



LOTUS CHOCOLATE COMPANY LIMITED

**24th ANNUAL REPORT
2012-2013**

BOARD OF DIRECTORS

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

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

Auditors

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

Registrar & Share Transfer Agents

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

Registered Office

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

Banker

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

Works

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

NOTICE OF THE TWENTY FOURTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of Lotus Chocolate Company Limited will be held at 10.00 A.M. on Monday, the 30.09.2013 at LIC Bhavan, Lions Bhavan, Paradise, Secunderabad to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss Account for the Year ended 31.03.2013 and the Balance Sheet as at that date together with the Report of Auditors and the Report of the Board of Directors.
2. To re-appoint M/s. S. R. Mohan & Co., Chartered Accountants, Hyderabad as Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration as may be mutually agreed upon between the said S.R. Mohan & Co., and the Board of Directors of the Company.
3. To appoint a Director in the place of Shri P. Prakash Pai, Director who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in the place of Shri P. Anantha Pai, Director who retires by rotation and being eligible, offers himself for reappointment.

For and on behalf of the Board

Sd/-
P.Anantha Pai
Director

Sd/-
G.S.Ram
Whole Time Director

Place : Hyderabad

Date : 19th August, 2013

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

2. Instrument of proxies in order to be effective must be deposited at the Company's registered office at #8-2-596, 1st Floor, 1B, Sumedha Estates, Avenue-4, IVRCL Towers, St.No.1, Road No.10, Banjara Hills, Hyderabad-500 034 not less than 48 hours before the meeting.
3. Members/Proxies should bring the attendance slip duly filled-in for attending the meeting.
4. The Register of Members and Share Transfer books of the Company will remain closed from Monday, 23rd day of September, 2013 to Monday, 30th day of September, 2013 (both days inclusive).
5. Members desiring any information on the Accounts are requested to write to the company at least seven days before the meeting so as to enable the management to keep the information ready.

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

Stock Exchanges

Shri P.Prakash Pai

Shri P. Prakash Pai is an Engineering Graduate. He is the Managing Partner of Puzzolana Machinery Fabricators and possesses extensive experience and entrepreneurial leadership in the development of a machine building enterprise. He has developed several import substitutes for the Engineering and process industries. He has been awarded with VIKAS RATNA in the year 1990. His global exposure and hands - on experience in design, manufacturing, erection and commissioning of rotating equipment & systems and innovative leadership is a major strength to Puzzolana.

Shri P.Anantha Pai

Shri P. Anantha Pai is as Chartered Accountant by qualification. He is the Joint Managing Partner of M/s Puzzolana Machinery Fabricators and has years of machine manufacturing experience. He has developed special skills in costing, purchasing, optimization methods, finance & accounts. His co-ordination and monitoring skills and project execution experience help the Firm to meet its targets. His dedicated service is responsible for the successful implementation of different projects.

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present the 24th Annual Report together with the audited accounts for the year ended 31st March, 2013.

FINANCIAL RESULTS

₹ in lakhs

	Year ended 2013	Year ended 2012
Income	4700.05	5569.16
Gross Profit before Interest & Depreciation		
Interest	(49.61)	21.27
Depreciation	(52.54)	(179.90)
Profit/(loss) for the year	(51.28)	(49.51)
Loss brought forward from previous year	(153.43)	(208.14)
Loss carried forward to Balance Sheet	(2734.45)	(2526.31)
	(2887.88)	(2734.45)

PERFORMANCE

Lotus has achieved a sales turnover at ₹.4645 Lakhs for the period ended 31.03.2013. The Company continued to follow its policy offering value to the customers with sales prices just below inflation. The management is addressing this area of concern as major initiatives are planned during the current fiscal year. Your company's performance has been led through modest investments in our brands, products, innovation initiatives, expansion into new product categories and an uphill task in managing operating costs through cost efficiency measures.

BUSINESS PLAN

The Company has entered into an agreement with Bharti Wal-Mart for co-brand of chocolate products and the Company is planning to launch pure milk chocolate under the brand Milk Chocolate Chuckles.

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

The most significant impact will be the cost escalation on the prime inputs, higher escalation on the cost of power/steam generation and heavy power cut (almost three days in a week) had a cumulative devastating impact on product competitiveness.

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

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

FSSC CERTIFICATION

Your company's manufacturing factory located at Narsapur, Medak District has been certified to the latest version of FSSC 22000:2010 (Food Safety Standard Certification by TUV NORD). This Certification indicates our commitment in a sustainable manner, in meeting global quality, environment, health and safety standards. This is a milestone in our quest for quality.

RESEARCH AND DEVELOPMENT

During current financial year, emphasis has been given by R & D, to cater the needs of MNC Buyers.

1. By working closely with R & D team of flavor manufacturers specific, nature identical flavours are developed to boost the organoleptic characters of the consumer product and thus developed Milk Chocolate, Cashew Delight, Milkee Delight and Choco Pearls to reputed MNC and have gone into commercial production. Development of Choco-Pie enrobing mass and biscuit cream for reputed indigenous and MNC firms is under progress.
2. Our R & D progress has opened a new business avenue with one of the business giants like Bharathi Wal- Mart and could reach company's esteemed customers' specific needs and retained their trust in our business outlook and openness.

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

PARTICULARS OF EMPLOYEES

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

PARTICULARS REGARDING ENERGY CONSERVATION ETC.

The particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed to this Report.

DEPOSITS

The Company has not accepted any deposit during the year under review.

BOARD OF DIRECTORS

Shri P Prakash Pai and Shri P Anantha Pai , Directors retire by rotation at the 24th Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS

M/s S R Mohan & Company, Chartered Accountants, Hyderabad, Statutory Auditors of your Company hold office until the conclusion of the 24th Annual General Meeting and are being proposed for re-appointment. The Company has received a certificate from them to the effect that their appointment, if made would be within the limits prescribed under Section 224(1) of the Companies Act, 1956.

DIRECTORS RESPONSIBILITY STATEMENT

The Board submits as under :

- that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

- that the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- that the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Yours Directors place on record the appreciation for the sincere efforts and hard work put in by the employees of the Company in its operations. The Directors acknowledge the support and co - operation received from Banks and other Governmental Agencies.

