



CHOCOLATE COMPANY LIMITED

**21ST ANNUAL REPORT
2009-2010**

BOARD OF DIRECTORS

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

Auditors

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

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

Khairtabad Branch,
Hyderabad-500 004.

NOTICE OF THE TWENTY FIRST ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty First Annual General Meeting of Lotus Chocolate Company Limited will be held at 10.00 A.M. on Thursday, the 30.09.2010 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 31.03.2010 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/-	Sd/-
P.Anantha Pai	G.S.Ram
Director	Whole Time Director

Place : Hyderabad

Date : 13.08.2010

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 Thursday, 23rd day of September, 2010 to Thursday, 30th day of September, 2010 (both days inclusive).
5. Members desiring any information on the Accounts are requested to write to the company at least seven days before the meeting so as to enable the management to keep the information ready.

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

Shri P.Prakash Pai

Shri P. Prakash Pai is an Engineering Graduate. He is the Managing Partner of Puzzolana Machinery Fabricators for the past 28 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 23 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.

DIRECTORS' REPORT

To the Members,

Your Directors present the 21st Annual Report together with the audited accounts for the year ended 31st March, 2010.

FINANCIAL RESULTS

Rs in lakhs

	Year ended 2010	Year ended 2009
Income	3076.44	2723.04
Gross Profit before Interest & Depreciation	213.32	266.74
Interest	(56.91)	(7.43)
Depreciation	(46.79)	(92.68)
Profit/(loss) for the year	109.61	166.63
Loss brought forward from previous year	(2149.19)	(2315.81)
Loss carried forward to Balance Sheet	(2039.57)	(2149.18)

Loss carried forward to Balance Sheet is Rs 2039.57 lakhs.

PERFORMANCE

Lotus sales turnover at Rs.3076.44 Lakhs was up 12.98 % over last year. The Company continued to follow its policy of offering value to the customers 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. Your company's performance has been led through modest investments in our brands , products, innovation initiatives, expansion into new product categories and an upheard task in managing operating costs through cost efficiency measures.

In the current year the actual production was 5885.66 MT as against 6988.06 MT during the previous year giving a moderate dip of 18.73%.

Concerted efforts have contributed to increase in revenue by 12.98% over previous year to Rs.3076.44 lakhs and record a net profit of Rs.109.61 lakhs.

Your company has achieved these results despite significant increase in input costs, particularly cocoa beans, sugar, oils and fats coupled with aggressive pricing in the trade and industry.

Despite stiff competition your company stabilized and held its market share, even though 2009 was a challenging year, your company continues to operate with minimum trade pipelines selling as per the market demands and maintaining a very efficient supply chain.

BUSINESS PLAN

The promoters who acquired the business in the year 2008 has acknowledged for their understanding of common needs and robust business model. During the year the company sustained focus on generating consumer insights, innovation and renovation while continuing it on going efforts to strengthen capabilities, augment equipment capacities that continue to delight the consumers and help it to leverage its trusted brands.

Further new chocolate products will be introduced later this year.

We envisage a pan India performance by the end of this fiscal, towards this, have opened up all the markets of North India. Further we have concluded an agreement with the reputed Oil Company i.e Bharat Petroleum Corporation Limited(BPCL) for distribution of our consumer brand chocolates through their strong network.

ISO CERTIFICATION

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

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

Our Company has been rated by CRISIL as SME III.

RESEARCH AND DEVELOPMENT

The research and development (R & D) function has led a significant role to play in supporting the

performance of the Company this year. Their major area of contribution lay in fuelling innovation through a number of new product development, culminating in the launch of various new products during the year.

The management intends to create the function of Innovation by engaging best leveraging external expertise to value add to our R&D programme with a view to building the medium and long term pipelines.

BIFR

A reference in terms of Section 15(1) of the Sick Industrial Companies(Special Provisions) Act, 1985 has been done and registered with the Board of Industrial and Financial Reconstruction (BIFR) for determination of the measures which shall be adopted with respect to the Company, further the company is awaiting for the hearing of the same.

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 Prakash Pai and Shri Anantha Pai, Directors retires by rotation at the 21st Annual General Meeting and being eligible offers themselves for reappointment.

AUDITORS

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

21st 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 : 13.08.2010

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, 2010	Year ended 31 st March, 2009
A. Power & fuel consumption in respect of		
1. Electricity		
a. Purchased :		
Units (Kwh)	19,50,987	21,11,454
Total (Rs.)	75,11,300	83,78,612
Rate per unit (Rs.)	3.85	3.74
b. Own Generation : Through Diesel Generator		
Units (Kwh)	1,85,242	1,38,528
Units per Litre of Diesel Oil	2.45	2.04
Cost per Unit (Rs.)	15.06	15.06
2. Furnace Oil/LSHS/LDO/HSD		
Qty (Lts)	—	Nil
Total Amount (Rs.)	—	Nil
Average (Rs/Ltr)	—	Nil
3. Wood/Coal		
Qty (Kgs.)	7,85,950	7,31,055
Total Amount (Rs.)	28,92,296	26,78,857
Average (Rs/Kgs.)	3.68	3.6
B. Consumption per unit of production		
Cocoa & Chocolate products (tones)		
i. Electricity (KWH/Tonnes)		
- Cocoa	408 units/MT	485 units/MT
- Chocolate	321 units/MT	260 units/MT
ii. Furnace Oil/LSHS/LDO HSD (KL/Tonne)		
- Cocoa	—	Nil
- Chocolate	—	Nil
iii. Wood/coal (KG/MT)		
- Cocoa	226 Kgs/MT	235 Kgs/MT
- Chocolate	59 kgs/MT	24.6 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	320.91
ii) Foreign Exchange Outgo(including raw materials, components and spare parts of capital goods and other expenditures in foreign currency including dividends)	164.33

