

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:

Lotus Chocolate Company Limited to set the highest standards of Corporate Governance right from its inception benchmarked with the best class practices across the globe. Effective Corporate Governance is the manifestation of professional beliefs and values, which configures the organizational values, credo and actions of its employees. The aim of "Good Corporate Governance" is to ensure commitment of the board in managing the company in a transparent manner for maximizing long-term value of the company for its shareholders and all other partners. It integrates all the participants involved in a process, which is economic, and at the same time social.

Hence it harmonizes the need for a company to strike a balance at all times between the need to enhance shareholders' wealth whilst not in any way being detrimental to the interests of the other stakeholders in the company.

### 2. BOARD OF DIRECTORS:

#### a) Composition and Category of Directors:

In terms of compliance with the requirement of Regulation 17 of SEBI (LODR) Regulations, 2015, the Company endeavour to have an optimum combination of Executive and Non-Executive Directors to maintain the independence of the Board and separate the functions of Governance and Management through Board and Committees. As on 31<sup>st</sup> March, 2019, the Board consist of the following:

- 3 (Three) Non-executive Independent Directors;
- 2 (Two) Whole Time Directors;
- 2(Two) Non-Executive Non-Independent Directors;
- 1(One) Women Director.

#### b) Attendance of each director at the Board meetings and the last Annual General Meeting:

The particulars of attendance of Board Meetings and Annual General Meeting by Directors for the financial year ended 31.03.2018 has been set out here below:

Sl. No.	Name of the Director	Category	Board Meetings attended	Attendance at last AGM on 27.09.2018
1.	P.Prakash Pai	Director	6	Yes
2.	P. Ananth Pai	Director	6	Yes
3.	Subramanya Ram Ganapath	Whole time director	6	Yes
4.	Gottemukkala Venkatapathi Raju	Independent Director	6	Yes
5.	Ashwini Pai	Director	6	Yes
6.	Bharathan Rajagopalan Thatai	Independent Director	6	Yes
7.	Dilip Mangesh Kalelkar	Whole time Director	6	Yes
8.	A.Surya Prakash Reddy	Independent Director	6	Yes

**c) Number of other Directorships, Committee Membership(s) & Chairmanship(s)**

Sl. No.	Name of the Director	Other Directorships	Committee Membership	Committee Chairmanship
1	Shri Dilip Mangesh Kalekar	0	0	0
2	Shri Subramanya Ram Ganapath	0	0	0
3	Shri P. Ananth Pai	7	0	0
4	Shri P. Prakash Pai	7	0	0
5	Smt. Ashwini Pai	1	0	0
6	Shri Gottemukkala Venkatapathi Raju	0	0	0
7	Shri Bharathan Rajagopalan Thatai	0	0	0
8	Shri A. Surya Prakash Reddy	0	0	0

**d) Number of Board Meetings held and the date on which held:**

In terms of compliance with the requirement of SEBI (LODR) Regulations, 2015, 06(Six) Board Meetings were held during the financial year ended 31.03.2019. The maximum gap between any two Board Meetings was not more than 120 days at any time.

The dates on which the Board meetings were duly convened and held are 24.05.2018, 14.08.2018, 14.11.2018, 11.01.2019, 13.02.2019, 18.03.2019.

**e) Disclosure of relationship between directors inter-se**

Shri. G Mangilal Surana, Chairman-Emeritus is the father of Shri Narender Surana and Shri Devendra Surana, Managing Directors of the Company. Other than Shri. G Mangilal Surana, Chairman-Emeritus, Shri Narender Surana, Managing Director and Shri Devendra Surana, Managing Director, none of the Directors are related to any other Director.

**f) Shares held by Non-Executive Directors**

The number of equity shares held by Non-Executive Directors, as on 31.03.2019 are as follows:

Sl.No	Name of the Director	No of Equity Shares
1	Shri. P. Prakash Pai	3659272
2	Shri. P. Ananth Pai	3659272
3	Shri. Gottemukkala Venkatapathi Raju	-
4	Shri. Bharathan Rajgopalan Thatai	-
5	Shri. Admala Surya Prakash Reddy	-
6	Smt. Ashwini Pai	327139

**g) Familiarisation programmes imparted to independent directors:**

Your Company follows a structured orientation and familiarisation programme through various reports/codes/internal policies for all the Directors with a view to update them on the Company's policies and procedures on a regular basis. During the year 2018-19, Periodic presentations are made at the Board Meetings on business and performance, long term strategy, initiatives and risks involved. Independent Directors have been taken through various aspects of Business and operations. The framework on familiarisation programme has been posted in the website of the Company. The details of familiarization program is available on the website: [lotuschocolate.com/pdf/corporategovernance/policies/Familiarisation-Programme-for-ID.pdf](http://lotuschocolate.com/pdf/corporategovernance/policies/Familiarisation-Programme-for-ID.pdf)

**h) The following is the list of core skills/expertise/competencies identified by the Board of Directors as required in the context of its business(es) and sector(s) for it to function effectively and those actually available with the Board:**

- Knowledge - understand the Company's business, policies, and culture (including its mission, vision, Values, goals, current strategic plan, governance structure, major risks and threats and potential opportunities) and knowledge of the industry in which the Company operates.
- Behavioural Skills - attributes and competencies to use their knowledge and skills to function well as team members and to interact with key stakeholders.
- Strategic thinking and decision making
- Financial Skills
- Technical/Professional skills and specialized knowledge to assist the ongoing aspects of the Business.