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

For and on behalf of the Board

Sd/-
P.Anantha Pai
Director

Sd/-
G.S.Ram
Whole Time Director

Place : Hyderabad

Date : 19th August, 2013

ANNEXURE TO THE DIRECTORS REPORT

Additional information as required under the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988:

A. Conservation of Energy

- a. Energy Conservation measures taken:
The Company has installed the following energy saving devices:
- CFL Lamps
 - Power Capacitors
 - Steam Condensate Recovery
 - Street Lighting Timer
 - Water Level Controller
- b. Additional investment and proposals, if any, being implemented for reduction of consumption of energy:
Energy saving devices are being installed to reduce consumption of electrical energy.
- c. Impact of measures at (a) & (b) above for reduction of energy consumption & consequent impact on the cost of production of goods.
- d. Total energy consumption & energy consumption per unit of production in prescribed Form 'A'

		Year ended 31 st March, 2013	Year ended 31 st March, 2012	
A.	1.	Power & fuel consumption in respect of		
		Electricity		
		a. Purchased :		
		Units (Kwh)	12,83,695	18,45,136
		Total (₹)	95,50,390	87,68,314
		Rate per unit (₹)	7.43	4.75
		b. Own Generation :		
		Through Diesel Generator		
		Units (Kwh)	6,32,466	1,92,445
		Units per liter of Diesel oil	2.90	2.11
Cost per Unit (₹)	17.61	17.22		
2.	Furnace Oil/LSHS/LDO/HSD			
		Qty (Lts)	Nil	Nil
		Total Amount (₹)	Nil	Nil
		Average (₹/ltr)	Nil	Nil
3.	Wood/Coal			
		Qty (Kgs.)	5,61,835	5,87,035
		Total Amount (₹)	34,09,182	23,30,529
		Average (₹/Kgs.)	6.06	3.97

B.	Consumption per Unit of Production Cocoa & Chocolate products (Tonnes)		
	i. Electricity (KWH/Tonnes)		
	- Cocoa	626 units/MT	558 units/MT
	- Chocolate	454 units/MT	478 units/MT
	ii. Furnace Oil/LSHS/LDO HSD (KL/Tonne)		
	- Cocoa	Nil	Nil
	- Chocolate	Nil	Nil
	iii. Wood/coal (KG/MT)		
	- Cocoa	525 Kgs/MT	447 Kgs/MT
	- Chocolate	53 Kgs/MT	60 Kgs/MT

B. Technology Absorption

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

Research & Development

1. Specific areas in which R & D was carried out by the Company:
Research and Development work has been continued to develop tailor-made recipes. Improved the packing mode of consumer products with better appeal and product protection. Improvements in Cocoa process carried out to improve product safety and quality. Cocoa plant is being certified for HACCP (Food Safety Systems) and successfully undergone through surveillance audits.
2. Benefits derived as a result of the above R & D:
The Company could sustain the stiff competition and is able to retain the esteemed customers within its fold and also increase its capacity.
3. Future Plans & Actions
Further new Chocolate products will be introduced later this year. To achieve this the Company is making special efforts to develop management skills, raising performance, Leadership capabilities sharpening the customers at all levels within the company.
4. Expenditure on R & D:

	₹
a. Capital	-
b. Recurring	-
c. Total as % turnover	-
5. Technology Absorption, Adoption and Innovation : -

C. Foreign Exchange Earnings & Outgo:

- f. Activities relating to exports, initiatives taken to increase the exports, development of new export markets for products and services and export plans:
The Company has exported its Cocoa and Chocolate Products to Nepal.
- g. Total foreign exchange used and earned (CIF Value):

	₹/lacs
i) Foreign Exchange earnings	127.23
ii) Foreign Exchange Outgo (including raw materials, components and spare parts of capital goods and other expenditures in foreign currency including dividends)	281.22

For and on behalf of the Board

Place : Hyderabad
Date : 19th August, 2013

Sd/-
P. Anantha Pai
Director

Sd/-
G.S.Ram
Whole Time Director

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

1. Company’s Philosophy on Corporate Governance

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

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

2. Board of Directors

(a) Composition of the Board

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

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

Five .5. Board Meetings were held during the financial year ended 2013:

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

Date of last Annual General Meeting (AGM) – 28.09.2012.

(c) Pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company.

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

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

S. No.	Name of the Director	No. of other Companies in which Director	No. of Committees (other than those constituted by the Company in which Member/Chairman)
1.	P.Prakash Pai	6	—
2.	P.Anantha Pai	6	—
3.	Ashwini Pai	1	—
4.	Abhijeet Pai	7	—
5.	G.V.P.Raju	—	—
6.	G.S.Ram	—	—
7.	Dilip Mangesh Kalelkar	—	—

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

Five(5) Board Meetings were held during the financial year 2013. The time gap between any two Board Meetings did not exceed by more than four months.

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

1 st Board Meeting	-	14.05.2012
2 nd Board Meeting	-	11.08.2012
3 rd Board Meeting	-	10.11.2012
4 th Board Meeting	-	11.02.2013
5 th Board Meeting	-	13.05.2013

3. Audit Committee

(a) Brief description of terms of reference

- 1) It shall have authority to investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or referred to it by the Board and for this purpose, shall have full access to information contained in the records of the Company and external professional advice, if any.
- 2) To seek information from any employee and obtain outside legal or professional advice.
- 3) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- 4) Reviewing with the management the annual financial statements before submission to the Board, internal and external auditors and the adequacy of the internal control systems.
- 5) Reviewing the Company's financial and risk management policies and compliance with internal control systems.

(b) Composition, Names of Members and Chairperson

A qualified and an independent Audit Committee consisting of three members, all being independent Directors, was constituted on April 25th, 2001 and further reconstituted again on 30.01.2009. The Committee was reconstituted with the following members:

The Committee consists of:

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

(c) Meetings during the year

Three meetings of the Audit Committee were held.

4. Remuneration Committee

Remuneration Committee was re-constituted on 30.01.2009 with the objective to evaluate compensation and other benefits for Executive Directors and the Manager.

