

## REPORT ON CORPORATE GOVERNANCE

[Pursuant to SEBI (Listing Obligations And Disclosure Requirement) Regulation, 2015.]

### A. Mandatory Requirements

The Board of Directors of the Company gives due support to the principles behind the good Corporate Governance. Given below is a report on Corporate Governance:

#### 1. Company's philosophy on code of Corporate Governance

Corporate Governance is an integral part of value, ethics and best business practices followed by the Company. The core values of the Company are commitment to excellence and customer satisfaction, maximizing long-term value for stakeholders, socially valued enterprise and caring for people and environment.

Statutorily, Corporate Governance involves transparency, full disclosure, independent monitoring the state of affairs and being fair to all shareholders. The company's philosophy of corporate governance is not only to meet statutory requirements but also to go beyond that and to attain a high level of transparency and accountancy in the functioning of the Company and the conduct of the business both internal and external. This is done with the sole view to enhance share holder's value.

#### 2. Board of Director

##### 2.1 Composition of the Board:

The Board of Directors as at 31st March, 2017 comprises of eight directors including of four Executive and four Non-Executive Directors. Mr. Dipankumar Babulal Patwa is the Chairman & Managing Director of the Company and he conducts the day to day management of the Company, subject to the supervision and control of the Board of Directors. The independent directors on the Board are senior, competent and highly respected persons from their receptive fields. The following is the Composition of the Board as at 31st March, 2017:

Sr. No.	Name of Director	Category	No. of Directorship(s) held in Indian public & private Limited Companies	Committee(s) position	
				Member	Chairman
1	Mr. Dipankumar Babulal Patwa	Chairman & Jt. Managing	Nil	Nil	Nil

		Director			
2	Mr. Manish Jaysukhlal Janani	Managing Director	Nil	Nil	Nil
3	Mr. Jeeyan Dipankumar Patwa	Executive director	Nil	Nil	Nil
4	Mr. Ravindra Chandulal Sanghavi	Independent and Non Executive Director	Nil	Nil	Nil
5	Mr. Rakesh Bhanuchandra Vakharia *	Independent and Non Executive Director	Nil	Nil	Nil
6	Mr. Bhavesh Shashikant Sheth	Independent and Non Executive Director	Nil	Nil	Nil
7	Mr. Deepak Chhaganlal Rathod**	Independent and Non Executive Director	Nil	Nil	Nil
8	Mrs. Sonal Dipen Patwa	Non Independent and Non Executive Director	Nil	Nil	Nil

\* Appointed as on 12.08.2016

\*\* Appointed as on 11.11.2016

## **2.2 Responsibilities of the Board**

The responsibility such as policy formulation, performance review and analysis and control, direction and management of the affairs of the company is vested in the Board of Directors presided over by the Chairman and Managing Director. The Board has delegated some of its powers to the executives of the company. The Board reviews from time to time such delegated powers and their utilization for effective functioning of the Company.

### 2.3 Meeting and Attendance Record of Directors

The meetings of the Board of Directors are held at periodical intervals and are generally at the registered office of the Company. The meeting dates are decided well in advance and the agenda and notes on agenda are circulated in advance to the directors. All material information is incorporated in the notes on agenda for facilitating meaningful and focused discussion at the meeting. Where it is not perusable to attach supporting or relevant documents to the agendas, the same is tabled before the meeting. In case of business exigencies or urgency of matters, resolutions are passed by circulation. Senior Management persons are often invited to attend the Board Meetings and provide clarifications as and when required.

During the year under review, the Board met 16 times on the following dates:

15/04/2016    20/04/2016    21/04/2016    28/04/2016    29/04/2016    30/05/2016  
30/06/2016    13/07/2016    19/07/2016    20/07/2016    29/07/2016    12/08/2016  
01/09/2016    21/10/2016    11/11/2016    13/02/2017

c. Attendance of Directors at Meetings of Board of Directors and last AGM:

Name of Director	Category of Directorship	No. of Meetings Attended	Attendance at the last AGM
Mr. Manish Jaysukhlal Janani	Managing Director	16	YES
Mr. Dipankumar Babulal Patwa	Chairman & Jt. Managing Director	16	NO
Mr. Jeeyan Dipankumar Patwa	Executive director	16	YES
Mr. Ravindra Chandulal Sanghavi	Independent and Non Executive Director	16	YES
Mr. Ajit Mangaldas Shah <sup>\$\$</sup>	Independent and Non Executive Director	14	NO
Mr. Bhavesh Shashikant Sheth	Independent and Non-Executive Director	16	YES
Mr. Pankajkumar Vrajilal Shah <sup>\$</sup>	Independent and Non-Executive Director	11	NO
Mrs. Sonal Dipen Patwa	Non Independent and Executive Director	16	NO
Mr. Rakesh Vakharia <sup>*</sup>	Independent and Non-Executive Director	4	NO
Mr. Deepak Rathod <sup>**</sup>	Independent and Non-Executive Director	1	NO

\* Appointed as on 12.08.2016

\*\* Appointed as on 11.11.2016

\$ Resigned on 12.08.2016

\$\$ Resigned on 11.11.2016

## **2.4 Details of Directors seeking re-appointment at the ensuing Annual General Meeting**

As per the provisions of the Companies Act, 2013, two third of the directors of a company should be retiring directors, of which one third of such directors are required to retire every year and if eligible, they qualify for re-appointment.

Mr. Jeeyan Patwa, Directors of the Company who retire by rotation at the ensuing Annual General Meeting and offer themselves for re-appointment.

### **Profile of Mr. Jeeyan Patwa, Director being appointed u/s 152(6) of the Companies Act, 2013**

Name	Mr. Jeeyan Patwa
Date of Birth	14/08/1989
Date of Appointment	23/06/2009
No. of shares held in the company	Nil
No. of warrants held in the company	Nil
Directorship in other company	Nil

## **2.5 Details of Directors who are as Chairman and Directors in other Public Companies**

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees [as specified in Regulation 26 of SEBI (Listing Obligations and Disclosure Requirement) Regulation, 2015] across all the Companies in which he is a director. The necessary disclosures regarding Directorship and Committee position have been made by the Company.

