



LOTUS

CHOCOLATE COMPANY LIMITED

**20TH ANNUAL REPORT
2008 - 2009**

BOARD OF DIRECTORS

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

Director
 Director
 Whole Time Director
 Director
 Director
 Whole Time Director(Technical)
 Whole Time 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.Sathguru Management Consultants
 Private Limited
 Plot No.15, Hindi Nagar,
 Punjagutta, Hyderabad
 500 034.

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.

Bankers

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

Works

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

Bank of Baroda

Khairatabad Branch,
 Hyderabad-500 004.

NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twentieth-Annual General Meeting of Lotus Chocolate Company Limited will be held at 10.00 A.M. on Wednesday, the 30.09.2009 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 31.03.2009 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 Ms T Sarada who retires by rotation and being eligible, offers herself for reappointment.

SPECIAL BUSINESS

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

"RESOLVED THAT Shri P. Prakash Pai, who was appointed as an Additional Director of the Company with effect from 29th October, 2008 under Article 98 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."
5. To consider and, if deemed fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri P. Anantha Pai, who was appointed as an Additional Director of the Company with effect from 29th October, 2008 under Article 98 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."
6. To consider and, if deemed fit, to pass, with or without modification, the following resolution as

an Ordinary Resolution :

"RESOLVED THAT Shri Ganpath Subramonia Ram, who was appointed as an Additional Director of the Company with effect from 5th November, 2008 under Article 98 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Shri Gottemukkala Venkatapathi Raju, who was appointed as an Additional Director of the Company with effect from 30th January, 2009 under Article 98 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Shri Dilip Mangesh Kalekar, who was appointed as an Additional Director of the Company with effect from 09th February, 2009 under Article 98 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Ms.Ashwini Pai, who was appointed as an Additional Director of the Company with effect from 05th November, 2008 under Article 98 of the Articles of Association of the Company and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT Shri. Abhijeet Pai, who was appointed as an Additional Director of the Company with effect from 05th November, 2008 under Article 98 of the Articles of Association of the Company

and who holds office upto the date of this Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions if any, of the Companies Act 1956 read with Schedule XIII thereto, but subject to ratification and approval of the shareholders of the Company consent be and is hereby accorded to the appointment of Shri.Ganpath Subramonia Ram as Whole-Time Director for a period of five years with effect from 05.11.2008 and payment of remuneration to him on the terms and conditions as specified below:

Terms and Conditions

1. Salary including perquisites : Rs.66,362.p.m. (INCLUDING GPF)."
12. To consider and, if deemed fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions if any, of the Companies Act 1956 read with Schedule XIII thereto, but subject to ratification and approval of the shareholders of the Company consent be and is hereby accorded to the appointment of Ms.Ashwini Pai as Whole time Director for a period of five years with effect from 01.04.2009 and payment of remuneration to her on the terms and conditions as specified below:

Terms and Conditions

1. Salary including perquisites : Rs.21,510.p.m. (INCLUDING GPF)."
13. To consider and, if deemed fit, to pass, with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions if any, of the Companies Act 1956 read with Schedule XIII thereto, but subject to ratification and approval of the shareholders of the Company consent be and is hereby accorded to the appointment of Shri.Dilip Mangesh Kalelkar as Whole-Time Director for a period of five years with effect from 01.05.2009 and payment of remuneration to him on the terms and conditions as specified below:

Terms and Conditions

1. Salary including perquisites : Rs.50,000 p.m."

For and on behalf of the Board

P.Anantha Pai
Director

G.S.Ram
Whole Time Director

Place : Hyderabad

Date : 17.08.2009

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 Wednesday, 23rd day of September, 2009 to Wednesday, 30th day of September, 2009 (both days inclusive).
5. Members desiring any information on the Accounts are requested to write to the company at least seven days before the meeting so as to enable the management to keep the information ready.

ANNEXURE TO NOTICE

EXPLANATORY STATEMENT

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

Item No. 4,5,6,7,8,9 and 10

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

Shri P. Prakash Pai and Shri P. Anantha Pai were inducted as Additional Directors w.e.f. 29th October, 2008. Shri Ganpath Subramonia Ram, Ms. Ashwini Pai and Shri Abhijeet Pai were inducted as Additional Directors on 05.11.2008. G.Venkatapathi Raju was inducted as Additional Director on 30.01.2009 and Shri Dilip Mangesh Kalelkar was inducted as Additional Director on

09.02.2009 on the Board of your Company and their appointment is to be regularised at the ensuing Annual General Meeting.

Your Directors recommend the Resolutions for approval.

None of the Directors of the Company except Shri P. Prakash Pai, Shri P. Anantha Pai, Shri Ganpath Subramonia Ram, Ms. Ashwini Pai and Shri Abhijeet Pai, G. Venkatapathi Raju and Shri Dilip Mangesh Kalelkar is concerned or interested in the Resolution.

Item No. 11 and 12

The Board of Directors in its meeting held on 05.11.2008 has appointed Shri Ganpath Subramonia Ram and Ms. Ashwini Pai on 01.04.2009 as Whole Time Director(s) of the Company to look into the day-to-day affairs of the Company subject however to the ratification and approval of the shareholders of the Company in the ensuing general meeting.

Your Directors recommend the Resolutions for approval.

None of the Directors of the Company except Shri Ganpath Subramonia Ram and Ms. Ashwini Pai are concerned or interested in the Resolution.

