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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 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.
- 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), RTA (murali@cameoindia.com) and Company Secretary (karthikeyantg@lotteindia.com) with a copy marked to 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 under help section or write an email to 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 59th 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
Total Income	31717.93	28,544.13
Profit before depreciation, interest & finance charges	2,419.37	2,389.08
Less : Depreciation, Interest & finance charges	1770.79	1,551.86
Profit before tax	648.58	837.22
Less : Provision for Taxes :		
– Current	132.30	170.87
– Deferred	4.71	—
Profit / (Loss) after tax	511.57	666.35
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 flour, 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

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.

A. Power and Fuel Consumption

	For the year ended Dec.31, 2013	For the year ended Dec.31, 2012
1. Electricity		
(a) Purchases		
Units	6,149,769	4,101,276
Total Amount (Rs.Lakh)	488.59	340.25
Rate/unit (Rs.)	7.94	8.30
(b) Own Generation:		
Through Diesel Generator		
Units	1,463,532	2,614,822
Total Amount (Rs.Lakh)	233.76	366.21
Units per Litre of Diesel Oil	3.46	3.23
Cost/Unit (Rs.)	15.97	14.01
2. (a) Furnace Oil Quantity (K.Litre)	148.33	122.88
Total Amount (Rs.Lakh)	60.94	50.24
Average Rate Per K.Litre (Rs.)	-	-
	41,082.78	40,887.13
(b) Fire wood		
in Ton	3,434.71	3,148.83
Total Amount (Rs.Lakh)	119.11	94.77
Average Rate Per Ton (Rs.)	3,467.82	3,009.58

(c) LPG

	For the year ended Dec.31, 2013	For the year ended Dec.31, 2012
In Ton	222.97	174.96
Total Amount (Rs.Lakh)	141.16	104.85
Average Rate Per Ton (Rs.)	63,309.73	59,928.11
(II) CONSUMPTION OF ELECTRICITY PER QUINTAL OF PRODUCTION (Units)	70.81	64.80

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- (i) 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.
- (ii) Recognition has been accorded for Company's R&D unit by Dept. of Scientific & Industrial Research, New Delhi.

C. FOREIGN EXCHANGE

Earning	:	Rs.526.01 lakhs
Outgo	:	Rs.276.27 lakhs

On behalf of the Board

Chennai April 29, 2014 Milan Wahi 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 year ended December 31, 2013.

[A] EMPLOYED THROUGHOUT THE PERIOD AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN Rs.60,00,000 FOR THE YEAR ENDED DECEMBER 31, 2013

NAME (AGE)	DESIGNATION/ NATURE OF DUTIES	REMUNERATION Rs.	QUALIFICATION/ EXPERIENCE (YEARS)	DATE OF COMMENCEMENT OF EMPLOYMENT	PREVIOUS EMPLOYMENT
Milan Wahi (49 years)	Managing Director	69,19,758	Post Graduate in Science with Post Graduate Diploma and 21 years experience in Sales & Marketing	02.04.2012	Cavin Kare Pvt.Ltd

[B] EMPLOYED FOR PART OF THE YEAR AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN Rs.5,00,000 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.

On behalf of the Board
Milan Wahi D G Rajan
Managing Director Director

Chennai
April 29, 2014

**REPORT ON CORPORATE GOVERNANCE
(voluntary disclosures)**

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 is five Directors of which two Directors are Executive Directors. The remaining three Directors are Non-Executive Directors of which one is an Independent Director.

