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**Annual
Report**
2008-2009

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CORPORATE INFORMATION

Board of Directors

YONG TACK KIM
Chairman

MYUNG KI MIN
Managing Director

JEA YEL KIM
Wholetime Director

K.R. GANAPATHY

D.G. RAJAN

Company Secretary

S. MURALIKRISHNA

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, TAMILNADU

Auditors

LOVELOCK & LEWES
CHARTERED ACCOUNTANTS
CHENNAI

Bankers

STATE BANK OF INDIA
HDFC BANK LTD.
MIZUHO CORPORATE BANK LTD.
SHINHAN BANK





NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifty-Fourth Annual General Meeting of the Company will be held on Friday, the 18th September, 2009 at 11.00 a.m. at the Head Office of the Company at Murugesan Complex, Second Floor, No. 84, Greaves Road, Thousand Lights, Chennai 600 006 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, 2009 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Dr. Yong Tack Kim who retires by rotation and is eligible for reappointment.
3. To appoint a Director in the place of Mr K R Ganapathy who retires by rotation and is eligible for re-appointment. Mr. K R Ganapathy has expressed his desire to retire and he is not to be considered 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 54th Annual General Meeting till the conclusion of the 55th Annual General Meeting and to fix their remuneration.

By Order of the Board
for Lotte India Corporation Limited

Chennai
May 19, 2009

S MURALIKRISHNA
Company Secretary

NOTES

1. A member entitled to attend and vote at the above meeting may appoint one or more Proxies to attend and vote instead of himself / herself. 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.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from 15th September, 2009 to 18th September, 2009 (both days inclusive).
3. Members are requested to intimate change in their addresses, if any, immediately to the Company at its Head Office quoting their folio number / Client ID number.

ANNEXURE TO THE NOTICE

A. Details of Director seeking appointment / re-appointment pursuant to Clause 40 of the Listing Agreement with Stock Exchanges

PROFILE OF Dr. YONG TACK KIM

Dr. Yong Tack Kim is a Master of Science in Agriculture and did his doctorate from Korea University. He has held various senior level positions in Lotte Confectionery Co. Ltd., Korea and is at present the President of Lotte R & D centre.

He is the Chairman of the Board and a member of Remuneration & Nomination Committee

By Order of the Board
for Lotte India Corporation Limited

Chennai
May 19, 2009

S MURALIKRISHNA
Company Secretary



DIRECTORS' REPORT

Your Directors present the 54th Annual Report of your Company together with the audited financial statements for the year ended 31st March, 2009.

Financial Results

	2008-2009 (Rs.in Lakh)	2007-2008 (Rs.in Lakh)
Sales	18341.68	16815.48
Profit before depreciation and interest & finance charges	611.55	83.25
Less : Depreciation and Interest & finance charges	883.74	852.87
Profit / (Loss) before tax	(272.19)	(769.62)
Less : Provision for Taxes :		
Current	—	—
Deferred	(85.06)	(217.93)
Fringe Benefit	27.00	27.64
Profit / (Loss) after tax	(214.13)	(579.33)
Add : Balance brought forward	(122.87)	456.46
Balance Profit transferred to Balance Sheet	(337.00)	(122.87)

In view of loss, the Board of Directors has decided not to recommend any dividend for the year ended 31st March 2009.

Review of operations

For the year ended 31st March, 2009 the Company achieved 9% growth in gross sales at Rs.18341.68 Lakh as against Rs.16815.48 Lakh in the previous year.

During the year, the Company has achieved profit before interest and finance charges of Rs.81.44 lakh as against

loss of Rs.445.68 lakh in the previous year, despite steep increase in the cost of critical raw materials like Sugar, Liquid Glucose, Milk, etc. This was achieved through various strategic market initiatives and cost management measures taken by the Company.

During the year, the Company incurred a higher interest cost to the extent of Rs.329.49 Lakh as against Rs.295.18 Lakh in the previous year on Term Loans borrowed for investments made during 2006-07.

The Company has entered into a Lease agreement with Lotte Foods India Private Limited, Delhi for leasing the 21.525 acres of land in Nemam Village, Thiruvallur district for a period of five years effective 1st August, 2008 for construction of factory with an interest free lease deposit of Rs.33 crores on a lease rent of Rs.40,000 per month.