**i) Confirmation from the Board:**

The Board of Directors be and hereby confirm that in the opinion of the Board, the Independent Directors fulfill the conditions specified by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and they are independent of the management.

**j) No Independent Director has resigned from the Directorship of the Company before the expiry of their term of appointment during the financial year ended 31<sup>st</sup> March, 2019.**

**BOARD COMMITTEES:**

Details of the Board Committees and other related information are provided hereunder:

**3. AUDIT COMMITTEE:**

**(i) Brief description of terms of reference:**

The terms of reference stipulated by the Board to the Audit Committee includes review of the following:

1. Management Discussion and Analysis of financial condition and results of operations;
2. Statement of significant related party transactions submitted by Management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal Audit Reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief Internal Auditor.
6. 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.
7. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of Audit fees.
8. Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors.
9. The annual financial statements before submission to the Board for approval, with particular reference to following with the Management:
  - i. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Clause (3C) of Section 134 of the Companies Act, 2013
  - ii. Changes, if any, in accounting policies and practices and reasons for the same.
  - iii. Major accounting entries involving estimates based on the exercise of judgment by Management

- iv. Significant adjustments made in the financial statements arising out of Audit findings
  - v. Compliance with listing and other legal requirements relating to financial statements
  - vi. Disclosure of any related party transactions
  - vii. Qualifications in the draft Audit Report.
10. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
  11. Reviewing, with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
  12. Reviewing the adequacy of internal audit function, if any, including the structure of the Internal Audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
  13. Discussion with Internal Auditors any significant findings and follow up there on.
  14. Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
  15. Discussion with Statutory Auditors before the Audit commences, about the nature and scope of Audit as well as post-Audit discussion to ascertain any area of concern.
  16. To review the functioning of the Whistle Blower Mechanism.
  17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

**(i) Composition:**

The Company's Audit Committee comprises of the following Directors :

Sl.No	Name of Director	Designation
1	Shri Bharathan Rajagopalan Thatai	Chairperson
2	Shri P. Ananth Pai	Member
3	Shri Gottemukkala Venkatapathi Raju	Member
4	Shri. Admala Surya Prakash Reddy	Member

*Shri P.Prakash Pai ceased to be the member of the committee w.e.f.10.11.2018.*

The Company continued to derive immense benefit from the deliberation of the Audit Committee comprising of three Non-Executive Independent Directors and two Independent Director. As Shri Bharathan Rajagopalan Thatai, who is heading the Audit Committee as Chairman having rich experience and professional knowledge in Finance, Accounts and Company Law, the members always added the value for the Company. Minutes of each Audit Committee are placed before the Board and discussed in the meeting.

**(iii) Meeting and attendance during the year:**

In terms of compliance with the requirement of Regulation 18 of SEBI (LODR) Regulations, 2015 the Audit Committee met Four(4) times during the financial year as follows:

S. No	Date	Committee Strength	No. Of Members Present
1	24.05.2018	5	5
2	14.08.2018	5	5
3	14.11.2018	4	4
4	13.02.2019	4	4

**No. Of Meetings Attended:**

Sl. No	Name of Director	No. of Meetings Attended
1.	Shri Bharathan Rajagopalan Thatai	4
2.	Shri P. Prakash Pai	2
3.	Shri P. Ananth Pai	4
4	Shri Gottemukkala Venkatapathi Raju	4
5	Shri. Admala Surya Prakash Reddy	4

The Statutory Auditors and Internal Auditors of the Company have also attended the above meetings on invitation. The recommendations made by the Audit Committee from time to time have been followed by the Company. The Chairman of the Audit Committee has attended the Annual General Meeting to answer the queries raised by the Shareholders regarding Audit and Accounts.

**4. NOMINATION & REMUNERATION COMMITTEE:****(i) Brief description:**

The Nomination and Remuneration Committee of the Board identifies persons qualified to become Directors and formulates criteria for evaluation of the Directors and the Board. The Committee's role also includes recommending to the Board the appointment, remuneration and removal of Directors and managers one level below Director.

