



LOTTE
INDIA CORPORATION LTD.

ANNUAL REPORT - 2005-2006



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Board of Directors

YONG TACK KIM
Chairman

IN DO HWANG
Joint Managing Director

DONG BIN SHIN

SANG MAN SHIM

J SAHNI

K R GANAPATHY

SANG HOO KIM

**Head-Finance &
Company Secretary**

V KALYANA SUNDARAM

Registered Office

DARE HOUSE, PARRYS CORNER
CHENNAI

Factory

NELLIKUPPAM, TAMIL NADU

Auditors

LOVELOCK & LEWES
CHARTERED ACCOUNTANTS
CHENNAI

Bankers

STATE BANK OF INDIA
HDFC BANK LTD.

Insurers

CHOLAMANDALAM M S GENERAL INSURANCE LTD
IFFCO-TOKYO GENERAL INSURANCE CO.LTD.



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifty-first Annual General Meeting of the Company will be held on Thursday, 27th July, 2006 at 12.00 noon at M.A. Chidambaram Hall, Southern India Chambers of Commerce & Industry, Esplanade, Chennai 600108 to transact the following:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the audited Profit and Loss Account for the financial year ended 31st March, 2006 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr J Sahni who retires by rotation.
3. To appoint a Director in the place of Mr Sang Man Shim who retires by rotation and who being eligible offers himself for re-appointment.
4. To consider the re-appointment of M/s Lovelock & Lewes, Chartered Accountants, Chennai, as auditors of the Company to hold office from the conclusion of the 51st Annual General Meeting till the conclusion of the 52nd Annual General Meeting and fixing remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

RESOLVED THAT due notice in writing signifying the intention of a member to propose Mr. Sang Hoo Kim as a Director having been received pursuant to Section 257 of the Companies Act, 1956, Mr Sang Hoo Kim be and is hereby

appointed as a Director of the Company, liable to retire by rotation.

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approvals as may be required from the shareholders and the Central Government, Mr. In Do Hwang be paid the following revised minimum remuneration with effect from 1st February, 2005.

Basic Salary	Rs.3,60,000/- per annum
Allowance	Rs.3,60,000/- per annum
Club membership	Institutional membership for one club and another membership of a reputed club. Subscription fees and entrance fees on this shall not exceed Rs.1,50,000/- per annum.
Telephone, Credit card	Upto Rs.76,356/- per annum
Medical Domicilliary	Upto Rs.1,00,000/- per annum
Medical Insurance Premium	Upto Rs.10,000/- per annum
Hospitalisation not covered by insurance	Upto Rs.36,000/- per annum
Personal Accident Insurance premium	Upto Rs.10,000/- per annum
Provident Fund, Superannuation Fund and Gratuity	As per rules of the Company.

RESOLVED FURTHER THAT in the event of inadequacy or absence of profits, Mr In Do Hwang shall be entitled to the above remuneration as the minimum remuneration, subject to the approval of Central Government.



NOTICE TO SHAREHOLDERS (Contd.)

RESOLVED FURTHER THAT Mr In Do Hwang will be governed by all service conditions of the Company as applicable to Senior Management Staff including retirement age.

RESOLVED FURTHER THAT Mr In Do Hwang will not be entitled to any sitting fee for attending the meeting of the Board or any Committee thereof.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors or any Committee thereof be and is hereby authorized to do all such acts, deeds, matters and things as they may in their absolute discretion deem necessary, expedient, usual and proper in the best interest of the Company.

By Order of the Board
for Lotte India Corporation Limited

Chennai
23rd May, 2006

S Venkatasubramanian
Company Secretary

21st July, 2006 to 27th July, 2006 (both days inclusive)

4. Members are requested to intimate change in their addresses, if any, immediately to the Company at its Registered Office quoting their folio number / Client ID number.

ANNEXURE TO THE NOTICE

A. Details of Directors seeking appointment / re-appointment pursuant to Clause 49 of the Listing Agreement with Stock Exchanges

Profile of Mr. Sang Man Shim

Mr Sang Man Shim is a graduate in Newspaper and Broadcasting and has considerable industry experience.

He has been the Managing Director of M/s Inkor Autotech India Private Limited since 1997. He is also the Chairman of the Korean Association, Chennai.

He is an independent Director of the Board and a member of Audit Committee and Remuneration and Nomination Committee of the Company.

Profile of Mr. Sang Hoo Kim

Given under Item no. 5 of the Explanatory Statement.