Directors who are on the Board of the Company as on 31st March, 2017 and the same is reproduced herein below:

Sr. No.	Name of Director	No of Directorship in other Public Companies	No. of Committees positions held as Chairman on other public Companies	No. of Committees positions held as member in other public Company
1.	Mr. Dipankumar Babulal Patwa	--	--	--
2.	Mr. Manish Jaysukhlal Janani	--	--	--
3.	Mr. Jeeyan Dipankumar Patwa	--	--	--
4.	Mr. Ravindra Chandulal Sanghavi	--	--	--
5.	Mr. Rakesh Bhanuchandra Vakharia *	--	--	--
6.	Mr. Bhavesh Shashikant Sheth	--	--	--
7.	Mr. Deepak Chhaganlal Rathod**	--	--	--
8.	Mrs. Sonal Dipen Patwa			

\* Appointed as on 12.08.2016

\*\* Appointed as on 11.11.2016

#### INDEPENDENT DIRECTORS' MEETING

During the year under review, the Independent Directors met on March 30, 2017, inter alia, to discuss:

- Evaluation of the performance of Non Independent Directors and the Board of Directors as a whole;
- Evaluation of the performance of Chairman of the Company, taking into account the views of the Executive and Non Executive Directors.
- Evaluation of the quality, content and timelines of flow of information between the Management and the Board that is necessary for the Board to effectively and reasonably perform its duties.

All the Independent Directors were present at the Meeting.

#### FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS:

On appointment of an individual as Independent Director, the Company issues a formal Letter of Appointment to the concerned director, setting out in detail, the terms of appointment, duties and responsibilities. Each newly appointed Independent Director is taken through a formal familiarisation program. The programme also provides awareness of the Independent Directors on their roles, rights, responsibilities towards the Company. Further, the Familiarisation Programme also provides information relating to the financial performance of the Company and budget and control process of the Company.

## **EVALUATION OF THE BOARD'S PERFORMANCE**

During the year, the Board adopted a formal mechanism for evaluating its performance and as well as that of its Committees and individual Directors, including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Boards functioning such as composition of the Board & committees, experience & competencies, performance of specific duties & obligations, governance issues etc. Separate exercise was carried out to evaluate the performance of individual Directors including the Board Chairman who were evaluated on parameters such as attendance, contribution at the meetings and otherwise, independent judgment, safeguarding of minority shareholders interest etc.

The evaluation of the Independent Directors was carried out by the entire Board and that of the Chairman and the Non-Independent Directors were carried out by the Independent Directors.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company.

## **CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT PERSONNEL**

In terms of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2016, the Board of Directors of the Company has laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company. The said Code of Conduct has been posted on the website of the Company. The Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code. The Chairman & Managing Director of the Company has given a declaration to the Company that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Code.

## **PREVENTION OF INSIDER TRADING**

The Securities and Exchange Board of India (SEBI) has promulgated the SEBI (Prohibition of Insider Trading) Regulation, 2015 ("The PIT Regulations"). The PIT regulations has come into effect from May 15, 2015 and replaced the earlier Regulations. The object of the PIT Regulation is to curb the practice of insider trading in the securities of a listed company.

The company has adopted an 'Internal Code of Conduct for Regulating, Monitoring and Reporting of Trades by insiders' ("the code") in accordance with the requirements of the PIT regulations.

The Code is applicable to promoters and Promoter's Group, all Directors and such Designated Employees who are expected to have access to unpublished price sensitive

information relating to the Company. The Company Secretary is the Compliance Officer for monitoring adherence to the said Regulations.

The company has also formulated 'The Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI)' in compliance with SEBI (Prohibition of Insider Trading) Regulation, 2015. This Code is displayed on the Company's website viz [http://www.lypsa.in/pdf/4-Code%20of%20Practices%20and%20Procedure%20for%20Fair%20Disclosure%20of%20Unpublished%20Price%20Sensitive%20Information%20\(UPSC\).pdf](http://www.lypsa.in/pdf/4-Code%20of%20Practices%20and%20Procedure%20for%20Fair%20Disclosure%20of%20Unpublished%20Price%20Sensitive%20Information%20(UPSC).pdf)

### **3. COMMITTEE OF BOARD:**

The Company had Three Board Committees. These are

1. Audit Committee
2. Remuneration Committee
3. Stakeholders' Relationship Committee  
(Share Transfer & Shareholders/Investor Grievance Committee)

Moving with various committees formed and reported in the previous Annual Report and in line with the requirements of SEBI and Stock Exchanges, the Board has formally constituted the following committees of Directors.

#### **3.1 Audit Committee:**

The Audit committee constituted by the Board of directors as per the provisions of Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as well as in Section 177 of the Companies Act, 2013, comprises of Three members viz. Non Executive and Independent Director Mr. Bhavesh Sheth, Mr. Rakesh Vakharia and Mr. Ravindra Sanghavi who are well versed with finance, accounts, management and corporate affairs. Two members constitute the quorum of the said Audit Committee Meeting. Mr. Rakesh Vakharia is the Chairman of the committee.

The Company has appointed Mr. Rakesh Bhanuchandra Vakharia as a chairman of audit committee in place of Mr. Ajit Shah w.e.f. 11/11/2016

The Audit Committee of the Board of Directors of the Company, Inter-alias, provides assurance to the Board on the adequacy of the internal control systems and financial disclosures.

The audit committee while reviewing the Annual Financial Accounts ensures compliance of the Accounting Standard (AS) issued by the Institute of Chartered Accountants of India.



## TERMS OF REFERENCE:

The scope of activities of the Audit Committees includes the following:

- A. Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- B. Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment of any other Consultancy services provided by the statutory auditor.
- C. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices.
  - Major accounting entries abased on exercise of judgment by management.
  - Qualifications in draft audit report.
  - Significant adjustments arising out of audit.
  - The going concern assumption
  - Compliance with accounting standards
  - Compliance with stock exchange and legal requirements concerning financial statements
  - Any related party transactions i.e transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large.
- D. Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
- E. Reviewing the adequacy of internal audit function, 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.
- F. Discussion with internal auditors any significant findings and follow up there on.
- G. 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 system of a material nature and reporting the matter to the board.
- H. Discussions with external auditors before the audit commences, the nature and scope of audit, as well as conduct post audit discussions to ascertain any area of concern.



- I. Reviewing the company's financial and risk management policies.
- J. To look into the reasons for substantial defaults in the payment to the depositors, shareholders (in case of nonpayment of declared dividend) and creditors.

Executive summary of the Audit Committee Meetings are placed before the immediate next Board Meetings held after the Audit Committee for deliberations and the full minutes of the same are placed before the following Board Meeting for recode. The Board of Directors, regularly apprised on the recommendations for the Audit Committee, further, at the beginning of the financial year, the Committee discuss the plan for the internal audit and statutory audit.

Dates of the Audit Committee Meetings are fixed in advance and agenda is circulated to the Directors at least seven days before the meeting.

As required under Regulation 18(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Audit Committee had reviewed the following information:

- Management Discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions submitted by management
- Management letters/letters of internal controls, weaknesses issued by the Statutory Auditors.
- Internal Auditors Reports relating to internal control weaknesses.
- Appointment, removal and terms of remuneration of the internal auditors.