**(ii) Composition:**

The Nomination & Remuneration Committee presently comprises of following:

Sl.No	Name of Director	Designation
1.	Shri. Gottemukkala Venkatapathi Raju	Chairperson
2.	Shri. Bharathan Rajagopalan Thatai	Member
3.	Shri. P. Prakash Pai	Member
4.	Shri. P. Ananth Pai	Member

**(iii) Attendance during the year:**

During the financial year ended on 31<sup>st</sup> March, 2019, 03 meetings of the Nomination & Remuneration Committee were held, as follows:

S. No	Date	Committee Strength	No. Of Members Present
1.	14.08.2018	4	4
2.	12.11.2018	4	4
3.	11.01.2019	4	4

**No. Of Meetings Attended:**

Sl. No	Name of Director	No. Of Meetings Attended
1.	Shri Bharathan Rajagopalan Thatai	3
2.	Shri P. Prakash Pai	3
3.	Shri P. Ananth Pai	3
4	Shri Gottemukkala Venkatapathi Raju	3

**REMUNERATION POLICY:**

The nomination and remuneration policy aims at attracting and retaining high calibre talent. The remuneration policy, therefore, is market-led and takes into account the competitive circumstance of each business so as to attract and retain quality talent and leverage performance significantly. The Nomination and Remuneration Policy which, inter alia, deals with the manner of selection of Board of Directors, KMP & other senior management and their remuneration. The extract of the same is as follows:

**a) Remuneration to Executive Director and KMP:**

Executive Directors and KMP are eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The Executive Director and KMP remuneration is determined based on levels of responsibility and scales prevailing in the industry. The executive directors are not paid sitting fee for any Board/Committee meetings attended by them.

**b) Remuneration to Non-Executive Directors:**

The Non- Executive / Independent Director may receive remuneration by way of sitting fees for attending meetings of Board or Committees thereof.

**(i) Details of Remuneration of Non – Executive Directors:**

The Company does not pay Sitting fees to the Non-executive Directors.

**(ii) Pecuniary relationship or transactions of Non-Executive Director:**

The Non-Executive Independent Directors do not have any other material pecuniary relationship or transactions with the Company, its promoters or its Management, which in the opinion of the Board may affect independence of judgment of such Directors.

**(iii) Details of Remuneration to Executive Directors:**

Name of Director	Salary	H R A	Commission	Perks	Total
Shri Subramanya Ram Ganapath, WTD	745,800	--	--	--	745,800
Shri Dilip Mangesh Kalelkar, WTD	600,000	--	--	--	600,000
<b>TOTAL</b>	<b>1,345,800</b>	--	--	--	<b>1,345,800</b>

**FAMILIARISATION PROGRAMMES FOR BOARD MEMBERS:**

Your Company follows a structured orientation and familiarisation programme through various reports/codes/ internal policies for all the Directors with a view to update them on the Company's policies and procedures on a regular basis. Periodic presentations are made at the Board Meetings on business and performance, long term strategy, initiatives and risks involved. The framework on familiarisation programme has been posted in the website of the Company.

**CODE OF CONDUCT:**

The Company has in place a comprehensive Code of Conduct applicable to all the employees and Non-executive Directors including Independent Directors. The Code is applicable to Non-executive Directors including Independent Directors to such extent as may be applicable to them depending on their roles and responsibilities. The Code gives guidance and support needed for ethical conduct of business and compliance of law. A copy of the Code has been posted on the Company's website.

**INDEPENDENT DIRECTORS' MEETING:**

During the year, meeting of Independent Directors was held to review the performance of the Board as a whole on parameters of effectiveness and to assess the quality, quantity and timeliness of flow of information between the management and the Board, in accordance with the listing regulation, 2015.

**PERFORMANCE EVALUATION:**

Pursuant to the provisions of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Board Committees. A structured questionnaire was prepared after circulating the draft forms, covering various aspects of the Board's functioning such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

The Performance evaluation of the Chairman and Director and the Non-Independent Directors was carried out by the Independent Directors. The Directors express their satisfaction with the evaluation process.

**5. STAKEHOLDERS RELATIONSHIP COMMITTEE:****(i) Brief description of terms of reference:**

The Stakeholders Relationship Committee oversees redressal of shareholder and investor grievances and, inter alia, approves transmission of shares, sub-division / consolidation / renewal / issue of duplicate share certificates/ complaints regarding non-receipt of Dividends, Annual Reports, etc.

**(ii) Composition:**

Sl.No.	Name of Director	Designation
1.	Shri P. Prakash Pai	Chairman
2.	Shri P. Ananth Pai	Member
3.	Shri Gottemukkala Venkatapathi Raju	Member
4.	Shri Subramanya Ram Ganapath	Member

**Status of Investor Complaints for the Financial Year**

Nature of Complaint	Received	Resolved
Non-receipt of Share Certificates sent for transfer	Nil	Nil
Non-receipt of Dividend Warrants	Nil	Nil
Any other complaints (Change of address)	Nil	Nil
<b>There are no outstanding complaints as on 31.03.2019.</b>		

**6. RISK MANAGEMENT COMMITTEE:**

The Company has constituted a Risk Management Committee which has laid down procedures to inform the Board of Directors about the Risk Management and its minimization procedures. The Board of Directors review these procedures periodically.

