

**ANNEXURE-IV****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, 2021, the Board consist of the following:

- 2 (Two) Non-executive Independent Directors;
- 1 (One) Whole Time Director;
- 1(One) Non-Executive Non-Independent Director;
- 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 31.03.2021 has been set out here below:

| Sl. No. | Name of the Director                | Category             | Board Meetings attended | Attendance at last AGM on 30.11.2020 |
|---------|-------------------------------------|----------------------|-------------------------|--------------------------------------|
| 1       | Shri P. Ananth Pai*                 | Director             | 6                       | Yes                                  |
| 2       | Shri P. Prakash Pai*                | Director             | 6                       | Yes                                  |
| 3       | Smt. Ashwini Pai*                   | Director             | 6                       | Yes                                  |
| 4       | Shri Dilip Mangesh Kalekar*         | Whole time director  | 6                       | Yes                                  |
| 5       | Shri Subramanya Ram Ganapath        | Whole time director  | 7                       | Yes                                  |
| 6       | Shri Gottemukkala Venkatapathi Raju | Independent Director | 7                       | Yes                                  |
| 7       | Shri Bharathan Rajagopalan Thatai   | Independent Director | 7                       | Yes                                  |
| 8       | Shri A. Surya Prakash Reddy*        | Independent Director | 7                       | Yes                                  |
| 9       | Shri Gangasani Sudhakar Reddy#      | Additional Director  | 0                       | No                                   |
| 10      | Smt Usha Abbagani #                 | Additional Director  | 1                       | No                                   |

\*Shri P. Prakash Pai, Shri P. Ananth Pai, Smt. Ashwini Pai, Shri Dilip Mangesh Kalekar and Shri A. Surya Prakash Reddy have been ceased to be as Director with effect from 12.02.2021 and 22.02.2021 respectively.

# Smt Usha Abbagani and Shri. Gangasani Sudhakar Reddy have been appointed as Additional Director with effect from 12.02.2021 and 22.02.2021 respectively.

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

| Sl. No. | Name of the Director                | Other Directorships | Committee Membership | Committee Chairmanship |
|---------|-------------------------------------|---------------------|----------------------|------------------------|
| 1       | Shri Subramanya Ram Ganapath        | 0                   | 2                    | 0                      |
| 2       | Shri Gottemukkala Venkatapathi Raju | 0                   | 3                    | 1                      |
| 3       | Shri Bharathan Rajagopalan Thatai   | 1                   | 2                    | 1                      |
| 4       | Shri Gangasani Sudhakar Reddy       | 1                   | 1                    | 1                      |
| 5       | Smt Usha Abbagani                   | 1                   | 4                    | 1                      |

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

In terms of compliance with the requirement of SEBI (LODR) Regulations, 2015, 7 (Seven) Board Meetings were held during the financial year ended 31.03.2021. 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 26.06.2020, 24.08.2020, 09.09.2020, 03.11.2020, 12.11.2020, 12.02.2021 and 22.02.2021.

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

The number of equity shares held by Non-Executive Directors, as on 31.03.2021 are as follows:

| Sl.No. | Name of the Director                | No of Equity Shares |
|--------|-------------------------------------|---------------------|
| 1      | Shri Gottemukkala Venkatapathi Raju | 120000              |
| 2      | Shri Bharathan Rajgopalan Thatai    | -                   |
| 3      | Shri Gangasani Sudhakar Reddy       | 200                 |
| 4      | Smt Usha Abbagani                   | -                   |

f) **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 2020-21, 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/corporate-governance/policies/Familiarisation-Programme-for-ID.pdf](http://lotuschocolate.com/pdf/corporate-governance/policies/Familiarisation-Programme-for-ID.pdf)

g) **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.

**h) 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) A. Surya Prakash Reddy, Independent Director has resigned from the Directorship of the Company before the expiry of their term of appointment during the financial year ended 31st March, 2021.

**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 Gottemukkala Venkatapathi Raju | Member      |
| 3     | Smt Usha Abbagani                   | Member      |

The Company continued to derive immense benefit from the deliberation of the Audit

Committee comprising of two Non-Executive Independent Directors and one Non-Executive Non Independent Directors. 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.

The Audit Committee of the Company has been re-constituted with effect from 12.02.2021.

**(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     | 26.06.2020 | 4                  | 4                      |
| 2     | 09.09.2020 | 4                  | 4                      |
| 3     | 12.11.2020 | 4                  | 4                      |
| 4     | 12.02.2021 | 4                  | 4                      |

**No. Of Meetings Attended:**

| Sl. No | Name of Director                    | No. of Meetings Attended |
|--------|-------------------------------------|--------------------------|
| 1      | Shri Bharathan Rajagopalan Thatai   | 4                        |
| 2      | Shri P. Ananth Pai                  | 4                        |
| 3      | Shri Gottemukkala Venkatapathi Raju | 4                        |
| 4      | 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.    | Smt Usha Abbagani                   | Member      |

The Nomination & Remuneration Committee of the Company has been re-constituted with effect from 12.02.2021.