The Committee consists of:

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

5. Remuneration of Directors

(a) Remuneration to Non-Executive Directors

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

(b) Remuneration to Executive Director

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

6. Shareholders/Investors Grievances Committee

"Investor Grievance Committee" reconstituted on 30.01.2009 as a measure of good corporate governance and to strengthen the investor relations. The following are the members of the Committee:

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

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

The Committee functions under the Chairmanship of Shri P.Prakash Pai, Non - Executive Director.

(b) Name and designation of Compliance Officer

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

(c) Status of Investor Complaints received during the financial year 2013:

Nature of Complaint	Received	Cleared
Non-receipt of Share Certificates sent for transfer	01	01
Non-receipt of Dividend warrant	01	01
Any other complaints	02	02
Total	04	04

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

(d) Number of pending share transfers

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

7. General Body Meetings

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

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

Date of the Meeting (Relating to Calendar Year)	AGM held relating to accounting year ended	Venue of the Meeting	Time of Meeting
28 th September, 2012	31-03-2012	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
30 th September, 2011	31-03-2011	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
30 th September, 2010	31-03-2010	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m

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

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

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

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

8. Disclosures

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

Forming part of the Note to Accounts of the Company.

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

None.

9. Means of Communication

Half yearly Report sent to each of the shareholders	No. But published in English and Regional Newspaper
Quarterly Results - Newspapers normally published in	English - Business Standard Telugu - Andhra Bhoomi
Website where quarterly results are displayed	sebidifar.nic.in

10. General Shareholder information

- (a) As indicated in the Notice to our Shareholders, the Annual General Meeting of the Company will be held on **30th day of September, 2013, Monday at 10.00 A.M.**

- (b) Date of book closure: **23rd day of September, 2013 to 30th day of September, 2013** for the purpose of the Annual General Meeting.

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

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

- The Stock Exchange, Mumbai

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

- (e) **Stock Code**

Stock Code-HSE-LAGLOB Scrip Code No. LOTCHO\$

Stock Code-BSE-LANGLSY Scrip Code No. 523475

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

M/s CIL SECURITIES LIMITED

Reg.Off.: 214, Raghava Ratna Towers,

Chirag Ali Lane, Abids,

Hyderabad - 500 001.

Tel.No. 040-23202465, 23203155.

- (g) **Share Transfer System**

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

(h) **Distribution of Shareholding as on 31st March, 2013 :**

	Category	Number of Shares Held	Percentage of Shareholding (%)
A	Promoter's Holding		
1	Promoter's - Indian Promoters - Foreign Promoters	9253020 —	72.06 —
B	Non – Promoters Holding		
2	Institutional Investors	—	—
A	Mutual Funds & UTI	—	—
B	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non - Govt. Institutions)	3900	0.03
C	FIs —	—	
3	Others		
A	Private Corporate Bodies	242303	1.89
B	Indian Public	3331453	25.94
C	Any other - NRIs / OCBs	10373	0.08
	Total	12841049	100.00

(i) **Dematerialization of Shares:**

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

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

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

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

(l) **Address for correspondence**

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

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

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

Non-Regional

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

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 2013, the Company has complied with the requirements of the said sub clause.

Place : Hyderabad
Date: 19th August, 2013

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

COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

As provided under Clause 49 of the Listing Agreement entered with the Stock Exchange, the Board Members and the Senior Management Personnel have confirmed compliance with the Code of Conduct and the Ethics for the financial year ended 31st March, 2013.

Place : Hyderabad
Date: 19th August, 2013

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

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry structure and development:

The Indian chocolate industry is one of the fastest growing markets in the country with an annual growth of about 40%. This can also be judged by the number of new entrants into this lucrative market. Mass consumption of chocolate and chocolate intermediaries across all strata of population is instrumental in this robust growth.

2. Opportunities and threats:

With Increased earnings at both urban and rural levels and the consequent disposable income in the hands of the consumer along with the changing customer preferences, the chocolate industry has immense potential.

The harsh tropical climate of the subcontinent is a major impediment. The market is also sensitive to the price of the product.

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 etc. For the retail consumers, the company offers a wide range of products to suit every pocket. The company has also co-branded with Bharti Wal-Mart where it manufactures chocolate for their private label.

4. Outlook:

The company is currently servicing only a part of the considerable Indian market. The company's outlook for the FY 2014 is very bright considering the fact that there is still a considerable market available.

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 employees' relations have been cordial and satisfactory during the year under review. The company has about 292 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.

CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance of conditions of corporate governance, by LOTUS CHOCOLATE COMPANY LIMITED, for the year ended 31.03.2013 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 explanation given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

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

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

Place : Hyderabad
Date: 19th August, 2013



For Rakhi Agarwal & Associates
COMPANY SECRETARIES

Sd/-
Rakhi Agarwal,
Partner
FCS No. 7047, CP No. 6270

INDEPENDENT AUDITOR'S REPORT

To
The Members of Lotus Chocolate Company Limited

1. Report on the Financial Statements

We have audited the accompanying financial statements of Lotus Chocolate Company Limited, which comprise the Balance Sheet as at March 31, 2013, 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

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

4. Opinion

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

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and

- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- (2) As required by section 227(3) of the Act, we report that:
- (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - (e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

Place : Hyderabad
Date: 19th August, 2013

For S.R. Mohan & Co.,
CHARTERED ACCOUNTANTS
FR No. 002111S

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

Ref: LOTUS CHOCOLATE COMPANY LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 5(1) OF AUDITORS' REPORT OF EVEN DATE