Name of the Directors	Category	No. of Director-ships held in other Indian Companies#	Number of Board Committees membership held in other companies	No. of shares held
Mr. Mang Ko Noh* Chairman	Non Executive Director	Nil	Nil	Nil

Name of the Directors	Category	No. of Director-ships held in other Indian Companies#	Number of Board Committees membership held in other companies	No. of shares held
Mr. Milan Wahi Managing Director	Executive Director	Nil	Nil	Nil
Mr. Kyo Hee Kim Whole Time Director	Executive Director	Nil	Nil	Nil
Mr. Myung Ki Min Director	Non Executive Director	Nil	Nil	Nil
Mr. D G Rajan Director	Non Executive - Independent Director	7	7	Nil

* Mr. Mang Ko Noh - Appointed as an Additional Director and Chairman w.e.f. March 28, 2013 in place of Mr. Jung Woo Lee who resigned on March 22, 2013.

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

During the financial year ended December 31, 2013, five Board Meetings were held on the following dates :

January 29, 2013, March 28, 2013, May 7, 2013, September 4, 2013 and December 4, 2013.

Name of the Directors	No. of Board Meetings attended	Attendance at last AGM held on June 14, 2013
Mr. Milan Wahi	5	Attended
Mr. Kyo Hee Kim	5	Attended
Mr. Myung Ki Min	—	Not Attended
Mr. D G Rajan	5	Attended
Mr. Mang Ko Noh	—	Not attended

REPORT ON CORPORATE GOVERNANCE (contd.)

3 AUDIT COMMITTEE

(a) **Constitution** : The present Audit Committee comprises of following Directors :

Mr. D G Rajan – Non Executive – Independent Director – Chairman

Mr. Mang Ko Noh – Non Executive Director – Member (from March 28, 2013)

Mr. Kyo Hee Kim – Executive Director – Member

(b) **Audit Committee - Meetings and Attendance**

There were three meetings held (on January 29, 2013, May 7, 2013 and September 4, 2013) during the year ended December 31, 2013. 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	3
Mr. Kyo Hee Kim	Member	3
Mr.Mang Ko Noh	Member	—

Non-Executive Chairman, Managing Director, Whole Time Director, 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

(a) **Policy**

- Executive Directors

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

(b) **Constitution** : The present Remuneration & Nomination Committee comprises of following Directors :

Name of the Director	Position	No. of Meetings attended
Mr. D G Rajan	Chairman	2
Mr. Milan Wahi	Member	2
Mr. Kyo Hee Kim	Member	2

Details of the remuneration paid to the Executive Director for the financial year ended December 31, 2013 :

Name	Salary & Allowances and Performance incentive	Contribution to retiral benefits	Value of perks	Total
	Rs.	Rs.	Rs.	Rs.
Mr. Milan Wahi	6,063,543	573,840	282,375	6,919,758
Mr. Kyo Hee Kim	2,253,900	401,676	1,094,370	3,749,946

The details of sitting fees paid to Non Executive Directors for the financial year ended December 31, 2013.

Name of the Director	Sitting fees	Commission
Mr. D G Rajan	Rs.2,00,000/-	Nil

REPORT ON CORPORATE GOVERNANCE (contd.)

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 in to 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. Milan Wahi and Mr. Kyo Hee Kim as members. Mr. T G Karthikeyan, Company Secretary is the Compliance Officer.

The Company has created separate e-mail id karthikeyantg@lotteindia.com for grievance redressal.

6 CORPORATE SOCIAL RESPONSIBILITY (CSR) COMMITTEE

Pursuant to Section 135 of the Companies Act, 2013, Board of Directors has formed a Committee by name Corporate Social Responsibility Committee comprising of the following members :

Mr. D G Rajan – as Chairman of the Committee

Mr. Milan Wahi

Mr.Kyo Hee Kim

The above Committee shall act in accordance with the terms and references as follows:

- a) To draft a CSR policy.
- b) To list out CSR activities to be undertaken every year in compliance of Schedule VII and recommend the same to Board.
- c) To recommend to the Board about the amount of expenditure to be incurred towards CSR activities.
- d) To monitor the CSR policy and activities and recommend / report to Board from time to time.
- e) To do all activities in order to comply with CSR provisions of Companies Act, 2013 and related rules thereof.

