



LOTTE
INDIA CORPORATION LIMITED

ANNUAL REPORT 2006-2007



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**Board of Directors**

YONG TACK KIM
Chairman

K.V. RAMACHANDRA
Managing Director

JEA YEL KIM
Wholetime Director

DONG BIN SHIN

SANG HOO KIM

SANG MAN SHIM

K. R. GANAPATHY

D.G. RAJAN

Head-Finance

V. KALYANA SUNDARAM

Company Secretary

S. MURALI KRISHNA

Registered Office

NO. 4/111, MOUNT POONAMALLEE ROAD,
MANAPAKKAM, CHENNAI 600 089

Head Office

NO. 84, MURUGESAN COMPLEX SOUTHERN BLOCK
SECOND FLOOR, GREAMS ROAD
CHENNAI 600 006

Factory

NELLIKUPPAM, TAMIL NADU

Auditors

LOVELOCK & LEWES
CHARTERED ACCOUNTANTS
CHENNAI

Bankers

STATE BANK OF INDIA
HDFC BANK LTD.





NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifty-Second Annual General Meeting of the Company will be held on Thursday, 26th July, 2007 at 4.00 p.m. at Kasturi Srinivasan Hall (Mini Hall) Music Academy, 168 TTK Road, Royapettah, Chennai – 600 014 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, 2007 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr. Yong Tack Kim who retires by rotation and is eligible for reappointment.
3. To appoint a Director in the place of Mr. Dong Bin Shin who retires by rotation and is eligible for reappointment.
4. To appoint a Director in the place of Mr. K. R. Ganapathy who retires by rotation and is eligible for reappointment.
5. 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 52nd Annual General Meeting till the conclusion of the 53rd Annual General Meeting and fixing remuneration.

SPECIAL BUSINESS

6. 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. D. G. Rajan as a Director having been received pursuant to Section 257 of the Companies Act,

1956, Mr. D. G. Rajan be and is hereby appointed as a Director of the Company, liable to retire by rotation.

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

RESOLVED to recommend the appointment of Mr. K.V. Ramachandra as Managing Director of the Company for a period of five years with effect from 23rd October, 2006.

FURTHER 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 approval of shareholders and Central Government, Mr. K.V. Ramachandra, Managing Director, be paid the following remuneration by way of salary, allowances and other perquisites with effect from 23rd October, 2006, subject to tax deduction as applicable

(In Rs)

Description	Per Month	Per Year
Basic Pay	2,20,000/-	26,40,000/-
Special Allowance	23,335/-	2,80,020/-
Leave Travel Allowance	13,333/-	1,60,000/-
Incentive	83,333/-	10,00,000/-
Housing	70,000/-	8,40,000/-
Car Fuel & maintenance	20,000/-	2,40,000/-
Club Entrance Fee for 2 clubs	8,333/-	1,00,000/-
Club Subscription	1,250/-	15,000/-
Medical / Domiciliary	8,333/-	1,00,000/-
Medical Insurance Premium	833/-	10,000/-
Personal Accident Insurance premium	833/-	10,000/-
Hospitalisation not covered by insurance	3,000/-	36,000/-
Telephone – Land line & Cell	6,250/-	75,000/-
Stock option	91,667/-	11,00,000/-
Retirement Benefits (PF/SAF/Gratuity @ 31.81% on Basic salary)	69,982/-	8,39,784/-
Total	6,20,482/-	74,45,784/-



NOTICE TO SHAREHOLDERS (Cond.)

Note No.1: Increments to be decided based on the performance.

Note No.2: One time soft furnishing expenditure of Rs. 5 Lakhs

Note No.3: Entitled for a car upto a maximum value of Rs.15 Lakhs

FURTHER RESOLVED THAT Mr. K.V. Ramachandra will not be entitled to any sitting fee for attending the meeting of the Board or any Committee thereof.

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

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

FURTHER RESOLVED THAT the Company Secretary be and is hereby authorized to make an application to the Central Government and do such other acts, deeds, things as may be required from time to time in giving effect to this resolution.

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

RESOLVED to recommend for reappointment of Mr. In Do Hwang as Joint Managing Director of the Company for the period from 30th July, 2006 to 30th April, 2007.

FURTHER 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 approval of shareholders and Central Government, Mr. In Do Hwang, Joint Managing Director, be paid the following remuneration by way of salary, allowances and other perquisites with effect from 30th July, 2006, subject to tax deduction as applicable.

(In Rs)

Description		Per month	Per year
Salary	Basic salary	30,000	3,60,000
	Allowance	30,000	3,60,000
Benefits	Club Membership	12,500	1,50,000
	Telephone, Credit Card	6,363	76,356
Retirement Benefits	Provident Fund (12%)	3,600	43,200
	Superannuation Fund (15%)	4,500	54,000
	Gratuity (4.81%)	1,443	17,316
Medical facilities	Medical Domiciliary	8,333	1,00,000
	Medical Insurance Premium	833	10,000
	Hospitalisation not covered by insurance	3,000	36,000
	Personal accident insurance	833	10,000
Total		1,01,406	12,16,872

All other terms and conditions remain unchanged.

