E-mail: complaints@lotuschocolate.com Phone No.: 040-2352607/08 Fax no.: 040-2352610

**12. Depository Services:**

For guidance on Depository Services, Shareholders may write to the Company or to the respective Depositories:

<b>National Securities Depository Ltd</b> Trade World, 4th Floor, Kamala Mills Compound, Lower Parel, Mumbai – 400 013 Tel : 091-022-24972964-70 Fax: 091-022-24972993 / 24976351 Email :info@nsdl.co.in.	<b>Central Depository Services (India) Ltd</b> Phiroze Jeejeebhoy Towers, 17th Floor, Dalal Street, Mumbai – 400 023 Tel : 091-022-22723333/22723224 Fax: 091-022-22723199 Email : investors@cDSLindia.com
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**13. Company's Policy on prevention of insider trading:**

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 2015, and in continuation with your Company's efforts to enhance the standards of corporate governance in the Company, and to strictly monitor and prevent insider trading within the company, your company has in place a Code of Conduct which is approved by the Board.

The Chief Financial Officer is acting as Compliance Officer for the said purpose. The code is applicable to all such employees, officers, Directors and Promoters of the Company who are expected to have access to the unpublished price sensitive information relating to the Company and the same is being implemented as a self-regulatory mechanism. The code has been circulated to all the members of the Board and Senior Management and others concerned the compliance of the same has been affirmed by them.

**14. Particulars of Directors, who are retiring by rotation, seeking re-appointment at the forthcoming Annual General Meeting pursuant to Clause 49 of the Listing Agreement:-**

Name of Director	Smt. Ashwini Pai
Expertise in specific functional areas	Having skill of leadership qualities in business development and management.
Date of Birth	12/12/1986
Qualification	Engineering Graduate
List of Other Companies in which Directorship is held as on 31 <sup>st</sup> March, 2015.	1
Chairman/ Member of the Committees of the Board of other Companies in which he is a Director as on 31 <sup>st</sup> March, 2015	--

**DECLARATION OF COMPLIANCE OF CODE OF CONDUCT**

Pursuant to the Circular No. SEBI/CFD/DIL/CG/1/2004/12/10 dated 29<sup>th</sup> Oct' 2004, it is hereby declared that the Company has obtained confirmation from all the Board Members and Senior Management Personnel of the Company for the compliance of the Code of Conduct of the Company for the year 2014-15.

Place: Hyderabad  
Date: 20.08.2015

Sd/-  
**G.S. Ram**  
**WHOLE-TIME DIRECTOR**  
**DIN: 02395478**



**AUDITORS' CERTIFICATE REGARDING CORPORATE GOVERNANCE**

To  
The Members of  
**Lotus Chocolate Company Limited**

We have examined the compliance of conditions of Corporate Governance by **M/s Lotus Chocolate Company Limited** for the year ended 31<sup>st</sup> March 2015, as stipulated in Clause 49 of the Listing Agreement with BSE Limited.

The compliance of these conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an Audit nor an expression of opinion on the Financial Statements 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 further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.



**For M/s. S.R. Mohan & Company**  
Chartered Accountants  
(FRN- 002111S)

Sd/-  
**B Brahmanandam**  
Partner  
M. No. 020026

Date : 20.08.2015  
Place: Hyderabad



**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 2015, the Company has complied with the requirements of the said sub clause.

**For LOTUS CHOCOLATE COMPANY LIMITED**

Sd/-  
KOMMULA GANESWARA RAO  
CHIEF FINANCIAL OFFICER

Date: 20.08.2015

**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, 2015.

**For LOTUS CHOCOLATE COMPANY LIMITED**

Sd/-  
KOMMULA GANESWARA RAO  
CHIEF FINANCIAL OFFICER

Date: 20.08. 2015

**CERTIFICATE ON CORPORATE GOVERNANCE**

We have examined the compliance of conditions of corporate governance, by LOTUS CHOCOLATE COMPANY LIMITED, for the year ended 31.03.2015 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.

**For RAKHI AGARWAL & ASSOCIATES**  
COMPANY SECRETARIES

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

Place: Hyderabad  
Date: 20.08.2015

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### 1. Industry Structure and development:

The chocolate market is on a growth path. The growth is robust. Increasing population and multiple earners in a family has led to higher disposable income levels. Confectionary is slowly but steadily being replaced by Chocolate and its variants. The overall market size is increasing and the new entrants are helping expand the market further, both domestic and multinational players. There is a major surge in Cocoa and Chocolate related activity in our country.

### 2. Opportunities and threats:

With the booming organized Greenfield industries, software, malls, the income of households have become steady and growing in both the urban and semi urban areas. Rural areas with high repatriation income is also in the consumption race. The demand for chocolate and confectionary products owing to this is finding great acceptance. Competition is very intense and also the opportunities arising out of new markets and new entrants is very promising. We service large manufacturers for their requirement of intermediaries like cocoa powder, cocoa butter, cocoa mass, chocolate etc.

### 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. We serve the consumers through a network of distributors and retailers.