Item No. 13

The Board of Directors in its meeting held on 01.05.2009 has appointed Shri Dilip Mangesh Kalelkar as Whole Time Director-New Product Development of the Company to look into the day-to-day affairs of the Company for the New Product Development of the Company, subject however to the ratification and approval of the shareholders of the Company in the ensuing general meeting.

Your Directors recommend the Resolution for approval.

None of the Directors of the Company except Shri Dilip Mangesh Kalelkar is concerned or interested in the Resolution.

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

Ms T Sarada

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

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

Shri P.Prakash Pai

Shri P. Prakash Pai is an Engineering Graduate. He is the

Managing Partner of M/s. Puzzolana Machinery Fabricators for the past 27 years and possesses extensive experience and entrepreneurial leadership in the development of a machine building enterprise. He has developed several import substitutions 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 22 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 services are responsible for the successful implementation of different projects.

Ms. Ashwini Pai

Ms. Ashwini Pai is an Engineering Graduate, having skill of leadership qualities in business development and management.

Shri Abhijeet Pai

Shri Abhijeet Pai is an Engineering Graduate by qualification. He is the President of M/s. Puzzolana Machinery Fabricators for the last 3 years and has taken active part in overseas business development.

Shri Ganpath Subramonia Ram

Shri Ganpath Subramonia Ram is a Science Graduate by Academics. He has been associated with the Company since inception. He assumed responsibilities and has been instrumental in fulfilling all the export obligations and launching the industrial products meant for institutions. He has about 25 years of experience in the confectionary industry. He was earlier associated with Parys Confectionary Limited placed at Chennai.

Shri Gottemukkaia Venkatapathi Raju

Shri Gottemukkala Venkatapathi Raju is an AMIE Mechanical by qualification and has 29 years extensive experience in designing and development of machines for crushing, screening and material handling equipments.

Shri Dilip Mangesh Kalelkar

Shri Dilip Mangesh Kalelkar is a Chemical Engineer from UDCT, Mumbai University. He have an experience of about 32 years in Chemical and Food Industry, including 25 years with Cadbury India and other Cadbury Industries.

DIRECTORS' REPORT

To the Members,

Your Directors present the 20th Annual Report together with the audited accounts for the year ended 31st March, 2009.

FINANCIAL RESULTS

Rs in lakhs

	Year ended 2009	Year ended 2008
Income	2723.04	2414.62
Gross Profit before Interest & Depreciation	266.74	205.99
Interest	(7.43)	(17.30)
Depreciation	(92.68)	(113.44)
Extra-ordinary items	166.63	75.25
Profit/(loss) for the year		
Loss brought forward from previous year	(2315.81)	(2391.07)
Loss carried forward	(2149.18)	(2315.81)
To Balance Sheet		

Loss carried forward to Balance Sheet is Rs.2149.18 lakhs.

PERFORMANCE

Lotus sales turnover at Rs.2723.04 Lakhs was up 12.77 % over last year. The company continued to follow its policy of offering value to the customer with sales prices just below inflation. The Company's volumes however remain stagnates as the capacity available was just sufficient to meet the existing market presence. The management is addressing this area of concern as major initiatives are planned during the current fiscal year.

In the current year, the actual production was 6988 MT as against 7595 MT during the earlier period giving a modest dip of 8.5%.

Concerted efforts have contributed to increase in revenue by 12.77 % over the previous year to Rs.2414.62 lakhs and record a net profit of Rs.166.63 lakhs

Nevertheless with the global market down ie 2008-09, not withstanding the challenging difficult environments caused by the global market down, the company managed to earn the modest profit of Rs.166.63 lakhs 4th year successfully.

As you are aware the year 2008 witnessed many upheavals, especially in the financial section was full of turbo lances that a wave of fear and suspicions gripped many of us.

The company is in the process of concluding a strategic conversion arrangement with Cadburys.

PLAN

The promoters who acquired the business during the previous financial year i.e. July,2008 has quite aggressive plan to improve the capacity for the manufacturer of Consumer products. The volumes of consumer products are expected to improve drastically, resulting in increase the revenues. Besides this will also create interest, excitement in the market place. The management would also focus in creating & promoting brands. This will certainly give the Company long term competitiveness.

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.

MODERNISATION

Your company has critically focused on the modernization of its asset begun. The process has just began proceeding smoothly. This move is expected to improve cost efficiencies.

BIFR

On the basis of the annual accounts of the Company upto 31st December, 2003, the Board of directors after assessment of the same and all other relevant facts formed their opinion under the provisions of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 that the Company has become a sick industrial company as its accumulated losses exceed its networth and also in terms of Section 15(1) of the said Act a reference has been done and registered to the Board of Industrial and Financial Reconstruction (BIFR) for determination of the measures which shall be adopted with respect to the Company.

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

Ms.Sarada , Director retires by rotation at the 20th Annual General Meeting and being eligible offers herself for reappointment. Consequent upon the takeover of the Company under the provisions of the SEBI (Substantial Acquisition of Shares and takeover) Regulations, 1997 there has been a change in the Management of the Company due to which the constitution of the Board of your Company has been changed further Shri P. Prakash Pai and Shri P. Anantha Pai were inducted as Additional Directors w.e.f. 29th October, 2008. Shri Ganpath Subramonia Ram, Ms. Ashwini Pai and Shri Abhijeet Pai were inducted as Additional Directors on 05.11.2008. G.Venkatapathi Raju was inducted as Additional Director on 30.01.2009 and Shri Dilip Mangesh Kalelkar was inducted as Additional Director on 09.02.2009 on the Board of your Company and their appointment is to be regularised at the ensuing Annual General Meeting.