For and on behalf of the Board

Place : Hyderabad
Date : 13.08.2010

Sd/-
P.Anantha Pai
Director

Sd/-
G.S.Ram
Whole Time Director

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

1. Company's Philosophy on Corporate Governance

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

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

2. Board of Directors

(a) Composition of the Board

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

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

Eight .8. Board Meetings were held during the financial year ended 2010:

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.	T Sarada	Independent Promoter Director	8	—	No
2.	D Manohar	Independent Non-executive Director	1	—	No
3.	P.Anantha Pai	Independent Non-executive Director	8	8	Yes
4.	P.Prakash Pai	Independent Non-executive Director	8	8	Yes
5.	G.S.Ram	Independent Executive Director	8	8	Yes
6.	G.V.Raju	Independent Non-executive Director	8	7	Yes
7.	Dilip Mangesh Kalekar	Independent Executive Director	8	2	Yes
8.	P.Ashwini Pai	Independent Executive Director	8	7	Yes
9.	P.Abhijeet Pai	Independent Non-executive Director	8	6	Yes

Date of last Annual General Meeting (AGM) – 30.09.2009.

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

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

Eight(8) Board Meetings were held during the financial year 2010. 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	-	01.04.2009
2 nd Board Meeting	-	30.04.2009
3 rd Board Meeting	-	01.05.2009
4 th Board Meeting	-	15.06.2009
5 th Board Meeting	-	29.07.2009
6 th Board Meeting	-	17.08.2009
7 th Board Meeting	-	29.10.2009
8 th Board Meeting	-	29.01.2010

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

5. Remuneration of Directors

(a) Remuneration to Non-Executive Directors

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

(b) Remuneration to Executive Director

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.21,510p.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 2010:

Nature of Complaint	Received	Cleared
Non-receipt of Share Certificates sent for transfer	8	8
Change of address	7	7
Issue of duplicate share certificates	12	12
Request for stop transfer	3	3
Transmission of shares	3	3
Any other complaints	18	18
Total	67	67

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 Calender Year)	AGM held relating to accounting year ended	Venue of the Meeting	Time of Meeting
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
30 th September, 2009	31-03-2009	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m

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

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

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

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

8. Disclosures

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

Forming part of the Note to Accounts of the Company.

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

None.

9. Means of Communication

Half yearly Report sent to each of the shareholders	Published in English and Regional Newspaper
Quarterly Results – Newspapers normally published in	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, 2010 at 10.00 A.M.
- (b) Date of book closure: 23rd day of September, 2010 to 30th day of September, 2010 for the purpose of the Annual General Meeting.
- (c) No gifts will be given at the Annual General Meeting.

However, chocolates as deemed appropriate by the Company shall be given only to the members present at the AGM

- (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 Sathguru Management Consultants (P) Limited

Plot No.15, Hindi Nagar Colony,

Behind Sai Baba Temple,

Punjagutta, Hyderabad- 500 034.

23350586, 23356975

(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, 2010 :

	Category	Number of SharesHeld	Percentage of Shareholding(%)
A	Promoter's Holding		
1	Promoter's		
	- Indian Promoters	8577100	66.79
	- Foreign Promoters	-	-
	Sub – Total	8577100	66.79
B	Non – Promoters Holding		
2	Institutional Investors		
A	Mutual Funds & UTI	-	-
B	Banks, Financial Institutions, Insurance Companies (Central / State Govt. Institutions / Non – Govt. Institutions)	4400	0.03
C	FIs	-	-
	Sub – Total	4400	0.03
3	Others		
A	Private Corporate Bodies	329062	2.56
B	Indian Public	3914664	30.49
C	Any other - NRIs / OCBs	15823	0.13
	Sub – Total	3985506	42.95
	Grand 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.