### 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 : Lotus brand has become synonymous with uncompromising quality, consistency, reliability and hygiene which vitally important in food products business. We are a TUV Nord certified company, affirms our commitment to very high quality standards. The company visualizes bright prospects in current financial year 15-16 and also into the future. Exports will be a thrust area with falling rupee, the company will have a strong recovery with exports.

### 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 145 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 AUDITORS' 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, 2015, 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 Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

**4) Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, 2015;
- (b) in the case of the Statement Profit and Loss, of the Profit 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, 2015 (the Order) issued by the Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
  - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary of the purposes of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - e) On the basis of written representations received from the directors as on 31<sup>st</sup> March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2015 from being appointed as director in terms of Section 164 (2) of the Act.
  - f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
    - i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note – 29 to the financial statements.
    - ii) The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii) According to the records of the Company, no amount is required to be transferred to the Investor Education and Protection Fund during the year.

Place: Hyderabad

Date: 20.08.2015

## ANNEXURE TO AUDITORS' REPORT

The Annexure referred to in our Independent Auditors' Report to the members of the Company on the Financial Statements for the year ended 31<sup>st</sup> March 2015, we report that:

### 1. Fixed Assets:

- (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.

### 2. Inventory:

- (a) The inventory excluding stocks with third parties has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

### 3. Loans and Advances:

The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a) and (iii)(b) of the said Order are not applicable to the Company.

### 4. Internal Control Systems:

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.

5. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under to the extent notified.
6. The maintenance of cost records under sub-section (1) of section 148 of the act is not applicable for any of the products of the company for the year under review.

### 7. Statutory Dues:

- (a) The Company is regular in depositing the undisputed statutory dues including Provident Fund, E.S.I, Income Tax, Service Tax, Sales Tax, Wealth Tax, Customs Duty and other applicable statutory dues with appropriate authorities.
- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of duty of Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty and Cess, which have not been deposited on account of any dispute. The particulars of dues of Customs Duty as at 31<sup>st</sup> March, 2015 which have not been deposited on account of a dispute, are as follows:

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

- (c) There were no amounts required to be transferred to the Investor Education and Protection Fund by the Company.
8. In our opinion, the accumulated losses of the company are more than its Net worth as on 31<sup>st</sup> March, 2015. The Company has not incurred Cash Loss during the Financial year covered by our audit and it has incurred a cash loss of Rs. 202.80 Lakhs in the immediately preceding Financial year.
  9. 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.
  10. 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.
  11. The Company has not taken any term loan during the year.
  12. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

Place: Hyderabad

Date: 20.08.2015



**Balance Sheet as at 31 March, 2015**

	Particulars	Note No.	As at 31 March, 2015 Amount in Rs	As at 31 March, 2014 Amount in Rs
<b>A</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' funds</b>			
	(a) Share capital	2	202,346,490	202,346,490
	(b) Reserves and surplus	3	(242,895,670)	(248,836,317)
			(40,549,180)	(46,489,827)
<b>2</b>	<b>Share application money pending allotment</b>		--	--
<b>3</b>	<b>Non-current liabilities</b>			
	(a) Long-term borrowings	4	183,238,816	186,026,554
	(b) Long-term provisions	5	2,004,757	5,581,059
			185,243,573	191,607,613
<b>4</b>	<b>Current liabilities</b>			
	(a) Short-term borrowings	6	-	12,670,856
	(b) Trade payables	7	60,776,377	50,332,620
	(c) Other current liabilities	8	15,865,062	14,694,646
	(d) Short-term provisions	9	2,258,995	2,784,761
			78,900,434	80,482,883
	<b>TOTAL</b>		<b>223,594,827</b>	<b>225,600,670</b>
<b>B</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	(a) Fixed assets	10		
	(i) Tangible assets		57,176,838	60,148,995
	(ii) Intangible assets		760,000	760,000
	(iii) Capital work-in-progress		497,236	313,836
			58,434,074	61,222,831
	(b) Long Term Loans and Advances & Deposits	11	4,181,246	5,945,116
<b>2</b>	<b>Current assets</b>			
	(a) Inventories	12	59,930,511	42,422,078
	(b) Trade receivables	13	80,075,308	98,736,584
	(c) Cash and cash equivalents	14	11,615,747	8,553,468
	(d) Short-term loans and advances	15	3,518,377	3,288,779
	(e) Other current assets	16	5,839,564	5,431,814
			160,979,507	158,432,723
	<b>TOTAL</b>		<b>223,594,827</b>	<b>225,600,670</b>
	Significant Accounting Policies and Notes form integral part of Financial Statements.	1 to 33		

In terms of our report attached.