The Board of Directors in its meeting held on 05.11.2008, 01.04.2009 and 01.05.2009 respectively has appointed Shri.Ganpath Subramonia Ram , Ms.Ashwini Pai and Shri Dilip Mangesh Kalelkar as Whole Time Directors of the Company to look into the day to day affairs of the Company and Shri Dilip Mangesh Kalelkar as Director responsible for the New Product Development. There appointment is however subject to ratification and approval of the shareholders of the Company in the ensuing general meeting.

Shri Devabhaktuni Durga Prasad, Shri Alapathi Ramakrishna, Shri K.Srinivas resigned as Directors w.e.f.30.01.2009, Shri P.Shivaramakrishna resigned as Director w.e.f. 09.02.2009 and Shri D.Manohar resigned w.e.f.30.04.2009 as Director on the Board of Directors of the Company.

AUDITORS

M/s S R Mohan & Company, Chartered Accountants, Hyderabad, Statutory Auditors of your Company hold office until the conclusion of the 20th 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

P.Anantha Pai
Director

G.S.Ram
Whole Time Director

Place : Hyderabad

Date : 17.08.2009

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.

The Company achieved a modest savings to the tune of 3% on energy units.

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

		Year ended 31 st March, 2009	Year ended 31 st March, 2008
A.	Power & fuel consumption in respect of		
1.	Electricity		
a.	Purchased : Units (Kwh)	21,11,454	22,64,729
	Total (Rs.)	83,78,612	84,80,818
	Rate per unit (Rs.)	3.74	3.74
b.	Own Generation :Through Diesel Generator		
	Units (Kwh)	1,38,528	97,332
	Units per Litre of Diesel Oil	2.04	2.35
	Cost per Unit (Rs.)	15.06	14.36
2.	Furnace Oil/LSHS/LDO/HSD		
	Qty (Lts)	Nil	Nil
	Total Amount (Rs.)	Nil	Nil
	Average (Rs/Ltr)	Nil	Nil
3.	Wood/Coal		
	Qty (Kgs.)	7,31,055	6,51,655
	Total Amount (Rs.)	26,78,857	26,06,620
	Average (Rs/Kgs.)	3.6	4.00
B.	Consumption per unit of production		
	Cocoa & Chocolate products (tones)		
i.	Electricity (KWH/Tonnes)		
	- Cocoa	485 units/MT	481.79 units/MT
	- Chocolate	260 units/MT	259.70 units/MT
ii.	Furnace Oil/LSHS/LDO HSD (KL/Tonne)		
	- Cocoa	Nil	Nil
	- Chocolate	Nil	Nil
iii.	Wood/coal (KG/MT)		
	- Cocoa	235 Kgs/MT	232 Kgs/MT
	- Chocolate	24.6 Kgs/MT	26.52 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:

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

5. Technology Absorption, Adoption and Innovation : ____

C. Foreign Exchange Earnings & Outgo:

f. Activities relating to exports, initiatives taken to increase the exports, development of new export markets for products and services and export plans:

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

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

	Rs/lacs
i) Foreign Exchange earnings	183.92
ii) Foreign Exchange Outgo (including raw materials, components and spare parts of capital goods and other expenditures in foreign currency including dividends)	81.25

For and on behalf of the Board

P. Anantha Pai
Director

G.S. Ram
Whole Time Director

Place : Hyderabad

Date : 17.08.2009

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

1. Company's Philosophy on Corporate Governance

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

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

2. Board of Directors

(a) Composition of the Board

The Company's Board presently consists of Eight Directors, out of which six are Independent and Non-Executive Directors and two are Independent and Executive Directors of the Company.

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

Thirteen Board Meetings were held during the financial year ended 2009:

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.	Devabhuktuni Durga Prasad	Independent, Non-executive Chairman	10	10	Yes
2.	T Sarada	Independent Promoter Director	13	—	No
3.	Paruchuri Shivaramakrishna	Independent Non-executive Director	13	10	Yes
4.	Katuri Srinivas	Independent Non-executive Director	10	10	Yes
5.	Alapati Ramakrishna	Independent Non-executive Director	10	10	Yes
6.	D Manohar	Independent Non-executive Director	13	—	No
7.	P.Anantha Pai	Independent Non-executive Director	6	6	—
8.	P.Prakash Pai	Independent Non-executive Director	6	6	—
9.	G.S.Ram	Independent Executive Director	5	5	—
10.	G.V.Raju	Independent Non-executive Director	4	2	—
11.	Dilip Mangesh Kalekar	Independent Executive Director	1	1	—
12.	P.Ashwini Pai	Independent Executive Director	5	5	—
13.	P.Abhijeet Pai	Independent Non-executive Director	5	5	—

Date of last Annual General Meeting (AGM) – 30.09.2008.