The Company has repaid during the year the Short term Loan borrowed from the banks and now the Company is a debt free Company.

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

Investor Education and Protection Fund

Pursuant to the provisions of Section 205C of the Companies Act, 1956, your Company has transferred unpaid matured debenture instalments and interest thereon amounting to Rs.15,136 during the year and Rs.40,940 on 6th May, 2009 to the Investor Education and Protection Fund.

Directors

Dr. Yong Tack Kim is retiring by rotation in the ensuing Annual General Meeting and offers himself for re-appointment.

Mr. K R Ganapathy 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. Dong Bin Shin and Mr. Sang Hoo Kim have resigned from the Board as Directors with effect from 19th May, 2009. The Board wishes to place on record its deep appreciation of their valuable contribution to the growth of the Company.

Directors' Responsibility Statement

As required under Section 217(2AA) of the Companies Act, 1956, Directors' Responsibility Statement is given in Annexure 'C' to this Report.

Auditors

M/s. Lovelock & Lewes, Chartered Accountants, Chennai, Company's Auditors, retire at the conclusion of the ensuing Annual General Meeting and being eligible have expressed their willingness to be reappointed.

Delisting

The Promoter had made a public announcement to the Public Shareholders of the Company on 12th September, 2008 in accordance with Delisting Guidelines. However, the price determined by the Reverse Book Building process i.e. Rs.825/- per share was not acceptable to the Promoter.

The promoter therefore decided to provide another exit opportunity to the Public Shareholders of the Company and made a public announcement on April 13, 2009. The price determined by the Reverse Book Building process i.e. Rs.540/- per share was acceptable to the Promoter and has initiated activities for acquisition of shares.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, a report on compliance of Corporate Governance regulations as on 31st March, 2009 duly certified by a Practicing Company Secretary is annexed.

Disclosures

A statement concerning particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is given in Annexure 'B' to this Report.

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

During the year 2008-09, the Company had initiated a number of measures for Conservation of Energy and Water at its manufacturing facility at Nellikuppam. Through these measures, the Company has achieved significant reduction in Consumption of power and usage of water, and is expected to reap the resultant benefits in the coming years.

As required 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, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, wherever applicable, are given in Annexure 'A' to this Report.

Acknowledgement

The Board wishes to place on record, its appreciation for the cooperation and support received from the Bankers, suppliers, converters and the Shareholders. The Board also wishes to place on record the whole hearted co-operation given by employees, at all levels, during the year.

On behalf of the Board

Chennai
May 19, 2009

JEA YEL KIM
Wholtime Director

MYUNG KI MIN
Managing Director



ANNEXURE 'A' 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.

	Current Year (2008-09)	Previous Year (2007-08)
A. (I) POWER AND FUEL CONSUMPTION		
1. Electricity		
(a) Purchases		
Units	2396539	3007971
Total amount (Rs.lakh)	107.19	133.43
Rate/unit (Rs.)	4.47	4.44
(b) Own generation:		
Through Diesel generator		
Units	609796	77699
Total amount (Rs.lakh)	78.68	10.21
Units per litre of diesel oil	2.79	2.60
Cost/unit (Rs.)	12.90	13.14
2. Furnace oil quantity (K.litre)	805.18	894.05
Total amount (Rs.lakh)	199.89	181.70
Average rate per K.Litre(Rs.)	24825.82	20323.75
(II) CONSUMPTION OF ELECTRICITY PER QUINTAL OF PRODUCTION (UNITS)	40.21	37.36

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

Earning	:	Rs.116.42 lakh
Outgo	:	Rs.684.48 lakh

On behalf of the Board

Chennai	JEA YEL KIM	MYUNG KI MIN
May 19, 2009	Wholetime Director	Managing Director



ANNEXURE 'B' TO DIRECTORS' REPORT

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, 2009

[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, 2009

NAME (AGE)	DESIGNATION/ NATURE OF DUTIES	REMUNERATION Rs.	QUALIFICATION/ EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	PREVIOUS EMPLOYMENT
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/ NATURE OF DUTIES	REMUNERATION Rs.	QUALIFICATION/ EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	PREVIOUS EMPLOYMENT
K. V Ramachandra (46 Yrs)	Managing Director	1,275,212	B.Com, M.M.S (24 Years)	23.10.2006	Pepsico India Holdings Ltd., Director - Sales Operations

- Note :
- The nature of employment of the employee mentioned above is contractual.
 - 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.
 - The employee is not related to any Director of the Company.