**For S.R. Mohan & Co**  
Chartered Accountants  
FRN: 0021115  
Sd/-  
**B. BRAHMANANDAM**  
Partner  
Membership No 020026  
Sd/-  
Place : HYDERABAD  
Date : 20.08.2015

**For and on behalf of the Board of Directors**

Sd/-  
**P. ANANTH PAI**  
DIRECTOR

Sd/-  
**G S RAM**  
WHOLE TIME DIRECTOR

Sd/-  
**U.V. KINI**  
COMPANY SECRETARY

Sd/-  
**K.G. RAO**  
CHIEF FINANCIAL OFFICER



**Statement of Profit and Loss for the year ended 31 March, 2015**

	Particulars	Note No.	For the year ended 31 March, 2015 Amount in Rs	For the year ended 31 March, 2014 Amount in Rs
<b>A</b>	<b>FROM CONTINUING OPERATIONS:</b>			
I	Revenue From Operations:	17	607,794,700	563,002,277
II	Other income	18	6,576,022	529,445
III	<b>Total revenue (I+II)</b>		<b>614,370,722</b>	<b>563,531,721</b>
IV	<b>Expenses</b>			
	(a) Cost of materials consumed	19	500,828,904	438,015,145
	(b) Changes in inventories of finished goods, work-in-progress and stock-in-trade	20	(20,935,819)	5,796,574
	(c) Employee benefits expense	21	39,643,263	49,198,149
	(d) Finance costs	22	735,190	4,197,047
	(e) Depreciation and amortisation expense		7,315,391	6,649,607
	(f) Other expenses	23	79,016,727	86,682,927
	<b>Total expenses</b>		<b>606,603,657</b>	<b>590,539,449</b>
V	<b>Profit/(Loss) before exceptional and extraordinary items and tax (III - IV)</b>		7,767,065	(27,007,728)
VI	Exceptional items		0	0
VII	<b>Profit / (Loss) before extraordinary items and tax (V + VI)</b>		7,767,065	(27,007,728)
VIII	Prior Period Adjustment		(659,339)	77,579
IX	<b>Profit / (Loss) before tax (VII + VIII)</b>		<b>7,107,726</b>	<b>(26,930,150)</b>
X	<b>Tax expense:</b>			
	(a) Current tax expense for current year		0	0
	(b) Deferred tax		0	0
	Profit / (Loss) after tax (IX -X)		<b>7,107,726</b>	<b>(26,930,150)</b>
XI	<b>Basic and diluted Earnings per Equity Share (face value of `10/- each) before prior year adjustment</b>		0.55	(2.10)
XII	<b>Basic and diluted Earnings per Equity Share (face value of `10/- each) after prior year adjustment</b>		0.55	(2.10)
	"Significant Accounting Policies and Notes form integral part of Financial Statements."	1-33		

In terms of our report attached.

**For S.R. Mohan & Co**  
Chartered Accountants  
FRN: 002111S  
Sd/-  
**B. BRAHMANANDAM**  
Partner  
Membership No 020026  
Sd/-  
Place : HYDERABAD  
Date : 20.08.2015

**For and on behalf of the Board of Directors**

Sd/- <b>P. ANANTH PAI</b> DIRECTOR	Sd/- <b>G S RAM</b> WHOLE TIME DIRECTOR
Sd/- <b>U.V. KINI</b> COMPANY SECRETARY	Sd/- <b>K.G. RAO</b> CHIEF FINANCIAL OFFICER

**CASHFLOW STATEMENT FOR THE YEAR ENDED 31.03.2015**

PARTICULARS	(In Rupees) Year ended 31.03.2015	(In Rupees) Year ended 31.03.2014
A. Cash Flow from Operating Activities:		
<b>Net Profit before tax and Extra Ordinary items</b>	<b>7,767,064</b>	<b>(27,007,728)</b>
<b>Adjustment for:</b>		
Depreciation	7,315,391	6,649,607
Interest	731,326	4,197,047
Loss on sale of asset	68,730	0
<b>Operating Profit before working capital Changes</b>	<b>15,882,511</b>	<b>(16,161,074)</b>
<b>Changes in working capital:</b>		
Adjustments for (increase) / decrease in operating assets:		
Inventories	(17,550,203)	6,656,156
Trade and other receivables	19,461,960	4,571,839
Adjustments for increase / (decrease) in operating liabilities:		
Trade and other payables	11,016,654	(15,338,215)
Long-term provisions	(3,398,076)	880,292
<b>CASH GENERATED FROM OPERATIONS</b>	<b>25,412,847</b>	<b>(19,391,002)</b>
Interest Paid	(731,326)	(4,197,047)
Cash flow before extra ordinary items	24,681,521	(23,588,049)
Extra Ordinary items	(659,339)	77,579
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>24,022,182</b>	<b>(23,510,471)</b>
B. Cash Flow from Investing activities:		
Purchase of Fixed Assets	(5,864,943)	(10,485,785)
Sale/(Purchase) of Investments	0	1,764,100
Adj for sale of Fixed Assets/Depreciation write back	363,634	3,320,000
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(5,501,309)</b>	<b>(5,401,685)</b>
C. Cash Flow from Financing Activities:		
Receipt/(Repayment) of Term Loans	(15,458,594)	29,623,616
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>(15,458,594)</b>	<b>29,623,616</b>
<b>NET INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS(A+B+C)</b>	<b>3,062,279</b>	<b>711,460</b>
CASH & CASH EQUIVALENTS (As on 31.03.2015)	11,615,747	8,553,468
CASH & CASH EQUIVALENTS (As on 31.03.2014)	8,553,468	7,842,007
<b>NET INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	<b>3,062,279</b>	<b>711,461</b>