(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 (Company in which Member/Chairman)	No. of Committees (other than those constituted by the
1.	T Sarada	Nil	Nil
2.	P Shivaramakrishna	Nil	Nil
3.	K Srinivas	Nil	1
4.	Alapati Ramakrishna	1	Nil
5.	Devabhaktuni Durga Prasad	1	Nil
6.	Dr.V Vedha Kumar	Nil	Nil
7.	M Venkateswara Rao	Nil	Nil
8.	D Manohar	Nil	Nil
9.	P.Prakash Pai	3	Nil
10.	P.Anantha Pai	3	Nil
11.	P.Ashwini Pai	Nil	Nil
12.	P.Abhijeet Pai	2	Nil
13.	G.V.Raju	Nil	Nil
14.	G.S.Ram	Nil	Nil
15.	Dilip Mangesh Kalelkar	Nil	Nil

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

Thirteen(13) Board Meetings were held during the financial year 2009. 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	-	30.04.2008
2 nd Board Meeting	-	01.05.2008
3 rd Board Meeting	-	27.06.2008
4 th Board Meeting	-	29.07.2008
5 th Board Meeting	-	26.08.2008
6 th Board Meeting	-	23.09.2008
7 th Board Meeting	-	30.09.2008
8 th Board Meeting	-	29.10.2008
9 th Board Meeting	-	05.11.2008
10 th Board Meeting	-	30.01.2009
11 th Board Meeting	-	02.02.2009
12 th Board Meeting	-	03.02.2009
13 th Board Meeting	-	09.02.2009

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. The Committee was reconstituted again on 30.01.2009. The Committee was reconstituted with the following members:

The Committee consists of:

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

(c) Meetings during the year

Three meetings of the Audit Committee were held.

4. Remuneration Committee

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

The Committee consists of the following Directors :

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

One Remuneration Committee meeting was held during the financial year ended 31.03.2009 for consideration of remuneration payable to Shri G S Ram, Whole Time Director of the Company.

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

The details of remuneration paid to the Whole Time Directors – Shri G S Ram, Ms. Ashwini Pai and Shri Dilip Mangesh Kalelkar :

Shri.Ganpath Subramonia Ram - Whole-Time Director - Salary including perquisites: Rs.66,362 p.m. (INCLUDING GPF).

Ms.Ashwini Pai– Whole-Time Director-Salary including perquisites: Rs.21,510 p.m. (INCLUDING GPF).
Shri Dilip Mangesh Kalelkar- Whole-Time Director- Salary including perquisites: Rs.50,000 p.m.

6. Shareholders/Investors Grievances Committee

The Board of Directors designated an "Investor Grievance Committee" on 30-07-2001 which was

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

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

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

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

(b) Name and designation of Compliance Officer

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

(c) Status of Investor Complaints received during the financial year 2009:

Nature of Complaint	Received	Cleared
Non-receipt of Share Certificates sent for transfer	4	4
Non-receipt of dividend warrant	1	1
Change of address	5	5
Non-receipt of duplicate share certificates	9	9
Loss of Share Certificates	18	18
Any other complaints	18	18
Total	55	55

Note: The Company has attended to the shareholder's/investor's 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
29 th September, 2006	31-03-2006	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
29 th September, 2007	31-03-2007	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
30 th September, 2008	31-03-2008	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.

SCHEDULE - 5

SCHEDULE OF FIXED ASSETS

(AMOUNT IN RUPEES)

DESCRIPTION	%	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS AT 01-04-2008	ADDITIONS DURING THE PERIOD	ADJ. FOR SALE/ TRAFFIC	AS AT 31.03.2009	Upto 31.03.2008	DURING THE PERIOD	ADJ. FOR SALE/Del. Write Back	Upto 31.03.2009	AS AT 31.03.2009	AS AT 31.03.2008
LAND		230,863			230,863					230,863	230,863
BUILDINGS	3.34	18,772,443			18,772,443	9,288,683	627,000		9,915,683	8,856,760	9,483,760
PLANT AND MACHINERY	7.42	138,015,463	1,686,008		139,701,471	114,147,184	7,836,007	0	121,983,191	17,718,280	23,868,279
ELECTRIC INSTALLATIONS	4.75	4,845,142	0		4,845,142	3,272,432	230,144		3,502,576	1,342,566	1,572,710
FURNITURES AND FIXTURES	6.33	2,175,419	0	0	2,175,419	1,653,986	128,384	0	1,782,370	393,049	521,433
OFFICE EQUIPMENT	4.75	481,781	0		481,781	106,966	22,885		129,850	361,931	374,816
OFFICE EQUIPMENT - COMPUTERS	16.21	620,264	155,000		775,264	194,493	113,956		308,448	466,816	425,771
VEHICLES	9.50	2,878,362	463,694	448,678	2,893,378	706,296	309,222	165,005	850,513	2,042,865	2,172,036
CAPITAL WORK IN PROGRESS		838,763	43,723		43,723			838,763		43,723	838,763
TOTAL		168,858,500	2,348,425	448,678	169,919,484	129,370,039	9,267,597	1,003,768	138,472,631	31,446,853	39,488,461
PREVIOUS YEAR AS AT 31ST MARCH 2008		160,534,906	8,336,794	13,200	168,858,500	109,697,638	11,343,615	2,394	129,370,039	39,488,461	

	AS AT 31.03.2009 (RS)	AS AT 31.03.2008 (RS)
SCHEDULE - 6		
INVENTORIES		
RAW MATERIAL	5,807,305	10,150,286
PACKING MATERIAL	936,543	5,391,388
STORES AND SPARES	48,014	8,558,233
WORK -IN- PROCESS	2,922,660	1,752,371
FINISHED GOODS	13,545,536	7,375,897
SUB TOTAL	34,560,058	33,228,175
LESS: PROVISION FOR NON MOVING STOCKS	-	4,039,685
LESS: NON MOVING STOCKS WRITTEN OFF	4,039,685	-
TOTAL	30,520,373	29,188,490