During the year under review, the 4 Audit Committee was held during Financial Year 2016-17. The dates on which the said meetings were held as follows:

30/05/2016	12/08/2016	11/11/2016	13/02/2017
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The necessary quorum was present at the meetings.

### **3.2 Nomination and Remuneration Committee**

The remuneration committee of the Company comprises of Non Executive and Independent Director Mr. Bhavesh Shashikant Sheth, Mr. Rakesh Vakharia and Mr. Ravindra Sanghavi.

Mr. Bhavesh Sheth is a chairman of the committee.

The Company has accepted resignation of Mr. Pankajkumar Shah w.e.f. 12/08/2016 from the member of Nomination and remuneration committee. The company has appointed Mr. Rakesh Bhanuchandra Vakharia as a member of Nomination and remuneration committee w.e.f. 11/11/2016

The Remuneration Committee reviewing the overall compensation policy, service agreements and other employments and other employment conditions of Managing / Whole time Directors and Managing Director etc.

There are two meetings of Remuneration Committee held during the Financial Year 2016-17.

12/08/2016	11/11/2016
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**Details of Remuneration of Executive / Non-Executive Directors for the financial year ended 31st March, 2017**

(In Lakhs)

Name	Executive / Non-Executive	Salary	Bonus	Contribution to PF	Perquisites	Total
Manish Jaysukhlal Janani	Executive	1600000.00	0.00	0.00	0.00	0.00
Dipankumar Babulal Patwa	Executive	1600000.00	0.00	0.00	0.00	0.00
Jeeyan Dipan Patwa	Executive	540000.00	0.00	0.00	0.00	0.00
Ravindra Chandulal Sanghavi	Non-Executive	0.00	0.00	0.00	0.00	0.00
Ajit Mangaldas Shah	Non-Executive	0.00	0.00	0.00	0.00	0.00
Bhaves Shashikant Sheth	Non-Executive	0.00	0.00	0.00	0.00	0.00
Pankajkumar Vrajlal Shah	Non-Executive	0.00	0.00	0.00	0.00	0.00
Sonal Dipan Patwa	Director	0.00	0.00	0.00	0.00	0.00

Non- Executive Director

The Company has not paid any sitting fees to any of the Directors of the Company.

## Remuneration Policy

Payment of remuneration to the Managing/Whole Time Director is governed by the respective Agreements executed between them and the company. These agreements were approved by the Board and the Shareholders. Their Remuneration structure comprises salary, perquisites and allowances.

Terms of reference of the Committee inter alia, include the following:

Nomination of Directors / Key Managerial Personnel / Senior Management\*

1. To evaluate and recommend the composition of the Board of Directors;
2. To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down by the Committee;
3. Consider and recommend to the Board appointment and removal of directors, other persons in senior management and key managerial personnel (KMP);
4. Determining processes for evaluating the effectiveness of individual directors and the Board as a whole and evaluating the performance of individual Directors;
5. To administer and supervise Employee Stock Options Schemes (ESOS) including framing of policies related to ESOS and reviewing grant of ESOS;
6. Formulate the criteria for determining qualifications, positive attributes and independence of a Director;
7. To review HR Policies and Initiatives.

Remuneration of Directors / Key Managerial Personnel / Senior Management\*/ other Employees

Evolve the principles, criteria and basis of Remuneration policy and recommend to the Board a policy relating to the remuneration for all the Directors, KMP, Senior Management and other employees of the Company and to review the same from time to time.

- a) The Committee shall, while formulating the policy, ensure the following :
  - The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
  - Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

- Remuneration to Directors, KMP and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

\* Senior Management for the above purpose shall mean personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

## **NOMINATION & REMUNERATION POLICY:**

### **Purpose of this Policy:**

The company has adopted this Policy on appointment and remuneration of the Directors, Key Managerial Personnel and Senior Management (the “Policy”) as required by the provisions of Section 178 of the Companies Act, 2013 (the “Act”) and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The purpose of this Policy is to establish and govern the procedure applicable:

- a) To evaluate the performance of the members of the Board.
- b) To ensure that remuneration to Directors, KMP and Senior Management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
- c) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

The Committee should ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully and the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

### **Definitions:**

**Independent Director** means a director referred to in Section 149(6) of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

**Key Managerial Personnel** (the “KMP”) shall mean “Key Managerial Personnel” as defined in Section 2(51) of the Act.

Nomination and Remuneration Committee, by whatever name called, shall mean a Committee of Board of Directors of the Company, constituted in accordance with the

provisions of Section 178 of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**Remuneration** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

**Senior Management** means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Executive Directors, including all functional heads.

Words and expressions used and not defined in this Policy, but defined in the Act or any rules framed under the Act or the Securities and Exchange Board of India Act, 1992 and Rules and Regulations framed thereunder or in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 or the Accounting Standards shall have the meanings assigned to them in these regulations.

#### **Role of the Committee:**

The Committee shall:

- a) Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- b) Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this Policy;
- c) Lay down the evaluation criteria for performance evaluation of Independent Director and the Board;
- d) Recommend to the Board, appointment, remuneration and removal of Director, KMP and Senior Management;
- e) To devise a Policy on Board diversity.
- f) Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.

#### **Criteria for Determining the followings:-**

##### **1 Qualifications for appointment of Directors (including Independent Directors)**

- a) Persons of eminence, standing and knowledge with significant achievements in business, professions and/or public service;
- b) Their financial or business literacy/skills;

- c) Other appropriate qualification/experience to meet the objectives of the Company;
- d) As per the applicable provisions of Companies Act, 2013, Rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Nomination and Remuneration Committee shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate/s.

## **2 Positive attributes of Directors (including Independent Directors):**

- Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively and the willingness to address issues proactively;
- Actively update their knowledge and skills with the latest developments in the railway/heavy engineering/infrastructure industry, market conditions and applicable legal provisions;
- Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities;
- To assist in bringing independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company;
- To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees;
- Independent Directors to meet the requirements of the Companies Act, 2013 read with the Rules made there under and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

## **3 Independence Standards**

The following would be the independence review procedure and criteria to assist the Committee to evaluate the independence of Directors for recommending to the Board for appointment. A Director is independent if the Board affirmatively determines that the Director does not have a direct or indirect material relationship with the Company,

including its affiliates or any member of senior management. “Affiliate” shall mean any company or other entity that controls, is controlled by, or is under common control with the Company.

Also, the candidate shall be evaluated based on the criteria provided under the applicable laws including Companies Act, 2013 read with Rules thereon and the Listing Agreement with the Stock Exchanges. In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making its determination relating to a director’s independence.