AUDITORS' REPORT

We have audited the attached Balance Sheet of Lotus Chocolate Company Limited as at March 31, 2010 and the Profit and Loss Account and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We report as follows:

1. We conducted the audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. The Company has not provided the interest of Rs 38,10,559/- on over-due Deferred Sales Tax Loan for the year, as detailed in Note No. 6. Total accumulated liability of interest amounting to Rs.1,27,99,548/- on over-due deferred Sales Tax is not provided in the books of account. This has an effect of overstatement of profit for the year by Rs. 38,10,559/- and understatement of accumulated loss and liabilities by Rs. 1,27,99,548/- as at 31-03-2010.
3. As required by the Companies (Auditor's Report) Order, 2003 issued and subsequently amended by the Central Government in exercise of the power conferred by section 227(4A) of the Companies Act, 1956 and according to the information and explanations given to us and on the basis of such checks as we considered appropriate, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Subject to our remarks in paragraph 2 and the annexure referred to in paragraph 3, we report:
 - (i) 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;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far it appears from our examination of such books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956;
 - (v) On the basis of the written representation received from the directors, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with notes thereon, give the information required by the Companies Act, 1956 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 Balance Sheet, of the state of affairs of the Company as at March 31, 2010,
 - (b) in the case of Profit and Los Account, of the profit for the year ended on that date, and
 - (c) in the case of Cash Flow statement, of the cash flows for the year ended on that date.

Place : Hyderabad
Date : August 13, 2010

For S.R. Mohan & Co.,
Chartered Accountants

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

Ref: LOTUS CHOCOLATE COMPANY LIMITED
ANNEXURE REFERRED TO IN PARAGRAPH 3 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 Fixed Assets during the period, which affects the going concern concept.
- (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 covered in the register maintained under section 301 of companies Act, 1956. The maximum amount at any time during the year was Rs.544.79 Lakhs and year-end balance outstanding was "Nil".
- (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 Company has repaid the loans along with interest thereon during the year.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to the purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion, and according to the information and explanation given to us, there is no continuing failure to correct major weaknesses in the internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts and arrangements referred to in (a) above and exceeding the value of Rs. 5 lakhs with any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits under section 58A or any other relevant provisions of the Companies Act, 1956 and rules framed there under.
- (vii) In our opinion, Company has internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 for the products of the Company;

- (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, 2010 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company and as per the information and explanations given to us by the management, the details of disputed statutory dues which have not been deposited are as given below:

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

- (x) The Company is a Sick Industrial Company within the meaning of clause (o) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions), Act, 1985. However the Company has not incurred any cash losses during the financial year and 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 Company nor have we been informed of any such case by the management.

For S.R. Mohan & Co.,
Chartered Accountants

Sd/-

B. Brahmanandam, Partner
Membership No. 020026

Place : Hyderabad
Date : August 13, 2010

BALANCE SHEET AS AT MARCH , 2010

	SCH REF	AS AT 31-03-2010 (Rs.)	AS AT 31-03-2009 (Rs.)
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
SHARE CAPITAL	1	202,346,490	202,346,490
RESERVES AND SURPLUS	2	66,882,599	66,882,599
SUB-TOTAL		269,229,089	269,229,089
2. LOAN FUNDS			
SECURED LOANS	3	25,422,317	13,945,855
UNSECURED LOANS	4	24,880,838	24,880,838
SUB-TOTAL		50,303,155	38,826,693
TOTAL		319,532,244	308,055,782
II APPLICATIONS OF FUNDS			
1. FIXED ASSETS	5		
GROSS BLOCK		182,020,542	169,919,484
LESS:DEPRECIATION		143,151,921	138,472,631
NET BLOCK		38,868,621	31,446,853
2. CURRENT ASSETS, LOANS AND ADVANCES			
A. CURRENT ASSETS			
INVENTORIES	6	50,661,010	30,520,373
SUNDRY DEBTORS	7	31,452,408	33,724,354
CASH AND BANK BALANCES	8	2,504,104	4,644,667
OTHER CURRENT ASSETS	9	3,505,302	2,851,009
B. LOANS AND ADVANCES	10	23,546,699	14,536,140
SUB-TOTAL		111,669,523	86,276,543
LESS: CURRENT LIABILITIES AND PROVISIONS	11	34,963,109	24,586,387
NET CURRENT ASSETS		76,706,414	61,690,156
3. PROFIT AND LOSS ACCOUNT		203,957,209	214,918,773
TOTAL		319,532,244	308,055,782
ACCOUNTING POLICIES	16		
NOTES ON ACCOUNTS	17		

THE SCHEDULES 1 TO 17 REFERRED TO ABOVE FORM AN INTEGRAL PART OF THIS BALANCE SHEET

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For **S.R. MOHAN & CO.,**
CHARTERED ACCOUNTANTS

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

Sd/-
P.ANANTHA PAI
DIRECTOR

Sd/-
G.S.RAM
WHOLE TIME DIRECTOR

Place : Hyderabad
Date : 13th August 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH, 2010