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The Company has a phased programme of physical verification of Fixed Assets which in our opinion is reasonable having regard to the size of the Company and nature of its business. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off a substantial part of Fixed Assets during the period, which affects the going concern concept.
- (d) None of the fixed assets has been revalued during the year.
- (ii) (a) As explained to us, all the inventory of the Company except stock-in-process has been physically verified by the management at the year-end. Stock-in-process has been taken as per the management's technical estimate. In our opinion and according to the information and explanations given to us, the frequency of the verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management and read with our comments in paragraph (ii) (a) above, are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) On the basis of examination of the records of inventory and according to the information and explanations given to us, we are of the opinion that the Company is maintaining proper records of inventory. Discrepancies noticed on physical verification of stocks were not material.
- (iii) (a) On the basis of examination of records and according to the information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) On the basis of examination of records and according to the information and explanation given to us, the Company has taken unsecured loans from two parties in the previous year, covered in the register maintained under section 301 of Companies Act, 1956. The maximum amount at any time during the year was ₹ 1390.77 Lakhs and year-end balance outstanding was ₹ 1390.77 Lakhs.
- (c) In our opinion, the rate of interest and other terms and conditions on which loans taken are not prejudicial to the interest of the Company.
- (d) The aforesaid loans given to the company are repayable on demand and there is no repayment schedule. Therefore, the question of repayment being regular does not arise.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to the purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion, and according to the information and explanation given to us, there is no continuing failure to correct major weaknesses in the internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of ₹ 5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits under section 58A or any other relevant provisions of the Companies Act, 1956 and rules framed there under.
- (vii) In our opinion, Company has internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the records of the Company and the information and explanations given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to it.
- (b) According to records of the Company and the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess were outstanding as at 31st March, 2013 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company and as per the information and explanations given to us by the management, the details of disputed statutory dues which have not been deposited are as given below:

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

- (x) In our opinion, the accumulated losses of the company are more than its Net worth as on 31st March, 2013. The Company has incurred Cash Loss of ₹ 102.11 lakhs during the Financial year covered by our audit and ₹ 170.89 Lakhs in the immediately preceding Financial year.
- (xi) Based on our examination of documents and records and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions and banks.
- (xii) Based on our examination of documents and records and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of the pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or nidhi/ mutual benefit fund/society. Therefore, the provisions of the clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

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

Place : Hyderabad
Date: 19th August, 2013

For S.R. Mohan & Co.,
CHARTERED ACCOUNTANTS
FR No. 002111S

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

Balance Sheet as at 31 March, 2013

	Particulars	Note No.	As at 31 March, 2013	As at 31 March, 2012
			Amount'in ₹	Amount'in ₹
A	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	2	202,346,490	202,346,490
	(b) Reserves and surplus	3	(221,906,167)	(206,563,518)
			(19,559,677)	(4,217,028)
2	Non-current liabilities			
	(a) Long-term borrowings	4	139,266,554	139,266,554
	(b) Other long-term liabilities	5	6,544,147	14,730
	(c) Long-term provisions	6	4,700,767	5,161,207
			150,511,468	144,442,491
3	Current liabilities			
	(a) Short-term borrowings	7	29,807,241	34,503,479
	(b) Trade payables	8	56,455,727	22,466,092
	(c) Other current liabilities	9	17,259,434	15,089,726
	(d) Short-term provisions	10	4,475,140	4,368,222
			107,997,542	76,427,519
	TOTAL		238,949,333	216,652,982
B	ASSETS			
1	Non-current assets			
	(a) Fixed assets	11		
	(i) Tangible assets		57,386,653	39,150,750
	(ii) Intangible assets		-	-
	(iii) Capital work-in-progress		3,320,000	19,986,948
			60,706,653	59,137,698
	(b) Long Term Loans & Advances & Deposits	12	5,419,737	4,903,831
2	Current assets			
	(a) Current investments	13	1,764,100	1,843,000
	(b) Inventories	14	50,662,441	51,138,886
	(c) Trade receivables	15	103,375,032	78,018,418
	(d) Cash and cash equivalents	16	7,842,007	2,052,740
	(e) Short-term loans and advances	17	3,200,613	14,476,185
	(f) Other current assets	18	5,978,750	5,082,224
			172,822,943	152,611,453
	TOTAL		238,949,333	216,652,982
	Significant Accounting Policies and Notes form an integral part of Financial Statements.	1 to 35		

In terms of our report attached.

For S.R.Mohan & Co
 CHARTERED ACCOUNTANTS
 FRN: 002111S

Sd-
B. BRAHMANANDAM,
 Partner
 Membership No 020026
 Place : HYDERABAD
 Date : 19th August, 2013

For and on behalf of the Board of Directors

Sd-
P.ANANTHA PAI
DIRECTOR

Sd-
G.S.RAM
WHOLE TIME DIRECTOR

Statement of Profit and Loss for the year ended 31 March, 2013

	Particulars	Note No.	For the year ended	For the year ended
			31 March 2013	31 March 2012
			Amount'in ₹	Amount'in ₹
A	FROM CONTINUING OPERATIONS:			
I	Revenue From Operations:	19	464,457,160	555,091,131
			464,457,160	555,091,131
II	Other income	20	5,547,897	1,825,595
III	Total revenue (I+II)		470,005,057	556,916,726
IV	Expenses			
	(a) Cost of materials consumed	21	339,702,677	410,000,051
	(b) Changes in inventories of finished goods, work-in-progress and stock-in-trade	22	(1,810,786)	7,883,600
	(c) Employee benefits expense	23	46,857,414	50,565,091
	(d) Finance costs	24	5,254,225	17,990,063
	(e) Depreciation and amortisation expense		5,128,362	4,950,978
	(f) Other expenses	25	90,345,031	87,566,841
	Total expenses		485,476,923	578,956,624
V	Profit / (Loss) before exceptional & extraordinary items and tax (III - IV)		(15,471,866)	(22,039,898)
VI	Exceptional items		-	-
VII	Profit / (Loss) before extraordinary items and tax (V ± VI)		(15,471,866)	(22,039,898)
VIII	Extraordinary items (Prior Period Adj.)		129,217	1,225,401
IX	Profit / (Loss) before tax (VII ± VIII)		(15,342,649)	(20,814,497)
X	Tax expense:			
	(a) Current tax expense for current year		-	-
	(b) Deferred tax		-	-
	Profit / (Loss) (IX ± X)		(15,342,649)	(20,814,497)
XII	Basic and diluted Earnings per Equity Share (face value of ₹10/- each) before prior year adjustment		(1.20)	(1.72)
XIII	Basic and diluted Earnings per Equity Share (face value of ₹10/- each) after prior year adjustment		(1.19)	(1.62)
	Significant Accounting Policies and Notes form an integral part of Financial Statements.	1-35		

In terms of our report attached.