B. Explanatory Statement under Section 173(2) of the Companies Act, 1956

Item No. 5

Mr. Sang Hoo Kim has been co-opted as Additional Director of the Company on 24th March, 2006. As per Section 260 of the Companies Act, 1956, the above director hold office only till the date of Fifty-first Annual

NOTES

1. The relevant explanatory statement pursuant to Sec.173 of the Companies Act, 1956 ("The Act") in respect of Item No. 5 & 6 is annexed.
2. A member entitled to attend and vote at the above meeting may appoint one or more Proxies to attend and vote instead of him. The Proxy need not be a Member of the Company. Proxy to be valid shall be deposited with the Company not later than forty-eight hours before the time for holding the meeting.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from



General Meeting. The Company has received notice pursuant to Section 257 of the Companies Act, 1956 from a Shareholder along with the requisite deposit, proposing the appointment of Mr Sang Hoo Kim as Director of the Company.

Mr Sang Hoo Kim is a Graduate in Agricultural Chemistry from Korea University. He has an experience of over three decades.

He has held various positions in Lotte Confectionery Company Limited, Korea before being appointed as the Chief Executive Officer.

It will be in the interest of the Company to appoint Mr Sang Hoo Kim as a Director of the Company.

Accordingly, ordinary resolution set out under Item no.5 of the notice is submitted to the meeting.

He is not holding any Directorships / Committee membership in any other Indian Companies.

None of the Directors other than Mr Sang Hoo Kim is interested in this resolution.

Item No.6

The members may be aware that Mr In Do Hwang was appointed as the Joint Managing Director (JMD) with effect from 30th July, 2004 and the Company started paying remuneration effective 25th September, 2004 with the approval of members and Government of India.

The Remuneration and Nomination Committee at its Meeting held on 29th September, 2005 has revised the remuneration of JMD effective 1st February, 2005 subject to the approval of the Shareholders and Government of India.

Considering the experience and responsibilities, the revised remuneration being paid to Mr In Do Hwang, JMD is considered reasonable.

Accordingly, the Special resolution set out under Item no.6 of the notice is submitted to the meeting for the approval of the members.

The details of the remuneration as furnished below may be taken as an abstract as required under Section 302 of the Companies Act, 1956. The other terms and conditions of his employment remain unchanged. The contract of employment entered into between the Company and Mr In Do Hwang is available for inspection by the members at the registered office of the Company on all working days.

None of the directors other than Mr In Do Hwang is interested in the resolution.

By Order of the Board
for Lotte India Corporation Limited

Chennai
23rd May, 2006

S. Venkatasubramanian
Company Secretary



DIRECTORS' REPORT

Your Directors are happy to present the 51st Annual Report together with audited accounts for the year ended 31st March, 2006.

Financial Results

	(Rs.in Lakh) 2005-2006	(Rs.in Lakh) 2004-2005
Sales	14607.59	12011.22
Profit before depreciation and interest	831.71	773.91
Less : Depreciation and Interest	525.68	503.10
Profit before tax	306.03	270.81
Less : Provision for Income tax :		
Current Income Tax	22.50	21.50
Deferred Income Tax	100.05	132.37
Fringe Benefit Tax	42.50	—
Profit after tax	140.98	116.94
Add : Balance brought forward	194.93	77.99
Balance Profit transferred to Balance Sheet	335.91	194.93

The Board of Directors has decided not to recommend any dividend for the year ended 31st March, 2006.

Review of operations

The gross sales for the year ended 31st March, 2006 was Rs.14607.59 Lakh as against Rs. 12011.22 Lakh in the previous year. Your Company has achieved a growth of 22% in gross sales, by widening its distribution network. Your Company has made a profit before tax of Rs.306.03 lakh as against Rs. 270.81 lakh in the previous year, despite steep

increase in prices of critical Raw Materials like Sugar, Milk, etc. Cash profit for the year is Rs.837.73 lakh as against Rs. 766.60 lakh in the previous year.

A detailed analysis of performance and outlook is given in the Management Discussion and Analysis Report attached herewith.

Fixed Deposits

Two fixed deposits amounting to Rs.12,000/- were unclaimed and outstanding as on 31st March, 2006.

Investor Education and Protection Fund

Pursuant to the provisions of Section 205C of the Companies Act, 1956, your Company has transferred unclaimed dividend as per details given below to the Investor Education and Protection Fund :

Year to which the dividend relates	Amount transferred (Rupees)	Date of transfer
1997-98	1,58,962.50	25.10.2005

Further, your Company has transferred the unclaimed matured fixed deposits amounting to Rs.5,000/- and unclaimed interest accrued on Non-convertible debentures amounting to Rs.6,947/- to the Investor Education and Protection Fund.

Directors

Mr. J Sahni retires at the forthcoming Annual General Meeting. The board wishes to place on record its deep appreciation of his valuable contribution to the growth of the Company.

Mr Sang Man Shim is retiring by rotation in the ensuing Annual General Meeting and offers himself for re-appointment.