## **Independence Review Procedures**

### **1. Annual Review**

The director’s independence for the independent director will be determined by the Board on an annual basis upon the declaration made by such Director as per the provisions of the Companies Act, 2013 read with Rules thereon and the Listing Agreement.

### **2. Individual Director’s Independence Determinations**

If a director nominee is considered for appointment to the Board between Annual General Meetings, a determination of independence, upon the recommendation of the Committee, shall be made by the Board prior to such appointment.

All determinations of independence shall be made on a case-by-case basis for each director after consideration of all the relevant facts and circumstances and the standards set forth herein. The Board reserves the right to determine that any director is not independent even if he or she satisfies the criteria set forth by the provisions of the Companies Act, 2013 read with Rules thereon and the Listing Agreement.

### **3. Notice of Change of Independent Status**

Each director has an affirmative obligation to inform the Board of any change in circumstances that may put his or her independence at issue.

## **Criteria for appointment of KMP/Senior Management**

- To possess the required qualifications, experience, skills & expertise to effectively discharge their duties and responsibilities;
- To practice and encourage professionalism and transparent working environment;
- To build teams and carry the team members along for achieving the goals/objectives and corporate mission;



- To adhere strictly to code of conduct

### **Term**

The Term of the Directors including Managing / Wholetime Director / Independent Director shall be governed as per the provisions of the Act and Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time. Whereas the term of the KMP (other than the Managing / Whole time Director) and Senior Management shall be governed by the prevailing HR policies of the Company.

### **Evaluation**

The Committee shall carry out evaluation of performance of every Director. The Committee shall identify evaluation criteria which will evaluate Directors based on knowledge to perform the role, time and level of participation, performance of duties, level of oversight, professional conduct and independence. The appointment / re-appointment / continuation of Directors on the Board shall be subject to the outcome of the yearly evaluation process.

### **Removal**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations there under and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management.

### **Remuneration of Managing / Whole-time Director, KMP and Senior Management**

The remuneration / compensation / commission, etc., as the case may be, to the Managing / Whole time Director will be governed by the relevant provisions of the Companies Act, 2013 and applicable Rules and Regulations and will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission, etc., as the case may be, shall be subject to the prior / post approval of the shareholders of the Company and Central Government, wherever required. Further, the Chairman & Managing Director of the Company is authorised to decide the remuneration of KMP (other than Managing / Whole time Director) and Senior Management based on the standard market practice and prevailing HR policies of the Company.

### Remuneration to Non-executive / Independent Director

The remuneration / commission / sitting fees, as the case may be, to the Non-Executive / Independent Director, shall be in accordance with the provisions of the Act and the Rules made thereunder for the time being in force or as may be decided by the Committee / Board / shareholders. An Independent Director shall not be entitled to any stock option of the Company unless otherwise permitted in terms of the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

### 3.3 Share Transfer & Shareholders'/Investor Grievance Committee:

The Share Transfer & Shareholders' /Investor Grievance committee comprises as under:

Sr. No.	Name	Status	Position
1	Mr. Ravindra Sanghavi	Independent and Non- Executive	Chairman
2	Mr. Manish J. Janani	Managing Director & Executive Director	Member
3	Mr. Rakesh Vakharia	Independent and Non- Executive	Member

The Company has appointed Mr. Rakesh Bhanuchandra Vakharia as a member of Stakeholders Relationship Committee in place of Mr. Ajit Shah w.e.f. 11/11/2016.

There are five meetings of Committee held during the Financial Year 2016-17.

30/05/2016	19/07/2016	18/10/2016	11/11/2016	16/01/2017
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The committee is responsible for approving and monitoring transfers, transmission, splitting and consolidation of shares issued by the Company. In addition to that, the committee also monitors redressal of complaints from shareholders relating to transfer of shares, non-receipt of balance sheet etc., No sitting fees is paid to the committee members.

The status of shareholders' complaints received so far/number not solved to the satisfaction of shareholders/number of pending share transfer transactions (as on 31st March, 2017 is given below):

#### Complaints Status: 01.04.2016 to 31.03.2017

- Number of complaints received so far : 1
- Number of complaints solved : 1
- Number of pending complaints : 1

**Compliance Officer:**

Mr. Manish Janani is Compliance Officer for the purpose of complying with various provisions of Securities and Exchange Board of India (SEBI), Listing Agreement with Stock Exchanges, Registrar of Companies and for monitoring the share transfer process etc.

**4. GENERAL BODY MEETINGS:**

- (a) The location and time, where last three years Annual General Meetings are as follows :

<b>Year</b>	<b>Venue</b>	<b>Date</b>	<b>Time</b>
2013-14	2nd Floor, Diamond Park Building, Opp. Ambika Nagar Society, Dargah Road, Navsari - 396445	04/09/2014	11:30 A.M.
2014-15	2nd Floor, Diamond Park Building, Opp. Ambika Nagar Society, Dargah Road, Navsari - 396445	30/09/2015	11:00 A.M.
2015-16	2nd Floor, Diamond Park Building, Opp. Ambika Nagar Society, Dargah Road, Navsari - 396445	29/09/2016	04:00 P.M.

- (b) All the resolutions including special resolutions set out in the respective notices were passed by the shareholders. The following special resolutions were passed in previous three Annual General Meeting for the following three consecutive financial years:

**2016****Following Special Resolutions had been passed in the Annual General Meeting:**

1. Appointment of Mr. Ravindra Sanghavi (DIN: 02579509), as an Independent Director of the Company.
2. Appointment of Mr. Ajit Shah (DIN: 02579563), as an Independent Director of the Company
3. Appointment of Mr. Bhavesh Sheth (DIN: 03553130), as an Independent Director of the Company
4. Appointment of Mr. Rakesh Vakharia (DIN: 07582247), as an Independent Director of the Company
5. Shifting of Registered Office Outside the Local Limits of the City

## **2015**

### **Following Special Resolutions had been passed in the Annual General Meeting:**

6. Regularize the Appointment of Ms. Sonal Dipen Patwa (DIN: 02579452), Additional Director of the Company.
7. Adoption of new Article of Association of the company containing regulation in conformity with Companies Act, 2013

## **2014**

### **Following Special Resolutions had been passed in the Annual General Meeting:**

1. Increase Authorised Share capital of the company from Rs.20,00,00,000/- (Rupees Twenty Crores Only) divided into 2,00,00,000 (Two Crores) equity shares of Rs. 10/- (Rupees Ten Only) each to Rs. 25,00,00,000 (Rupees Twenty Five Crores Only) divided into 2,50,00,000 (Two Crores Fifty Lacs) equity shares of Rs.10/- (Rupees Ten Only) each, by creation of 50,00,000 Equity shares of Rs. 10/- (Rupees Ten only)
2. Alteration of Memorandum of Association of the company pursuant to increase in authorised share capital of the company.
3. Alteration of Articles of Association of the company pursuant to increase in authorised share capital of the company.
4. Issue 70,20,000 Equity Shares of Rs. 10/- each in the proportion of 1(one ) equity shares through Bonus issue in proportion of in proportion of proportion of 1 (one) equity share for every 2 (Two )equity shares held by such persons respectively on the Record Date i.e. 30th September, 2014 every 2 (Two )equity shares held by such persons respectively on the Record Date i.e. 30<sup>th</sup> September, 2014

### **EXTRA ORDINARY GENERAL MEETING DURING THE YEAR 2016-2017**

No Extra Ordinary General Meeting held during the financial year under review.