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

FURTHER RESOLVED 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 the Central Government.

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



NOTICE TO SHAREHOLDERS (Cond.)

FURTHER RESOLVED THAT the Company Secretary be and is hereby authorized to make an application to the Central Government and do such other acts, deeds, things as may be required from time to time in giving effect to this resolution.

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

RESOLVED to recommend for appointment of Mr. Jea Yel Kim as Wholetime Director of the Company for a period of five years with effect from 1st May, 2007.

FURTHER 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 approval of shareholders and Central Government, Mr. Jea Yel Kim, Wholetime Director, be paid the following remuneration by way of salary, allowances and other perquisites with effect from 1st May, 2007, subject to tax deduction as applicable.

(In Rs)

Description		Per month	Per year
Salary	Basic salary	30,000	3,60,000
	Allowance	30,000	3,60,000
Benefits	Club Membership	12,500	1,50,000
	Telephone, Credit Card	6,363	76,356
Retirement Benefits	Provident Fund (12%)	3,600	43,200
	Superannuation Fund (15%)	4,500	54,000
	Gratuity (4.81%)	1,443	17,316
Medical facilities	Medical Domiciliary	8,333	1,00,000
	Medical Insurance Premium	833	10,000
	Hospitalisation not covered by insurance	3,000	36,000
	Personal accident insurance	833	10,000
Total		1,01,406	12,16,872

All other terms and conditions as per the rules of the Company.

FURTHER RESOLVED THAT Mr. Jea Yel Kim will not be entitled to any sitting fee for attending the meeting of the Board or any Committee there of.

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

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

FURTHER RESOLVED THAT the Company Secretary be and is hereby authorized to make an application to the Central Government and do such other acts, deeds, things as may be required from time to time in giving effect to this resolution.

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

RESOLVED THAT pursuant to Section 163 of the Companies Act, 1956, the Company hereby approves that the Register of Members, Debenture Holders, Indexes, Returns and copies of certificates and other records and documents be kept at the Head Office of the Company at No. 84, Murugesan Complex Southern Block, Second Floor, Greaves Road, Chennai – 600 006, instead of at the Registered Office of the Company at No. 4/111, Mount Poonamallee Road, Manapakkam, Chennai 600 089.



NOTICE TO SHAREHOLDERS (Cond.)

11. 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 Section 81, Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force), consent and approval of Foreign Investment Promotion Board (FIPB), Reserve Bank of India (RBI), if and to the extent required, and in accordance with the provisions of Memorandum and Articles of Association of the Company and Listing Agreement(s) entered into by the Company with the Stock Exchange(s) where the Company's shares are listed and subject to the guidelines and approvals of the Securities and Exchange Board of India (SEBI), Stock Exchanges where the equity shares of the Company are listed, and any other appropriate authorities, Institutions or bodies, and subject to such terms and conditions, alterations/deletions and modifications as may be required or prescribed under the requisite approvals, consents and guidelines which may be agreed to by the Board of Directors of the Company (hereinafter called the "Board", which term shall be deemed to include any committee or committees constituted/ to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), and subject to the approval of the members, the consent of the Company be and is hereby accorded to offer, issue and allot Equity Shares of Rs.10/- (Rupees Ten), each for cash, on Rights basis for an aggregate amount not exceeding Rs.200 crores (Rupees Two Hundred Crores only) inclusive of

such premium in such ratio and at such price / in such price band as may be decided by the Board ("Proposed Rights Issue"), to the shareholders whose names appear on the Register of Members or on the list of depositories as beneficial owners, as at the end of the business hours on such date as may hereafter be fixed for the purpose by the Board (hereinafter referred to as the "Record Date"), or to such person or persons who may or may not be shareholders of the Company in whose favour (in full or in part), the rights may be renounced by respective shareholders on such terms and conditions, as the Board may in its absolute discretion think fit, in consultation with the Lead Manager(s) to the Proposed Rights Issue and/or such other persons as it may think fit.

RESOLVED FURTHER THAT, the offer shall be made by notice specifying the number of the shares, the amount payable thereon and the time limit not being less than 30 (thirty) days but not exceeding 60 (sixty) days, from the date of the offer within which the offer has to be accepted failing which, it will be deemed to have been declined, and if the offer is otherwise declined by the concerned existing shareholder before the expiry of the aforesaid period, the Board shall thereafter be at liberty to either extend the time for acceptance as aforesaid from time to time, either generally or in respect of any particular applicants or dispose of the same in its absolute discretion to such person(s), whether or not member(s) of the Company and in such manner as the Board may deem fit.

RESOLVED FURTHER THAT the terms and conditions governing the Proposed Rights Issue shall be as follows :



NOTICE TO SHAREHOLDERS (Cond.)

