



Lucid Colloids Limited

Registered & Corporate Office:

401A Navbharat Estates, Zakaria Bunder Road, Sewri West, Mumbai 400015, India.

Tel: +91-22-24158059 Fax: +91-22-24158074 Email: admin@lucidgroup.com

Company Identification Number: U24311MH1996PLC099800

CORPORATE GOVERNANCE REPORT:

Company's philosophy on code of governance

Your Company believes that Corporate Governance is a prerequisite for attaining sustainable growth in this competitive world. Lucid's philosophy on Corporate Governance is based on transparency and accountability and has been a part of the organizational culture of your Company for the past many years.

Your Company has achieved sustainable growth by being a responsible and well-governed corporate, while exceeding the expectations of all stakeholders. It is your Company's unending mission to regularly nurture and develop steadfast professionalism, astute accountability and increased disclosures by taking all steps necessary towards superior growth in its value for its stakeholders.

Your Company is fully committed to practice sound Corporate Governance and uphold the highest business standards in conducting business. The Company has always worked towards building trust with all its stakeholders based on the principles of good corporate governance. Your Company is guided by a key set of values for all its internal and external interactions. The Company is open, accessible and consistent with its communication.

BOARD OF DIRECTORS

At Lucid, the Board is at the core of the Corporate Governance practice. Your Company has an optimum mix of eminent personalities on the Board of Directors with members from diverse experience and expertise. Out of 5 members on its Board, 3 (three) are Independent Directors and 2 (two) are Managing Director & Whole Time Director respectively. This appropriate composition of the Board of Directors enables in maintaining the independence of the Board and separates its functions of governance and management. Over a period of time, the Board has fostered a culture of leadership to sustain your Company's growth with a long-term vision and ingenious policy to improve the degree of Corporate Governance.

Composition of the Board:

Category	No. of Directors
Independent Directors	3
Executive Director	2
- Managing Director	
- Whole Time Director	
Total	5

The Board of Directors is chaired by an Executive / Promoter Chairman and has an optimum combination of Executive, Non-Executive Independent Directors.



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Number of Board Meetings:

The Board meets at least, four times during the financial year and gap between 2 consecutive meetings is not more than 120 days. Additional meetings are held, if deemed necessary to conduct the business.

Board Procedures:

The dates for meetings of the Board of Directors and its Committees are scheduled after consultation with all the Directors. The Agenda and the explanatory notes are circulated well in advance to the Directors in accordance with the Secretarial Standards.

The Managing Director makes presentations to the Board on matters including but not limited to the Company's performance, operations, plans, etc. The Board has complete access to any information within your Company. Regular updates provided to the Board, inter alia, include:

- Annual operating plans and budgets and any updates;
- Capital budgets and any updates;
- Quarterly financial results for your Company;
- Minutes of meetings of Committees of the Board of Directors;
- The information on recruitment and remuneration of Senior Management Personnel just below the level of Board of Directors, including appointment or removal of Chief Financial Officer and the Company Secretary;
- Show cause, demand, prosecution and penalty notices, which are materially important;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- Any material defaults in financial obligations to and by the Company;
- Any issue, which involves possible public or product liability claims of substantial nature;
- Details of any joint venture or collaboration agreement;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- Any significant labour problem involving human resource management;
- Sale of a material nature, or of investments, subsidiaries and assets which are not part of the normal course of business; and
- Any other information which is relevant for decision making by the Board.

The draft minutes of the Board and its Committees are sent to the members for their comments and then the minutes are entered in the minute's book within 30 days of the conclusion of the meeting.



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Independent Directors:

The Independent Directors of your Company have been appointed for a tenure of 5 (five) years. Their appointment was also approved by the shareholders of your Company at their AGM. The Independent Directors have submitted declarations that they meet the criteria of Independence laid down under the Companies Act, 2013. Your Company has also issued formal appointment letters to all the Independent Directors in the manner provided under the Companies Act, 2013.

Independent Directors' Meeting:

The Independent Directors met once in a year, without the attendance of Non-Independent Directors and members of the management, inter alia, to discuss on the following:

- To review the performance of the Non-Independent Directors and the Board as a whole;
- Review the performance of the Chairperson of your Company, taking into account views of Executive / Non-Executive Directors; and
- Assess the quality, quantity and timeliness of flow of information between your Company's management and the Board that was necessary for the Board to effectively and reasonably perform their duties.

BOARD COMMITTEES

The Board currently has 3 Committees: 1) Audit Committee; 2) Nomination and Remuneration Committee and 3) Corporate Social Responsibility Committee. The Board is responsible for constituting, assigning and appointing the members of the Committees.

AUDIT COMMITTEE

The Audit Committee is, inter alia, entrusted with the responsibility to monitor the financial reporting, audit process, determine the adequacy of internal controls, evaluate and approve transactions with related parties, disclosure of financial information and recommendation of the appointment of Statutory Auditors.

The composition of the Audit Committee is in alignment with provisions of Section 177 of the Companies Act, 2013. The members of the Audit Committee are financially literate and have experience in financial management.

