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## **CORPORATE INFORMATION**

### **Board of Directors**

MANG KO NOH  
Chairman

MILAN WAHI  
Managing Director

KYO HEE KIM  
Whole Time Director

MYUNG KI MIN  
Director

D.G. RAJAN  
Director

### **Company Secretary**

T . G . KARTHIKEYAN

### **Registered Office**

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

### **Head Office**

4/169, RAJIV GANDHI SALAI (OMR),  
KANDANCHAVADI,  
CHENNAI - 600096.

### **Factories**

NELLIKUPPAM (CUDDALORE DIST.), TAMIL NADU.  
POONAMALLEE-THIRUVALLUR ROAD, CHENNAI, TAMIL NADU.

### **Auditors**

B S R & Company  
CHARTERED ACCOUNTANTS  
CHENNAI

### **Bankers**

STANDARD CHARTERED BANK  
STATE BANK OF INDIA  
HDFC BANK LTD.

## LOTTE INDIA CORPORATION LIMITED

Regd Office : No.4/111, Mount Poonamallee Road, Manapakkam, Chennai 600 089.  
Phone No.044-4545 8888 ; FAX : 044-4545 8800; e-mail : karthikeyantg@lotteindia.com  
Corporate Identity Number : U15419TN1954PLC001987; Website: www.lotteindia.com

### NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Fifty Ninth Annual General Meeting of the Company will be held on Thursday, June 12, 2014 at 10.30 A.M. at M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai 600 108 to transact the following business :

#### ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the audited Statement of Profit and Loss for the year ended December 31, 2013 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr.Mang Ko Noh, who retires by rotation and is eligible for reappointment.
3. To consider the appointment of M/s. B S R & Co. LLP, Chartered Accountants, Chennai as Statutory auditors of the Company to hold office from the conclusion of the 59th Annual General Meeting till the conclusion of the 64th Annual General Meeting subject to ratification as per the provisions of Companies Act, 2013 and to fix their remuneration.

By Order of the Board  
For Lotte India Corporation Limited

Chennai  
April 29, 2014

T.G.Karthikeyan  
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 on poll 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. The person shall not be appointed as proxy on behalf of more than fifty members. A Proxy Form is attached herewith.
2. 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.

3. 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.
4. Book closure: The Register of Members and Share Transfer books of the Company shall remain closed from June 4, 2014 to June 12, 2014 (both days inclusive).
5. **As per the green initiative taken by the Ministry of Corporate Affairs, the shareholders are advised to register their e-mail address with the Company by sending an email to "karthikeyantg@lotteindia.com", in respect of shares held in physical form and with the concerned Depository Participant in respect of shares held in Demat form to enable the Company to serve documents in electronic form.**
6. In compliance with provisions of the New Companies Act, 2013 the Company is pleased to offer e-voting facility, for all the Shareholders of the Company. For this purpose, the Company has entered into an agreement with CDSL for facilitating e-voting to enable the Shareholders to cast their votes electronically.
7. The Company has appointed Mr. S. Dhanapal, Senior Partner, M/s. S Dhanapal & Associates, Practicing Company Secretary, as Scrutinizer for conducting the e-voting process in a transparent manner.

#### Details regarding e-voting facility:

In compliance with Section 108 of the Companies Act, 2013 and the relevant Rules made there under, the Company is also required to conduct the voting process electronically. The business to be transacted at this general meeting may be transacted through electronic voting system and the Company is providing the facility for voting by electronic means.

### Process for e-voting:

The instructions for members for voting electronically are as under:-

#### (A) In case of members receiving e-mail:

- i) If you are holding shares in Demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and casted your vote earlier for EVSN of any Company, then your existing login id and password are to be used.
- ii) Log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- iii) Click on "Shareholders" tab to cast your votes.
- iv) Now, select the Electronic Voting Sequence Number - "EVSN" along with "COMPANY NAME" from the drop down menu and click on "SUBMIT".
- v) Now, fill up the following details in the appropriate boxes:

	For Members holding shares in Demat Form	For Members holding shares in Physical Form
User ID	For NSDL: 8 Character DP ID followed by 8 Digits Client ID  For CDSL: 16 digits beneficiary ID	Folio Number registered with the Company
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department when prompted by the system while e-voting (applicable for both demat shareholders as well as physical shareholders)	
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.	
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.	