1 The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard on 'Cash Flow Statements (AS-3)' specified under section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

2 Previous year's figures have been rearranged/regrouped wherever necessary.

This is the Cash Flow Statement referred to in our Report of even date

**For S.R. Mohan & Co**

Chartered Accountants

FRN: 0021115

Sd/-

**B. BRAHMANANDAM**

Partner

Membership No 020026

Sd/-

Place : HYDERABAD

Date : 20.08.2015

**For and on behalf of the Board of Directors**

Sd/-

**P. ANANTH PAI**

DIRECTOR

Sd/-

**U.V. KINI**

COMPANY SECRETARY

Sd/-

**G S RAM**

WHOLE TIME DIRECTOR

Sd/-

**K.G. RAO**

CHIEF FINANCIAL OFFICER

**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 Schedule III of the Companies Act, 2013.

**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 prescribed in Schedule II to the Companies Act, 2013.

**5. Impairment**

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized where ever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to

their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**6. 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.

**7. 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

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.

**8. 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.

**9. 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 accounted for on cash basis.

**10. Borrowing Cost**

Borrowing Costs directly attributable to acquisition and construction of qualifying assets are capitalised as a part of the cost of such asset upto the date when such asset when such asset is ready for its intended use. Other borrowing costs are charged to Profit and Loss Account.

**11. RESEARCH AND DEVELOPMENT:**

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

**12. 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 31/03/2015
- B) In respect of leave encashment, provision is made based on salary as at March, 31, 2015 for the leave accumulated and credited to the respective employees.

**13. PRIOR-PERIOD ITEMS:**

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

**14. 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.

**15. 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.

**16. 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.

**17. 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**

The amount is in Indian Rupees

2. SHARE CAPITAL	As at March 31, 2015		As at March 31, 2014	
	Number	Amount	Number	Amount
<b>Authorised:</b>				
Equity Shares - Par Value Rs. 10/- each	14,000,000	140,000,000	14,000,000	140,000,000
Preference Shares - Par Value Rs.10/- each	8,000,000	80,000,000	8,000,000	80,000,000
<b>Issued, Subscribed and fully paid up:</b>				
Equity Shares - Par Value Rs. 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
<b>Preference Share Capital</b>				
73,96,600 -10% Redeemable Cumulative Preference Shares Rs 10/ each (Previous Year 73,96,600)	7,396,600	73,966,000	7,396,600	73,966,000
<b>TOTAL</b>		202,346,490		202,346,490
<b>(A) Reconciliation of Equity Shares:</b>				
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>(B) Reconciliation of Preference Shares:</b>				
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
<b>(C) Shareholders holding more than 5% of the Equity Shares in the Company</b>				
	<b>As at March 31, 2015</b>	<b>Percentage of holding</b>	<b>As at March 31, 2014</b>	<b>Percentage of holding</b>
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
<b>(C Rights, Preferences and restrictions attached to the Shares:</b>				
<b>(i) Equity Shares:</b>				
Equity shares rank pari passu as regards to dividend and voting rights. Each share has one vote.				
<b>(ii) Preference Shares</b>				
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.				

(Amount in Rupees)

3. RESERVES AND SURPLUSES:	As at 31-03-2015		As at 31-03-2014	
	Amount	Amount	Amount	Amount
<b>(A) Capital Reserve:</b>				
As at the Beginning of the year	27,414,157		27,414,157	
Additions during the year	0		0	
Less: Transferred to Profit & Loss Statement	0		0	
As at end of the year		27,414,157		27,414,157
<b>(B) Securities Premium Account</b>				
As at the Beginning of the year	37,968,442		37,968,442	
Additions during the year	0		0	
Less Transferred to Profit & Loss Statement	0		0	
As at end of the year		37,968,442		37,968,442
<b>(C) State Investment Subsidy</b>		1,500,000		1,500,000
<b>(D) Surplus/(Deficit) in Profit and Loss</b>				
As at the beginning of the year	(315,718,916)		(288,788,766)	
Additions during the year	7,107,726		(26,930,150)	
Less: Adjustments on evaluation of useful life of Fixed Assets	1,167,080		0	
As at the end of the year		(309,778,269)		(315,718,916)
<b>TOTAL</b>		(242,895,670)		(248,836,317)

The Company has with effect from 1<sup>st</sup> April 2014, adopted estimated useful life of fixed assets as stipulated by Schedule II to the Companies Act 2013, applicable for accounting periods commencing 01<sup>st</sup> April 2014 or re-assessed useful life based on technical evaluation. Accordingly, depreciation of Rs. 1167080 on account of assets whose useful life is already exhausted as on 01<sup>st</sup> April 2014 has been adjusted against Surplus In Profit and Loss Account. The consequential impact (after considering the transition provision specified in Part C of Schedule II of Companies Act, 2013) on the depreciation charged and on the results for year to date is not material.