	SCH REF	AS AT 31-03-2010 (Rs.)	AS AT 31-03-2009(Rs.)
I. INCOME			
SALES (GROSS)		286,299,621	257,296,427
LESS : EXCISE DUTY		21,220,223	26,932,146
SALES (NET)		265,079,398	230,364,281
INCOME FROM CONVERSION		38,771,167	33,816,976
OTHER INCOME	12	3,793,448	8,123,055
TOTAL		307,644,013	272,304,312
II. EXPENDITURE			
MATERIAL CONSUMED	13	182,711,701	179,209,369
PURCHASE OF TRADED GOODS		-	150,822
(INCREASE) / DECREASE IN STOCKS	14	(3,464,241)	(7,339,928)
MANUFACTURING,ADMISTRATIVE, SELLING AND FINANCIAL EXPENSES	15	112,436,858	79,129,650
DEPRECIATION		4,679,290	9,267,597
TOTAL		296,363,608	260,417,510
III. PROFIT FOR THE YEAR		11,280,405	11,886,802
IV. PROVISION FOR FRINGE BENEFIT TAX		-	(272,000)
V PROFIT AFTER TAX		11,280,405	11,614,802
VI. PRIOR YEAR ADJUSTMENTS		(318,841)	(115,032)
VII. EXTRA ORDINARY ITEMS			
a) Excess Provision write back on NFIL FC Loan-intt		-	3,862,662
b) Excess Provision write back on NFIL FC Loan-Exchangeflu		-	1,300,473
VIII. LOSS BROUGHT FORWARD FROM PREVIOUS YEAR		(214,918,773)	(231,581,678)
IX. LOSS CARRIED FORWARD TO BALANCE SHEET		(203,957,209)	(214,918,773)
X. EPS (BASIC) BEFORE PRIOR YEAR ADJUSTMENT		0.88	0.90
XI. EPS (BASIC) AFTER PRIOR YEAR ADJUSTMENT		0.85	0.90
ACCOUNTING POLICIES	16		
NOTES ON ACCOUNTS	17		

THE SCHEDULES 12 TO 17, REFERRED TO ABOVE FORM AN INTEGRAL PART OF THIS PROFIT AND LOSS ACCOUNT.

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For **S.R. MOHAN & CO.,**
CHARTERED ACCOUNTANTS

Sd/-

B. BRAHMANANDAM, Partner
Membership No. 020026

Place : Hyderabad

Date : 13th August 2010

Sd/-

P.ANANTHA PAI
DIRECTOR

Sd/-

G.S.RAM
WHOLE TIME DIRECTOR

SCHEDULE FORMING AN INTEGRAL PART OF BALANCE SHEET AS AT MARCH, 2010

	AS AT 31-03-2010 (Rs.)	AS AT 31-03-2009(Rs.)
SCHEDULE - 1		
SHARE CAPITAL		
AUTHORISED :		
14,000,000 EQUITY SHARES OF Rs.10/- EACH (Previous Year 14,000,000)	140,000,000	140,000,000
8,000,000 PREFERENCE SHARES OF Rs.10/- EACH (Previous Year 8,000,000)	80,000,000	80,000,000
TOTAL	220,000,000	220,000,000
ISSUED, SUBSCRIBED AND PAID-UP :		
12,841,049 EQUITY SHARES OF Rs.10/- EACH (Previous Year 12,841,049)	128,410,490	128,410,490
LESS: CALLS UNPAID		
- FROM MEMBERS OTHER THAN DIRECTORS	30,000	30,000
SUB TOTAL	128,380,490	128,380,490
PREFERENCE SHARE CAPITAL		
73,96,600 10%REDEEMABLE CUMULATIVE PREFERENCE SHARES Rs.10/- EACH (Previous Year 73,96,600)	73,966,000	73,966,000
TOTAL	202,346,490	202,346,490
SCHEDULE - 2		
RESERVES AND SURPLUS		
CAPITAL RESERVE	27,414,157	27,414,157
STATE INVESTMENT SUBSIDY	1,500,000	1,500,000
SHARE PREMIUM	37,968,442	37,968,442
TOTAL	66,882,599	66,882,599
SCHEDULE - 3		
SECURED LOANS		
CASH CREDIT FROM:		
STATE BANK OF INDIA	25,303,318	8,179,935
BANK OF BARODA	118,999	5,765,920
TOTAL	25,422,317	13,945,855
SCHEDULE - 4		
UNSECURED LOANS		
SALES TAX PAYABLE UNDER DEF.PAYMENT SCHEME	24,880,838	24,880,838
TOTAL	24,880,838	24,880,838

SCHEDULE - 5

SCHEDULE OF FIXED ASSETS

DESCRIPTION	GROSS BLOCK					DEPRECIATION				NET BLOCK	
	%	AS AT 01-04-2009	ADDITIONS DURING THE PERIOD	ADJ.FOR SALE/ TRA.WO	AS AT 31-03-2010	UPTO 31-03-2009	DURING THE PERIOD	ADJ.FOR SALE/DEL. WRITEBACK	UPTO 31-03-2010	AS AT 31-3-2010	AS AT 31-3-2009
LAND		230,863			230,863					230,863	230,863
BUILDINGS	3.34	18,772,443			18,772,443	9,915,683	627,000		10,542,683	8,229,760	8,856,760
PLANT AND MACHINERY	7.42	139,701,471	8,100,614		147,802,085	121,983,191	3,164,402	0	125,147,593	22,654,492	17,718,280
ELECTRIC INSTALLATIONS	4.75	4,845,142	0		4,845,142	3,502,576	230,144		3,732,720	1,112,422	1,342,566
FURNITURES AND FIXTURES	6.33	2,175,419	78,482	0	2,253,901	1,782,370	77,340	0	1,859,710	394,191	393,049
OFFICE EQUIPMENT	4.75	481,781	218,124		699,905	129,850	51,107		180,957	518,948	351,931
OFFICE EQUIPMENT - COMPUTERS	16.21	775,264	1,309,061		2,084,325	308,448	247,033		555,481	1,528,844	466,816
VEHICLES	9.50	2,893,378	149,500	0	3,042,878	850,513	282,264	0	1,132,777	1,910,101	2,042,865
CAPITAL WORK IN PROGRESS		43,723	2,289,000	43,723	2,289,000					2,289,000	43,723
TOTAL		169,919,484	12,144,781	43,723	182,020,542	138,472,631	4,679,290	0	143,151,921	38,868,621	31,446,853
AS PER FIXED ASSETS REGISTER		0	0	0				0			
PREVIOUS YEAR											
AS AT 31ST MARCH 2009		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	