\* Members who have not updated their PAN with the Company/Depository Participant are requested to use the default number: ABCDE54231 in the PAN field.

# Please enter any one of the details in order to login.

- vi) After entering these details appropriately, click on "SUBMIT" tab.
- vii) Members holding shares in physical form will then reach directly the EVSN selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character(@ # \$ % & \*). Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- viii) Click on the relevant EVSN on which you choose to vote.
- ix) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- x) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.
- xi) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.

- xii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- II In case of members receiving the physical copy of Notice of AGM [for members whose e-mail IDs are not registered with the company/ depository participant(s) or requesting physical copy]:**
- (B) Please follow all steps from sl. no. (ii) to sl. no. (xii) above, to cast vote.
- (C) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves, link their account which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution in PDF format in the system for the scrutinizer to verify the vote. Further, they are requested to send the scanned copy of the Board Resolution/Authorization to the email id of scrutinizer ([csdhanapal@gmail.com](mailto:csdhanapal@gmail.com)), RTA ([murali@cameoindia.com](mailto:murali@cameoindia.com)) and Company Secretary ([karthikeyantg@lotteindia.com](mailto:karthikeyantg@lotteindia.com)) with a copy marked to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
- (D) The voting period begins on June 4, 2014 at 10.00 A.M. and ends on June 6, 2014 at 6.00 P.M. During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- (E) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com) under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
10. The result of voting will be announced at M.A. Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai 600 108, by the Chairman of the Meeting at the AGM to be held on Thursday, 12th June, 2014. Further, the result of the voting will be placed on the website of the Company <http://www.lotteindia.com> and website of CDSL <http://www.evotingindia.com>.

## DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors have pleasure in presenting the 59<sup>th</sup> Annual Report of your Company together with the audited financial statements for the year ended 31st December 2013.

The Board of Directors has decided not to recommend any dividend for the year ended 31st December 2013.

### Financial Results

	(Rs. in lakhs)	
	For the year ended December 31, 2013	For the year ended December 31, 2012
Sales	35,865.91	31,931.62
Less : Excise duty	2,243.34	1,967.14
Less : Discount	2,178.49	1,749.75
Net Sales	31,444.08	28,214.73
Add : Other Income	273.85	329.40
<b>Total Income</b>	<b>31717.93</b>	<b>28,544.13</b>
Profit before depreciation, interest & finance charges	2,419.37	2,389.08
Less : Depreciation, Interest & finance charges	1770.79	1,551.86
<b>Profit before tax</b>	<b>648.58</b>	<b>837.22</b>
Less : Provision for Taxes :		
– Current	132.30	170.87
– Deferred	4.71	—
<b>Profit / (Loss) after tax</b>	<b>511.57</b>	<b>666.35</b>
Add : Balance brought forward from previous year	450.30	(216.05)
Balance profit / Loss transferred to Balance Sheet	961.87	450.30

### Performance Highlights

For the year ended December 31, 2013, the Company achieved a gross sales of Rs.35,865.91 lakhs as against Rs.31,931.62 Lakhs for the year ended December 31, 2012.

During the year under review, the Company has achieved a Profit after tax of Rs.511.57 lakhs as against the profit of Rs.666.35 lakhs for the year ended December 31, 2012.

During the year 2013, the prices of raw / base materials like sugar, glucose, butter, wheat floor, milk powder and other packing materials etc., have gone up. However, due to the various cost reduction strategies adopted by the Company, the company was able to sustain its margins and manage the working capital and regular investments with internal accruals.

### Industry trends

The confectionery industry has grown by 12% with growths fundamentally from Lollipops and Jellies. With 50p nearly out of circulation and with input raw material price pressures, confectionery companies have shifted focus to Re. 1+ price points. Within the 50p space, product grammage, scheme and margin reductions is the order of the game. While growth prospects for confectionery continue to be good, raw material and packing material price challenges will continue to exert margin pressures.

The increasing disposable incomes and expansion of retail, especially modern retail, has lured many domestic and international players to expand in India. Moreover, a growing number of urban population with an increasing exposure to western foods and a preference towards healthy living is leading to new innovative product offerings which operate on both 'taste' & 'health' platforms.

**DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (contd.)****Outlook**

The Company expects good growth in sale of its products in the short term. The Company has been investing in brand building in both short term and medium term to drive growth.

Your Company is strengthening its distribution network both in urban and rural areas to drive growth.

The Company has started constructing a new factory at IMT, Rohtak, Haryana, at a project cost of Rs.300 crores, which will become operational in the year 2015. This will enable the Company to serve the northern parts of country well besides reduction of time and cost of delivery.

**Business Risk Management**

Your Company has adequate Business Risk Management system in place to identify, evaluate the business risks, which is being monitored by top management. These risks are analyzed and appropriate action plan is drawn up and implemented from time to time.

Apart from above, your Company has independent internal audit function, which helps the Company to improve the areas where risk management system needs to be improved. The Audit Committee of the Board regularly reviews the findings of internal audit and provides guidance on internal controls and ensures implementation of internal audit recommendations.

The key business risks identified by the Company and its mitigation plans are given below:

The main risk for the Company has been its single segment dependence, price point sensitivity, volatile raw material prices and stiff competition from other organized players.

The Company has been taking measures to broad base its product portfolio varied price point offerings. The Company has also taken various steps to source the raw materials in bulk at predetermined rates. The

Company is also planning to import new products from Korea.

**Internal Control System**

Your Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of internal policies. The Company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long term business plans have been laid down to ensure adequacy of the control system, adherence to the management instructions and legal compliances.

**Corporate Social Responsibility (CSR) Committee**

Pursuant to Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility) Rules, 2014, your company has constituted a Corporate Social Responsibility committee as per the particulars given in the Report on Corporate Governance. The Committee will recommend to the board, the CSR policy and activities to be undertaken.

**Directors**

During the year under review, Mr.Jung Woo Lee resigned on March 22, 2013. Your Directors wish to place on record their deep appreciation of their valuable contribution to the growth of the Company. In his place, Mr.Mang Ko Noh was appointed as Director cum Chairman of the Company w.e.f March 28, 2013.

Mr.Mang Ko Noh, Director will retire by rotation at this annual general meeting and being eligible offers himself for reappointment.



**DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (contd.)****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 31st December 2013 and of the profit of the Company for the year ended 31st December 2013;
- (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.

**Statutory Auditors**

M/s. B S R & Company, Chartered Accountants, Chennai, expressed their desire not to seek re-appointment as Statutory Auditors of the Company at this meeting.

M/s. B S R & Co. LLP, 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 & Co. LLP, Chartered Accountants, Chennai as Statutory Auditors of the Company to hold office from the conclusion of the 59th Annual General Meeting till the conclusion of the 64th Annual General Meeting subject to ratification as

per the provisions of Companies Act, 2013 and to fix their remuneration.

**Internal Auditors**

M/s.PKF Sridhar and Santhanam, independent internal auditors are conducting internal audit of operations of our Company. Your Company has re-appointed them as internal auditors to conduct internal audit and report for the year 2014.

**Cost Auditor**

In compliance with Companies (Cost Accounting Records) Rules, 2011, your Company had appointed Mr.S.A.Murali Prasad, Cost Accountant, Chennai, as Cost Auditor at the Board Meeting held on 4th September, 2013 for conducting Cost Audit of the Company for the financial year 2013 (January 2013 – December 2013) and provide the report thereon.

**Secretarial Auditor**

Your Company is in the process of appointing a Secretarial Auditor to do secretarial audit for the year 2014 and provide the report thereon.

**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 2013, the Company had taken various measures for Conservation of Energy and Water at its manufacturing facilities at Nellikuppam and Nemam. Through these measures, the Company has achieved significant cost reduction.

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 sincere 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.

#### **Cautionary Statement**

Statement in the Directors' report and Management Discussion & Analysis describing the objectives,

expectations may be forward looking. Actual results may differ materially from those expressed in the statement. Important factors that could influence the Company's operations include global and domestic demand and supply conditions affecting selling prices of finished goods, input availability and prices, changes in government regulations, tax laws, economic developments within the country and other factors such as litigation and industrial relations.

On behalf of the Board

Chennai

April 29, 2014

Milan Wahi

Managing Director

D.G.Rajan

Director