(Amount in Rupees)

4. LONG TERM BORROWINGS:	As at 31.03.2015	As at 31.03.2014
(i) Unsecured Loans		
<b>From others :</b>		
From Directors	183,238,816	185,836,554
Security Deposit	0	190,000
<b>TOTAL</b>	<b>183,238,816</b>	<b>186,026,554</b>

(Amount in Rupees)

<b>5. LONG TERM PROVISIONS:</b>	<b>As at 31.03.2015 Amount</b>	<b>As at 31.03.2014 Amount</b>
Provision for Employee Benefits:		
Provision for Gratuity	1,783,032	5,190,499
Provision for Leave Encashment	221,725	390,560
Total	2,004,757	5,581,059

Provision for Gratuity is made as per Actuarial Valuation Certificate

<b>6. SHORT - TERM BORROWINGS:</b>	<b>As at 31.03.2015 Amount</b>	<b>As at 31.03.2014 Amount</b>
Cash Credit Facility from SBI	0	8,121,505
Loan on Fixed Deposit	0	4,549,351
Total	0	12,670,856

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

6.2. 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

<b>7. TRADE PAYABLES</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Creditors for Supplies	58,226,657	48,195,173
Creditors for Services	2,549,720	2,137,447
Total	60,776,377	50,332,620

The company have not received any intimation from suppliers regarding their status under the Micro, Small & Medium Enterprises 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.

<b>8. OTHER CURRENT LIABILITIES</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Salaries and other Staff benefits Payable	2,925,729	3,876,449
Salary Recoveries Payable	307,779	305,990
VAT & Other Indirect Taxes Payable	4,297,671	3,359,818
TDS Payable	135,219	133,928
Outstanding Liabilities for Expenses	5,150,060	4,703,050
Advances from Customers	3,048,604	2,315,411
Total	15,865,062	14,694,646

<b>9. SHORT TERM PROVISIONS</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Provision for Employee benefits:		
Bonus	1,741,743	2,229,261
Provision for Gratuity	445,500	445,500
Provision for Leave Salary	71,752	110,000
Total	22,58,995	27,84,761

(AMOUNT IN RUPEES)

## 10. SCHEDULE OF FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION				NET BLOCK			
	AS AT 01-04-2014	ADDITIONS DURING THE PERIOD	ADJ. FOR SALE/ TRA.WO	AS AT 31.03.2015	UPTO 31.03.2014	DURING THE PERIOD	**ADJUSTED AGAINST SURPLUS IN PROFIT AND LOSS ACCOUNT	ADJ. FOR SALE/DEL. WRITE BACK	UPTO 31.03.2015	AS AT 31.03.2015	AS AT 31.03.2014
TANGIBLE ASSETS:											
LAND - FREEHOLD	230,863	0	0	230,863	0	0	0	0	0	230,863	230,863
BUILDINGS	19,168,200	4,97,557	0	19,665,757	13,071,807	597,315	0	0	13,669,122	5,996,635	6,096,393
PLANT AND MACHINERY	191,463,632	51,01,986	0	196,565,618	140,747,188	6,015,398	32,585	0	146,795,171	49,770,447	50,716,444
ELECTRIC INSTALLATIONS	4,845,142	82,000	0	4,927,142	4,441,138	176,137	10,481	0	4,627,756	299,386	404,004
FURNITURES AND FIXTURES	2,566,002	0	0	2,566,002	2,101,106	74,896	82,804	0	2,258,806	307,196	464,896
OFFICE EQUIPMENT	1,245,059	0	0	1,245,059	398,573	203,548	344,310	0	946,431	298,628	846,486
OFFICE EQUIPMENT - COMPUTERS	2,851,590	0	0	2,851,590	2,025,285	117,874	594,749	0	2,737,907	113,683	826,305
VEHICLES	2001,188	0	363,634	1,637,554	1,437,584	130,223	102,151	192,404	1,477,554	160,000	563,604
<b>Total</b>	<b>224,371,676</b>	<b>5,681,543</b>	<b>363,634</b>	<b>229,689,585</b>	<b>164,222,681</b>	<b>7,315,391</b>	<b>1,167,080</b>	<b>192,404</b>	<b>172,512,748</b>	<b>57,176,838</b>	<b>60,148,995</b>
INTANGIBLE ASSETS	760,000	0	0	760,000	0	0	0	0	0	760,000	760,000
<b>TOTAL (A+B)</b>	<b>225,131,676</b>	<b>5,681,543</b>	<b>363,634</b>	<b>230,449,585</b>	<b>164,222,681</b>	<b>7,315,391</b>	<b>1,167,080</b>	<b>192,404</b>	<b>172,512,748</b>	<b>57,936,837</b>	<b>609,08,995</b>
CAPITAL WORK IN PROGRESS	313,836	183,400	0	497,236	0	0	0	0	0	497,236	313,836
<b>TOTAL (A+B+C)</b>	<b>225,445,512</b>	<b>5,864,943</b>	<b>363,634</b>	<b>230,946,821</b>	<b>164,222,681</b>	<b>7,315,391</b>	<b>1,167,080</b>	<b>192,404</b>	<b>172,512,748</b>	<b>58,434,073</b>	<b>61,222,831</b>
PREVIOUS YEAR											
<b>AS AT 31ST MARCH 2014</b>	<b>218,279,727</b>	<b>10,485,785</b>	<b>3,320,000</b>	<b>225,445,512</b>	<b>157,573,074</b>	<b>6,649,607</b>	<b>0</b>	<b>0</b>	<b>164,222,681</b>	<b>61,222,831</b>	<b>60,706,653</b>