- (i) The payment against the Equity Shares shall be made in full on application.
- (ii) The Equity Shares offered to the Shareholders of the Company on Right Basis shall also carry the rights exercisable by the shareholders concerned to renounce the Equity Shares offered to them in whole or in part in favour of any other person(s), provided such renunciation and subsequent application by renouncee(s) is made on or before the closure of the Rights offer.
- (iii) The Existing shareholders as also the renouncees are entitled to apply for additional Equity Shares provided that the shareholders who have renounced his right in full or in part will not be entitled to apply for additional Equity Shares.
- (iv) The issue of Equity Shares in favour of persons/entities resident outside India shall be subject to the approval of the Reserve Bank of India/Foreign Investment Promotion Board, to the extent required, pursuant to the provisions of Foreign Exchange Management Act, 1999 and rules/regulations/notifications thereunder.
- (v) The Board shall be entitled to vary, modify or alter any of the terms and conditions as it may deem fit and expedient in the interest of the Company.
- (vi) Undersubscribed portion, if any, shall be subscribed by the promoter/ promoter group in addition to their entitlements in terms of Regulation 3(1)(b)(ii) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and/or disposed off in such manner as the Board may deem fit and proper at its absolute discretion.
- (vii) The shares proposed to be issued shall be issued in such manner as determined by the Company in consultation with the Lead Manager(s), in

accordance with and within the time prescribed by law .

RESOLVED FURTHER THAT the Board shall take necessary steps to increase the public shareholding in the Company to the minimum level as required in terms of the listing agreement within the time frame as may be specified by the Stock Exchange(s) where the Company's equity shares are listed, or any other regulatory authority.

RESOLVED FURTHER THAT for the purposes of giving effect to these aforesaid, the Board (which term shall be deemed to include any committee or committees constituted / to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), be and is hereby authorized to :

- a) to decide on the appropriate time for the Proposed Rights Issue, the Price Band, the final price within the Price Band at which the proposed shares are to be offered and all other terms and conditions on which the shares are to be issued, and to accept any amendments, modifications, variations or alterations thereto;
- b) to finalise and issue the Draft Letter of Offer/Letters of Offer /Abridged Letter of Offer/Notice/ Split Form and Application Form and to make the necessary arrangement in connection thereof
- c) to appoint and enter into arrangements with professionals or intermediaries required to be appointed or engaged for or in relation to the Proposed Rights Issue and to give such direction(s) and/or instruction(s) as may be required from time to time;
- d) to finalize and settle and to execute and deliver or arrange the delivery/filing with regulatory



NOTICE TO SHAREHOLDERS (Cond.)

authorities of the offering documents (the draft letter of offer, the letter of offer (including the draft international wrap and final international wrap, if required, for marketing of the Issue in jurisdictions outside India), escrow and other agreements, documents, deeds, agreements and instruments as may be required or desirable in connection with the Proposed Rights Issue, including effecting changes in the offering documents and other documents as may be required by regulatory authorities or applicable laws, rules, regulations, guidelines, notifications, circulars or directions, or those required pursuant to factual changes, or otherwise so required at the discretion of the Board.

- e) to open one or more separate current account(s) in such name and style as may be decided, with the bankers to the Issue to receive applications along with application monies in respect of the Proposed Rights Issue;
- f) to open one or more bank account(s) of the Company such name and style as may be decided for the handling of refunds for the Proposed Rights Issue;
- g) to make any applications to the FIPB, RBI and such other authorities, as may be required, for the purpose of issue of shares by the Company to non-resident investors including but not limited to NRIs, FIIs and other non-residents;
- h) to make applications for permission to list the Equity Shares of the Company and to do or execute all such acts, deeds, agreements, as may be necessary to seek the listing of such shares in one or more stock exchange(s) with power to sign and execute and to deliver or arrange the delivery of the listing agreement(s) or equivalent documentation to the concerned stock exchange(s);
- i) Approve expenditure in relation to the Proposed Rights Issue, and to settle all questions, difficulties or doubts that may arise in regard to the Proposed

Rights Issue or in relation to issue and allotment of shares including as regards fractional entitlements as it may, in its absolute discretion deem fit; and

- j) to do all such acts, deeds, matters and things, sign all such papers, documents memoranda of understanding and agreements, make all such applications and take all appropriate and necessary actions, as it may, in its absolute discretion, deem necessary or desirable for such purpose, or otherwise in relation to the Proposed Rights Issue or any matter incidental or ancillary in relation to the Issue, including taking any decision required to be taken by the Board of Directors of the Company including without limitation, allotment of the equity shares as permissible in law, issue of share certificates in accordance with the relevant rules, provided that the powers of the Board under this sub-clause are inclusive and not exclusive, and shall not be deemed to be restricted to, or be constrained by, the provisions of any other part of this Resolution;

RESOLVED FURTHER THAT the said new equity shares proposed to be issued pursuant to the Proposed Rights Issue shall rank *pari passu* in all respects with the existing fully paid-up Equity Shares in the capital of the Company including dividend to be declared if any, for the concerned financial year.

RESOLVED FURTHER THAT notwithstanding the above the Board shall be entitled to increase or decrease the size of the issue and other particulars relating to, and terms and conditions of the Proposed Rights Issue, as it may deem fit and expedient in the interest of the Company.

By Order of the Board
for Lotte India Corporation Limited

Chennai
28th May, 2007

S MURALI KRISHNA
Company Secretary