On behalf of the Board

Chennai
May 19, 2009

JEA YEL KIM
Wholtime Director

MYUNG KI MIN
Managing Director

ANNEXURE 'C' TO DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of Lotte India Corporation Limited confirm that in the preparation of the Profit and Loss account for the year ended 31st March, 2009 and the Balance Sheet as at that date (financial statement) :

- The applicable Accounting Standards issued by the Institute of Chartered Accountants of India have been followed.
- Appropriate accounting policies have been selected and applied consistently and judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the loss incurred by the Company during that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities. To ensure this, the Company has established internal control systems, consistent with its size and nature of operations, subject to the inherent limitations that should be recognized in weighing the assurance provided by any such system of internal controls. These systems are reviewed and updated on an ongoing basis. Periodic internal audits are conducted to provide reasonable assurance of compliance with these systems. The Audit Committee meets at regular intervals to review the internal audit function.
- The financial statements have been prepared on a going concern basis.
- The financial statements have been audited by M/s. Lovelock & Lewes, the Statutory Auditors and their report is appended thereto.

On behalf of the Board

Chennai
May 19, 2009

JEA YEL KIM
Wholtime Director

MYUNG KI MIN
Managing Director



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Lotte India Corporation Limited is one of the pioneer and one of the market leaders in the Indian Confectionery business market. It is engaged in the manufacture and marketing of Toffees, Hard Boiled Confectionery, Chewing Gum and Bubble Gum. Lotte India Corporation Limited is a subsidiary of Lotte Confectionery Co. Ltd., Korea, which is a US \$ 1.5 Billion company.

Lotte India Corporation Limited products are well established across the Indian market. Some of our leading brands are Coffy Bite, Lacto King, Caramilk, Chocovie, 'Spout' Chewing Gum and 'Booproo' Bubble Gum. The Company launched Booproo Cola, Coffy Bite Cappuccino, Thanda Mint, Spout Cinnamon and Caramilk Eclairs during the year 2008-09 across the country and has received a very positive response. The Company aims to be a dominant player in food business in the long run.

The Company caters to the market through its own manufacturing facility located in Tamil Nadu with an all India distribution network and also through outsourcing units located across India.

INDUSTRY TRENDS

GDP for the year 2008-09 is 7.1 per cent and the advance estimates of the Central Statistical Organisation (CSO) expects the economy to grow by 8.7 per cent in 2009-10.

The confectionery industry in India is approximately divided into chocolates, hard boiled candies, Eclairs and toffees, chewing gums, lollipops, bubble gum, mints and lozenges.

The biggest change in the confectionery industry in India over the past 10-12 years has been in terms of packaging and promotions. Today's confectionery

products are far superior in terms of packaging. Even in terms of promoting and marketing the products, every company is spending much more on brand building initiatives, which was almost negligible a decade ago. There is always an increasing awareness among the consumers and the public in general about the confectionery products and the markets today are demanding superior quality branded products.

The majority of the consumers of confectionery products, especially the sugar boiled confectionery products, are the younger generation. The majority of the retail sales in this industry take place in single units and not in packs or in quantities and thus the majority of the consumption is at the "Point of Sale" and there is also an inadequate consumption "in home".

Overall, this sector itself has become more organized and the players in this business are concentrating on ways to improvise their packaging, merchandising and product promotion schemes. There is an uphill trend in the confectionery trade as more companies showing interest in the segment, so this industry is expected to grow in the future.

COMPANY PERFORMANCE

Despite a steep increase in the price of critical raw materials like Sugar, Liquid Glucose, Milk etc, the Company has sustained its margins through various strategic measures and the very focused cost reduction initiatives. The Company has also launched a number of new products viz. Coffy Bite Cappuccino, Thanda Mint and Caramilk Éclairs for which the market response has been quite encouraging. To enhance the product image, the Company has also improved the packaging for majority of its key products. With support from its parent Company, Lotte Confectionery