\*\*During the year, the Company has, with effect from 1<sup>st</sup> April 2014, reassessed the estimated useful life of fixed assets as stipulated by Schedule II of the Companies Act, 2013 or as appropriate based on technical evaluation. The consequential impact (after considering the transition provision specified in Part C of Schedule II to the Companies Act, 2013) on the depreciation charged and on the results for the year is not material.



(Amount in Rupees)

<b>11. LONG TERM LOANS &amp; ADVANCES</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
(a) Deposit with Govt. Authorities	3,781,262	5,359,528
(b) Prepaid Expenses	399,984	585,588
<b>Total</b>	<b>4,181,246</b>	<b>5,945,116</b>

<b>12. INVENTORIES</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Raw Material	7,439,486	9,391,920
Work -in- Process	6,967,836	10,474,158
Finished Goods	36,321,178	11,879,036
Stores and Spares and Fuel	4,682,009	4,752,139
Stock of Packing Materials	6,104,209	7,509,032
	<b>61,514,718</b>	<b>44,006,285</b>
Less:		
Provision for Non- Moving Stock	1,584,207	1,584,207
<b>Total</b>	<b>59,930,511</b>	<b>42,422,078</b>

12.1 Raw material, Packing material and Stores and Spares are valued at cost on weighted averaged cost.

12.2 Work in process is taken at cost and finished goods are valued at lower of the cost or Net Realisable Value.

<b>13. TRADE RECEIVABLES:</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Outstanding for a period exceeding six months		
Unsecured - Considered good	8,360,333	5,427,089
Unsecured - Considered Doubtful	836,742	49,260
	9,197,075	5,476,349
Less: Provision for doubtful debts	836,742	49,260
	<b>8,360,333</b>	<b>5,427,089</b>
Others		
Unsecured - Considered good	71,714,976	93,309,496
Unsecured - Considered Doubtful	0	0
<b>Total</b>	<b>80,075,309</b>	<b>98,736,584</b>

<b>14. CASH AND CASH EQUIVALENTS</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
(a) Balances with Banks		
in Current Accounts	11,215,646	3,166,742
in earmarked deposit accounts	320,000	5,269,225
	<b>11,535,646</b>	<b>8,435,967</b>
(b) Cash on Hand	80,101	117,501
<b>Total</b>	<b>11,615,747</b>	<b>8,553,468</b>

<b>15. SHORT TERM LOANS AND ADVANCES</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Unsecured - Considered good		
Advances to Suppliers	2,724,367	1,873,432
Advances to Employees	794,010	1,415,347
	<b>3,518,377</b>	<b>3,288,779</b>

(Amount in Rupees)

<b>16. OTHER CURRENT ASSETS:</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Unsecured - Considered good		
Tax Deducted at Source	413,958	402,424
Interest Accrued	212,745	209,779
Balance with Government Bodies	3,820,631	3,758,262
Cenvat Credit	901,366	764,762
Prepaid Expenses	490,864	296,587
<b>Total</b>	<b>5,839,564</b>	<b>5,431,814</b>

<b>17. REVENUE FROM OPERATIONS:</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Sale of Manufactured Products		
Gross Sales	700,037,778	629,516,609
Less Excise Duty	92,243,078	66,514,333
Net Sale of Produces	607,794,700	563,002,277
<b>Income from Operations</b>	<b>607,794,700</b>	<b>563,002,277</b>

<b>18. OTHER INCOME</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Interest Income	658,909	281,195
Misc. Income	5,917,113	248,250
<b>Total Other Income</b>	<b>6,576,022</b>	<b>529,445</b>

<b>19. COST OF MATERIAL CONSUMED (A+B)</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
<b>A. Raw material</b>		
Opening Stock	9,391,920	10,603,236
Purchases	465,029,659	395,876,165
Purchase plus Opening Stock	474,421,579	406,479,401
Less Closing Stock	7,439,486	9,391,920
<b>Raw Material Consumed</b>	<b>466,982,093</b>	<b>397,087,481</b>
<b>B. Packing Material</b>		
Opening Stock	7,509,032	7,294,087
Purchases	32,441,989	41,142,609
Purchase plus Opening Stock	39,951,021	48,436,696
Less Closing Stock	6,104,209	7,509,032
<b>Packing Material Consumed</b>	<b>33,846,812</b>	<b>40,927,664</b>
<b>Total Material Consumed</b>	<b>500,828,904</b>	<b>438,015,145</b>

(Amount in Rupees)