7 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
December 27, 2013 (EGM)	10.00 A.M.	M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai – 600 108
June 14, 2013 (58th AGM)	11.00 A.M.	M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai – 600 108
December 27, 2012 (EGM)	11.00 A.M.	M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai – 600 108
May 29, 2012 (57 th AGM)	11.00 A.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006
June 15, 2011 (56 th 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

REPORT ON CORPORATE GOVERNANCE (contd.)

Date of Meeting	Time of Meeting	Venue of the Meeting
August 10, 2010 (55 th AGM)	11.00 A.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006

8 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 38(b) in Notes to the accounts in the Annual Report.

- (ii) **Risk Management:** The Board of Directors were presented the risk assessment and minimization of the same which is subject to periodical review.

- (iii) **Code of Conduct:** Code of Conduct for the Board members and Senior Management personnel has been adopted by the Board.

- (iv) We affirm that no personnel have been denied access to the Audit Committee (in respect of matters involving misconduct, if any).

On behalf of the Board

Chennai
April 29, 2014

Milan Wahi D G Rajan
Managing Director Director

GENERAL SHAREHOLDER INFORMATION

- 1 **Registered Office** : No. 4/111, Mount Poonamallee Road,
Manapakkam, Chennai 600 089
- 2 **Date and venue of the forthcoming Annual General Meeting** : June 12, 2014
Thursday at 10.30 a.m. at
M.A. Chidambaram Hall, Southern India Chamber of Commerce and
Industry, Esplanade, Chennai – 600 108
- 3 **Book Closure Dates** : June 4, 2014 to June 12, 2014 (both days inclusive).
- 4 **E-voting period** : June 4, 2014 to June 6, 2014 (both days inclusive).
(Detailed procedures for e-voting are given in notes appended to Notice
calling Annual General Meeting.)
- 5 **Plant Location** : 1. Nellikuppam
(Cuddalore Dist.) Tamil Nadu
2. Nemam, Chennai, Tamil Nadu
- 6 **Share Capital** : - 95,60,021 equity shares of Rs.10/- each
- 94,79,788 (99.16%) equity shares have been dematerialized as
on December 31, 2013.

7 Share Transfer System

The Company has appointed Cameo Corporate Services Ltd., as the Registrar and Transfer Agent (R&TA) of the Company for all aspects of investor servicing relating to shares.

The Board has delegated the power to approve the transfer to a committee of Directors and also to the Senior Executives of the Company, with limits.

Share transfers are completed within a period of 15 days from the date of receipt of the documents, if the documents are in order in all respects.

No investor complaint is pending.

8 Address for Correspondence :

- i) To contact R&TA for all matters relating to shares : P Muralidharan, Asst.Manager (Shares)
Cameo Corporate Services Limited
'Subramanian Building'
No.1, Club House Road, Chennai-600 002
Tel : 91-44-2846 0718;
Fax: 91-44-2846 0129
E-mail: murali@cameoindia.com
- ii) To the Company : T G Karthikeyan, Company Secretary
Lotte India Corporation Limited
4/169, Rajiv Gandhi Salai (OMR),
Kandanchavadi, Chennai – 600096.
Tel: 91-44-4545 8872
Fax: 91-44-4545 8800

GENERAL SHAREHOLDER INFORMATION (contd.)

- iii) The designated Company's E-mail Id for Investor Complaints is : karthikeyantg@lotteindia.com
- iv) Compliance Officer : T G Karthikeyan, Company Secretary
- v) Company's Website : www.lotteindia.com

9 Depositories Connectivity

National Securities Depository Ltd. (NSDL)
Central Depository Services (India) Ltd. (CDSL)
ISIN: INE185A01011

10 Dematerialisation of shares

The Company has signed agreements with both National Securities Depository Limited (NSDL) and with Central Depository Services (India) Limited (CDSL) to provide the facility of holding equity shares in dematerialized form. As on 31st December, 2013, 94,79,788 equity shares constituting 99.16% of the total paid up capital of the Company have been dematerialized.