For S.R.Mohan & Co
 CHARTERED ACCOUNTANTS
 FRN: 002111S

Sd-

B. BRAHMANANDAM,
 Partner

Membership No 020026

Place : HYDERABAD

Date : 19th August, 2013

For and on behalf of the Board of Directors

Sd-
PANANTHA PAI
 DIRECTOR

Sd-
G.S.RAM
 WHOLE TIME DIRECTOR

CASHFLOW STATEMENT FOR THE YEAR ENDED 31.03.2013

Particulars	(In ₹) Year ended 31.03.2013	(In ₹) Year ended 31.03.2012
A. Cash Flow from Operating Activities:		
Net Profit before tax and Extra Ordinary items	(15,471,866)	(22,039,898)
Adjustment for:		
Depreciation	5,128,362	4,950,978
Provision no longer required written back	0	0
Fixed Assets Written Off	0	0
Interest	5,254,225	17,990,063
Operating Profit before working capital Changes	(5,089,279)	901,143
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Inventories	4,76,444	86,056,501
Trade and other receivables	(1,54,93,472)	(25,158,379)
Adjustments for increase / (decrease) in operating liabilities:		
Trade and other payables	4,27,95,677	(14,059,432)
Long-term provisions	(4,60,440)	30,864
CASH GENERATED FROM OPERATIONS	22,228,930	47,770,697
Interest Paid	(5,254,225)	(17,990,063)
Cash flow before extra ordinary items	16,974,705	29,780,634
Extra Ordinary items	129,217	1,225,401
NET CASH FROM OPERATING ACTIVITIES	17,103,922	31,006,035
B. Cash Flow from Investing activities:		
Purchase of Fixed Assets	(25,884,001)	(493,652)
Sale/(Purchase) of Investments	78,900	157,000
Sale of Fixed Assets/Depreciation write back	19,186,684	0
NET CASH USED IN INVESTING ACTIVITIES	(6,618,417)	(336,652)
C. Cash Flow from Financing Activities:		
Receipt/(Repayment) of Term Loans	(4,696,238)	(30,738,953)
NET CASH FROM FINANCING ACTIVITIES	(4,696,238)	(30,738,953)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS(A+B+C)	5,789,267	(69,570)
CASH & CASH EQUIVALENTS (As on 31.03.2013)	7,842,007	2,052,740
CASH & CASH EQUIVALENTS (As on 31.03.2012)	2,052,740	2,122,310
NET INCREASE IN CASH & CASH EQUIVALENTS	5,789,267	(69,570)

Notes:

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

In terms of our report attached.

For S.R.Mohan & Co
CHARTERED ACCOUNTANTS
FRN: 002111S

Sd-
B. BRAHMANANDAM,
Partner
Membership No 020026
Place : HYDERABAD
Date : 19th August, 2013

For and on behalf of the Board of Directors

Sd-
P.ANANTHA PAI
DIRECTOR

Sd-
G.S.RAM
WHOLE TIME DIRECTOR

Notes 1 :

SIGNIFICANT ACCOUNTING POLICIES

1. ACCOUNTING ASSUMPTIONS:

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

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

2. BASIS OF PRESENTATION:

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

3. FIXED ASSETS:

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

4. DEPRECIATION:

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

5. INVESTMENTS:

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

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

6. INVENTORIES:

Inventories are valued as under:

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

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

b) Work-in-process:

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

c) Finished goods:

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

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

7. PROVISIONS:

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

8. REVENUE RECOGNITION:

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

Sales are exclusive of excise duty and sales tax.

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

9. RESEARCH AND DEVELOPMENT:

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

10. EMPLOYEE BENEFITS

- A) In respect of Gratuity, for eligible employees, provision is made on the assumption that all of them retire at the year end.
- B) In respect of leave encashment, provision is made based on salary as at March, 31, 2013 for the leave accumulated and credited to the respective employees.

11. PRIOR-PERIOD ITEMS:

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

12. EXCEPTIONAL ITEM:

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

13. FOREIGN CURRENCY TRANSACTIONS:

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

14. TAXES ON INCOME

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

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

15. TREATMENT OF CONTINGENT LIABILITIES:

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

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

The amount is in Indian Rupees

2.SHARE CAPITAL	As at 31.03.2013		As at 31.03.2012	
	Number	Amount	Number	Amount
Authorised:				
Equity Shares - Par Value ₹ 10/- each	14,000,000	140,000,000	14,000,000	140,000,000
Preference Shares - Par Value ₹10/- each	8,000,000	80,000,000	8,000,000	80,000,000
Issued, Subscribed and fully paid up:				
Equity Shares - Par Value ₹ 10/- each	12,841,049	128,410,490	12,841,049	128,410,490
Less: CALLS UNPAID				
From Members other than Directors		30,000		30,000
		128,380,490		128,380,490
Preference Share Capital				
73,96,600 -10% Redeemable Cumulative	7,396,600	73,966,000	7,396,600	73,966,000
Preference Shares ₹ 10/ each (Previous Year 73,96,600)				
TOTAL		202,346,490		202,346,490
(A) Reconciliation of Equity Shares:				
As at the beginning of the year	12,841,049	128,380,490	12,841,049	128,380,490
Issued During the Year	-	-	-	-
As at the End of the year	12,841,049	128,380,490	12,841,049	128,380,490
(B) Reconciliation of Preference Shares:				
As at the beginning of the year	7,396,600	73,966,000	7,396,600	73,966,000
Issued During the Year	-	-	-	-
As at the End of the year	7,396,600	73,966,000	7,396,600	73,966,000
(C) Shareholders holding more than 5% of the Equity Shares in the Company				
	As at March 31, 2013	Percentage of holding	As at March 31, 2012	Percentage of holding
Prakash Peraje Pai	3,659,272	28.50	3,659,272	28.50
Anantha Peraje Pai	3,659,272	28.50	3,659,272	28.50
(C Rights, Preferences and restrictions attached to the Shares:				
(i) Equity Shares:				
Equity shares rank pari passu as regards to dividend and voting rights. Each share has one vote.				
(ii) Preference Shares				
Preference shares have right to preferential dividend of 10% per annum on cumulative basis and also for redemption of principal over the equity shares. Preference share holders have right to vote only on the matters concerning the preference shares.				