<b>20. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROCESS</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
A. Opening Stock:		
Finished Goods	11,879,036	16,519,909
Work in Process	10,474,158	11,629,859
Total Opening Stock (A)	22,353,194	28,149,768
B. Closing Stock		
Finished Goods	36,321,178	11,879,036
Work in Process	6,967,836	10,474,158
Total Closing Stock (B)	43,289,013	22,353,194
Decrease/(Increase) in Inventory (A-B)	(20,935,819)	5,796,574

<b>21. EMPLOYEE BENEFITS EXPENSES</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Salaries and Wages, Bonus & Ex-gratia	34,512,666	43,393,392
Provident Fund & ESI Contributions	1,750,957	2,253,397
Gratuity and leave encashment	840,259	1,234,188
Staff Welfare	1,193,581	971,372
Directors' Remuneration	1,345,800	1,345,800
Total Employee benefits and Expenses	39,643,263	49,198,149

<b>22. FINANCE COSTS</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
Interest Expense on Working Capital	633,061	3,576,951
Bank Charges	98,265	488,620
Loss on Foreign Exchange Fluctuation	3,864	1,32,410
Total Finance Costs	735,190	4,197,047

(Amount in Rupees)

<b>23. OTHER EXPENSES</b>	<b>As at 31.03.2015</b>	<b>As at 31.03.2014</b>
<b>A. Manufacturing Expense</b>		
Consumption of Stores & Spares	7,543,292	5,609,701
Power & Fuel	22,759,729	26,705,660
Repairs to Building	437,020	819,831
Repairs to Plant & Machinery	1,978,992	903,165
Repairs to Other Assets	459,689	303,666
Other Manufacturing Expenses	9,665,569	10,661,061
R & D/ Lab Expenses	12,398	25,233
	42,856,688	45,028,317
<b>B. Selling Expenses</b>		
Business Promotion	1,781,164	22,61,945
Stock Damages	2,380	1,843,286
Rate Differences	0	473,283
Sales Incentives and Allowances	6,289,788	11,056,637
Freight , Hamali and Carriage Outwards	11,957,193	13,181,707
	20,030,525	28,816,858
<b>C. Administration Expenses</b>		
Rates & Taxes other than taxes on Income	4,646,717	2,068,350
Professional Charges	668,286	785,148
Rent	1,434,000	2,109,333
Travelling & Conveyance	1,882,428	2,317,595
Meeting & Conferences	13,580	11,479
Insurance	6,94,640	547,198
Postage, Telephone & Courier Charges	1,149,435	1,253,204
General Expenses	5,520,429	3,665,445
Payment to Auditors - As Statutory Audit Fees	80,000	60,000
As Tax Audit Fees	40,000	20,000
	16,129,515	12,837,752
<b>Total</b>	<b>79,016,728</b>	<b>86,682,927</b>



<b>24. SEGMENT REPORTING</b>	<b>Turnover in Rs</b>	
	<b>For the Year 2014-15</b>	<b>For the Year 2013-14</b>
(a) Cocoa Products including chocolates		
India	600,105,123	540,572,873
Export	6,979,750	22,429,404
<b>Total</b>	<b>607,084,873</b>	<b>563,002,277</b>
(b) Conversion	NIL	NIL

(Amount in Rupees)

<b>25. IMPORTED AND INDIGENOUS MATERIALS CONSUMED</b>				
<b>Particulars</b>	<b>For the year ended 31 st March 2015</b>		<b>For the year ended 31 st March 2014</b>	
	<b>In Rs</b>	<b>%</b>	<b>In Rs</b>	<b>%</b>
Raw Materials :				
Imported	5,630,033	1%	11,402,973	3%
Indigenous	461,168,417	99%	384,473,192	97%
<b>Total</b>	<b>466,798,450</b>	<b>100%</b>	<b>3958,76,165</b>	<b>100%</b>
Components and Spares Parts				
Imported	978,737	18%	498,880	13%
Indigenous	4,560,953	82%	3,206,384	87%
<b>Total</b>	<b>5,539,690</b>	<b>100%</b>	<b>3,705,264</b>	<b>100%</b>

<b>26. EARNINGS PER SHARE</b>			
<b>Particulars</b>	<b>31st March, 2015</b>	<b>31st March, 2015</b>	
<b>Numerator</b>			
Net Profit / ( Loss) as disclosed in Statement of Profit & Loss	7,107,726	(26,930,150)	
Net Profit / ( Loss) attributable to the Equity Shareholders			
<b>Denominator</b>			
Weighted average No. of Equity Shares	12,841,049	12,841,049	
Basic and diluted Earnings Per Share (face value of Rs.10 each)	0.55	(2.1)	
Basic and diluted Earnings Per Share After Exceptional items	0.55	(2.1)	

**27. 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 (Hyd ) LLP
- ii. Soubhagya Confectionery Private Limited

The company has identified all related parties and details of transactions are given below. There are no other related parties where control exists that need to be disclosed