### **POSTAL BALLOT RESOLUTION PASSED DURING THE YEAR 2016-17**

No Postal Ballot Resolution passed during the Year.

## **5. DISCLOSURES:**

There were no significant or material related party transactions that have taken place during the year which have any potential conflict with the interest of the company at

large. The detailed related party information and transactions have been provided in Schedule 25 Note 14 of Notes to Accounts.

## 6. MEANS OF COMMUNICATION:

The presentation as to the Company's performance etc., are made to the Institutional Investors/Financial Analysts as and when felt expedient.

The Company's financial results and official news releases are displayed on the Company's website i.e [www.lypsa.in](http://www.lypsa.in)

The Management Discussions and Analysis Report forms part of the Directors Report and is given separately.

## 7. GENERAL SHAREHOLDERS' INFORMATION:

a. Annual General Meeting: Date, Time and venue: Friday, 29th September, 2017 at 11.30 a.m. at the Registered Office of the Company.

b. Financial Year: 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017.

c. Financial Calendar:  
(2017-18) (Tentative)

First Quarter Results	: Second week of August, 2017
Second Quarter Results	: Second week of November, 2017
Third Quarter Results	: Second week of February, 2018
Fourth Quarter Results	: Second week of May, 2018

d. Date of Book Closure: 23rd September, 2017 to 29th September, 2017. (Inclusive Both days)

e. Due date for Transfer of Unclaimed Dividend to IEPF:

Sr. No	Financial Year	Date of Declaration	Dividend Declare	Dividend Paid	Unclaimed Dividend	Due date for Transfer to IEPF
1	2009-10	30/09/2010	7020000.00	6270100.00	749900.00	30/09/2017
2	2010-11	30/09/2011	7020000.00	6193000.00	827000.00	30/09/2018
3	2011-12	29/09/2012	7020000.00	6458145.00	561855.00	29/09/2019
4	2013-14	27/09/2013	7020000.00	6436863.00	583137.00	27/09/2020
5	2014-15	23/09/2015	7371000.00	7037718.00	333282.00	23/09/2022

f. Listing of Equity Shares on Stock Exchanges:

The Company is listed on Bombay Stock Exchange limited and National Stock Exchange Limited. Annual listing fees for the financial Year up to 2017-18 has been paid by the Company.

g. Stock Code: BSE - 534532  
NSE - LYPSAGEMS

h. Demat ISIN number: **INE142K01011**

i. High / Low of Monthly Market Price of the Companies Equity Shares traded on Bombay Stock Exchange during the financial year 2016-17 are furnished below:

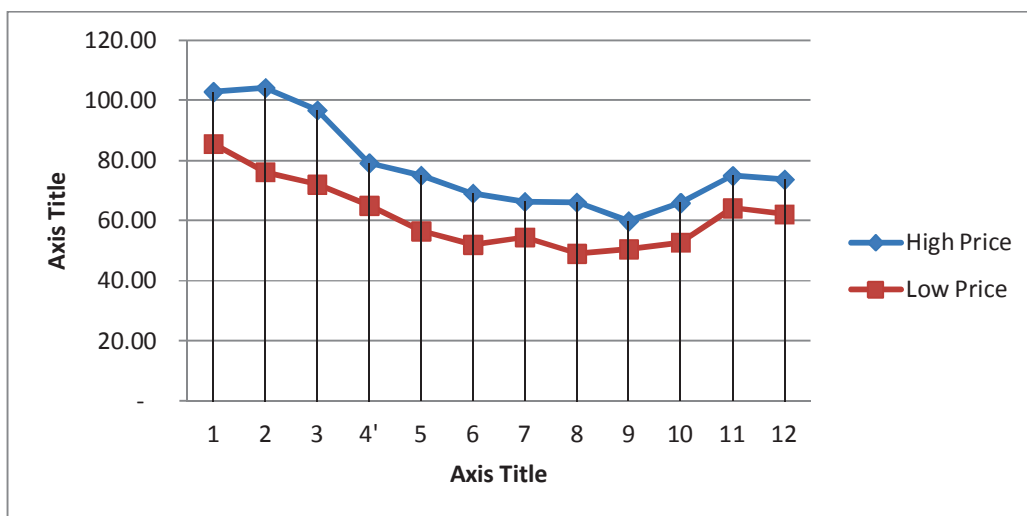
Month	High Price (Rs.)	Low Price (Rs.)
April 2016	102.80	85.50
May 2016	104.10	76.10
June 2016	96.65	72.00
July 2016	79.15	65.00
August 2016	75.00	56.50
September 2016	69.00	52.00
October 2016	66.30	54.50
November 2016	66.00	49.00
December 2016	59.80	50.50
January 2017	65.90	52.70
February 2017	74.90	64.15
March 2017	73.65	62.10

- j. High / Low of Monthly Market Price of the Companies Equity Shares traded on National Stock Exchange of India Limited during the financial year 2016-17 are furnished below:

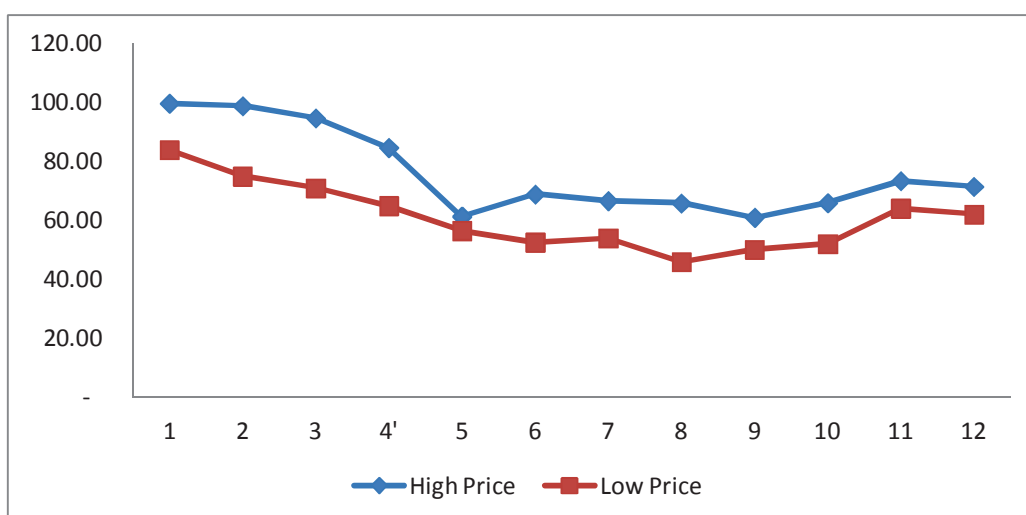
Month	High Price (Rs.)	Low Price (Rs.)
April 2016	99.80	83.95
May 2016	98.90	75.00
June 2016	94.80	71.00
July 2016	84.70	65.00
August 2016	61.40	56.55
September 2016	68.90	52.55
October 2016	66.65	54.00
November 2016	65.90	45.95
December 2016	61.00	50.15
January 2017	65.95	52.05
February 2017	73.50	64.10
March 2017	71.55	62.10

- k. (i) Performance of the Company's shares in comparison with broad-based indices as BSE's Sensex:





(ii) Performance of the Company's shares in comparison with broad-based indices as NSE's Sensex:



- l. Registered and Transfer Agent: The Company has appointed M/s. Purva Sharegistry (India) Pvt. Ltd. No-9, Shiv Shakti Industrial Estate, Ground Floor, J. R. Boricha Marg, Opp. Kasturba Hospital, Lower Parel, Mumbai - 400 011.
- m. Share Transfer System: All work related to transfer in physical form and Demat complete in all respects were approved and registered within the stipulated period by R & T of the Company.
- n. Distribution of Shareholding as on 31.03.2017

Share Holding of Nominal Value		Share Holders		Share Amount	
Rs.	Rs.	No.	%to total	In Rs.	%to total
upto	5000	1,787	57.91	2684200	1.27
5,001	10,000	775	25.11	5247890	2.49
10,001	20,000	189	6.12	2957230	1.40
20,001	30,000	95	3.08	2598190	1.23
30,001	40,000	28	0.91	1037130	0.49
40,001	50,000	36	1.17	1695540	0.81
50,001	1,00,000	45	1.46	3422020	1.62
1,00,001	and above	131	4.24	190957800	90.67
<b>Total</b>		<b>3086</b>	<b>100.00</b>	<b>210600000</b>	<b>100.00</b>

o. Shareholding pattern as on 31.03.2017

Category	No of Shares held	% of Shareholding
a. Promoters and persons who may be deemed to be acting in concert including promoter/ directors group		
Companies	7595000	36.06
b. Foreign Institutional Investors	545000	2.59
c. Other bodies corporate	6671301	31.68
d. Indian public	4716564	22.40
e. HUF	538142	2.56
f. NRI	541922	2.57
G. Clearing Member	452071	2.15
<b>TOTAL</b>	<b>21060000</b>	<b>100</b>

p. Top 10 Shareholders as on 31st March, 2017 (Other than Promoters)

Sr. No	Name of Shareholders	Shareholding	%
1	Gajgamani Stockist Private Limited	1005234	4.77
2	Corporate Stock Broking Pvt Ltd	450000	2.13
3	Amritlal Haridas Shah	371858	1.76
4	Dhanlaxmi Lease Finance Ltd	315000	1.50
5	Corporate Share Registry Pvt Ltd	300000	1.42
6	Corporate Commodity	300000	1.42

	Brokers Pvt Ltd		
7	Nomura Singapore Limited	250000	1.19
8	Antara India Evergreen Fund Ltd	235000	1.12
9	Synergy Cosmetics Exim Limited	210450	1.00
10	Sapnasuraha Commercial Pvt Ltd	210000	1.00
11	Keval Share Broking P. Ltd.	205000	0.97
	<b>Total</b>	<b>3852542</b>	<b>18.28</b>

Dematerialization of shares: As on 31-03-2017 Demated shares accounted for 73.69% (1,55,19,347 Equity Shares) of total equity.

Outstanding GDR / ADR / Warrants: Not Applicable

**Address for communication:**

1. M/s. Purva Shareregistry (India) Pvt. Ltd.

No-9, Shiv Shakti Industrial Estate,  
Ground Floor, J. R. Boricha Marg,  
Opp. Kasturba Hospital, Lower Parel,  
Mumbai - 400 011  
Tele No. : 022-2301 6761 / 2301 8261 Fax No. : 022-2301 2517  
E-mail :busicomp@vsnl.com

2. Lypsa Gems & Jewellery Ltd

Wing A, 2nd Block, 202-302,  
Orchid Complex, Opp. HDFC Bank,  
Chhapi-Pirojpura Road, Chhapi,  
Vadgam Banas Kantha GJ 385210  
Email Id: info@lypsa.in  
Website: www.lypsa.in

### **Declaration of compliance with the code of conduct**

In accordance with Regulation 26 of SEBI (Listing Obligation and Disclosures Requirement) Regulation, 2015 with the Stock Exchanges, Mr. Manish Janani, Managing Director of the Company, hereby declare that the Board Members and senior Management Personnel have affirmed compliance with the said Code of Conduct, as mentioned in this report, for the year ended 2017.

**For Lypsa Gems & Jewellery Ltd**

**Date: 07/09/2017**

**Place: Navsari**

**SD/-**  
(Manish Janani)  
**Managing Director**  
(DIN: 02579381)

**SD/-**  
(Dipan Patwa)  
**Chairman**  
(DIN: 2579405)

**SD/-**  
(Jeeyan Patwa)  
**Director**  
(DIN: 02579469)

**AUDITOR'S CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF  
CORPORATE GOVERNANCE**

To the Members of Lypsa Gems & Jewellery Limited

We have examined the compliance of condition of Corporate Governance by Lypsa Gems & Jewellery Limited, for the year ended March 31, 2017 as stipulated in Regulation 17,18,19,20,21,22,23,24,25,26,27 and clauses (b) to (i) of sub- regulation (2) of regulation 46 and para C, D and E of schedule V of the securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015 (collectively referred to as "SEBI Listing Regulation, 2015).

The compliance of conditions of corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance note on certification of corporate Governance, issued by the institute of Chartered Accountant of Indian and was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us,

We certify that such compliance is neither as assurance as to the future viability of the company nor the efficient with which the management has conducted the affairs of the company.

