

**CONTENTS****Page No.**

CORPORATE INFORMATION	1
NOTICE TO SHAREHOLDERS	3
DIRECTORS' REPORT	4
ANNEXURES TO DIRECTORS' REPORT	6
MANAGEMENT DISCUSSION & ANALYSIS REPORT	8
REPORT ON CORPORATE GOVERNANCE	10
GENERAL SHAREHOLDER INFORMATION	16
REPORT OF THE AUDITORS	19
BALANCE SHEET	22
PROFIT AND LOSS ACCOUNT	23
CASH FLOW STATEMENT	24
SCHEDULES	25
BALANCE SHEET ABSTRACT	41

## **CORPORATE INFORMATION**

**Board of Directors**

YONG TACK KIM  
Chairman

MYUNG KI MIN  
Managing Director

D.G. RAJAN  
Director

**Company Secretary**

S. MURALIKRISHNA

**Registered Office**

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

**Head Office**

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

**Factory**

NELLIKUPPAM, TAMIL NADU

**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-Fifth Annual General Meeting of the Company will be held on Tuesday, the 10<sup>th</sup> August, 2010 at 11.00 a.m. at the Head Office of the Company at Murugesan Complex, Second Floor, No. 84, Greams 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 31<sup>st</sup> March, 2010 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr. D G Rajan who retires by rotation and is eligible for reappointment.
3. To consider the appointment of M/s B S R & Company, Chartered Accountants, Chennai, as auditors of the Company to hold office from the conclusion of the 55<sup>th</sup> Annual General Meeting till the conclusion of the 56<sup>th</sup> Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

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

**RESOLVED THAT** subject to the provisions of the Companies Act, 1956, if any, the Memorandum of Association of the Company be amended by insertion of new Clause under the Main Objects, as below :

A new clause 20A be inserted after the existing clause 20, to be read as follows :

"To amalgamate with any Company or Companies having objects altogether or in part similar to those of this Company."

By Order of the Board  
for Lotte India Corporation Limited

Chennai  
June 7, 2010

S MURALIKRISHNA  
Company Secretary

## NOTES

1. The relevant explanatory statement pursuant to Sec. 173 of the Companies Act, 1956 ("The Act") in respect of Item No. 4 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 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.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 6<sup>th</sup> August, 2010 to 10<sup>th</sup> August, 2010 (both days inclusive)
4. 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

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

#### Item No. 4

The Memorandum of Association of the company needs to be altered to enable the company for amalgamating any other company or companies having similar objects.

None of the directors is interested in the resolution.

By Order of the Board  
For Lotte India Corporation Limited

Chennai  
June 7, 2010

S MURALIKRISHNA  
Company Secretary

## DIRECTORS' REPORT

Your Directors present the 55<sup>th</sup> Annual Report of your Company together with the audited financial statements for the year ended 31<sup>st</sup> March 2010.

### Financial Results

	2009-2010 (Rs.in Lakh)	2008-2009 (Rs.in Lakh)
Sales	19703.19	18341.68
Profit before depreciation and interest & finance charges	982.75	611.55
Less : Depreciation and Interest & finance charges	481.54	883.74
Profit / (Loss) before tax	501.21	(272.19)
Less Provision for Taxes :		
Current	86.00	—
Deferred	161.00	(85.06)
Fringe Benefit	—	27.00
Profit / (Loss) after tax	254.21	(214.13)
Add : Balance brought forward	(337.00)	(122.87)
Balance Loss transferred to Balance Sheet	(82.79)	(337.00)

The Board of Directors has decided not to recommend any dividend for the year ended 31<sup>st</sup> March 2010.

### Review of operations

For the year ended 31<sup>st</sup> March, 2010 the Company achieved 7.42% growth in gross sales at Rs.19703.19 Lakh as against Rs.18341.68 Lakh in the previous year.

During the year, the Company has achieved profit before interest and finance charges of Rs.518.87 Lakh as

against profit before interest and finance charges of Rs.81.44 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.

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.54,764 during the year and Rs.15,809 on 27<sup>th</sup> April, 2010 to the Investor Education and Protection Fund.

### Directors

Mr. D G Rajan is retiring by rotation in the ensuing Annual General Meeting and offers himself for re-appointment.

Mr. Jea Yel Kim and Mr. Sang Man Shim have resigned from the Board as Directors with effect from 30<sup>th</sup> July, 2009 and 29<sup>th</sup> October, 2009, respectively. 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, expressed their desire not to seek re-appointment as Statutory Auditors of the Company.

M/s. B S R & Company, Chartered Accountants, Chennai, has given their consent to act as Statutory Auditors of the Company. The Board has recommended for appointment of M/s. B S R & Company, Chartered

## **DIRECTORS' REPORT (Contd.)**

Accountants, Chennai, as Statutory Auditors of the Company to hold office from the conclusion of the 55th Annual General Meeting till the conclusion of the 56th Annual General Meeting and to fix their remuneration.