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

During the financial year ended on 31<sup>st</sup> March, 2021, 02 meetings of the Nomination & Remuneration Committee were held, as follows:

| S. No | Date       | Committee Strength | No. Of Members Present |
|-------|------------|--------------------|------------------------|
| 1.    | 12.02.2021 | 4                  | 4                      |
| 2.    | 22.02.2021 | 3                  | 3                      |

**No. Of Meetings Attended:**

| Sl. No | Name of Director                    | No. Of Meetings Attended |
|--------|-------------------------------------|--------------------------|
| 1.     | Shri Bharathan Rajagopalan Thatai   | 2                        |
| 2.     | Shri P. Prakash Pai                 | 1                        |
| 3.     | Shri P. Ananth Pai                  | 1                        |
| 4.     | Shri Gottemukkala Venkatapathi Raju | 2                        |
| 5.     | Smt. Usha Abbagani                  | 1                        |

**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 | 7,45,800        | --    | --         | --    | 7,45,800        |
| <b>TOTAL</b>                      | <b>7,45,800</b> | --    | --         | --    | <b>7,45,800</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.     | Smt Usha Abbagani                   | Chairman    |
| 2.     | Shri Gottemukkala Venkatapathi Raju | Member      |
| 3.     | Shri Subramanya Ram Ganapath        | Member      |

The Stakeholders Relationship Committee of the Company has been re-constituted with effect from 12.02.2021.

**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 31.03.2021</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       |
|-----------|---|----------------------|------------|
| 2019-2020 | through video conferencing ("VC")/ Other Audio Visual Means ("OAVM") facility | 30th November, 2020  | 09.00 A.M. |
| 2018-2019 | Lions Bhavan, Near Paradise Circle, Secunderabad.                             | 30th September, 2019 | 10.00 A.M. |
| 2017-2018 | Lions Bhavan, Near Paradise Circle, Secunderabad.                             | 27th September, 2018 | 10.00 A.M. |

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

**2019-20:** In the AGM held on 30<sup>th</sup> November, 2020 the company has passed no Special resolutions

**2018-19:** In the AGM held on 30<sup>th</sup> September, 2019 the company has passed 01 Special resolutions

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

**ii) Postal Ballot passed in last year i.e., 2019-20:**

During the year 2019-20 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, and structures 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.

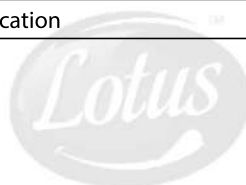


**12. MARKET PERFORMANCE COMPARISON:**

The graph of price fluctuation during the Financial Year 2020-21 is outlined below:



| Annexures to the Corporate Governance Report |   |
|--|---|
| 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 2020-21.

Place: Hyderabad  
 Date: 25.08.2021

Sd/-  
 Subramanya Ram Ganapath  
 Whole time Director  
 DIN: 02395478

**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.

Place:- Hyderabad  
Date:- 25.08.2021

Sd/-  
Vivekanand Narayan Prabhu  
Chief Financial Officer

**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, 1st Floor, 1B, Sumedha Estates, Avenue-4 IVRCL 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, 2021.

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 31st March, 2021:

| Sl. No. | Name of Director                    | Designation                            | DIN No   |
|---------|-------------------------------------|--|----------|
| 1       | Shri Ram Subramanya Ganpath         | Whole Time Director                    | 02395478 |
| 2       | Smt Usha Abbagani                   | Women Director                         | 09056155 |
| 3       | Shri Venkatapathi Raju Gottemukkala | Non-Executive Independent Director     | 02435073 |
| 4       | Shri Bharathan Rajagopalan Thatai   | Non-Executive Independent Director     | 02464132 |
| 5       | Shri Gangasani Sudhakar Reddy       | Non-Executive Non Independent Director | 07261620 |

**For RAKHI AGARWAL**  
COMPANY SECRETARY

Place: Hyderabad  
Date: 17.08.2021

Sd/-  
**RAKHI AGARWAL**  
**PROPRIETOR**  
FCS NO.:- 7047  
UDIN: F007047C00079546

**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 31.03.2021 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.