**7. GENERAL BODY MEETINGS:****i) Location and time for the last 3 years General Meetings were:**

Year	Locations	Date	Time
2017-2018	Lions Bhavan, Near Paradise Circle, Secunderabad.	27 <sup>th</sup> September, 2018	10.00 A.M.
2016-2017	Lions Bhavan, Near Paradise Circle, Secunderabad.	27 <sup>th</sup> September, 2017	10.00 A.M.
2015-2016	Lions Bhavan, Near Paradise Circle, Secunderabad.	30 <sup>th</sup> September, 2016	10.00 A.M.

**ii) Whether any special resolutions passed in the previous 3 AGMs**

**2017-18:** In the AGM held on 27<sup>th</sup> September, 2018 the company has passed 03 Special resolutions

**2016-17:** In the AGM held on 27<sup>th</sup> September, 2017 the company has passed no Special resolutions.

**2015-16:** In the AGM held on 30<sup>th</sup> September, 2016 the company has passed no Special resolutions.

**ii) Postal Ballot passed in last year i.e., 2017-18:**

During the year 2017-18 no resolutions has passed through Postal Ballot as per the provisions of Section 110 of the Companies Act, 2013 read with Rule 22 of the Companies (Management and Administration) Rules, 2014.

**9. DISCLOSURES:**

- (i) Disclosures on materially significant related party transactions i.e., transactions of the company of material nature, with its promoter, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large:

Besides the transactions mentioned elsewhere in the Annual Report, there were no materially significant related party transactions during the year conflicting with the interest of the Company.

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

None.

**(iii) Whistle Blower policy:**

Pursuant to Section 177(9) and (10) of the Companies Act, 2013 and Regulation 22 of SEBI (LODR) Regulations, 2015 the Company has formulated Whistle Blower Policy for vigil mechanism for Directors and employees to report to the management about the unethical behaviour, fraud or violation of Company's code of conduct. The mechanism provides for adequate safeguards against victimization of employees and Directors who use such mechanism and makes provision for direct access to the Chairperson of the Audit Committee in exceptional cases. None of the

personnel of the Company has been denied access to the Audit Committee. The policy is available on the Company website, [www.lotuschocolate.com](http://www.lotuschocolate.com)

**(iv) Non Mandatory Requirements:**

Adoption of non-mandatory requirements of SEBI (LODR) Regulations, 2015 is being reviewed by the Board from time to time.

**10. CEO/ CFO CERTIFICATION:-**

As required by Regulation 17(8) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015, the CEO and CFO certification is annexed to this Corporate Governance Report as "Annexure- II".

**11. MEANS OF COMMUNICATION:****i. Financial / Quarterly Results:**

The Company intimates un-audited as well as audited financial results to the Stock Exchanges, immediately after the Board meetings at which they are approved. The results of the Company are also published in at least one prominent national and one regional newspaper having wide circulation. Normally the results are published in Financial Express (English) and Nava Telangana (Telugu). The financial results are also displayed on the Company's website [www.lotuschocolate.com](http://www.lotuschocolate.com)

**ii. Newspapers Publication**

The official news releases are published in Financial Express (English) and Nav Telangana (Telugu) Detailed presentations made to institutional investors, financial analyst, etc. are displayed on the Company's website [www.lotuschocolate.com](http://www.lotuschocolate.com).

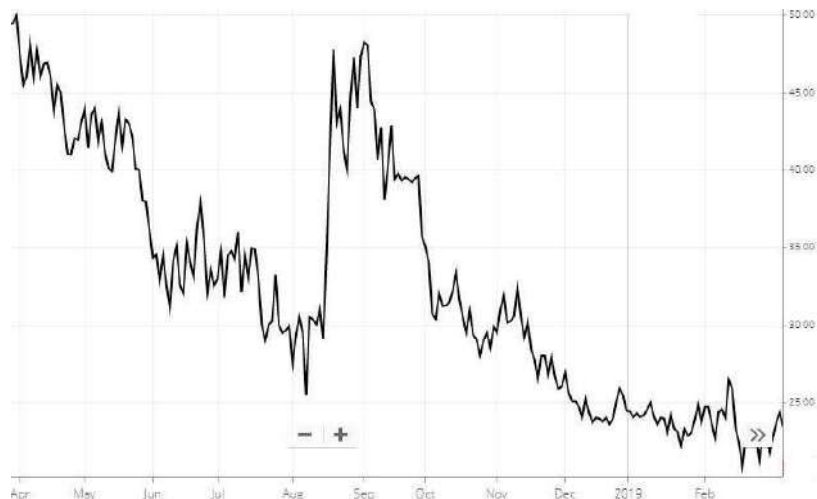
**iii. Website:**

The website [www.lotuschocolate.com](http://www.lotuschocolate.com) contains a separate dedicated section for the Company's "Investor Relations" where shareholders' information is available. The full Annual Report, shareholding pattern etc. is also available in the 'Investor Relations' sections on the website of the Company.