SCHEDULE - 7		
SUNDRY DEBTORS		
DEBTS OUTSTANDING FOR MORE THAN SIX MONTHS :		
CONSIDERED GOOD	-	2,842,426
CONSIDERED DOUBTFUL	189,259	239,218
	189,259	3,081,644
LESS : PROVISION FOR DOUBTFUL DEBTS	189,259	239,218
SUB TOTAL	-	2,842,426
OTHER DEBTS		
CONSIDERED GOOD	33,724,354	30,127,063
TOTAL	33,724,354	32,969,489

SCHEDULE - 8		
CASH AND BANK BALANCES		
CASH ON HAND	103,752	42,738
BALANCE WITH SCHEDULE BANKS		
IN CURRENT ACCOUNTS	1,918,565	2,031,395
IN SHORT-TERM DEPOSIT ACCOUNTS *	2,622,350	69,225
TOTAL	4,644,667	2,143,358

* This includes duly discharged deposit receipts deposited with Company's bankers as security against guarantees given by them Rs. 69,225/- (Previous Year Rs.69,225/-)

SCHEDULE - 9		
OTHER CURRENT ASSETS		
INCOME TAX DEDUCTED AT SOURCE	205,800	225,248
INTEREST RECEIVABLE	101,508	53,346
BALANCE WITH GOVERNMENT BODIES	2,543,701	3,768,775
TOTAL	2,851,009	4,047,369

SCHEDULE - 10		
LOANS AND ADVANCES (UNSECURED-CONSIDERED GOOD)		
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED	12,494,030	2,668,810
DEPOSIT WITH GOVERNMENT AUTHORITIES	2,042,110	2,053,510
TOTAL	14,536,140	4,722,320

	AS AT 31.03.2009 (RS)	AS AT 31.03.2008 (RS)
SCHEDULE - 11		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
CREDITORS FOR :		
CAPITAL ITEMS	14,730	115,029
MATERIAL SUPPLIES AND SERVICES		
DUE TO SSI UNITS	565,717	986,793
DUE TO OTHERS	7,191,393	17,019,44
EXPENSES	1,582,816	1,531,408
ADVANCE FROM CUSTOMERS	529,504	706,908
OTHER LIABILITIES	9,138,543	5,761,697
SUB TOTAL	19,022,703	26,121,276
PROVISIONS		
PROVISION FOR GRATUITY	3,596,683	3,179,278
PROVISION FOR LEAVE SALARY	864,001	318,578
PROVISION FOR BONUS	1,103,000	699,443
SUB TOTAL	5,563,684	4,197,299
TOTAL	24,586,387	30,318,575

SCHEDULE FORMING INTEGRAL PART OF PROFIT AND LOSS ACCOUNT FOR

THE PERIOD ENDED MARCH, 2009

	FOR THE PERIOD ENDED 31.03.2009 (RS)	FOR THE PERIOD ENDED 31.03.2008(RS)
SCHEDULE - 12		
OTHER INCOME		
INTEREST EARNED	167,049	50,695
MISCELLANEOUS INCOME	7,956,006	3,063,422
TOTAL	8,123,055	3,114,117

SCHEDULE - 13

MATERIALS CONSUMED,

MATERIAL CONSUMED :		
RAW MATERIAL	161,658,628	133,026,758
PACKING MATERIAL	17,550,741	13,515,492
TOTAL MATERIAL CONSUMED	179,209,369	146,542,250

SCHEDULE - 14

DECREASE/(INCREASE) IN STOCKS :

OPENING STOCK		
- FINISHED GOODS	7,375,897	7,425,134
- WORK-IN-PROCESS	1,752,371	808,158
SUB-TOTAL	9,128,268	8,233,292
CLOSING STOCK		
- FINISHED GOODS	13,545,536	7,375,897
- WORK-IN-PROCESS	2,922,660	1,752,371
SUB-TOTAL	16,468,196	9,128,268
DECREASE/(INCREASE) IN STOCK	(7,339,928)	(894,976)

SCHEDULE - 15

MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES

FOR THE PERIOD ENDED
31.03.2009 (RS)

FOR THE PERIOD ENDED
31.03.2008(RS)

