

# LOTTE

ANNUAL REPORT - 2011



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

CORPORATE INFORMATION	1
NOTICE TO SHAREHOLDERS	2
DIRECTORS' REPORT	4
ANNEXURES TO DIRECTORS' REPORT	6
REPORT ON CORPORATE GOVERNANCE	6
GENERAL SHAREHOLDER INFORMATION	9
REPORT OF THE AUDITORS	11
BALANCE SHEET	14
PROFIT AND LOSS ACCOUNT	15
CASH FLOW STATEMENT	16
SCHEDULES	17
BALANCE SHEET ABSTRACT	35

## **CORPORATE INFORMATION**

### **Board of Directors**

YONG SU KIM (From 30.03.2012)  
Chairman

SANG HOO KIM (Till 30.03.2012)  
Chairman

MYUNG KI MIN  
Managing Director

MILAN WAHI (From 02.04.2012)  
Deputy Managing Director

D.G. RAJAN  
Director

### **Company Secretary**

T . G . KARTHIKEYAN

### **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

### **Factories**

1. NELLIKUPPAM (CUDDALORE DIST.) TAMIL NADU
2. CHENNAI, TAMIL NADU

### **Auditors**

B S R & Company  
CHARTERED ACCOUNTANTS  
CHENNAI

### **Bankers**

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

## NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifty-Seventh Annual General Meeting of the Company will be held on Tuesday, the 29<sup>th</sup> May, 2012 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 year ended 31<sup>st</sup> December, 2011 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 reappointment of M/s. B S R & Company, Chartered Accountants, Chennai, as auditors of the Company to hold office from the conclusion of the 57<sup>th</sup> Annual General Meeting till the conclusion of the 58<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 an Ordinary Resolution:

RESOLVED THAT Mr Yong Su Kim, who was appointed as an Additional Director of the Company with effect from 30.03.2012, whose term of office as an Additional Director expires at this Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956 in writing, proposing his candidature for the office of a Director, be and is hereby appointed as Director and Chairman of the Company, whose period of office shall be liable to retire by rotation.

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

RESOLVED THAT Mr Milan Wahi, who was appointed as an Additional Director of the Company with effect from 30.03.2012, whose term of office as an Additional

Director expires at this Annual General Meeting and in respect of whom the company has received a notice under section 257 of the Companies Act 1956 in writing, proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company, whose period of office shall not be 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 Section 198,269,309 & 310 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, Mr.Milan Wahi be and is hereby appointed as Deputy Managing Director of the Company for a period of 3 years effective from 2<sup>nd</sup> April, 2012 on the following terms and conditions:

Description		Remuneration Per year (Rs.)
Salary	Basic Salary	1,800,000
	Special Allowance	1,386,420
	House rent Allowance	900,000
	Leave Travel Allowance	159,996
	<b>Total (A)</b>	<b>4,246,416</b>
Benefits	Maintenance of car, fuel & driver's salary	144,000
	Club Entrance Fee (for 2 clubs only)	10,000
	Club subscription	15,000
	Performance incentive	1,817,127
	Medical reimbursement	100,000
	Medical Insurance Premium & hospitalisation benefits by Company	46,000
	Personal Accident Insurance Premium	10,000
	Telephone - Land Line & Cell	36,000
	<b>Total (B)</b>	<b>2,178,127</b>
Retirement Benefits	Provident Fund	216,000
	Gratuity	87,840
	Superannuation Fund	270,000
	<b>Total (C)</b>	<b>573,840</b>
	<b>Total Salary (A+B+C)</b>	<b>6,998,383</b>

RESOLVED FURTHER THAT in the event of no profits or inadequacy of profits, Mr.Milan Wahi shall be entitled to the above remuneration as the minimum remuneration subject to the statutory approvals, if any, required.

RESOLVED FURTHER THAT Mr.Milan Wahi shall be governed by all service conditions of the Company as applicable to Senior Management Staff including age of retirement.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to alter or vary or increase the component and elements of remuneration payable to Mr.Milan Wahi within the overall limits under the Companies Act, 1956 and to do all such acts, deeds and things and execute all such documents and forms as may be required and to give effect to the resolution.

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**ANNEXURE TO THE NOTICE:**

**A. Profile of Directors seeking appointment / reappointment**

Mr.Yong Su Kim is a post graduate in Business Administration and has wide experience in many fields such as Planning, Purchase, and Administration. He has been associated with Lotte, Korea from the year 2004 and served as Director. Currently he is the Representative Director of Lotte Confectionery Co. Ltd., Korea.

Mr.Milan Wahi is a post graduate in Science with PG Diploma and has about 20 years of rich experience in the fields of Marketing and sales and worked as senior management personnel in various reputed Companies such as Cavin Kare, VST Industries, Whirlpool India etc.