Mr. Yogesh Vaza acts as Secretary to the Committee.

The composition of the Audit Committee of the Board of Directors of the Company is detailed below:



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Name of the Director(s)	Position in the Committee
Mr. Marezban P. Bharucha	Chairman (Independent Director)
Ms. Anima B. Kapadia	Member (Independent Director)
Mr. Anand J. Vashi	Member (Independent Director)
Mr. Uday C. Merchant	Member (Managing Director)

The terms of reference of the Audit Committee include the following:

1. 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;
2. Recommendation for appointment, re-appointment and replacement, remuneration and terms of appointment of auditors of the company;
3. Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval;
4. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
5. Approval or any subsequent modification of transactions of the Company with related parties;
6. Scrutiny of inter-corporate loans and investments;
7. Valuation of undertakings or assets of the company, wherever it is necessary;
8. Evaluation of internal financial controls and risk management systems;
9. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
10. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and making appropriate recommendations to the Board to take up steps in this matter;
11. Reviewing the Internal Audit Report submitted by the Internal Auditors.
12. To establish and review the functioning of the Whistle Blower mechanism;



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13. Approval of appointment of the chief financial officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
14. Carrying out any other function as may be decided by the Board or specified/provided under the Companies Act, 2013 or by any other regulatory authority.

NOMINATION AND REMUNERATION COMMITTEE

The role of the Nomination and Remuneration Committee is governed by its Charter and its composition is in compliance with the provisions of Section 178 of the Companies Act, 2013.

The composition of the Nomination and Remuneration Committee of the Board of Directors of the Company is detailed below:

Name of the Director(s)	Position in the Committee
Mr. Marezban P. Bharucha	Chairman (Independent Director)
Ms. Anima B. Kapadia	Member (Independent Director)
Mr. Anand J. Vashi	Member (Independent Director)
Mrs. Shailaja U. Merchant	Member (Whole-Time Director)

Mr. Yogesh Vaza acts as Secretary to the Committee.

The Nomination and Remuneration Committee is empowered with the following terms of reference and responsibilities in accordance with the provisions of law and the Nomination and Remuneration Charter:

1. Formulate the criteria for determining qualifications, attributes including skill sets and independence of a Director and recommend to the Board a policy, relating to the selection of Directors and their appointment as also key managerial personnel and senior management identified by the Board.
2. Identify persons who are suitable for appointment to the Board.
3. Formulate and recommend to the Board a policy for evaluation of individual directors and the Board collectively and carry out evaluation at such periodicity as may be required by the Board and to make recommendations to the Board.
4. Assess the Company's policies and processes in key areas of corporate governance, other than those explicitly assigned by the Board to other Committee(s), with a view to provide a proper framework for good corporate governance.



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5. Carrying out any other responsibilities as may be decided by the Board or specified/provided under the Companies Act, 2013 or by any other regulatory authority.

CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE:

The composition of the CSR Committee is in alignment with provisions of Section 135 of the Companies Act, 2013.

The constitution of the CSR Committee of the Board of Directors of your Company detailed below:

Name of the Director(s)	Position in the Committee
Mr. Uday C. Merchant	Chairman
Mrs. Shailaja U. Merchant	Member
Ms. Anima B. Kapadia	Member

Mr. Yogesh Vaza acts as Secretary to the Committee.

The terms of reference of the CSR Committee include the following:

1. To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 including any amendments thereto;
2. To recommend the amount of expenditure to be incurred on the CSR activities referred to in the above clause;
3. To monitor CSR policy of the Company including instituting a transparent monitoring mechanism for implementation of CSR projects or programs or activities undertaken by the Company and
4. Carrying out any other responsibilities as may be decided by the Board or specified/provided under the Companies Act, 2013 or by any other regulatory authority.

The CSR Policy has been separately placed on the website of your Company.



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INFORMATION TO DIRECTORS

Systems, procedures and resources are in place to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his / her duties. The Directors are given time to study the data and contribute effectively to the Board discussions.

The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees.

Directors with materially significant, pecuniary or business relationship with your Company:

There is no pecuniary or business relationship between the Non-Executive/Independent Directors and your Company, except for the commission payable to them annually in accordance with the applicable laws and with the approval of the shareholders.

A declaration to this effect is also submitted by all the Directors at the beginning of each financial year.

Share Transfer System:

The share transfer activities in respect of the shares in physical mode are carried out by M/s. TSR Darashaw Limited. The shares lodged for transfer are processed and share certificates duly endorsed are returned within the stipulated time, subject to documents being valid and complete in all respects.

The request for the transfer of shares, transmission of shares or deletion of name of the shareholder, etc., will be placed before the Board Meeting. Further, the transactions requiring issuance of new share certificates are approved in the Board Meeting by the Board of Directors of your Company.

Dematerialization of Shares:

The Company has dematerialized its Equity Shares with NSDL and the Company's ISIN is INE883T01011. The share transfers of dematerialized shares can be made through your Depository Participant.