	FOR THE PERIOD ENDED 31.03.2009 (RS)	FOR THE PERIOD ENDED 31.03.2008(RS)
SALARIES AND ALLOWANCES	23,084,164	21,443,062
POWER AND FUEL	12,963,603	12,114,211
STORES AND SPARES	10,056,729	5,680,029
CONTRIBUTION TO PF	1,209,194	1,077,286
STAFF WELFARE	753,709	646,349
REPAIRS AND MAINTENANCE :		
PLANT AND MACHINERY	2,146,661	1,157,638
BUILDINGS	145,271	448,851
OTHERS	771,837	566,958
RENT	612,200	556,500
RATES, TAXES AND FILING FEES	397,254	222,343
<u>TURNOVER TAX/SALES TAX ABSORBED</u>	-	876,740
VEHICLE & OTHER HIRE CHARGES	461,484	400,843
POSTAGE, TELEGRAMS AND TELEPHONES	892,793	749,284
TRAVELING AND CONVEYANCE		
DIRECTORS	10,672	19,950
OTHERS	4,709,137	4,626,623
INSURANCE	51,274	212,930
CONSULTANCY & PROFESSIONAL CHARGES	480,026	301,991
WHOLE TIME DIRECTOR'S REMUNERATION (C E O)	-	-
MEETING AND CONFERENCES	109,918	71,492
AUDITORS REMUNERATION :		
AUDIT FEES	49,635	74,888
TAX AUDIT FEES	22,060	15,000
OTHER SERVICES	36,545	
OUT OF POCKET EXPENSES	8,627	11,102
RESEARCH AND DEVELOPMENT EXPENSES	884,747	371,461
BUSINESS PROMOTION	207,901	323,344
CARRIAGE OUTWARD	5,954,573	4,943,833
SALES COMMISSION	655,901	780,213
DISCOUNT ON SALES	4,392,056	3,144,959
JOB WORK CHARGES FOR ECLAIRS	438,339	-
OTHER EXPENSES	6,649,069	3,485,299
SUB-TOTAL (A)	78,159,379	64,323,179
FINANCIAL EXPENSES		
- INTEREST ON FIXED LOANS	-	-
- INTEREST ON WORKING CAPITAL LOAN	734,762	1,299,146
- INTEREST TO OTHERS	8,519	430,251
- BANK CHARGES	226,990	224,259
SUB-TOTAL (B)	970,271	1,953,656
CHARGED TO PROFIT AND LOSS ACCOUNT (A+B)	79,129,650	66,276,835

CASHFLOW STATEMENT FOR THE PERIOD FROM APRIL 2008 TO MARCH 2009

	(In Rupees) Year ended 31.03.2009	(In Rupees) Year ended 31.03.2008
A. Cash Flow from Operating Activities:		
Net Profit before tax and Extra Ordinary items	11,886,802	7,712,475
Adjustment for:		
Depreciation	9,267,597	11,343,615
Provision no longer required written back	5,163,135	
Fixed Assets Written Off	-	10,866
Interest	743,281	1,729,397
Operating Profit before working capital Changes	27,060,815	20,796,353
Adjustment for:		
Trade & Other Receivables	(9,372,325)	4,537,921
Inventories	(1,331,883)	(7,020,009)
* Trade Payables	(5,732,188)	3,188,738
CASH GENERATED FROM OPERATIONS	10,624,419	21,503,003
Interest Paid	(743,281)	(1,729,397)
Cash flow before extra ordinary items	98,81,138	19,773,606
Extra Ordinary items	(387,032)	(187,039)
Loss on Sale of Assets		
NET CASH FROM OPERATING ACTIVITIES	94,94,106	19,586,567
B. Cash Flow from Investing activities:		
Purchase of Fixed Assets	(10,60,984)	(8,336,794)
Sale/(Purchase) of Investments	-	-
Sale of Fixed Assets/Depreciation Write Back	(1,65,005)	-
NET CASH USED IN INVESTING ACTIVITIES	(12,25,989)	(8,336,794)
C. Cash Flow from Financing Activities:		
Receipt/Repayment of Term Loans	(33,180,965)	(10,052,610)
Sales Tax Deferment	-	-
Foreign Currency Loan Write Back	27,414,157	-
NET CASH FROM FINANCING ACTIVITIES	(57,66,808)	(10,052,610)
NET INCREASE/(DECREASE) IN CASH		
& CASH EQUIVALENTS(A+B+C)	25,01,309	1,197,163
CASH & CASH EQUIVALENTS (As on 31.03.2008)	2,143,358	946,195
CASH & CASH EQUIVALENTS (As on 31.03.2009)	4,644,667	2,143,358
NET INCREASE IN CASH & CASH EQUIVALENTS	2,501,309	1,197,163

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.

For and on Behalf of the Board

P. Anantha Pai
Director

G.S. Ram
Whole Time Director

Date: 29-06-2009

Place: Hyderabad

SCHEDULE - 16

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 structure of the accounts have been drawn in accordance with the 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) have 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.

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 realisability of sundry debtors and receivables, specific provisions are created and maintained against those debtors and 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 inclusive of excise duty and sales tax.

Income from interest on call money arrears, Investment in National savings certificates being insignificant is 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. GRATUITY AND LEAVE ENCASHMENT LIABILITY:

Liability on account of gratuity and leave encashment for the employees is provided on the basis of actual liability at the year-end. No actuarial valuation of future liability for the services rendered has been determined.

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:

The company contracts certain liabilities in foreign currencies. Whenever forward contracts are entered into with respect to such liabilities, the out go with respect to such foreign currency liabilities are determined at such contracted rates. In respect of Loan outstanding in foreign currency and the debtors outstanding in respect of export sales in foreign currencies is converted into rupees taking into consideration the exchange rates prevailing on the date of the Balance Sheet. The increase/decrease in the Loan/ debtors, arising on realignment of foreign currencies is adjusted to the income / loss on such realignment.

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 liabilities 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.

SCHEDULE-17

Notes on Accounts:

A) The foreign currency loan from Network Foods International Limited, Singapore availed during the earlier year is secured by third charge over fixed assets and second charge on current assets of the company, subject to ceding of charge to be agreed by the company's banker.

B) Working Capital loans from State Bank of India and Bank of Baroda are secured by way of hypothecation of stock in trade, book debts and other current assets.