	AS AT 31-03-2010 (Rs.)	AS AT 31-03-2009(Rs.)
SCHEDULE - 6		
INVENTORIES		
RAW MATERIAL	18,228,313	5,807,305
PACKING MATERIAL	5,918,809	5,936,543
STORES AND SPARES	6,581,451	6,348,014
WORK -IN- PROCESS	5,736,862	2,922,660
FINISHED GOODS	14,195,575	13,545,536
SUB TOTAL	50,661,010	34,560,058
LESS: NON MOVING STOCKS WRITTEN OFF	-	4,039,685
TOTAL	50,661,010	30,520,373
SCHEDULE - 7		
SUNDRY DEBTORS		
DEBTS OUTSTANDING FOR MORE THAN SIX MONTHS :		
CONSIDERED GOOD	-	-
CONSIDERED DOUBTFUL	3,428,262	189,259
	3,428,262	189,259
LESS : PROVISION FOR DOUBTFUL DEBTS	3,428,262	189,259
SUB TOTAL	-	-
OTHER DEBTS		
CONSIDERED GOOD	31,452,408	33,724,354
TOTAL	31,452,408	33,724,354
SCHEDULE - 8		
CASH AND BANK BALANCES		
CASH ON HAND	153,784	103,752
BALANCE WITH SCHEDULE BANKS :		
IN CURRENT ACCOUNTS	2,281,095	1,918,565
IN SHORT-TERM DEPOSIT ACCOUNTS *	69,225	2,622,350
TOTAL	2,504,104	4,644,667
* 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	386,038	205,800
INTEREST RECEIVABLE	152,532	101,508
BALANCE WITH GOVERNMENT BODIES	2,966,732	2,543,701
TOTAL	3,505,302	2,851,009
SCHEDULE - 10		
LOANS AND ADVANCES (UNSECURED-CONSIDERED GOOD)		
ADVANCES RECOVERABLE IN CASH OR IN KIND OR FOR VALUE TO BE RECEIVED		
	13,809,121	12,494,030
DEPOSIT WITH GOVERNMENT AUTHORITIES	9,737,578	2,042,110
TOTAL	23,546,699	14,536,140

	AS AT 31-03-2010 (Rs.)	AS AT 31-03-2009(Rs.)
SCHEDULE - 11		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
CREDITORS FOR :		
CAPITAL ITEMS	14,730	14,730
MATERIAL SUPPLIES AND SERVICES		
DUE TO SSI UNITS	565,717	565,717
DUE TO OTHERS	9,620,130	7,191,393
EXPENSES	4,330,014	1,582,816
ADVANCE FROM CUSTOMERS	1,684,783	529,504
OTHER LIABILITIES	11,902,758	9,138,543
SUB TOTAL	28,118,132	19,022,703
PROVISIONS		
PROVISION FOR GRATUITY	4,050,241	3,596,683
PROVISION FOR LEAVE SALARY	650,992	864,001
PROVISION FOR BONUS	2,143,744	1,103,000
SUB TOTAL	6,844,977	5,563,684
TOTAL	34,963,109	24,586,387
SCHEDULE FORMING INTEGRAL PART OF PROFIT AND LOS ACCOUNT FOR THE PERIOD ENDED MARCH 2010		
SCHEDULE - 12		
OTHER INCOME		
INTEREST EARNED	205,277	167,049
MISCELLANEOUS INCOME	3,588,171	7,956,006
TOTAL	3,793,448	8,123,055
SCHEDULE - 13		
MATERIALS, FINISHED GOODS ETC.,		
MATERIAL CONSUMED :		
RAW MATERIAL	159,015,688	161,658,628
PACKING MATERIAL	23,696,013	17,550,741
TOTAL MATERIAL CONSUMED	182,711,701	179,209,369
SCHEDULE - 14		
DECREASE/(INCREASE) IN STOCKS :		
OPENING 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
CLOSING STOCK :		
- FINISHED GOODS	14,195,575	13,545,536
- WORK-IN-PROCESS	5,736,862	2,922,660
SUB-TOTAL	19,932,437	16,468,196
DECREASE/(INCREASE) IN STOCK	(3,464,241)	(7,339,928)