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

The amount is in Indian Rupees

3. RESERVES AND SURPLUSES	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
(A) Capital Reserve:				
As at the Beginning of the year	27,414,157		27,414,157	
Additions during the year				
Less Transferred to Profit & Loss Statement				
As at end of the year		27,414,157		27,414,157
(B) Securities Premium Account				
As at the Beginning of the year	37,968,442		37,968,442	
Additions during the year				
Less Transferred to Profit & Loss Statement				
As at end of the year		37,968,442		37,968,442
(C) State Investment Subsidy		1,500,000		1,500,000
(D) Surplus/(Deficit) in Profit and Loss				
As at the beginning of the year	(273,446,117)		(252,631,620)	
Additions during the year	(15,342,649)		(20,814,497)	
Transfers during the year				
As at the end of the year		(288,788,766)		(273,446,117)
TOTAL		(221,906,167)		(206,563,518)

4. LONG TERM BORROWINGS:	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
(i) Unsecured Loans				
From others :	-		-	
From Directors	139,076,554		139,076,554	
Security Deposit	190,000	139,266,554	190,000	139,266,554
TOTAL		139,266,554		139,266,554

5. OTHER LONG TERM LIABILITY	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
Creditors for Capital Items	6,544,147	6,544,147	14,730	14,730
TOTAL		6,544,147		14,730

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

The amount is in Indian Rupees

6. LONG TERM PROVISIONS	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
Provision for Employee Benefits:				
Provision for Gratuity	4,389,654		4,271,075	
Provision for Leave Encashment	311,113		890,132	
		4,700,767		5,161,207

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

7. SHORT - TERM BORROWINGS:	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
(a) Loans repayable on Demand:				
Secured - from SBI				
Cash Credit Facility		29,807,241		23,527,602
(b) Sales Tax Payable Under				
deferred payment scheme		-		10,975,877
		29,807,241		34,503,479

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

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

7.3 The entire liability of Deferred Sales Tax has been cleared during the year.

8. TRADE PAYABLES	As at 31.03.2013	As at 31.03.2012
Creditors for Supplies	51,499,499	19,043,887
Creditors for Services	4,956,228	3,422,205
	56,455,727	22,466,092

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.

9. OTHER CURRENT LIABILITIES	As at 31.03.2013	As at 31.03.2012
Salaries and other Staff benefits Payable	3,546,365	2,617,434
Salary Recoveries Payable	381,118	165,688
VAT & Other Indirect Taxes Payable	3,512,964	5,815,767
TDS Payable	313,597	160,737
Outstanding Liabilities for Expenses	7,881,897	3,937,856
Advances from Customers	1,623,493	2,392,244
	17,259,434	15,089,726

10. SHORT TERM PROVISIONS	As at 31.03.2013	As at 31.03.2012
Provision for Employee benefits		
Bonus	2,215,433	2,400,000
Provision for Gratuity	445,500	
Provision for Leave Salary	230,000	384,015
Provision for Obsolete Packing Material	1,584,207	1,584,207
	4,475,140	4,368,222

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

Note 11

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK		(AMOUNT IN ₹)	
	AS AT 01-04-2012	ADDITIONS DURING THE PERIOD	ADJ FOR SALE/ TRA/WO	AS AT 31-03-2013	UPTO 31-03-2012	DURING THE PERIOD	ADJ FOR SALE/DEL. WRITE BACK	UPTO 31-03-2013		AS AT 31-03-2013
A TANGIBLE ASSETS:										
LAND - FREEHOLD	230,863	0	0	230,863	0	0	0	0	230,863	230,863
BUILDINGS	19,168,200	0	0	19,168,200	11,819,249	626,277	0	12,445,526	6,722,674	7,348,951
PLANT AND MACHINERY	158,875,704	23,455,145	0	182,330,849	131,891,249	3,624,500	0	135,515,749	46,815,100	26,984,455
ELECTRIC INSTALLATIONS	4,845,142	0	0	4,845,142	4,166,093	142,849	0	4,308,942	536,200	679,049
FURNITURES AND FIXTURES	2,530,989	0	0	2,530,989	2,004,957	46,629	0	2,051,586	479,403	526,032
OFFICE EQUIPMENT	1,146,127	208,600	204,221	1,150,506	306,730	43,828	0	350,558	799,948	839,397
OFFICE EQUIPMENT-COMPUTERS	2,481,734	220,256	0	2,701,990	1,271,686	381,556	0	1,653,242	1,048,748	1,210,048
VEHICLES	3,042,878	0	1,041,690	2,001,188	1,710,923	262,723	726,175	1,247,471	753,717	1,331,955
Total	192,321,637	23,884,001	1,245,911	214,959,727	153,170,887	5,128,362	726,175	157,573,074	57,386,653	39,150,750
B INTANGIBLE ASSETS	0	0	0	0	0	0	0	0	0	0
TOTAL (A+B)	192,321,637	23,884,001	1,245,911	214,959,727	153,170,887	5,128,362	726,175	157,573,074	57,386,653	39,150,750
C CAPITAL WORK IN PROGRESS	19,986,948	2,000,000	18,666,948	3,320,000					3,320,000	19,986,948
TOTAL (A+B+C)	212,308,585	25,884,001	19,912,859	218,279,727	153,170,887	5,128,362	726,175	157,573,074	60,706,653	59,137,698
PREVIOUS YEAR										
AS AT 31ST MARCH 2012	211,814,933	493,652	0	212,308,585	148,219,909	4,950,978	0	153,170,887	59,137,698	63,595,024

NOTES FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

12. LONG TERM LOANS & ADVANCES	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
(a) Deposit with Govt. Authorities		4,668,978		4,162,678
(b) Prepaid Expenses		750,759		741,153
		5,419,737		4,903,831