11 Outstanding GDRs/ ADRs etc.

The Company has not issued any GDR, ADR or any convertible instruments pending conversion or any other instrument likely to impact the equity share capital of the Company.

12 Shareholding pattern as on December 31, 2013

Sl. No.	Category	Total no. of Shares held	% to total Shareholding
1	Promoters - foreign	9404693	98.38
2	Mutual Funds and UTI	—	—
3	Banks/ Financial Institutions/ Insurance Companies	1567	0.02
4	Foreign Institutional Investors	—	—
5	Private Corporate Bodies	4251	0.04
6	Indian Public	141079	1.47
7	NRIs / OCBs	2616	0.03
8	Any other		
	- Trusts	15	0.00
	- Foreign Nationals	5800	0.06
	TOTAL	9560021	100.00

INDEPENDENT AUDITORS' REPORT to the Members of Lotte India Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Lotte India Corporation ('the Company'), which comprise the balance sheet as at December 31, 2013, the statement of profit and loss and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the balance sheet, of the state of affairs of the Company as at December 31, 2013;
- b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

**INDEPENDENT AUDITORS' REPORT
to the Members of Lotte India Corporation Limited (Contd.)**

- b) in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of books of account;
- c) the balance Sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Act; and
- e) on the basis of written representations received from the directors as at December 31, 2013, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at December 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for B S R & Company
Chartered Accountants
Firm Registration No.128032W

Vikram Advani
Partner
Membership No. 091765

Place : Chennai
Date : April 29, 2014

Annexure to the Independent Auditors' Report

(Referred to in our report of even date)

- i.
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The Company has a regular programme of physical verification of its fixed assets, by which all fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were verified during the year and as explained to us, no material discrepancies were noticed on such verification.
 - (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- ii.
 - (a) The inventory, except the goods in transit and stocks lying with third parties, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. For stocks lying with the third parties at the year-end, written confirmations have been obtained.
 - (b) The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and book records were not material and have been properly dealt with in the books of account.
- iii. The Company has neither granted nor taken any loans, secured or unsecured to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Thus, paragraph 4(iii) of the order is not applicable.
- iv. In our opinion and according to the information and explanations given to us, and having regard to the explanation that purchases of certain items of inventories and fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and with regard to sale of goods. In our opinion and according to the information and explanations given to us, we have not observed any major weakness in the internal control system during the course of the audit.
- v. In our opinion and according to the information and explanations given to us, there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- vi. The Company has not accepted any deposits from the public.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1) (d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.

Annexure to Auditors' Report (contd.)

(Referred to in our report of even date)

- ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, Cess and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Investor Education and Protection Fund.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty and other material statutory dues were in arrears as at December 31, 2013 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the following dues in respect to Excise duty, Service Tax, Sales Tax & Income tax have not been deposited on account of disputes.

Name of the statute	Nature of the dues	Amount (Rs. in lakhs) (Net of payment under protest)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise duty	4.44	2007	Pending before various forums
Central Excise Act, 1944	Excise duty	106.65	2008	Pending before various forums
Central Excise Act, 1944	Excise duty	34.56	2005	Pending before various forums
Sales Tax Act	Sales Tax	13.64	1999-2008	Pending before various State Tax Authorities
Income Tax Act	Income tax	12.57	1999-2009	Pending before various forums

- x. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi. The Company did not have any outstanding dues to any financial institutions, banks or debenture holders during the year.
- xii. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund/nidhi/ mutual benefit fund/ society.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- xvi. The Company did not have any term loans outstanding during the year.

Annexure to Auditors' Report (contd.)