	AS AT 31-03-2010 (Rs.)	AS AT 31-03-2009(Rs.)
SCHEDULE - 15		
MANUFACTURING, ADMINISTRATIVE AND SELLING EXPENSES		
MANUFACTURING EXPENSES		
SALARIES AND ALLOWANCES	37,037,787	23,084,164
POWER AND FUEL	12,872,361	12,963,603
STORES AND SPARES	9,932,518	10,056,729
CONTRIBUTION TO PF	1,840,103	1,209,194
STAFF WELFARE	1,089,495	753,709
REPAIRS AND MAINTENANCE :		
PLANT AND MACHINERY	1,456,994	2,146,661
BUILDINGS	164,038	145,271
OTHERS	702,361	771,837
TOTAL (A)	65,095,657	51,131,168
ADMINISTRATIVE AND SELLING EXPENSES		
RENT	1,033,555	612,200
RATES, TAXES AND FILING FEES	726,238	397,254
VEHICLE & OTHER HIRE CHARGES	446,730	461,484
POSTAGE, TELEGRAMS AND TELEPHONES	1,179,645	892,793
TRAVELING AND CONVEYANCE :		
DIRECTOR'S	287,970	10,672
OTHERS	6,911,832	4,709,137
INSURANCE	191,127	51,274
CONSULTANCY & PROFESSIONAL CHARGES	803,103	480,026
DIRECTOR'S REMUNERATION	1,503,800	-
MEETING AND CONFERENCES	199,681	109,918
AUDITORS REMUNERATION :		
AUDIT FEES	49,635	49,635
TAX AUDIT FEES	38,605	22,060
OTHER SERVICES	-	36,545
OUT OF POCKET EXPENSES	2,915	8,627
RESEARCH AND DEVELOPMENT EXPENSES	870,439	884,747
BUSINESS PROMOTION	1,519,811	207,901
CARRIAGE OUTWARD	6,426,233	5,954,573
SALES COMMISSION	702,612	659,901
DISCOUNT ON SALES	2,190,251	4,392,056
JOBWORK CHARGES	2,394,555	438,339
OTHER EXPENSES	13,844,431	6,649,069
TOTAL (B)	41,323,168	27,028,211
SUB-TOTAL (A+B)	106,418,825	78,159,379
FINANCIAL EXPENSES		
- INTEREST ON WORKING CAPITAL LOAN	983,899	734,762
- INTEREST TO OTHERS	4,707,015	8,519
- BANK CHARGES	327,119	226,990
SUB-TOTAL (C)	6,018,033	970,271
CHARGED TO PROFIT AND LOSS ACCOUNT (A+B+C)	112,436,858	79,129,650

CASHFLOW STATEMENT FOR THE PERIOD FROM APRIL 2009 TO MARCH 2010

	(In Rupees) Year ended 31.03.2010	(In Rupees) Year ended 31.03.2009
A. Cash Flow from Operating Activities:		
Net Profit before tax and Extra Ordinary items	11,280,405	11,886,802
Adjustment for:		
Depreciation	4,679,290	9,267,597
Provision no longer required written back		5,163,135
Fixed Assets Written Off	0	0
Interest	5,690,914	743,281
Operating Profit before working capital Changes	21,650,609	27,060,815
Adjustment for:		
Trade & Other Receivables	(7,392,906)	(9,372,325)
Inventories	(20,140,637)	(1,331,883)
Trade Payables	10,376,722	(5,732,188)
CASH GENERATED FROM OPERATIONS	4,493,788	10,624,419
Interest Paid	(5,690,914)	(743,281)
Cash flow before extra ordinary items	(1,197,126)	9,881,138
Extra Ordinary items	(318,841)	(387,032)
Loss on Sale of Assets		
NET CASH FROM OPERATING ACTIVITIES	(1,515,967)	9,494,106
B. Cash Flow from Investing activities:		
Purchase of Fixed Assets	(12,101,058)	(1,060,984)
Sale/(Purchase) of Investments	0	0
Sale of Fixed Assets/Depreciation write back		(165,005)
NET CASH USED IN INVESTING ACTIVITIES	(12,101,058)	(1,225,989)
C. Cash Flow from Financing Activities:		
Receipt/Repayment of Term Loans	11,476,462	(33,180,965)
Sales Tax Deferment/Foreign Currency Loan Write Back	0	27,414,157
NET CASH FROM FINANCING ACTIVITIES	11,476,462	(5,766,808)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS(A+B+C)	(2,140,563)	2,501,309
CASH & CASH EQUIVALENTS (As on 31.03.2009)	4,644,667	2,143,358
CASH & CASH EQUIVALENTS (As on 31.03.2010)	2,504,104	4,644,667
NET INCREASE IN CASH & CASH EQUIVALENTS	(2,140,563)	2,501,309

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.

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For **S.R. MOHAN & CO.**,
CHARTERED ACCOUNTANTS

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

Sd/-
P.ANANTHA PAI
DIRECTOR

Sd/-
G.S.RAM
WHOLE TIME DIRECTOR

Place : Hyderabad

Date : 13th August 2010

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 structures 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 Exclusive 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 estimated basis of liability at the year-end. Actuarial valuation of future liability for the services rendered has not 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:

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 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

1. 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.