Mr.D.G.Rajan is a Fellow Member of the Institute of Chartered Accountants in England and Wales and Institute of Chartered Accountants in India. He was a Senior Partner of M/s.Lovelock & Lewes, Chartered Accountants. He is holding Directorships in various reputed Companies and has rich experience and expertise in the field of finance, accounts, taxation etc.

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

**Item No.4:**

Mr Yong Su Kim has been co-opted as an Additional Director of the Company at the Board Meeting held

on March 30, 2012 as per Section 260 of the Companies Act, 1956 with a term of office till this Annual General Meeting.

The Company has received a notice under section 257 of the Companies Act, 1956 in writing from a Shareholder along with requisite deposit proposing the appointment of Mr.Yong Su Kim as Director.

None of Directors other than Mr.Yong Su Kim is interested or concerned in the above resolution.

The Board of Directors recommends the passing of resolution.

**Item No.5 & 6 :**

The Board of Directors, at its meeting held on March 30, 2012 appointed Mr Milan Wahi as an Additional Director pursuant to Section 260 of the Companies Act, 1956, with a term of office till this Annual General Meeting of the company.

The Company has received a notice under section 257 of the Companies Act, 1956 in writing from a Shareholder along with requisite deposit proposing the appointment of Mr.Milan Wahi as Director.

Further the Board of Directors at its meeting held on March 30, 2012 appointed Mr Milan Wahi as Deputy Managing Director for a period of three years effective from April 2, 2012 based on the terms and conditions set out in the resolution.

As per Section 269 read with schedule XIII of the Companies act 1956, the appointment and payment of remuneration shall be subject to the approval of shareholders of the company in the general meeting. Hence, the resolution is placed for your approval.

None of the Directors other than Mr Milan Wahi is interested or concerned in the above resolutions.

The Board of Directors recommends the passing of above special resolutions.

By Order of the Board  
for Lotte India Corporation Limited

Chennai  
March 30, 2012

T.G.KARTHIKEYAN  
Company Secretary

## NOTES

1. The relevant explanatory statement pursuant to Sec.173(2) of the Companies Act, 1956 in respect of Item No. 4, 5, and 6 are 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. Members, who are having shares in physical form are requested to intimate change in their addresses, if any, immediately to the Company at its Head Office quoting their folio number, certificate number.
4. Members, who are having shares in Demat form are requested to intimate change in their addresses, if any, immediately to their Depository Participants with whom they are maintaining their Demat Account.
5. Book Closure : The Register of Members and the Share Transfer books of the company shall remain closed from May 24, 2012 to May 29, 2012 (both days inclusive).

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the 57<sup>th</sup> Annual Report of your Company together with the audited financial statements for the year ended December 31, 2011.

### Financial Results

	For the year ended December 31, 2011 (Rs. in Lakhs)	For the nine months period April 1, 2010 to December 31, 2010 (Rs. in Lakhs)
Sales	28,873.79	17,386.01
Less : Excise duty	1,603.50	794.79
Less : Discount	1,567.98	1,091.14
	25,702.31	15,500.08
Other Income	320.96	92.32
<b>Total Income</b>	<b>26,023.27</b>	<b>15,592.40</b>
Profit before depreciation, interest & finance charges	2,336.87	1,020.33
Less : Depreciation, Interest & finance charges	1,721.84	964.04
<b>Profit before tax</b>	<b>615.03</b>	<b>56.29</b>
Less : Provision for Taxes :		
-Current	130.50	11.50
-Deferred	—	662.58
<b>Profit / (Loss) after tax</b>	<b>484.53</b>	<b>(617.79)</b>
Add : Balance brought forward from previous year	(700.58)	(82.79)
Balance profit / Loss transferred to Balance Sheet	(216.05)	(700.58)

Consequent to the change in financial year, the current year financials are for a period of twelve months, whereas the comparable previous period is for nine months.

The Board of Directors have decided not to recommend any dividend for the year ended December 31, 2011.

### Review of operations

For the year ended December 31, 2011, the Company achieved gross sales of Rs.28,873.79 lakhs as against Rs.17,386.01 lakhs for nine months ended December 31, 2010.

During the year under review, the Company has achieved a Profit after tax of Rs. 484.53 lakhs as against loss of Rs.617.79 lakhs for nine months ended December 31, 2010.

### Outlook

The Company expects sustained growth over a medium term horizon, buffeted by some volatility in commodity prices. Simultaneously the company will enhance growth and investment opportunities in existing and adjacent categories thereby opening up new sectors of growth.