Place: Hyderabad  
Date: 17.08.2021



**For RAKHI AGARWAL**  
COMPANY SECRETARY

Sd/-  
**RAKHI AGARWAL**  
**PROPRIETOR**  
FCS NO.:- 7047  
UDIN: F007047C00079546

**Independent Auditor's Report on compliance with the conditions of Corporate Governance as per provisions of Chapter IV of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended****The Members of Lotus Chocolate Company Limited**

The Corporate Governance Report prepared by The Lotus Chocolate Company Limited (hereinafter the "Company"), contains details as specified in the regulations 17 to 27, Clauses (b) to (i) and (t) of sub – Regulation (2) of Regulation 46 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') ("Applicable criteria") for the year ended 31<sup>st</sup> March 2021, and the said report will be submitted by the Company to the Stock exchanges as a part of the Annual Report.

**Managements' Responsibility**

The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and the maintenance of all its relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.

The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

**Auditor's Responsibility**

Pursuant to the requirements of the Listing Regulations, our responsibility is to provide a reasonable assurance in the form of an opinion, whether the Company has complied with the conditions of the Corporate Governance as specified in the Listing Regulations.

We conducted our examination in accordance with the Guidance Note on Audit Reports or Certificates issued for Special Purposes, Guidance note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India {"the ICAI"} and the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013, in so far as applicable for the purpose of this certificate. The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

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.

The procedures selected depend on the auditor's judgement, including the risks associated in compliance of the Corporate Governance Report with applicable criteria. Summary of procedures performed include:

- Read and understood the information prepared by the Company and included in its Corporate Governance Report.
- Obtained and verified that the composition of Board of directors with respect to executive and non executive directors has been met throughout the reporting period.
- Obtained necessary declarations from the directors of the Company.
- Obtained and read the policies adopted by the Company for related party transactions.
- Obtained the schedule of related party transactions during the year and balances at the year end.
- Performed necessary inquiries with the management and also obtained necessary specific representations from management.
- The above mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further our scope of work under this report didn't involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the company taken as a whole.

**Opinion**

Based on the procedures performed by us, as referred above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations, as applicable for the year ended March 31, 2021.

**Other matters and Restriction on Use**

This report 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.

This report is addressed to and provided to the members the Company solely for purposes of enabling it to comply with its obligations under the Listing Regulations with reference to comply with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

**For VDNR & Associates Chartered Accountants**

FRN:011251S

Sd/-

**Venkateswara Reddy D**

Partner

Member ship Number 028488

UDIN: 21028488AAAACC2973

Place: Hyderabad

Date: 29 June 2021

**13. GENERAL SHAREHOLDER INFORMATION:**

|   |   |                                    |
|---|---|------------------------------------|
| <b>Annual General Meeting</b>           | Date  | : 18 <sup>th</sup> September, 2021 |
|   | Time  | : 09:00 A.M.                       |
|   | Through video conferencing ("VC")/ Other Audio Visual Means ("OAVM")  |                                    |
| <b>Financial Calendar</b>               | 1 <sup>st</sup> April 2020 to 31 <sup>st</sup> March 2021   |                                    |
| <b>Date of Book Closure</b>             | 12 <sup>th</sup> September, 2021 - 18 <sup>th</sup> September, 2021   |                                    |
| <b>Cut-off date for remote e-voting</b> | The remote e-voting /voting rights of the shareholders/ beneficial owners shall be reckoned on the equity shares held by them as on the Cut-off Date i.e. Saturday, 11 <sup>th</sup> September, 2021. |                                    |
| <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,

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 31st March, 2021:**

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><br>214, Raghava Ratna Tower, Chirag Ali Lane, Hyderabad, Telangana 500001<br>Phone # +91-040-2320 2465<br>Email ID: advisors@cilsecurities.com<br>Website: www.cilsecurities.com   |
| 2.     | Investor Correspondence / Queries on Annual Report, Revalidation of Dividend, Warrants, Sub-Division, etc.   | <b>Mr. Subodhakanta Sahoo</b><br><b>Company Secretary and Compliance Officer</b><br>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<br>E-mail: complaints@lotuschocolate.com<br>Website: www.lotuschocolate.com<br>Phone No.: 040-2352707/08<br>Fax no.: 040-2352710 |

**14. Depository Services:**

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

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

**15. 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 31st March, 2021, 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 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). 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.

**(e) 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>.

**(f) Disclosure of commodity price risks and commodity hedging activities: Not applicable****(g) Details of utilisation of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A): Nil**



**(h) 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.

**(i) 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.

**(j) 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 2020-21           | 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.

**(k) 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 46 2020-21 Lotus Chocolate Company Limited 32<sup>nd</sup> Annual Report. 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.

16. 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.

**17. 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.

**18. 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                        |

| Regulation       | Particulars of Regulation                                  | Compliance status (Yes/No) |
|------------------|--|----------------------------|
| 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                        |

**19. 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.

**20. 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, 2021 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.

**21. 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.

**22. Unclaimed Dividend:**

Not Applicable

**23.** 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>

**24.** 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>.

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

Not Applicable

**26. 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.