13. CURRENT INVESTMENTS:	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
(a) Other Investments:				
Units of Mutual Fund:				
(a) STG- Baroda Poineer- Short Term units of Mutual Fund-Bondfund-Growth Plan (100,000 units of ₹ 10 Nav ₹ 12.23)		1,000,000		1,000,000
(b) S.B.I- PSU Fund Growth	1,000,000		1,000,000	
Less: Diminution in Value	235,900	764,100	157,000	843,000
100000 units of ₹ 10/-each in Baroda Pioneer ST BOND & SBI PSU FUND (Nav ₹ 7.64)				
		1,764,100		1,843,000

14. INVENTORIES	As at 31.03.2013	As at 31.03.2012
Raw Material	10,603,236	12,785,016
Work -in- Process	11,629,859	6,847,625
Finished Goods	16,519,909	19,491,357
Stores and Spares and Fuel	4,615,350	4,708,872
Stock of Packing Materials	7,294,087	7,306,016
	50,662,441	51,138,886

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

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

15. TRADE RECEIVABLES:	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured - Considered good	9,533,502		-	
Unsecured - Considered Doubtful	351,006		10,792,882	
	9,884,508		10,792,882	
Less: Provision for doubtful debts	351,006	9,533,502	10,792,882	-
Others				
Unsecured - Considered good		93,841,530		78,018,418
		103,375,032		78,018,418

16. CASH AND CASH EQUIVALENTS	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
(a) Balances with Banks				
in Current Accounts	7,628,525		1,895,788	
in earmarked deposit accounts	69,225	7,697,750	69,225	1,965,013
(b) Cash on Hand		144,257		87,727
		7,842,007		2,052,740

17. SHORT TERM LOANS AND ADVANCES	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
Unsecured - Considered good				
Advances to Suppliers	2,384,197		13,410,159	
Advances to Employees	816,416	3,200,613	1,066,026	14,476,185
		3,200,613		14,476,185

18. OTHER CURRENT ASSETS:	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
Unsecured - Considered good				
Tax Deducted at Source	390,548		390,548	
Interest Accrued	201,256		137,467	
Balance with Government Bodies	3,691,516		3,616,952	
Pre-paid expenses	232,027		125,712	
Pre- paid Insurance	24,901		48,843	
Cenvat Credit	1,438,502	5,978,750	762,702	5,082,224
		5,978,750		5,082,224

19. REVENUE FROM OPERATIONS:	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
Sale of Manufactured Products				
Gross Sales		520,734,522		611,492,440
Less Excise Duty		56,277,362		56,401,309
Net Sales		464,457,160		555,091,131
Processing Income		-		-
Income from Operations		464,457,160		555,091,131

20. OTHER INCOME	As at 31.03.2013	As at 31.03.2012
Interest Income	145,643	258,649
Creditors balances written back	569	478,397
Misc. Income	5,401,685	1,088,549
Total Other Income	5,547,897	1,825,595

21. COST OF MATERIAL CONSUMED	As at 31.03.2013		As at 31.03.2012	
	Amount	Amount	Amount	Amount
A. Raw material				
Opening Stock	12,785,016		90,395,548	
Purchases	306,798,261		299,213,107	
Purchase plus Opening Stock	319,583,277		389,608,655	
Less Closing Stock	10,603,236		12,785,016	
Raw Material Consumed		308,980,041		376,823,639
B. Basic Packing Material				
Opening Stock	7,306,016		7,895,496	
Purchases	30,710,707		32,586,932	
Purchase plus Opening Stock	38,016,723		40,482,428	
Less Closing Stock	7,294,087		7,306,016	
Packing Material Consumed		30,722,636		33,176,412
Total Material Consumed		339,702,677		410,000,051

22. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK IN PROCESS AND STOCK IN TRADE	As at 31.03.2013		As at 31.03.2012	
A. Opening Stock:				
Finished Goods		19,491,357		25,845,540
Work in Process		6,847,625		8,377,042
Total Opening Stock (A)		26,338,982		34,222,582
B. Closing Stock				
Finished Goods		16,519,909		19,491,357
Work in Process		11,629,859		6,847,625
Total Closing Stock (B)		28,149,768		26,338,982
Decrease/(Increase) in Inventory (A-B)		(1,810,786)		7,883,600

23. EMPLOYEE BENEFITS EXPENSES	As at 31.03.2013	As at 31.03.2012
Salaries and Wages, Bonus & Ex-gratia	41,450,602	44,323,293
Provident Fund & ESI Contributions	2,208,338	2,578,872
Gratuity Paid	900,341	478,327
Leave Encashment Paid		904,436
Staff Welfare	952,333	975,563
Directors' Remuneration	1,345,800	1,304,600
Total Employee benefits and Expenses	46,857,414	50,565,091

24. FINANCE COSTS	As at 31.03.2013	As at 31.03.2012
Interest Expenses	4,874,747	17,616,206
Other Borrowing Costs	379,478	373,857
Total Finance Costs	5,254,225	17,990,063

25. OTHER EXPENSES	As at 31.03.2013	As at 31.03.2012
Consumption of Stores & Spares	7,349,502	2,988,438
Power & Fuel	24,357,125	14,735,105
Other Manufacturing Expenses	9,923,014	6,290,343
Repairs to Building	269,197	390,596
Repairs to Plant & Machinery	371,238	995,144
Repairs to Other Assets	830,365	1,342,132
Insurance	325,087	389,063
Rates & Taxes other than taxes on Income	1,955,831	4,090,159
Professional Charges	1,137,325	720,503
Rent	1,569,660	2,149,399
Travelling & Conveyance	9,836,834	16,016,265
R & D/ Lab Expenses	454,675	677,634
Meeting & Conferences	41,258	75,123
Selling Expenses	24,354,590	20,567,465
Postage, Telephone & Courier Charges	1,285,650	1,524,819
General Expenses	6,203,680	14,530,653
Payment to Auditors - As Audit Fees	45,000	45,000
As Tax Audit Fees	20,000	20,000
Consultancy Charges	15,000	15,000
Reimbursement of Expenses	-	4,000
Total	90,345,031	87,566,841