2. Segment Reporting:

The Company's operations predominantly relates to manufacture of chocolates, hence no reportable primary segment information is made. The secondary segment reporting of the company's revenues are as follows:

(a) Cocoa products including chocolates	Turnover in Rupees	
	As At 31-03-2009	As At 31-03-2008
India	20,84,95,610	19,16,87,579
Export	2,18,68,671	1,42,04,801
Total	23,03,64,281	20,58,92,380
(b) Conversion	3,38,16,976	3,24,55,705

3. Related party disclosures:

The Company has identified all related parties and details of transactions are given below. No provision for doubtful debts or advances is required to be made. No amounts have been written off or written back during the year in respect of debts due from or to related parties. There are no other related parties where control exists that need to be disclosed.

(Amount in Rupees)

Sl. No.	Name of the transacting related party	Relationship between the parties	Nature of transaction	Volume of transactions during the year	Amount outstanding as on 31.03.2009
1.	Neeharika Polymers Pvt .ltd	Interested Director (A Ramakrishna)	Purchase of Material Packing	5,45,058 (10,77,791)	— (11,854)
2.	M&M Cocoa Products Pvt Ltd	Interested Director (D Durgaprasad)	Purchase of RM	89,32,833 (1,11,30,400)	— (46,14,823)
3.	Lotus Cocoa Products	Interested Director (D Durgaprasad)	Purchase of RM	1,19,097 (2,31,72,472)	— (1,59,375)
4.	D Durgaprasad	Director	Unsecured Loan Interest	— (1,86,00,000) 2086 (2,65,376)	— (33,379) — —
5.	A.Rama Krishna	Director	Unsecured Loan Interest	— — 4,996 (94,763)	— (79,955) — —

4. Particulars of Managerial Remuneration:(

In Rupees)

Remuneration Paid/Payable to:G.S.RAM ,	As At 31-03-2009	As At 31-03-2008
Salary	74738	395614
Perquisites-PF	48960	42984
Total	796344	438598

5. Claims against the Company not acknowledged as debts:

- From Commissioner of Customs, Chennai in respect of Advance licences not fulfilled within the stipulated time though extension and clubbing of such licences have been allowed by the Licensing authority Rs1.80 Crores (Previous year Rs1.80 Crore).
- From Directorate of Revenue Intelligence, Chennai in respect of alleged non fulfillment of export obligation for Rs.3.19 crore (Rs.3.19 Crore)

6. Contingent Liabilities in respect of :

- Estimated amount of contracts remaining to be executed on capital account and not provided for

- (previous year Nil)
 (b) Counter Guarantees given to the Bankers in respect of guarantees furnished by them Rs.5.43 Lakh (previous year Rs.5.43 Lakh)
 (c) Accrued and unpaid preference dividend Rs.787.12 Lakh (previous year Rs 713.15 Lakh)

A sum of Rs.1,78,28,164 is over due for repayment under Sales tax deferment scheme. As the company is sick company and the reference is made to BIFR, it is proposed to request for the waiver of interest amounting to Rs.89,88,989 as on 31.03.2009 (Rs.57,79,920 as on 31.03.2008) hence the same is not provided in the accounts.

7. Additional information pursuant to para 3 and 4 of part II of Schedule VI the Companies Act, 1956.

- A Licensed Capacity** : Not Applicable
B Installed Capacity : As this is an integrated plant, with versatile product range, ascertainment of installed capacity is not possible
C Actual Production (MT) : MT 6988 (previous year MT7595)

	Actual Production Kgs	
	2008-09	2007-08
1. Cocoa Powder	283800	196850
2. Cocoa Butter	160625	129375
3. Milk Covering	288360	218595
4. Choco Treat	* 435680	268492
5. Others	1230807	1626570
6. Conversion (Job work)	4588790	5155383
Total	6988062	7595265

* including third party operation of Eclairs 37298 kgs

D. Details of materials consumed :

	Amount in Rupees			
	As At 31-03-2009		As At 31-03-2008	
	Quantity in Kgs	Amount	Quantity in Kgs	Amount
1. Cocoa Beans	546875	5,67,98,495	402000	3,44,46,133
2. Sugar	864100	1,37,82,413	1018950	1,43,07,789
3. Vegetable Fat	14000	13,79,800	48500	39,79,456
4. S.M.P	145625	1,81,29,352	217925	2,69,86,583
5.W.M.P	20575	28,55,835	19275	25,73,959
6. R.C.O/R.B.D/R.P.K.O	408163	2,82,34,660	308448	1,76,62,481
7. Others		3,37,95,272		2,47,72,175

E. Details of Purchases-Traded Goods

	As At 31-03-2009		As At 31-03-2008	
	Quantity in Kgs	Amount	Quantity in Kgs	Amount
1. Cocoa Butter	Nil	Nil	39050	97,44,387
2. Choco Treats	240	1,01,250	395	1,52,860

