

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

1. Company's Philosophy on Corporate Governance

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

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

2. Board of Directors

(a) Composition of the Board

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Audit Committee

(a) Brief description of terms of reference

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

(b) Composition, Names of Members and Chairperson

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

The Committee consists of:

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

(c) Meetings during the year

Three meetings of the Audit Committee were held.

4. Remuneration Committee

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

The Committee consists of:

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

5. Remuneration of Directors

(a) Remuneration to Non-Executive Directors

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

(b) Remuneration to Executive Director

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

6. Shareholders/Investors Grievances Committee

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

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

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

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

(b) Name and designation of Compliance Officer

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

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

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

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

(d) Number of pending share transfers

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

7. General Body Meetings

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

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

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

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

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

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

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

8. Disclosures

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

Forming part of the Note to Accounts of the Company.

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

None.

9. Means of Communication

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

10. General Shareholder information

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

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

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

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

- The Stock Exchange, Mumbai

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

- (e) **Stock Code**

Stock Code-HSE-LAGLOB Scrip Code No. LOTCHO\$
Stock Code-BSE-LANGLSY Scrip Code No. 523475

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

M/s CIL SECURITIES LIMITED
Reg.Off.: 214, Raghava Ratna Towers,
Chirag Ali Lane, Abids,
Hyderabad - 500 001.
Tel.No. 040-23202465, 23203155.

- (g) **Share Transfer System**

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

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

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

(i) **Dematerialization of Shares:**

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

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

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

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

(l) **Address for correspondence**

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

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

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

Non-Regional

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

CEO/CFO CERTIFICATIONS

As required by sub clause V of the Clause 49 of the Listing Agreement entered with the Stock Exchanges, we have certified to the Board that for the financial year ended 31st March 2013, the Company has complied with the requirements of the said sub clause.

Place : Hyderabad
Date: 19th August, 2013

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

COMPLIANCE WITH CODE OF BUSINESS CONDUCT AND ETHICS

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

Place : Hyderabad
Date: 19th August, 2013

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