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 31-03-2010	As At 31-03-2009
India	23,29,06,378	20,84,95,610
Export	3,20,90,526	2,18,68,671
Total	26,49,96,904	23,03,64,281
(b) Conversion	3,87,71,167	3,38,16,976

2. 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 31.03.2010
1	Neeharika Polymers Pvt Ltd	Interested Director (A Ramakrishna)	Purchase of Packing Material	Nil (5,45,058)	Nil (Nil)
2.	M& M Cocoa Products Pvt Ltd	Interested Director (D Durgaprasad)	Purchase of RM	Nil (89,32,833)	Nil (Nil)
3.	Lotus Cocoa Products	Interested Director (D Durgaprasad)	Purchase of RM	Nil (1,19,097)	Nil (Nil)
4.	D Durgaprasad	Director	Interest	Nil (2,086)	Nil (Nil)
5.	A.Rama Krishna	Director	Interest	Nil (4,996)	Nil (Nil)
6	P.Anantha Pai	Director	Unsecured Loan Interest	2,90,00,000 (Nil) 27,07,455 (Nil)	Nil (Nil) Nil (Nil)
7	P.Prakash Pai	Director	Unsecured Loan Interest	2,32,00,000 (Nil) 19,43,575 (Nil)	Nil (Nil) Nil (Nil)
8	Puzzolana Machinery Fabricators	Interested Directors (P.Anantha Pai & Prakash Pai)	1) Purchase of Machinery & Spare parts 2) Chocolate Sales	34,18,181 (Nil) 95,953 (Nil)	Nil (Nil) Nil (Nil)

3. Particulars of Managerial Remuneration:

(In Rupees)

Whole Time Director Mr.G.S.Ram	As At 31-03-2010	As At 31-03-2009
Salary	7,45,800	7,47,384
Perquisites-PF	50,544	48,960
Total	7,96,344	7,96,344

Whole Time Director Ms.Ashwini Pai,	As At 31-03-2010	As At 31-03-2009
Salary	2,22,750	Nil
Perquisites-PF	13,860	Nil
Total	2,36,610	Nil

Whole Time Director (Technical) Mr.Dilip Kalelkar,	As At 31-03-2010	As At 31-03-2009
Salary	5,50,000	Nil
Perquisites-PF	-	Nil
Total	5,50,000	Nil

4. Claims against the Company not acknowledged as debts:

- a) 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 Rs.1.80 Crores (Previous year Rs.1.80 Crores). During the year the company has received order in favour of the company from Commissioner of Customs, Chennai Vide order No.10404/2009 dt 23-12-2009. However the department has preferred an appeal before the appellate tribunal against the order issued by Commissioner Customs, (Seaport-Export)
- b) From Directorate of Revenue Intelligence, Chennai in respect of alleged non fulfillment of export obligation for Rs.3.19 crore (Rs.3.19 Crore)

5. Contingent Liabilities in respect of :

- (a) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs.36.63 lakhs (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)

6. (c) **Accrued and unpaid preference dividend Rs.861.09 Lakh (previous year Rs 787.12 Lakh)**
A sum of Rs. 2,11,69,774 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.1,27,99,548 as on 31.03.2010 (Rs.89, 88,989 as on 31.03.2009), 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 5,885.66 (previous year MT 6,988.06)

	Actual Production Kgs	
	2009-10	2008-09
1. Cocoa Powder	2,31,175	2,83,800
2. Cocoa Butter	1,91,740	1,60,625
3. Milk Covering	3,18,555	2,88,360
4. Choco Treat	*4,83,476	*4,35,680
5. Others	11,14,298	12,30,807
Total	23,39,244	23,99,272
6. Conversion (Job work)	35,46,412	45,88,790
Grand Total	58,85,656	69,88,062

* Including third party operation of Eclairs, Gobble, High-5: 1,73,690 Kgs(*Including third party operation of Eclairs: 37,298 Kgs)

D. Details of Materials consumed:

Amount in Rupees

	As At 31-03-2010		As At 31-03-2009	
	Quantity in Kgs	Amount	Quantity in Kgs	Amount
1. Cocoa Beans	5,44,064	6,87,69,579	5,46,875	5,67,98,495
2. Sugar	8,25,200	2,19,13,764	8,64,100	1,37,82,413
3. Vegetable Fat	29,980	23,18,413	14,000	13,79,800
4. S.M.P	1,11,200	12,429,827	1,45,625	1,81,29,352
5. W.M.P	13,000	17,27,860	20,575	28,55,835
6. R.C.O/ R.B.D/ R.P.K.O	4,78,721	2,23,13,467	4,08,163	2,82,34,660
7. Others	3,39,029	2,95,42,778	3,47,124	4,04,78,073
Total	23,41,194	15,90,15,688	23,46,462	16,16,58,628

E. Details of Purchases-Traded Goods

	As At 31-03-2010		As At 31-03-2009	
	Quantity in Kgs	Amount	Quantity in Kgs	Amount
1. Cocoa Butter	Nil	Nil	Nil	Nil
2. Choco Treats	Nil	Nil	240	1,50,822