**12. MARKET PERFORMANCE COMPARISON:**

The graph of price fluctuation during the Financial Year 2018-19 is outlined below:



<b>Annexures to the Corporate Governance Report</b>	
Annexure No.	Content
I.	Declaration for Compliance of Code of Conduct by Board.
II.	CEO/ CFO Certification

**ANNEXURE-I****DECLARATION FOR COMPLIANCE OF CODE OF CONDUCT BY BOARD**

To,

**The Board of Directors**

Lotus Chocolate Company Limited  
Hyderabad-500 034

Dear Sir,

**Sub: Affirmation of compliance with the Code of Conduct for Board and Senior Management.**

I, Subramanya Ram Ganapath, Whole time Director of Lotus Chocolate Company Limited, do hereby confirm that the company has obtained from all the members of the Board and senior management personnel, affirmation that they have complied with the Code of Conduct in accordance with Regulation 17(5)(a) & (b) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, during the Financial Year 2018-19.

Sd/-

**Subramanya Ram Ganapath**

Whole time Director

DIN: 02051710

Place : Hyderabad

Date : 14.08.2019

**ANNEXURE- II****CEO/ CFO CERTIFICATION**

**To,**

**The Board of Directors**

**Lotus Chocolate Company Limited**

Hyderabad-500 034

**Dear Members of the Board,**

I, Vivekanand Narayan Prabhu, Chief Financial Officer of Lotus Chocolate Company limited, to the best of my knowledge and belief, certify that:

1. I have reviewed the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement of the Company and all the notes on accounts and the Board's report.
2. These statements do not contain any materially untrue statement or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. The financial statements, and other financial information included in this report, present in all material respects a true and fair view of the Company's affairs, the financial condition, results of operations and cash flows of the Company as at, and for, the periods presented in this report, and are in compliance with the existing accounting standards and/ or applicable laws and regulations.
4. There are no transactions entered into by the Company during the year that are fraudulent, illegal or violate the Company's Code of Conduct and Ethics, except as disclosed to the Company's auditors and the Company's audit committee of the Board of Directors.
5. I am responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and I have :
  - a. Designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in India.
  - c. Evaluated the effectiveness of the Company's disclosure, controls and procedures.
6. I have disclosed, based on our most recent evaluation of the Company's internal control over financial reporting, wherever applicable, to the Company's auditors and the audit committee of the Company's Board:
  - a. Any deficiencies in the design or operation of internal controls, that could adversely affect the Company's ability to record, process, summarize and report financial data, and have confirmed that there have been no material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies.
  - b. Any significant changes in internal controls during the year covered by this report.
  - c. All significant changes in accounting policies during the year have been disclosed in the notes to the financial statements.
  - d. Any instances of significant fraud of which I am aware, that involve the Management or other employees who have a significant role in the Company's internal control system.

7. I affirm that we have not denied any personnel access to the audit committee of the Company.
8. I further declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct and Ethics for the year covered by this report.

Sd/-

**Vivekanand Narayan Prabhu**

Chief Financial Officer

Place : Hyderabad

Date : 14.08.2019

**Certificate under Schedule-V(C)(10)(i) of SEBI (Listing Obligations and Disclosure Requirements), 2015**

To

The Members,

Lotus Chocolate Company Limited,

Hyderabad.

I, Rakhi Agarwal, Practicing Company Secretary, have examined the Company and Registrar of Companies records, books and papers of Lotus Chocolate Company Limited (CIN: L15200TG1988PLC009111) having its Registered Office at 8-2-596, 1<sup>st</sup> Floor, 1B, Sumedha Estates, Avenue-4 IvrcI Towers, Street No.1, Rd.10, Banjara Hills, Hyderabad- 500034 IN (TG) (the Company) as required to be maintained under the Companies Act, 2013, SEBI Regulations, other applicable rules and regulations made thereunder for the Financial Year ended on March 31, 2019.

In our opinion and to the best of our information and according to the examinations carried out by us and explanations and representation furnished to us by the Company and its officers, we certify that none of the following Directors of the Company have been debarred or disqualified from being appointed or continuing as Directors of Companies by the SEBI/Ministry of Corporate Affairs or any such statutory authority as on 31<sup>st</sup> March, 2019:

Sl. No	Name of Director	Designation	DIN No
1	Shri. Ananth Pai Peraje	Non-Executive Non Independent Director	00048339
2	Shri. Prakash Pai Peraje	Non-Executive Non Independent Director	00202327
3	Shri. Ram Subramanya Ganpath	Whole Time Director	02395478
4	Smt. Jhabakh Ashwini Pai	Women Director	02395485
5	Shri. Venkatapathi Raju Gottemukkala	Non-Executive Independent Director	02435073
6	Shri. Bharathan Rajagopalan Thatai	Non-Executive Independent Director	02464132
7	Shri. Dilip Mangesh Kalekar	Whole Time Director	02545803
8	Shri. Admala Surya Prakash Reddy	Non-Executive Independent Director	07567290

Sd/-

**Rakhi Agarwal**

Company Secretary in Practice

FCS No.7047

CP No.6270

Place: Hyderabad

Date: 14.08.2019

**CERTIFICATE ON COMPLIANCE WITH THE PROVISIONS  
OF CORPORATE GOVERNANCE**

I have examined the compliance of conditions of corporate governance, by LOTUS CHOCOLATE COMPANY LIMITED, for the year ended 31.03.2019 as stipulated in Regulation 27(2) of (Listing Obligations & Disclosure Requirements) 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 my opinion and to the best of our information and according to the explanations given to me, I certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

I, 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.