### **Delisting**

The Company had filed delisting application with National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Madras Stock Exchange Limited on 9<sup>th</sup> June, 2009 to delist the equity shares of the Company and received approvals from all the Stock Exchanges for delisting the equity shares of the company with effect from 24<sup>th</sup> July, 2009.

In accordance with SEBI (Delisting of Securities) Guidelines, 2003, the Promoter M/s. Lotte Confectionery Co. Ltd., Korea, made a Public Announcement on 13<sup>th</sup> April, 2009 for acquiring the shares under Reverse Book Building Process (RBP). The bid period for the RBP was kept open between 4<sup>th</sup> May, 2009 and 8<sup>th</sup> May, 2009 for Demat shareholders and between 14<sup>th</sup> May, 2009 and 28<sup>th</sup> May, 2009 for Physical shareholders and finally exit offer for the remaining public shareholders for a period of six months i.e. from 3<sup>rd</sup> August, 2009 to 2<sup>nd</sup> February, 2010.

Post Delisting, promoter M/s. Lotte Confectionery Co. Ltd., Korea is holding 3615961 equity shares (95.88%) and the balance 155328 equity shares (4.12%) are held by Public. The delisting process was completed during the year.

### **Amalgamation**

The Board of Directors have approved a scheme of amalgamation between Lotte Food India Private Limited and the Company with effect from 1<sup>st</sup> April, 2010. This is subject to the approval of the Hon'ble High Court of Judicature at Madras. The Company has initiated the relevant process in this regard.

### **Corporate Governance**

As a good Corporate Governance, a report on compliance of Corporate Governance as on 31<sup>st</sup> March, 2010 duly certified by the 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 2009-10, 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  
June 7, 2010

MYUNG KI MIN  
Managing Director

D G RAJAN  
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.

	<b>Current Year 2009-10</b>	<b>Previous Year 2008-09</b>
<b>A. (I) POWER AND FUEL CONSUMPTION</b>		
1. Electricity		
(a) Purchases		
Units	2100719	2396539
Total amount (Rs.lakh)	94.33	107.19
Rate/unit (Rs.)	4.49	4.47
(b) Own generation: Through Diesel generator		
Units	799915	609796
Total amount (Rs.lakh)	104.05	78.68
Units per litre of diesel oil	2.70	2.79
Cost/unit(Rs.)	13.01	12.90
2. Furnace oil quantity (K.litre)	702.08	805.18
Total amount (Rs.lakh)	163.65	199.89
Average rate per K.Litre(Rs.)	23309.68	24825.82
<b>(II) CONSUMPTION OF ELECTRICITY PER QUINTAL OF PRODUCTION (UNITS)</b>	34.35	40.21

## 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. 152.02 lakh

Outgo : Rs. 996.60 lakh

On behalf of the Board

Chennai  
June 7, 2010

MYUNG KI MIN  
Managing Director

D G RAJAN  
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, 2010

[A] EMPLOYED THROUGHOUT THE PERIOD AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN Rs.24,00,000 FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2010

NAME (AGE)	DESIGNATION/ NATURE OF DUTIES	REMUNERATION Rs.	QUALIFICATION/ EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	PREVIOUS EMPLOYMENT
Myung Ki Min (48 Yrs)	Managing Director	24,88,990	Bachelor of Commerce Masters degree in Marketing (20 years)	22.04.2008	Lotte Confectionery Co. Ltd., Korea

[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
— NIL —					

- 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 Corporate Affairs, New Delhi, Vide Letter No. SRN/A 40129991/3/2010-CL.VII dated 3<sup>rd</sup> March, 2010

On behalf of the Board

Chennai  
June 7, 2010

MYUNG KI MIN  
Managing Director

D G RAJAN  
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 31<sup>st</sup> March, 2010 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 judgments 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 profit made 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  
June 7, 2010

MYUNG KI MIN  
Managing Director

D G RAJAN  
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, Chocopie, 'Spout' Chewing Gum and 'Booproo' Bubble Gum. The Company aims to be a consumer friendly and a dominant player in fun 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 2009-2010 is 6.5 per cent and the advance estimates of the Central Statistical Organisation (CSO) expects the economy to grow by 7.2 per cent in 2010-2011.

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 for more than a decade 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 very focused cost reduction initiatives. To enhance the product image, the Company is also working on improving the quality of the packaging for majority of its key products and which is been backed by some superior quality marketing strategies. With support from its parent Company, Lotte Confectionery Co. Ltd., Korea and access to their wider product portfolio, the Company is confident of achieving its growth targets, while sustaining its profit margins.