Mr. Sang Hoo Kim who was co-opted as additional Director, vacates Directorship at the ensuing Annual General Meeting. The Company has received



DIRECTORS' REPORT (Contd.)

a notice proposing his name for Directorship and approval of Shareholders is sought at the ensuing Annual General Meeting.

Mr. N C Venugopal has resigned as Director and Managing Director with effect from 28th February, 2006. Mr Soo Kil Han has resigned as Director with effect from 24th March, 2006 and the resulting casual vacancy in the Board was not filled up.

The remuneration paid to Managing Director was approved by the Shareholders and Government of India.

The remuneration paid / payable to Mr In Do Hwang, Joint Managing Director has been approved by the Government of India and the approval of Shareholders for the same is being sought at this Annual General Meeting.

Directors' Responsibility Statement :

As required under Section 217(2AA) of the Companies (Amendment) Act, 2000, Directors' Responsibility Statement, is annexed.

Auditors

M/s. Lovelock & Lewes, Chartered Accountants, Chennai, Company's Auditors, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a report of compliance of Corporate Governance as on 31st March, 2006 is annexed duly certified by a Practising Company Secretary.

Disclosures

A statement concerning employees as required by Section 217(2A) is attached to this report .

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

As required under Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, wherever applicable, are annexed.

General

Your Board of Directors is grateful to the Bankers, suppliers, converters and the Shareholders for the support extended from time to time. Your Board of Directors also wish to place on record the whole hearted co-operation given by employees, at all levels, during the year.

On behalf of the Board

Chennai
23rd May, 2006

Yong Tack Kim
Chairman



ANNEXURE TO DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 and forming part of Directors' Report.

A. (i) POWER AND FUEL CONSUMPTION	Current Year (2005-06)	Previous Year (2004-05)
1. Electricity		
(a) Purchases :		
Units	3683344	2843064
Total amount (Rs.lakh)	165.82	129.50
Rate/unit (Rs.)	4.50	4.56
(b) Own generation:		
Through Diesel generator		
Units	103180	58815
Total amount(Rs.lakh)	12.51	5.67
Units per litre of diesel oil	2.67	2.67
Cost/unit(Rs.)	12.13	9.64
2. Furnace oil quantity (K.litre)	1259.75	1071.65
Total amount (Rs.lakh)	192.34	121.89
Average rate per K.Litre(Rs.)	15268.19	11373.61
(ii) CONSUMPTION OF ELECTRICITY PER QUINTAL OF PRODUCTION (UNITS)	36.96	35.55

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

(i) The Company's R&D activity is directed towards development of new formulations & flavours, material substitution and indigenising machineries. These activities have resulted in improved quality, cost reduction, improved hygiene and new products.

(ii) Recognition has been accorded for Company's R&D unit by Dept. of Scientific & Industrial Research, New Delhi.

C. FOREIGN EXCHANGE

Earnings : Rs. 148.47 lakh

Outgo : Rs. 121.10 lakh

On behalf of the Board

Chennai
23rd May, 2006

Yong Tack Kim
Chairman

ANNEXURE TO DIRECTORS' REPORT (Contd.)

Information as per section 217 (2A) read with the companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report
Details of remuneration paid for the twelve months period ended 31st March, 2006

[A] EMPLOYED THROUGHOUT THE PERIOD AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN Rs.24,00,000
FOR THE YEAR ENDED 31ST MARCH, 2006. - NIL

[B] EMPLOYED FOR PART OF THE YEAR AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN Rs.2,00,000 p.m.

NAME (AGE)	DESIGNATION OF THE EMPLOYEE/ NATURE OF DUTIES	REMUNERATION Rupees	QUALIFICATION/ EXPERIENCE (YEARS)	DATE OF COMMENCE- MENT OF EMPLOYMENT	PREVIOUS EMPLOYMENT
N.C.VENUGOPAL (53 Yrs)	Managing Director (till 28th February, 2006)	53,18,458	B.E., PG.D.B.A [29]	24.5.2004	PARRY ENGINEERING & EXPORTS Ltd. CHENNAI. PRESIDENT

- Note: 1. The nature of employment of the employee mentioned above is contractual.
2. Remuneration as shown above includes salary, allowances, leave travel assistance, Company's contribution to Provident Fund, Superannuation Fund and Gratuity Fund, Medical facilities and perquisites valued in terms of actual expenditure incurred by the company in providing the benefits to the employee excepting in cases of certain expenses where the actual amount of expenditure cannot be ascertained with reasonable accuracy and in such cases, notional amount as per the Income-Tax Rules has been adopted.
3. The employee is not related to any Director of the Company.
4. The above remuneration was approved by Govt. of India, Ministry of Company Affairs, New Delhi, Vide letter No. 2/130/2005-CL.VII dated 10th February, 2006

On behalf of the Board

Chennai
23rd May, 2006

Yong Tack Kim
Chairman