I 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.

Sd/-

**For RAKHI AGARWAL**  
COMPANY SECRETARY

Place: Hyderabad  
Date: 14.08.2019



**For RAKHI AGARWAL PROPRIETOR**  
COMPANY SECRETARY  
FCS NO.:- 7047  
CP NO.:- 6270

**INDEPENDENT AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Members

**Lotus Chocolate Company Limited**

Lotus Chocolate Company Limited ('the Company') requires Independent auditor's certificate on corporate governance as per Regulations 17 to 27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for the period 1<sup>st</sup> April, 2018 to 31<sup>st</sup> March, 2019.

**Managements' Responsibility**

The preparation of the corporate governance report is the responsibility of the management of the Company along with the maintenance of all its relevant supporting records and documents. The Management is also responsible for compliance with conditions of corporate governance as stipulated in regulation 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period 1<sup>st</sup> April, 2018 to 31<sup>st</sup> March, 2019. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance report and applying an appropriate basis of preparation.

**Auditor's Responsibility**

Pursuant to the requirements of the Listing Regulations, our responsibility is to certify whether the Company has complied with the above said compliances of the conditions of the Corporate Governance for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March, 2019.

We have examined the compliance of the conditions of Corporate Governance by the Company for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March, 2019 as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations. 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 an audit nor an expression of opinion on the Standalone IND AS financial statements of the Company.

We conducted our examination in accordance with the Guidance Note on Audit Reports and Certificates issued for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us and representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as specified in Regulations 17 to 27, Clauses (b) to (i) of sub-regulation (2) of Regulation 46 and paragraphs C, D and E of the Schedule V of the Listing Regulations, as applicable.

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

**Restrictions on Use**

This certificate is issued solely for the purpose of complying with regulation 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period 1<sup>st</sup> April 2018 to 31<sup>st</sup> March, 2019 and may not be suitable for any other purpose. Accordingly, we do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Place: Hyderabad  
Date: 29.05.2019

For VDNR & Associates  
Chartered Accountants  
(FRN - 011251S)  
Venkateswara Reddy D  
Partner  
M No.: 028488

**11. GENERAL SHAREHOLDER INFORMATION:**

<b>Annual General Meeting</b>	Date	: 30 <sup>th</sup> September, 2019
	Time	: 10:00 A.M.
	Venue	: Lions Bhavan, Near Paradise Circle, Secunderabad-500 003(TS)
<b>Financial Calendar</b>	1 <sup>st</sup> April, 2018 to 31 <sup>st</sup> March, 2019	
<b>Date of Book Closure</b>	23 <sup>rd</sup> September, 2019 - 30 <sup>th</sup> September, 2019 (after giving effect to all the valid share transfers lodged with the company before closing hours of 23 <sup>rd</sup> September, 2019)	
<b>Listing on Stock Exchanges</b>	BSE Ltd	
<b>Stock Code</b>	523475	
<b>ISIN Number for NSDL &amp; CDSL</b>	INE027D01011	

**i. Registrar and Transfer Agents**

Share Transfers & Communication regarding Share Certificates, Dividends & Change of Address may be sent to

**CIL SECURITIES LIMITED**

214, Raghava Ratna Tower, Chirag Ali Lane, Chirag Ali Lane,  
Hyderabad, Telangana 500001  
Phone # +91-040-2320 2465  
advisors@cilsecurities.com | www.cilsecurities.com

**ii. Share Transfer System**

The Transfer of shares in physical form is processed and completed by Registrar & Transfer Agents within a maximum period of 30 days from the date of receipt, provided all the documents are in order. In case of shares in electronic form, the transfers are processed by NSDL/CDSL through respective Depository Participants. In compliance with the Listing Agreement with the Stock Exchanges, a Practicing Company Secretary carries out audit of the system of transfer and a certificate to that effect is issued.

However as per SEBI Notification No. SEBI/LAD-NRO/GN/2018/24 dated June 8, 2018 and further amendment vide Notification No. SEBI/LAD-NRO/GN/2018/49 dated November 30, 2018, requests for effecting transfer of securities (except in case of transmission or transposition of securities) shall not be processed from April 1, 2019 unless the securities are held in the dematerialised form with the depositories. Therefore, Shareholders are requested to take action to dematerialize the Equity Shares of the Company, promptly.