<b>Name of the transacting related party</b>	<b>Relationship between the parties</b>	<b>Nature of Transaction</b>	<b>Value / Volume of transactions during the year</b>	<b>Amount outstanding as on 31.03.2015</b>
P. Prakash Pai	Director	Unsecured Loans Taken	11,450,000 (28,500,000)	92,719,408 (92,619,408)
		Unsecured Loans Repaid	11,350,000 (4,020,000)	
		Interest	272,380 (NIL)	
P. Ananth Pai	Director	Unsecured Loans Taken	2,600,000 (27,400,000)	90,519,408 (93,217,146)
		Unsecured Loans Repaid	5,297,738 (4,020,000)	
		Interest	Nil (NIL)	
P. Ashwini Pai	Director	Managerial Remuneration	Nil (NIL)	Nil (Nil)
G.S. Ram	Whole Time Director	Managerial Remuneration	745,800 (792,132)	62,150 (62,150)
Dilip Mangesh Kalelkar	Whole Time Director (Technical)	Managerial Remuneration	600,000	50,000
			(600,000)	(50,000)
Puzzolana Machinery Fabricators (Hyd) LLP	Common Key Management Personnel	1. Purchase of Machinery & Spare parts	1,061,703  (1,653,698)	40,907  (7,418,364)
		2. Chocolate Sales	111,000 (15,200)	
Soubhagya Confectionery Private Limited	Common Key Management Personnel	1.Purchases/Sales	38,988,350 (6,462,991)	6,839,072 (6,462,991)
		2. Job Works	600,000 (Nil)	Nil (Nil)

<b>28. PARTICULARS OF MANAGERIAL REMUNERATION:</b>		Rs.
Mr. G.S.Ram, Whole Time Director	<b>For the year 2014-15</b>	<b>For the year 2013-14</b>
Salary	745,800	7,45,800
Perquisites - PF	0	0
Total	745,800	7,45,800
Note : As Mr. G.S.Ram is aged 60 years , we have not deposited any Provident Fund for the financial year 2014-15		
Mr. Dilip Kalelkar, Whole Time Director ( Technical)	<b>For the year 2014-15</b>	<b>For the year 2013-14</b>
Salary	600,000	600,000
Perquisites - PF	0	0
Total	600,000	600,000
Note : We have not paid any managerial remuneration to any of the Directors other than above Directors		

<b>29. CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF:</b>
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 Rs. 18,000,000 (Previous year Rs. 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 Rs. 31,900,000 (Previous year Rs. 31,900,000)
2. Accrued and unpaid preference dividend Rs.115,696,200 (previous year Rs. 108,299,600)

<b>30. EXPENSES/INCOME EARNED INCURRED IN FOREIGN CURRENCY:</b>		
Particulars	For the year ended 31.3.2015 Rs.	For the year ended 31.3.2014 Rs.
<b>A) Import of material ( CIF value)</b>		
Capital Equipment's	NIL	NIL
Raw Materials	9,596,107	11,402,973
Components & Spares	1,074,256	498,880
<b>B) Expenditure in Foreign Currency</b>		
Foreign travel expenses	NIL	NIL
Interest paid on Foreign Currency Term Loan	NIL	NIL
<b>C) Earnings in Foreign Currency on account of</b>		
Export Sales	6,979,750	22,429,404
<b>D) Earnings in Foreign Currency on account of Dividends</b>	NIL	NIL

31. Balances of Trade receivables, payables and loans & advances are subject to confirmation and reconciliation.
32. Figures have been rounded off to the nearest rupee.
33. 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: 0021115

Sd/-  
**B. BRAHMANANDAM**  
Partner  
Membership No 020026

Place : HYDERABAD  
Date : 20.08.2015

**For and on behalf of the Board of Directors**

Sd/-  
**P. ANANTH PAI**  
DIRECTOR

Sd/-  
**U.V. KINI**  
COMPANY SECRETARY

Sd/-  
**G S RAM**  
WHOLE TIME DIRECTOR

Sd/-  
**K.G. RAO**  
CHIEF FINANCIAL OFFICER





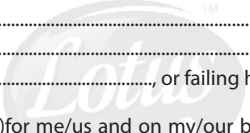
**Form No. MGT - 11**  
**PROXY FORM**

[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 : # 8-2-596, 1<sup>st</sup> Floor, 1B, Sumedha Estate, Avenue-4, IVRCL Towers, St. No.1. Road No. 10, Banjara Hills, Hyderabad-500034.  
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 26<sup>th</sup> Annual General Meeting of the Company, to be held on Tuesday, 29<sup>th</sup> Day of September, 2015 at 10.00 A.M. at Lions Bhavan, Near Paradise Circle, 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 Director Smt. Ashwini Pai retiring by rotation
- 3. Appointment of Statutory Auditor M/s. S.R. Mohan & Co.

Affix ₹ 1/-  
Revenue  
Stamp

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015  
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)

1. Member                              2. Proxy                              3. Authorised Representative

I hereby record my presence at the 26th Annual General Meeting of the Company being held on Tuesday, 29th Day of September, 2015 at Lions Bhavan, Near Paradise Circle, 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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