**FOR DOSHI MARU & ASSOCIATES  
(CHARTERED ACCOUNTANTS)**

**Place: Mumbai  
Date: 07/09/2017**

**SD/-  
[ATUL B. DOSHI]  
PARTNER  
F.R.No. 112187W**

## **Compliance Certificate**

To the Members of Lypsa Gems & Jewellery Limited

We have examined the compliance of Corporate Governance by Lypsa Gems & Jewellery Limited for the year ended on 31<sup>st</sup> March, 2017, as stipulated in Regulation 27(2) of SEBI (Listing Obligations and Disclosure Requirement), Regulations, 2015 of the said Company with Stock Exchanges.

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 an audit nor an expression of to opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance(s) is/ are pending for a period exceeding for one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further 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.

**FOR DOSHI MARU & ASSOCIATES  
(CHARTERED ACCOUNTANTS)**

**Place: Mumbai  
Date: 07/09/2017**

**SD/-  
[ATUL B. DOSHI]  
PARTNER  
F.R.No. 112187W**

### **CEO/CFO CERTIFICATION:**

We the undersigned, in our respective capacities as managing Director and Chief Financial Officer of Lypsa Gems & Jewellery Limited ("the Company") to the best of our knowledge and belief certify that:

a. We have reviewed the financial statements and the cash flow statement for the year 2016-17 and that to the best of our knowledge and belief:

- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2016-17 which are fraudulent, illegal or violative of the Company's code of conduct;

c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the Auditors and the Audit Committee -

- Significant changes in internal control over the financial reporting during the year 2016-17;
- Significant changes in accounting policies during the year 2016-17 and that the same have been disclosed in the notes to the financial statements; and
- Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over the financial reporting.

**For & on behalf of the Board of Director  
Lypsa Gems & Jewellery Limited**

**Date: 07/09/2017  
Place: Banaskantha**

**SD/-  
Jeeyan Dipan Patwa  
Chief Financial Officer**



## MANAGEMENT DISCUSSION AND ANALYSIS

### ANNEXURE “A” TO DIRECTORS’ REPORT

#### Overview:

The purpose of this discussion is to provide an understanding of LYPSA GEMS & JEWELLERY LTD’s financial results and business performance by focusing on changes in certain key measures from year to year. This Report includes discussion on the following matters within the limits set by the Company’s competitive position:

Diamonds, which for centuries have symbolized love and eternity, are found in some of the world’s oldest pieces of jewelry. De Beers drew on that ancient symbolic legacy to make diamond engagement rings a token of romance and lifelong commitment—captured in the memorable catchphrase “a diamond is forever”—and in the process created the modern diamond industry.

#### Indian Overview:

Driven by an array of cultural, social and demographic aspects, the jewellery industry is one of the fastest growing industries in India. It propels India’s foreign exchange earnings forming about 14% of total exports. The gems and jewellery industry contribution to India’s foreign exchange treasury stands at USD 2,132.82 million in 2012-13, a growth of 154% over the last financial year (Source: Gems and Jewellery Export Promotion Council). The industry provides employment to around 3.40 million workers. The market size is estimated to grow at a CAGR of 12-15% to reach Rs 3,000 billion by 2013-14.

Escalating inflation, Reserve Bank of India’s (RBI) stern outlook on interest rates and high fiscal deficit played spoilsport. Government has taken several reforms to tackle the deteriorating scenario. Such initiatives include Foreign Direct Investment (FDI) in retail sector, sugar decontrol, petrol and diesel price hikes and others. RBI has also changed its policy with repo rate being reduced thrice and cash reserve ratio once till June, 2013. These measures are likely to revive the economy from the dark shadows of economic slowdown.

#### Industrial Structure and Development:

The consumption of gold and jewellery products grew 10-15% per annum over the years; the Indian market is estimated at US\$ 30 billion. India boasts of a very competitive gems and jewellery market because of its low production cost, skilled artisans, government incentives and establishment of special economic zones (SEZs). India and China are expected to account for 30% of the global diamond market by 2015.

India's gems and jewellery sector is expected to grow at a CAGR of around 16.26 % between 2011- 12 and 2016-17 on account of increasing government efforts and incentives coupled with private sector initiatives (Source: Ministry of Commerce & Industry). The shipment of gems and jewellery makes up about 14% of India's total exports, and the sector employs about 3.4 million workers, with the Middle East taking most of the market (Source: Indian Brand Equity Foundation-IBEF). The overall demand of gold in the country was 986.3 tons in 2011, which dipped by 12% in 2012 to 864.2 tones mainly on account of higher import duties, jeweller's strike over proposed measures to curb imports and a sharp rise in the domestic prices (Source: The Economic Times). Imports declined by 21.125% in 2012. Imports in India touched 800 tons compared to 969 tons a year earlier.

### **The Global Economy and the Diamond Industry**

The financial year 2016-17 saw various challenges emanating from the Eurozone crisis, the US fiscal cliff and slowdown in the emerging economies. The economic activities remained subdued with diverging growth trajectories across different economies. However, there have been signs of revival with the economic indicators gaining traction in the US and improving customer sentiments in Euro zone. Emerging economies are also showing resilience. Amid adversities, China witnessed GDP growth of around 7.50% for two consecutive quarters of 2014. With the commitment of the governments of various countries to long-term growth, things are likely to improve going ahead. The global economy has not had a bumper year. The extent to which growth in emerging markets can compensate for weaknesses in mature ones has diminished with each crisis. The Euro-zone catastrophe has spread across European borders, along with resulting concerns about its global impact. Similarly, trends in the U.S. have done little to spur confidence. U.S. is teetering on another recession as job growth fails to materialize; government spending remains high and the last round of quantitative easing did little to stimulate growth. Output in the Euro zone continues to slump as the debt crisis just won't go away.

These results have impacted growth projections in important emerging economies such as China. The World Bank revised its forecast for the Chinese economy predicting growth of 9.3 percent in 2011 and 8.7 percent in 2012. Growth is still strong in developing East Asia, but continues to moderate mainly due to weakening external demand. Increasingly, China is expected to strengthen its own domestic consumption to compensate for a slowdown in exports to the U.S. and Europe.

More relevant now is the impact that a global economic slowdown may have on the diamond industry. By most measures, growth in the trade outpaced that of other sectors and the general economy in 2011, driven by the strong trading in the first half of the year and despite weak consumer confidence. The diamond industry is enjoying a

period of rising customers due to the increasing emergence of markets in India and China.