**iii. Reconciliation of Share Capital Audit:**

As stipulated by the SEBI, a qualified Practicing Company Secretary carries out the Share Capital Audit to reconcile the total admitted Capital with NSDL and CDSL and the total issued and listed capital. The Audit is carried out every quarter and the Report thereon is submitted to the Stock Exchanges and is also placed before the Board of Directors. The Report inter-alia confirms the total listed and paid up share capital of the Company is in agreement with the aggregate of the total dematerialised shares and those in the physical mode.

**iv. Shareholding Pattern as on 31<sup>st</sup> March, 2019:**

As mentioned in Form MGT-9 annexed to this Report.

**v. Dematerialisation of Shares & Liquidity**

The trading in Company's shares is permitted only on dematerialized form. In order to enable the shareholders to hold their shares in electronic form and to facilitate scrip-less trading, the Company has enlisted its shares with NSDL and CDSL.

**vi. Plant Locations:**

Doulatabad, Hathnoora Mandal, Sangareddy District- 502296 (TG)

**vii. Address for correspondence**

Sl.No.	Shareholders Correspondence for	Address
1.	Transfer/Dematerialization/ Consolidation/Split of shares, Issue of Duplicate Share Certificates, Non-receipt of dividend/ Bonus shares, etc., change of address of Members and Beneficial Owners and any other query relating to the shares of the Company.	<b>CIL SECURITIES LIMITED</b> 214, Raghava Ratna Tower, Chirag Ali Lane, Chirag Ali Lane, Hyderabad, Telangana 500001 Phone # +91-040-2320 2465 Email ID: advisors@cilsecurities.com Website: www.cilsecurities.com
2.	Investor Correspondence / Queries on Annual Report, Revalidation of Dividend, Warrants, Sub-Division, etc.	<b>Shri. Vivekanand Narayan Prabhu CFO and Interim Compliance Officer</b> 8-2-596, 1 <sup>st</sup> Floor, 1B, Sumedha Estates, Avenue-4, Puzzolana Towers, Street No. 1, Road No. 10, Banjara hills, Hyderabad Telangana – 500034 E-mail: complaints@lotuschocolate.com Website: www.lotuschocolate.com Phone No.: 040-2352707/08 Fax no.: 040-2352710

**12. Depository Services:**

For guidance on Depository Services, Shareholders may write to the Company or to the respective Depositories:

National Securities Depository Ltd	Central Depository Services (India) Ltd
Trade World, 4 <sup>th</sup> Floor,	A-Wing, 25 <sup>th</sup> floor, Marathon Futurex, Mafatlal Mill Compounds,
Kamala Mills Compound,	NM Joshi Marg, Lower Parel,
Lower Parel, Mumbai – 400 013	Mumbai- 400 013 (MH)
Tel : 091-022-24972964-70	Tel : 022-23023333
Fax : 091-022-24972993 / 24976351	Fax: 022-23002043
Email :info@nsdl.co.in.	Email : investors@cDSLindia.com

**11. OTHER DISCLOSURES****(a) Disclosures on materially significant related party transactions that may have potential conflict with the interests of listed entity at large;**

During the financial year ended 31<sup>st</sup> March, 2019, there were no materially significant related party transactions, which had potential conflict with the interests of the Company at large. The transactions with related parties are disclosed in the Notes to financial statements.

**(b) Details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;**

None.

**(c) Details of establishment of vigil mechanism, whistle blower policy, and affirmation that no personnel has been denied access to the audit committee;**

Pursuant to Section 177(9) and (10) of the Companies Act, 2013 and Regulation 22 of the SEBI Listing regulations, 2015, the Company has formulated Whistle Blower Policy for vigil mechanism for Directors and employees to report to the management about the unethical behavior, fraud or violation of Company's code of conduct. The mechanism provides for adequate safeguards against victimization of employees and Directors who use such mechanism and makes provision for direct access to the Chairperson of the Audit Committee in exceptional cases. None of the personnel of the Company has been denied access to the Audit Committee. The policy is available on the Company website, [www.lotuschocolate.com](http://www.lotuschocolate.com). During the financial year under review, none of the Complaint has received.

**(d) Details of compliance with mandatory requirements and adoption of the non-mandatory requirements;**

The Company has complied with all the mandatory requirements of Corporate Governance as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Adoption of non-mandatory requirements pursuant to SEBI (LODR), 2015 is being reviewed by the Board from time to time.

**(f) Web link where policy on dealing with related party transactions;**

The policy on dealing with related party transactions is available on the website of the Company: <http://www.lotuschocolate.com/investor-relations.php>

**(g) Disclosure of commodity price risks and commodity hedging activities:**

Not applicable

**(h) Details of utilisation of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A): Nil****(i) Certificate from Practicing Company Secretaries:**

The Company has received a certificate from Mrs. Rakhi Agarwal, Practising Company Secretary confirming that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the SEBI/ Ministry of Corporate Affairs or any such statutory authority.

