

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 2014:

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.Ananth Pai	Independent Non-executive Promoter Director	5	5	Yes
2.	P.Prakash Pai	Independent Non-executive Promoter Director	5	5	Yes
3.	G.S.Ram	Independent Executive Director	5	5	Yes
4.	G.V.P.Raju	Independent Non-executive Director	5	5	Yes
5.	Dilip Mangesh Kalelkar	Independent Executive Director	5	2	Yes
6.	P.Ashwini Pai	Independent Non-Executive Director	5	-	Yes
7.	P.Abhijeet Pai	Independent Non-executive Director	5	-	---

Date of last Annual General Meeting (AGM) - 30.09.2013.

(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.Ananth Pai	6	—
3.	P.Ashwini Pai	1	—
4.	P.Abhijeet Pai	7	—
5.	G.V.P.Raju	—	—
6.	G.S.Ram	1	—
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 2014. 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	-	11.08.2013
2 nd Board Meeting	-	19.08.2013
3 rd Board Meeting	-	04.11.2013
4 th Board Meeting	-	13.11.2013
5 th Board Meeting	-	12.02.2014

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

The Committee consists of the following members:

The Committee consists of:

1. Shri.P.Prakash Pai, Director
2. Shri. P.Ananth 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

The Committee consists of:

1. Shri P.Prakash Pai - Chairman
2. Shri P.Ananth 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

The following are the members of the Committee:

1. Shri P.Prakash Pai, Director
2. Shri P.Ananth 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, 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 2014:

Nature of Complaint	Received	Cleared
Any other complaints	1	1
Total	1	1

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

(d) Number of pending share transfers

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

7. General Body Meetings

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

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

Date of the Meeting (Relating to Calendar Year)	AGM held relating to accounting year ended	Venue of the Meeting	Time of Meeting
30 th September, 2013	31-03-2013	Lions Bhavan, Near Paradise Circle, Secunderabad.	10.00 a.m
30 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

(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	Published in English - Business Standard Telugu - Andhra Bhoomi
Website where quarterly results are displayed	sebidifar.nic.in

10. General Shareholder information

- (a) The Company is registered in the state of Telengana. The Corporate identity Number (CIN) allotted to the Company by Ministry of Corporate Affairs (MCA) is L15200AP1988PLC009111. As indicated in the Notice to our Shareholders, the Annual General Meeting of the Company will be held on **30th day of September, 2014, Tuesday at 10.00 A.M.**

- (b) Date of book closure: **22nd day of September, 2014 to 30th day of September, 2014** 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-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, 2014 :

	Category	Number of Shares Held	Percentage of Shareholding (%)
A	Promoter's Holding		
1	Promoter's - Indian Promoters - Foreign Promoters	9,253,020 —	72.06 —
	Sub - Total	9,253,020	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)	3,900	0.03
C	FIs —	—	—
	Sub - Total	3,900	0.03
3	Others		
A	Private Corporate Bodies	242,303	1.89
B	Indian Public	3,331,453	25.94
C	Any other - NRIs / OCBs	10,373	0.08
	Sub - Total	3,584,129	27.91
	Grand Total	12,841,049	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 Exchange 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

CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance of conditions of corporate governance, by LOTUS CHOCOLATE COMPANY LIMITED , for the year ended 31.03.2014 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the corporate governance. It is neither audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

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

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

Place: Hyderabad
Dated: August 20, 2014

For RAKHI AGARWAL & ASSOCIATES
COMPANY SECRETARIES



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

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 2014, the Company has complied with the requirements of the said sub clause.

Place : Hyderabad
Date : August 20, 2014

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, 2014.

Place : Hyderabad
Date : August 20, 2014

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