However, in the current economic environment, the fact is that in the diamond market a lower volume of goods is being traded for higher values. For example, while Hong Kong's polished diamond imports by value rose 33 percent year on year to \$13.32 billion in the first nine months of 2011, by volume they fell 2 percent to 20.962 million carats. The average price of these goods was up 36 percent from a year earlier.

If global economic growth is set to slow in 2012, it will impact demand, prices and, most importantly, sentiment in the diamond industry throughout the year, as it did in the latter half of 2011. The new economic environment makes for stressful, but interesting, times indeed. A correction in diamond prices might strengthen to consumer demand.

## **Outlook**

The global economic environment in 2012 remained uncertain with an average growth of between 2% to 3%. There are signs of improving consumer confidence and of major policy changes in some of the developed markets which may provide the required momentum to spurt global growth and kick start the path of recovery. However, the situation in the emerging markets is more upbeat with strong consumer spending and investment sentiment driving economy between 5% to 8% in the current year. The US economy is definitely showing signs of steady recovery followed by Japan which is embarking on an ambitious policy of reflecting its long moribund economy.

## **Company's Goal**

Lypsa intends to become a fully integrated and profitable diamond company in the next few years. We intend to go down the value chain and become closer to the customer through retail diamond and jewelry sales and thereby increase profit margins. We intend to build a well-managed corporate organization with standard processes and controls, competent management and reduced dependency on the promoters to generate revenue – features that are quite unique to Indian diamond companies.

## **Business Model**

Lypsa is in the process of increasing production capacity at its new factory in Navsari, Gujarat. The company has acquired a Factory Building and Machineries at Chhapi, Gujarat to expand its manufacturing activities to produce small sized diamonds at affordable cost. This year will see substantial revenue from manufacturing activities. This is in line with our aim of generating maximum revenue from the manufacturing activities that allows higher value-addition than the trading activities.

In house manufacturing reduces the variance in cutting standards and allows the steady production of a high quality standard product, which is valued higher by traders, jewelers and consumers. It also safeguards against the possibility of theft and malpractice, which are a common occurrence in outsourced diamond production.

### **Lypsa's position in the Diamond Value Chain**

The core activity of Lypsa is cutting and polishing of rough diamonds to convert them into finished stones that can be sold to traders and jewelers. Apart from this, Lypsa also sells rough diamonds in the open market that it procures from its sources if it feels that the profit on rough diamond sale is going to be larger than when post-processing. Thus, Lypsa is present in the stages from Rough Diamond Sales to Polished Diamond Sales. As stated above, these activities enjoy relatively lower profit margins than retailing and production. Acknowledging this, Lypsa has decided to expand into the retail segment through a foray into jewellery which will allow high profit margins.

### **SWOT ANALYSIS**

#### **Strengths**

- Promoters enjoy more than 20 years of experience in the industry.
- Low cost of manufacturing owing to a frugal approach towards infrastructure building.
- Possibility to scale production without large Capex.
- Good combination of technical as well as advisory personnel in the management.
- Good network at the grassroots level as well as with top companies.
- Increasing diversity in consumer base.

#### **Weaknesses**

- Organizational development processes at relatively initial phase.
- Relatively large reliance on promoters for overall management.
- Lack of first hand supply of rough diamonds from the producers.

#### **Opportunities**

- Further strengthen manufacturing base with latest manufacturing and product development technologies.
- Entry into higher value-add jewellery industry.
- Increasing product portfolio to include bigger stones and fancy cuts.
- Develop patented cuts of diamonds through R&D and market the unique product to allow greater margins.

#### **Threats**

- Volatility of rough diamond prices.
- Volatility in gold prices impacting jewellery demand and hence diamond demand.
- Advent of man-made diamonds in the market.

## **Risk and Concerns**

Lypsa Gems & Jewellery Limited is exposed to various risks that are particular to its businesses and environment within which it operates including loss of key managerial personnel, increase in input costs, political instability, changes in economies or government policies, geographic concentration risk, raw material risk, seasonality risk and government regulations. The completion factor also affects the performance of the Company. The Company's current and fixed assets as well as products are adequately insured against various risks. The Company's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism. Through this approach, the Company strives to identify opportunities that enhance organizational values while managing or mitigating risks that can impact its future performance.

## **Internal Control System and their Adequacy**

Your Company has in place adequate systems and processes to safeguard and protect its data and knowledge resources. The systems are updated and monitored on a continuous basis so as to ensure complete alignment with evolving technological requirements. The Company has a well-documented data security policy with pre-defined levels of access authorizations. To ensure safety and security of its strategic locations, the Company employs a comprehensive system of electronic surveillance and physical controls. The products manufactured and dealt in by the Company, as well as major production inputs are high value in nature. To ensure physical security of such products, the Company has multi-tier security and tracking mechanisms. Regular internal audit is conducted to ensure that all systems and procedures are in place and are followed regularly. Your Company maintains adequate insurance against unforeseeable risks, given the nature of its products.

## **Material Developments in Human Resources/Industrial Relations front including number of people employed**

Human Resources are most valuable assets of the Company. The Company's Human Resource Policy primarily aims at talent management and leadership development, safety and health of its employees. The Company has well-experienced, creative, talented and motivated staff to cater to the business demands in terms of better designs, quality and precision in manufacture with minimum possible loss and consistency to meet international standards. The Company provides an environment, which encourages initiatives, innovative thinking and reward performance. The Company also focuses on development of employees at all levels and supports them with safe, pollution free and favorable working conditions. As a result, the employees of the Company have played a crucial role in contributing to the growth of the Company.

## Cautionary Statement

Statements in Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual Results could differ materially from those expressed or implied due to variations in prices of raw materials, seasonal demand and pricing in the Company's principle markets, changes in Government regulations, tax regimes, economic developments and other incidental factors.

## Future Plans

Research has been commissioned to plan the entry of Lypsa in the jewellery space. The growing demand of branded jewellery, higher profit margins than loose diamonds and the broad customer base make the jewellery industry a very attractive forward integration option. At the end of the year, we expect the launch of the jewelry venture.

Increasing production capacity has been proposed through expansion of the current facility and setting up of a new factory in Gujarat. A program has been initiated to cut down manufacturing costs without compromising on quality.

Setting up of an R&D unit is also on the cards to develop unique diamond cuts. These cuts will be proprietary to Lypsa and will be marketed to retailers.

**For Lypsa Gems & Jewellery Ltd**

**Date: 07/09/2017**

**Place: Banaskantha**

**SD/-**  
(Manish Janani)  
**Managing Director**  
(DIN: 02579381)

**SD/-**  
(Dipan Patwa)  
**Chairman**  
(DIN: 2579405)

**SD/-**  
(Jeeyan Patwa)  
**Director**  
(DIN: 02579469)