There is substantial increase in demand for branded high quality products, like Lotte Chocopie, the sales of the product through modern trade and traditional trade format is making tremendous progress. The Company's exclusive team has devised strategies on increasing its market share in the modern format stores.

**Directors Report (Contd..)**

In confectionery, the focus and growth will be on high value propositions. This will direct the effort in enhancing differentiation through innovation and simultaneously conserving costs through the entire value-chain.

**Directors**

During the year under review, Mr. Sang Hoo Kim has resigned on March 30, 2012. Your Directors wish to place on record their deep appreciation of his valuable contribution to the growth of the Company.

Mr.Yong Su Kim was appointed as Director and Chairman of the Company in the place of Mr.Sang Hoo Kim w.e.f March 30,2012

Mr.Milan Wahi was appointed as Deputy Managing Director of the Company w.e.f.April 2,2012.

Mr.D.G.Rajan is retiring at this Annual General Meeting and is eligible for reappointment.

**Directors' Responsibility Statement**

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956, your Directors, based on representations from the Operating Management, confirm that:

- (a) In the preparation of annual accounts, the applicable accounting standards have been followed and there are no material departures;
- (b) They have, in selection of the accounting policies, consulted the statutory auditors and applied these policies consistently, making judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on December 31, 2011 and of the profit of the Company for the year ended December 31, 2011;
- (c) They have taken proper and sufficient care, to the best of their knowledge and ability, 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;
- (d) They have prepared the annual accounts on a going concern basis.

**Auditors**

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

**Disclosures**

The disclosure concerning particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is not applicable as no employee was in receipt of remuneration aggregating to Rs. 60 lakhs or above during the year under review.

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

During the year 2011, the Company had initiated a number of measures for Conservation of Energy and Water at its manufacturing facility at Nellikuppam and Nemam. 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 co-operation 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	MYUNG KI MIN	D G RAJAN
March 30, 2012	Managing Director	Director

**Directors Report (Contd..)**
**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>A.(I) Power and Fuel Consumption</b>	<b>For the Year ended Dec. 31,2011</b>	<b>For the Nine months period ended Dec. 31, 2010</b>
1. Electricity		
(a) Purchases		
Units	6,260,066.00	2,999,739.00
Total Amount (Rs.Lakhs)	407.32	196.97
Rate/unit (Rs.)	6.51	6.57
(b) Own Generation: Through Diesel Generator Units	1,750,417.72	1,517,429.00
Total Amount (Rs.Lakhs)	231.04	188.35
Units per Litre of Diesel Oil	3.09	3.01
Cost/Unit(Rs.)	13.20	12.41
2.(a) Furnace Oil Quantity (K.Litre)	732.36	695.78
Total Amount (Rs.Lakhs)	243.20	185.04
Average Rate Per K.Litre (Rs.)	33,208.54	26,203.83
(b) Fire wood in Ton	1,332.95	Nil
Total Amount (Rs.Lakh)	39.33	Nil
Average Rate Per Ton (Rs.)	2,950.70	Nil
(c) LPG in Ton	168.38	58.27
Total Amount (Rs.Lakhs)	90.84	32.19
Average Rate Per Ton (Rs.)	53,949.16	55,245.86
<b>(II) CONSUMPTION OF ELECTRICITY PER QUINTAL OF PRODUCTION (Units)</b>	<b>111.10</b>	<b>56.69</b>

Note : Previous year figures are not comparable, since new factory started from July' 2010.

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

- The Company's R&D activity is directed towards development of new formulations & flavours, material substitution and indigenous machineries. These activities have resulted in improved quality, cost reduction, improved hygiene and new products.
- Recognition has been accorded for Company's R&D unit by Dept. of Scientific & Industrial Research, New Delhi.

**C. FOREIGN EXCHANGE**

Earning : Rs. 360.87 lakhs  
Outgo : Rs. 143.98 lakhs

On behalf of the Board

Chennai MYUNG KI MIN D G RAJAN  
March 30, 2012 Managing Director Director

**REPORT ON CORPORATE GOVERNANCE (Voluntary Disclosures)**
**1 COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

Lotte India Corporation Limited 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 byelaws 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.



**REPORT ON CORPORATE GOVERNANCE (Contd..)**

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 is four Directors of which two Directors are Executive Directors. 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 Board Committees membership held in other companies	No. of shares held
Mr. Yong Su Kim Chairman (@)	Non Executive Director	Nil	Nil	—
Mr. Myung Ki Min Managing Director	Executive Director	Nil	Nil	—
Mr. Milan Wahi Deputy Managing Director (*)	Executive Director	Nil	Nil	—
Mr. D G Rajan Director	Independent Director	3	3	—

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

(@) Mr. Yong Su Kim has been appointed as Chairman in the place of Mr. Sang Hoo Kim w.e.f March 30, 2012

(\*) Mr. Milan Wahi has been appointed as Deputy Managing Director w.e.f April 2, 2012

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

During the financial year ended December 31, 2011, four Board Meetings were held on the following dates :

February 25, 2011, June 15, 2011, September 27, 2011 and December 21, 2011.