**(j) Instances of not accepting any recommendation of the Committee by the Board:**

There is no such instance where Board had not accepted any recommendation of any committee of the Board which is mandatorily required, in the relevant financial year.

**(k) Fees to the Statutory Auditors of the Company:**

The total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the Statutory Auditors of the Company are as below:

Particulars	Amount (Rs)
Fees paid for Statutory Audit for the FY 2018-19	1,95,000
Fee for other services including reimbursement of expenses	20,000

The Company has not availed any services from the network firm/network entity of which the Statutory Auditors is a part.

**(l) Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:**

The Company has in place a Policy on prevention of Sexual Harassment in line with the requirements of



The Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.

Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy.

During the year, no complaint was received by the Company.

11. The Company Complied with the requirements of the Schedule V Corporate Governance report sub-para (2) to (10) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**12. Details of compliance with mandatory requirements and adoption of Discretionary Requirements**

The Company has complied with all the mandatory requirements of Corporate Governance as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Adoption of Discretionary Requirements pursuant to SEBI (LODR), 2015 is being reviewed by the Board from time to time.

13. **The Disclosures of the compliance with Corporate Governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 are as follows:**

Regulation	Particulars of Regulation	Compliance Status (Yes/ No)
17	Board of Directors	Yes
18	Audit Committee	Yes
19	Nomination and Remuneration Committee	Yes
20	Stake Holders Relationship Committee	Yes
21	Risk Management Committee	Yes
22	Vigil Mechanism	Yes
23	Related Party Transactions	Yes
24	Corporate Governance requirement with respect of Subsidiary of Listed entity	Yes
25	Obligation with respect to Independent Director	Yes
26	Obligation with respect to Directors and Senior Management	Yes
27	Other Corporate Governance Requirement	Yes
46(2) (b) to (i)	Website	Yes

**14. Code of Conduct**

The Board has laid down a Code of Conduct covering the ethical requirements to be complied with covering all the Board members and all employees of the Company. An affirmation of compliance with the code is received from them on an annual basis.

**15. CEO and CFO Certification**

In line with the requirements of Schedule-V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Shri Vivekanand Narayan Prabhu, Chief Finance Officer have submitted a certificate to the Board, certifying inter-alia, that the Financial Statements and the Cash Flow Statement for the year ended March 31, 2019 were reviewed to the best of their knowledge and belief, that they do not contain any material untrue statement, do not omit any material facts, are not misleading statements, together present a true and fair view and are in compliance with the applicable laws and regulations. The certificate further confirms that the transactions entered into by the Company for establishing internal control, financial reporting, evaluation of the internal control systems and making of necessary disclosures to the Auditors and the Audit Committee have been complied with.

**16. Disclosure with respect to Demat suspense account/ unclaimed suspense account:**

Pursuant to the SEBI Circular and Regulation 39 of the SEBI Listing Regulations, 2015, during the year under review, there are no outstanding shares in the demat suspense account.

**17. Unclaimed Dividend:**

Not Applicable

**18.** The Company has adopted the policy on dissemination of information on the material events to stock exchanges in accordance with the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The said policy is available on the website of the Company <http://www.lotuschocolate.com/investor-relations.php>

**19.** The Company has adopted the policy on preservation of documents in accordance with the Regulation 9 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Documents Preservation Policy is available on the website of the Company: <http://www.lotuschocolate.com/investor-relations.php>

**20. Transfer of Shares to Investor Education and Protection Fund**

Not Applicable

**21. Company's Policy on prevention of insider trading:**

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 2016, and in continuation with your Company's efforts to enhance the standards of corporate governance in the Company, and to strictly monitor and prevent insider trading within the company, your company has in place a Code of Conduct which is approved by the Board and is also available on Company's Website.

The code is applicable to all such employees, officers, Directors and Promoters of the Company who are expected to have access to the unpublished price sensitive information relating to the Company and the same is being implemented as a self-regulatory mechanism. The code has been circulated to all the members of the Board and Senior Management and others concerned the compliance of the same has been affirmed by them.

**22. Particulars of Directors, who are retiring by rotation, seeking re-appointment at the forthcoming Annual General Meeting pursuant to Regulation 36(3) of SEBI (LODR) Regulations, 2015 and Secretarial Standard-2:**

<b>Name of Director</b>	<b>Shri. Ram Subramanya Ganpath</b>
Date of Birth	05.08.1956
Date of Appointment	05.11.2008
Qualification	M.Sc (Food Technology)
Relationship between Directors inter-se	NIL
Expertise in specific functional areas	FMCG Industry
List of Other Companies in which Directorship is held as on 31 <sup>st</sup> March, 2018	NIL
Chairman/ Member of the Committees of the Board of other Companies in which he is a Director as on 31 <sup>st</sup> March, 2018	Nil
No. of shares held in the Company	1