(Referred to in our report of even date)

- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long term investment.
- xviii. The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by public issues during the year.
- xxi. According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

for B S R & Company
Chartered Accountants
Firm Registration No.128032W

Vikram Advani
Partner
Membership No. 091765

Place : Chennai
Date : April 29, 2014

BALANCE SHEET AS AT DECEMBER 31, 2013

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	Note	As at December 31, 2013	As at December 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	956.00	956.00
Reserves and surplus	4	44,749.91	44,238.34
		<u>45,705.91</u>	<u>45,194.34</u>
Non-current liabilities			
Deferred tax (net)	5	4.71	-
Other long-term liabilities	6	123.43	59.42
Long-term provisions	7	8.31	1.10
		<u>136.45</u>	<u>60.52</u>
Current liabilities			
Trade payables	8	3,605.34	3,849.05
Other current liabilities	9	1,312.70	1,662.10
Short-term provisions	7	140.26	79.29
		<u>5,058.30</u>	<u>5,590.44</u>
		<u>50,900.66</u>	<u>50,845.30</u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible fixed assets	10	42,870.44	37,458.22
Intangible fixed assets	11	40.43	64.08
Capital work-in-progress		140.51	3,202.65
Non-current investments	12	0.26	-
Long-term loans and advances	13	298.94	351.21
Other non-current assets	14	233.60	224.65
		<u>43,584.18</u>	<u>41,300.81</u>
Current assets			
Inventories	15	3,605.30	3,330.38
Trade receivables	16	770.28	1,007.43
Cash and bank balances	17	2,142.25	4,325.02
Short-term loans and advances	13	791.31	859.13
Other current assets	18	7.34	22.53
		<u>7,316.48</u>	<u>9,544.49</u>
		<u>50,900.66</u>	<u>50,845.30</u>
Significant accounting policies	2		

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached.

for B S R & Company
Chartered Accountants

Firm Registration No. 128032W

Vikram Advani

Partner

Membership No. 091765

Delhi, April 29, 2014

For and on behalf of the Board of Directors of
Lotte India Corporation Limited

Milan Wahi

Managing Director

T.G. Karthikeyan
Company Secretary

D.G. Rajan

Director

Kyo Hee Kim
Whole Time Director
Chennai, April 29, 2014

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2013

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	Note	Year ended December 31, 2013	Year ended December 31, 2012
Revenue from operations			
Sale of products, gross	19	35,865.91	31,931.62
Less: Excise duty		(2,243.34)	(1,967.14)
Less: Schemes and discounts		(2,178.49)	(1,749.75)
Sale of products, net		31,444.08	28,214.73
Other operating revenues		9.80	21.88
Total		31,453.88	28,236.61
Other income	20	264.05	307.52
Total revenue		31,717.93	28,544.13
Expenses			
Cost of materials consumed	21	18,204.44	16,090.24
Purchase of stock-in-trade	22	82.18	-
Changes in inventories of finished goods and work-in-progress	23	(239.53)	399.20
Employee benefits expense	24	2,392.06	2,079.59
Finance costs	25	12.64	4.58
Depreciation and amortisation	26	1,758.15	1,547.28
Other expenses	27	8,859.41	7,586.02
Total expenses		31,069.35	27,706.91
Profit before tax		648.58	837.22
Tax expense:			
- Current tax		132.30	170.87
- Deferred tax		4.71	-
Total tax expense		137.01	170.87
Profit after tax		511.57	666.35
Earnings per share:			
Basic and diluted	39	5.35	6.97
Weighted average number of equity shares outstanding during the year		9,560,021	9,560,021
Nominal value of equity shares (Rs)		10	10

Significant accounting policies

2

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached.

for B S R & Company
Chartered Accountants

Firm Registration No. 128032W

Vikram Advani

Partner

Membership No. 091765

Delhi, April 29, 2014

For and on behalf of the Board of Directors of
Lotte India Corporation Limited

Milan Wahi

Managing Director

T.G. Karthikeyan
Company Secretary

D.G. Rajan

Director

Kyo Hee Kim
Whole Time Director
Chennai, April 29, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