Name of the Directors	No. of Board Meetings attended	Attendance at last AGM held on June 15, 2011
Mr. Myung Ki Min	4	Attended
Mr. D G Rajan	4	Attended
Mr. Sang Hoo Kim	0	Not Attended

**3 AUDIT COMMITTEE**
**(a) Constitution**

The Audit Committee comprises of following Directors :

Mr. Myung Ki Min

Executive Director - Member

Mr. D G Rajan

Non-Executive Director - Independent - Chairman

Mr. Sang Hoo Kim

Non-Executive Director - Member (till 30.3.2012)

Mr. Yong Su Kim

Non-Executive Director - Member (from 30.3.2012)

**(b) Meetings and Attendance**

There were four meetings held during the year ended December 31, 2011. The attendance of each member of the Committee is given below :

Name of the Directors	Position	No. of Meetings attended
Mr. D G Rajan	Chairman	4
Mr. Myung Ki Min	Member	4
Mr. Sang Hoo Kim	Member	0

Non-Executive Chairman, Managing Director, Vice President & CFO, Senior Management Personnel, Statutory Auditors and Internal Auditors are regularly invited to the meeting. Mr. T G Karthikeyan, Company Secretary acts as Secretary to the Committee.

Mr. D G Rajan, Director is a Fellow of the Institute of Chartered Accountants in England and Wales and Fellow of the Institute of Chartered Accountants of India. He has vast exposure in financial activities.

**4 REMUNERATION TO DIRECTORS**
**Policy**

- Executive Directors

The compensation of the Executive Directors comprises of a fixed component and a

**REPORT ON CORPORATE GOVERNANCE (Contd..)**

performance incentive. The compensation is determined taking into account the industry trend and level of responsibility, financial position of the Company and other related factors. Performance incentive is based on certain pre-agreed parameters. The Executive Directors are not paid any sitting fees for any board / committee meetings attended by them.

- Non-Executive Directors

Non-Executive Directors are entitled to sitting fees for every Board / Committee Meetings attended by them within the statutory limits and also commission not exceeding 1% of net profit of the company.

- The Company currently does not have any stock option scheme.

Details of the remuneration paid to the Executive Director for the financial year ended December 31, 2011 :

Name	Salary & Allowances and Performance incentive Rs.	Contribution to Retiral benefits Rs.	Value of perks Rs.	Total Rs.
Mr. Myung Ki Min	33,10,310	2,86,290	19,59,923	55,56,523

The details of sitting fees paid to Non Executive Directors for the financial year ended December 31, 2011.

Name of the Director	Sitting fees	Commission
Mr. D G Rajan	Rs.1,80,000/-	Nil

**5 SHAREHOLDERS INVESTORS GRIEVANCE COMMITTEE**

The Committee oversees share transfers and monitor investors' grievances such as complaints on transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc. and redressal thereof. The Committee also look into the matters of issue of duplicate share certificates, re-materialization, subdivision, consolidation, transposition and thereupon issue of share certificates to the shareholders etc. No complaints of material nature were received during the year under review.

The Committee comprises of Mr. D G Rajan as Chairman and Mr. Myung Ki Min as member. Mr. T G Karthikeyan, Company Secretary is the Compliance Officer.

The Company has created separate e-mail id [compsecy@lotteindia.com](mailto:compsecy@lotteindia.com) for grievance redressal.

**6 ANNUAL GENERAL MEETINGS (AGM) / EXTRAORDINARY GENERAL MEETINGS (EGM)**

Details of the last four AGMs / EGM held are given below :

Date of Meeting	Time of Meeting	Venue of the Meeting
June 15, 2011 (56 <sup>th</sup> AGM)	11.00 A.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006
August 10, 2010 (Court Convened Meeting)	03.00 P.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006
August 10, 2010 (55 <sup>th</sup> AGM)	11.00 A.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006
September 18, 2009 (54 <sup>th</sup> AGM)	11.00 A.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006
April 9, 2009 (EGM)	11.00 A.M.	Kasturi Srinivasan Hall (Mini Hall), Music Academy, 168 TTK Road Royapettah, Chennai- 600 014

**7 DISCLOSURES**

- (i) Related Party Transactions: There were no materially significant related party transactions with Directors/promoters/management which had potential conflict with the interest of the Company at large.

Transactions with the Related Parties are disclosed in Schedule No.18(C)(18b) to the accounts in the Annual Report.