26. SEGMENT REPORTING		Turnover in ₹	
	For the Year 2012-13	For the Year 2011-12	
(a) Cocoa Products including chocolates			
India	451,733,238	546,088,827	
Export	12,723,920	9,002,304	
Total	464,457,158	555,091,131	
(b) Conversion	NIL	Nil	

27. IMPORTED AND INDIGENOUS MATERIALS CONSUMED				
Particulars	For the year ended 31 st March 2013		For the year ended 31 st March 2012	
	In ₹	%	In ₹	%
Raw Materials :				
Imported	37,119,830	12.01	67,207,091	17.83
Indigenous	271,860,211	87.99	309,616,548	82.17
Total	308,980,041	100	376,823,639	100
Components and Spares Parts				
Imported	357,576	4.87	1,292,823	43.26
Indigenous	6,991,925	95.13	1,695,615	56.74
Total	7,349,501	100	2,988,438	100

28 EARNINGS PER SHARE		
Particulars	31st March, 2013	31st March, 2012
Numerator		
Net Profit / (Loss) as disclosed in Statement of Profit & Loss	(15471866)	(22039898)
Net Profit / (Loss) attributable to the Equity Shareholders		
Denominator		
Weighted average No. of Equity Shares	12841049	12841049
Basic and diluted Earnings Per Share (face value of ₹ 10 each)	(1.20)	(1.72)
Basic and diluted Earnings Per Share After Exceptional items	(1.19)	(1.62)

29 RELATED PARTY DISCLOSURES:

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

(i) List of Related parties:

(a) Key Management Personnel and Enterprises:

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

(b) Enterprises / Entities having Common Key Management Personnel

- i. Puzzolona Machinery Fabricators
- ii. Lotus Choco Uganda 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

Name of the transacting related party	Relationship between the parties	Nature of Transaction	Volume of transactions during the year	Amount outstanding as on 31.03.2013
P. Prakash Pai	Director	Unsecured Loans Interest	Nil (10925000) Nil (6020086)	68139408 (66289408)
P. Anantha Pai	Director	Unsecured Loans Interest	Nil (8525000) Nil (6405459)	70937146 (72787146)
Ashwini Pai	Director	Managerial Remuneration	Nil (215100)	Nil Nil
G.S. Ram	Whole Time Director	Managerial Remuneration	792132 (796344)	62150 (62150)

Dilip Mangesh Kalelkar	Whole Time Director (Technical)	Managerial Remuneration	600000 (600000)	50000 (50000)
Puzzolana Machinery Fabricators	Common Key Management	1. Purchase of Machinery & Spare parts 2. Chocolate Sales	3653944 (9177) Nil (6450)	6662125 (3008181)
Lotus Lanka (P) Limited	Common Key Management	Purchases	4275907 (1034670)	Nil Nil
Lotus Choco Uganda Limited	Common Key Management	Purchases	2635304 Nil	Nil Nil

30. PARTICULARS OF MANAGERIAL REMUNERATION:

₹.

Mr. G.S.Ram, Whole Time Director	For the year 2012-13	For the year 2011-12
Salary	745800	745800
Perquisites - PF	46332	50544
Total	792132	796344

Mr. Dilip Kalelkar, Whole Time Director (Technical)		
Salary	600,000	600,000
Perquisites - PF	--	--
Total	600,000	600,000

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

31. CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF:

1. Claims against the Company not acknowledged as debts:
 - a) From Commissioner of Customs, Chennai in respect of Advance licenses not fulfilled within the stipulated time though extension and clubbing of such licences have been allowed by the Licensing authority ₹. 18,000,000 (Previous year ₹. 18,000,000). The company has received order in favour of the company from Commissioner of Customs, Chennai Vide order No. 10404/2009 dt 23.12.2009.

However the department has preferred an appeal before the appellate tribunal against the order issued by Commissioner Customs, (Seaport-Export).

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

32 EXPENSES/INCOME EARNED/INCURRED IN FOREIGN CURRENCY:

Particulars	For the year ended 31.3.2013	For the year ended 31.3.2012
	In ₹.	In ₹.
A) Import of material (CIF value)		
Capital Equipment's	NIL	NIL
Raw Materials	27764726	51615319
Components & Spares	357576	1232615
B) Expenditure in Foreign Currency		
Foreign travel expenses	NIL	NIL
Interest paid on Foreign Currency Term Loan	NIL	NIL
C) Earnings in Foreign Currency on account of		
Export Sales	12723920	9002304
D) Earnings in Foreign Currency on account of Dividends	NIL	NIL

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

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

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

For S.R.Mohan & Co

CHARTERED ACCOUNTANTS

FRN: 002111S

B. BRAHMANANDAM

Partner

Membership No 020026

Place : HYDERABAD

Date : 19th August, 2013

For and on behalf of the Board of Directors

Sd/-

P. ANANTHAPAI

DIRECTOR

Sd/-

G.S.RAM

WHOLE TIME DIRECTOR

PRINTED MATTER - BOOK POST

*In the business
of pure joy*



If Undelivered Please Return to :

Lotus Chocolate Company Limited

Door No. 8-2-596, 1st Floor, 1B, Sumedha Estates

IVRCL Towers, Avenue-4, Street No. 1, Road No. 10, Banjara Hills,

Hyderabad - 500 034




Sumedha Estates (IVRCL Towers),
Avenue - 4, Street No - 1 (Old Road No - 10),
Banjara Hills, Hyderabad - 500 034, A.P, INDIA.
Tel : 91 - 40 - 2335 2607/08/09
Fax No : 91 - 40 - 2335 2610
E-mail : info@lotuschocolate.com
www.lotuschocolate.com

FORM B

(CLAUSE 31(a) of Listing Agreement)

Lotus Chocolate Company Ltd.

Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the company:	Lotus Chocolate Company Limited
2.	Annual financial statements for the year ended	31 st March ,2013
3.	Type of audit observed	Unqualified
4.	Frequency of observation	NA
5.	Drawing attention to relevant notes in the annual financial statements and management response to the qualification in the directors report	NA
	<ul style="list-style-type: none">• CEO/Whole Time Director	
	<ul style="list-style-type: none">• Audit committee chairman	
	<ul style="list-style-type: none">• Auditors of the company	