The Company has documented procedures and controls in respect of critical operations which are reviewed by the internal audit function and audit Committee periodically.

A number of HR development initiatives in the form of training in Excel, Fire Safety programmes, Selling skill, ISO Awareness and Internal Audit and skill development programmes has been conducted during the year. As on 31<sup>st</sup> March, 2010, the total number of employees in the organization was 565.



---

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT (Contd.)

### RISK FACTORS

The main risk for the Company has been its single sector dependence, price point sensitivity, volatile raw material prices and stiff competition from other organized players. During the course of this year, the Company has launched a series of measures to broaden its product portfolio varied price point offerings and has put into place a series of measures including alternate sourcing for critical commodities and raw material substitution in few cases. These, we believe, will strengthen the Company to weather any unforeseen volatility in raw material prices and also venturing into Biscuit segment by selling Chocopie.

### OUTLOOK

With the Indian economy stagnant the FMCG industry is expected to grow at a decent pace in the coming years particularly in respect of high value niche products for which the demand is growing substantially. There has been a great change in people's mindset and this will lead to increased confectionery consumption. With Indian consumers becoming more health conscious and the government waiving the restriction on using artificial sweeteners, the sugar-free segment will drive growth in the confectionery business.

There is substantial increase in demand for branded high quality products, like Lotte Chocopie, for which

the consumers are showing great interest in buying the product. With retailing through modern format stores becoming the order of the day, the Company is poised to capture a significant share of such markets for both its present and future products. The Company has also laid focus on the increasing its market share in the modern format stores by setting up a exclusive team for concentrating on modern trade. Intense competition is expected to prevail in the industry in the coming years resulting in consolidation in the market place with only established players with quality products expected to reap gains. Our Company has always believed in innovation, planning to bring in new products and new offers by also introducing innovative products in the gum category, our Company is poised for significant growth in the coming years.

The Company plans to invest significantly in brand building and expand its distribution network substantially in the coming years.

All these measures backed up by cost management initiatives will help the Company to achieve its revenue and profit targets in the competitive market in the years ahead.

On behalf of the Board

Chennai  
June 7, 2010

MYUNG KI MIN  
Managing Director

D G RAJAN  
Director

## REPORT ON CORPORATE GOVERNANCE

### 1 COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Lotte India Corporation Limited (LICL) is committed to the highest standards of Corporate Governance in all its activities and processes.

Corporate Governance refers to the manner in which a Company is directed, and laws and customs affecting that direction. It includes the manner in which a Company operates under the laws governing Companies, the bylaws established by the Company itself, and the structure of the Company. The Corporate Governance structure specifies the relationship, and the distribution of rights and responsibilities, among primarily three groups of participants viz. the Board of directors, managers and shareholders. It spells out the rules and procedures for making decisions on corporate affairs; it also provides the structure through which the company objectives are set, as well as the means of attaining and monitoring the performance of those objectives.

The fundamental concern of corporate governance is to ensure conditions whereby a Company's directors and managers act in the interests of the Company and its various stakeholders.

The following is a report on the status and progress on major aspects of Corporate Governance.

### 2 BOARD OF DIRECTORS

#### (a) Composition

The present strength of the Board as on the date of this report is three Directors of which one Director is Executive Director. The remaining two Directors are Non-Executive Directors of which one is an Independent Director.

Name of the Directors	Category	No. of Directorships held in other Indian Companies #	Number of membership on other Board/ Committees	No. of shares held
Dr. Yong Tack Kim Chairman	Non Executive Director	Nil	Nil	—
Mr. Myung Ki Min Managing Director	Executive Director	Nil	Nil	—
Mr. Jea Yel Kim** Wholetime Director	Executive Director	Nil	Nil	—
Mr. K R Ganapathy****	Independent Director	1	Nil	2
Mr. Sang Man Shim***	Independent Director	Nil	Nil	—
Mr. D G Rajan	Independent Director	3	2	—
Mr. Dong Bin Shin*	Non-Executive Director	Nil	Nil	—
Mr. Sang Hoo Kim*	Non-Executive Director	Nil	Nil	—

\* Resigned with effect from 19<sup>th</sup> May, 2009

\*\* Resigned with effect from 30<sup>th</sup> July, 2009

\*\*\* Resigned with effect from 29<sup>th</sup> October, 2009

\*\*\*\* Retired on 18<sup>th</sup> September, 2009

# Directorships held by Directors as mentioned above, do not include Alternative Directorships and Directorships of Foreign Companies, Section 25 Companies and Private Limited Companies

#### (b) Attendance of each director at the Board Meetings and the last AGM

During the financial year ended 31<sup>st</sup> March, 2010, four Board Meetings were held on the following dates :

19.05.2009, 30.07.2009, 29.10.2009, 28.01.2010.