F. Details of Stock and Turnover of Finished goods:

Class of Goods	Opening stock As at 01.04.2009		Captive Consumption	Turnover for the Year ended 31.03.2010		Closing Stock As at 31.03.2010	
	QtyKgs	Value Rupees		Qty Kgs Rupees	QtyKgs Value Rupees	Qty Kgs Value Rupees	
Cocoa Powder	NIL (1075)	NIL (96,612)	87150 (86125)	143475 (198750)	2,75,70,920 (1,85,25,700)	550 (Nil)	1,05,727 (Nil)
Cocoa Butter	31775 (12750)	78,69,625 (34,49,882)	33050 (27350)	187840 (114250)	4,57,06,289 (3,31,57,051)	2625 (31775)	5,556,372 (78,69,625)
Milk Covering	7600 (NIL)	5,46,490 (NIL)	NIL (NIL)	321005 (280760)	2,38,72,208 (2,41,40,499)	5150 (7600)	4,43,500 (5,46,490)
Choco Treat	23756 (10671)	28,53,249 (13,21,847)	5072 (5902)	443672 (416687)	10,46,91,547 (7,79,64,507)	58,488 (23756)	84,89,419 (28,53,249)
Others	25755 (25430)	22,76,173 (21,41,154)	23205 (66638)	1085928 (1163844)	8,44,58,657 (10,35,08,170)	30,920 (25755)	46,00,557 (22,76,173)
TOTAL	88,886 (49,926)	13545537 (7009495)	148477 (186015)	21,81,920 (2174291)	28,62,99,62 (25,72,96,427)	97733 (88886)	1,41,95,575 (1,35,45,537)

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

Particulars	Raw Materials		Stores and Spares	
	In Rupees	%	In Rupees	%
Imported	1,41,40,201 (98,69,536)	8.89 (6.10)	49,34,029 (21,02,738)	53.85 (35.34)
Indigenous	14,48,75,487 (15,17,89,092)	91.11 (93.89)	42,28,594 (38,47,975)	46.15 (64.66)
Total	15,90,15,688 (16,16,58,628)		91,62,623 (59,50,713)	

H. CIF Value of imports towards:

Particulars	For the year ended 31.03.10 In Rupees	For the year ended 31.03.09 In Rupees
Capital Equipment	Nil	Nil
Raw Materials	1,22,36,592	68,61,792
Components & Spares	41,96,476	12,64,231
I. Expenditure in Foreign Currency		
Foreign travel expenses	Nil	Nil
Interest paid on Foreign Currency Term Loan	Nil	Nil
J. Earnings in foreign currency on account of Export sales	3,20,90,526	2,18,68,671
K. Earnings in foreign currency on account of dividends	Nil	Nil
L. 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. 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). BIFR has declared the company as sick company and appointed State Bank of India as operating agency. State Bank of India has commissioned APITCO for viability study. APITCO has submitted its study to SBI wherein the study says that the company's operations are viable on the basis assumptions made by them. The State Bank of India is yet to file the rehabilitation scheme before the BIFR.

AS PER OUR REPORT OF EVEN DATE

FOR AND ON BEHALF OF THE BOARD

For S.R. MOHAN & CO.,
CHARTERED ACCOUNTANTS

Sd/-

B. BRAHMANANDAM, Partner
Membership No. 020026

Sd/-

P. ANANTHA PAI
DIRECTOR

Sd/-

G.S.RAM
WHOLE TIME DIRECTOR

Place : Hyderabad
Date : 13th August 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Registration Details:

Registration No: 01-09111/88-89
Balance Sheet Date: 31-03-2010 **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	38869
Reserves & Surplus	66883	Investments	-
Secured Loans	25422	Net Current Assets	76706
Unsecured Loans	24881	Accumulated Loss	203957
Total Liabilities	319532	Total Assets	319532

Performance of the Company

(Rupees in Thousands)

Turnover	307644
Total Expenditure	296363
Profit / (Loss) Before Tax	11280
Profit / (Loss) After Tax	11280
Earnings per Share	0.88
Dividend (%)	-

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

Sd/-

P.Anantha Pai
Director

Sd/-

G.S.Ram
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

of failing him of

as my / our behalf at the Annual General Meeting of the Company to held at 10.00 am on
Thursday, the 30th September 2010 at LIC Bhavan Trust, Behind LIC & HDFC Bank, Near
Paradise Circle (West), SD 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

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 10.00 am on Thursday the 30th September 2010

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

Regd. Folio No. _____ No. of Share Held

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 mem-
bers)

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

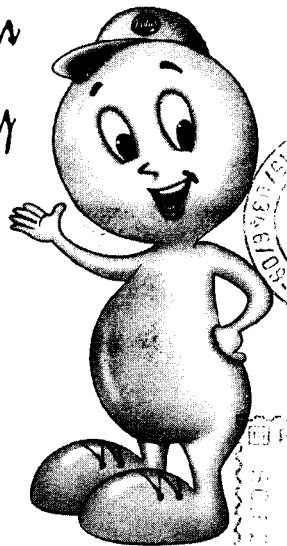
Signature of the shareholder / proxy

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.

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*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

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Hyderabad - 500 034