F. Details of Stock and Turnover of Finished goods :

Class of Goods	Opening stock As at 01.04.2008		Turnover for the Year ended 31.03.2009		Closing Stock As at 31.03.2009	
	Qty Kgs	Value Rs.	Qty Kgs	Value Rupees	Qty Kgs	Value Rs.
Cocoa Powder	1,075	96,612	1,98,750	18525700	(NIL)	(NIL)
Cocoa Powder	1,075 (12,175)	96,612 (7,91,375)	198750 (1,73,950)	1,85,25,700 (80,64,376)	(NIL) (1075)	(NIL) (96,612)
Cocoa Butter	12,750 (NIL)	34,49,882 (NIL)	114250 (1,55,675)	3,31,57,051 (2,93,91,153)	31775 (12755)	78,69,625 (34,49,882)
Milk Covering	NIL (NIL)	NIL (NIL)	280760 (2,18,595)	2,41,40,999 (1,78,68,213)	7600 (NIL)	5,46,490 (NIL)
Choco Treat	10671 (18,716)	1321847 (33,94,895)	416687 (2,76,932)	7,79,64,507 (5,08,89,591)	23756 (10671)	28,53,249 (13,21,847)
Others	25430 (41,580)	21,41,154 (32,38,864)	1163844 (16,42,720)	10,35,08,170 (12,74,27,773)	25755 (25430)	22,76,173 (21,41,154)

G. Value of imported and indigenous Raw Material and stores and spares consumed.

Particulars	Raw Materials		Stores and Spares	
	Rupees	%	Rupees	%
Imported	9869536 (2319069)	6.60 (1.77)	2102738 (584808)	35.34 (11.48)
Indigenous	13,99,13,481 (130707689)	93.40 (98.23)	3847975 (5095221)	64.66 (88.52)

H. CIF Value of imports towards :

	For the year ended 31.03.09	For the year ended 31.03.08
	Rupees	Rupees
Capital Equipment	Nil	37,21,822
Raw Materials	68,61,792	11,56,966
Components & Spares	12,64,231	13,14,034
H. Expenditure in Foreign Currency		
Foreign travel expenses	Nil	Nil
Interest paid on Foreign Currency Term Loan		Nil
		Nil
I. Earnings in foreign currency on account of Export sales	18392076	14204801
J. Earnings in foreign currency on account of dividends		Nil
		Nil
K. Remittance in foreign currency on account of dividends	Nil	Nil

8. Figures in brackets represent previous year

9. Previous year figures have been regrouped / reclassified wherever found necessary in order to have conformity with the current year classification.

10. Balances of sundry debtors, sundry creditors and loans & advances are subject to reconciliation and confirmation.

11. There are no Micro and Small Enterprises to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2009. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

12. The company, being sick company within the meaning of clause (o) of sub section (1) of section 3 of Sick Industrial Companies (special provisions) Act 1985, was referred to Board for Industrial Finance and rehabilitation (BIFR). Based on the reference made by the Company and upon declaration by Honorable BIFR as sick Industrial Company, the Company, in pursuance of the directions, submitted draft DRS through State Bank of India (Operating Agency) to honorable BIFR and DRS is yet to be consider by BIFR

As per our report of even date

For S R Mohan & Co.,
Chartered Accountants

For and on behalf of the Board

B. BRAHMANADAM

Partner

Director

Director

Membership No. 020026

Place: Hyderabad

Date: 29th June, 2009

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Registration Details:

Registration No : 01-09111/88-89
 Balance Sheet Date : 31-03-2009 State Code: 01

Capital Raised During the Year : NIL

Position of Mobilization & Development of Funds:

(Rupees in Thousands)

Sources of Funds	Amount	Application of Funds	Amount
Paid-up Capital	202346	Net Fixed Assets	31447
Reserves & Surplus	66883	Investments	-
Secured Loans	13946	Net Current Assets	61690
Unsecured Loans	24881	Accumulated Loss	214919
Total Liabilities	308056	Total Assets	308056

Performance of the Company

(Rupees in Thousands)

Turnover	272304
Total Expenditure	260417
Profit / (Loss) Before Tax	11886
Profit / (Loss) After Tax	11615
Earnings per Share	0.90

Generic name of Three Principal Products / Services of Company

Item Code (ITC Code)	Product Description
180600.00	Chocolate
180400.00	Cocoa Butter
180500.00	Cocoa Powder

For and on Behalf of the Board

P. Anantha Pai

G.S. Ram

Director

Whole Time Director

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

PROXY FORM

Regd Folio No. _____ No. of Shares held _____

I/We _____ of _____

or failing him _____ of _____

as my/our behalf at the Annual General Meeting of the Company to be held at 10.00 A.M. on Wednesday the 30th September, 2009 at LIC Bhavan Trust, Behind LIC & HDFC Bank, Near Paradise Circle (West), S.D.Road, Secunderabad-500 003

Signed :
Date:
For Office Use only

1/-
Revenue

Note: Proxy form must reach Company's Registered Office not less than 48 hours before the meeting.
No gifts will be given

Signature of Member

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

ATTENDANCE SLIP

Annual General Meeting - at 10.0 A.M. on Wednesday the 30th September, 2009

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall. Only Members of their proxies are entitled to be present at the Meeting.

Regd. Folio No. _____ No. of Shares Held _____

to be handed over at the entrance of the meeting venue.

Name of the attending member (in block letters) _____

Name of the Proxy (in block letters to be filled in by the Proxy attending instead of the members)

I here record by presence at the Annual General Meeting held at at LIC Bhavan Trust, Behind LIC & HDFC Bank, Near Paradise Circle (West), S.D.Road, Secunderabad-500 003

Signature of the shareholder/ proxy

- Notes :
- 1) Member's/Joint Member's Proxies are requested to bring the Attendance Slip with them, Duplicate slips will not be issued at the Venue.
 - 2) Members are requested to come to the Venue of the meeting well in advance for Registration, No registration will be entertained after commencement of the meeting.

PRINTED MATTER -BOOK POST

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