	Note	Year ended December 31, 2013	Year ended December 31, 2012
Cash flow from Operating activities			
Profit before tax		648.58	837.22
<i>Adjustments for:</i>			
Depreciation and amortisation		1,758.15	1,547.28
(Profit)/loss on sale of fixed assets		(6.08)	4.04
Interest income		(140.80)	(250.83)
Foreign exchange loss/(gain), net (unrealised)		5.58	(2.85)
Interest expense		12.64	4.58
		<u>1,629.49</u>	<u>1,302.22</u>
Operating profit before working capital changes		2,278.07	2,139.44
<i>Adjustments for:</i>			
(Increase)/decrease in inventories		(274.92)	538.60
Decrease/ (increase) in trade receivables		231.67	(253.34)
Decrease in loans and advances and other assets		102.55	121.37
(Decrease)/increase in other current liabilities and provisions		(456.21)	831.36
Cash generated from operations		1,881.16	3,377.43
Taxes paid		(119.57)	(205.17)
Net cash (used in) / from operating activities (A)		1,761.59	3,172.26
Cash flow from Investing activities			
Purchase of fixed assets		(4,092.79)	(2,596.35)
Deposits realized/(made) during the year with original maturity more than three months (net)		933.26	(918.05)
Investment made		(0.26)	-
Sale of fixed assets		14.29	4.07
Interest income received		155.99	234.41
Net cash (used in) / from investing activities (B)		(2,989.51)	(3,275.92)
Cash flow from Financing activities			
Interest expense		(12.64)	(4.58)
Net cash (used in) / from financing activities (C)		(12.64)	(4.58)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		(1,240.56)	(108.24)
Cash and cash equivalents at the beginning of the year		<u>2,682.06</u>	<u>2,790.30</u>
Cash and cash equivalents at the end of the year	17	1,441.50	2,682.06

Significant accounting policies

2

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached.

for B S R & Company
Chartered Accountants
Firm Registration No. 128032W
Vikram Advani
Partner
Membership No. 091765

Delhi, April 29, 2014

For and on behalf of the Board of Directors of
Lotte India Corporation Limited

Milan Wahi
Managing Director

T.G. Karthikeyan
Company Secretary

D.G. Rajan
Director

Kyo Hee Kim
Whole Time Director
Chennai, April 29, 2014

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

1 Background

Lotte India Corporation Limited is engaged in the business of manufacturing and marketing of confectionery products. The parent company is Lotte Confectionery Company Limited, South Korea, which is one of the leading manufacturers of confectionery products.

The Company has a wide range of confectionery products like Coffy Bite, Lacto King, Caramilk, Coconut Punch and Chocopie.

The Company's manufacturing units are primarily located near Chennai and near Cuddalore.

2 Significant Accounting Policies

a Basis of preparation of financial statements

The financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under historical cost convention on accrual basis. GAAP comprises of accounting standards notified by the Central Government of India under Section 211(3C) of the Companies Act, 1956, other pronouncements of the Institute of Chartered Accountants of India and the provision of Companies Act, 1956, to the extent applicable. The accounting policies have been uniformly applied by the Company and are consistent with those used in the previous year.

b Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period reported. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c Revenue recognition

Revenue from sale of goods is recognized on dispatch of goods which corresponds with transfer of all significant risks and rewards of ownership to the buyer. The amount recognized as sale is exclusive of sales tax and value added tax (VAT), and is net of returns, trade and quantity discounts.

Interest income on deposits is recognized on the time proportionate method.

Insurance claims and rental income are recognized when the amount thereof can be measured reliably and there is a reasonable certainty of its ultimate collection.

d Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost of acquisition less accumulated depreciation. The cost of tangible fixed assets includes freight, duties and taxes and other incidental expenses related to acquisition, but exclude duties and taxes that are recoverable subsequently from revenue authorities. Borrowing cost directly attributable to acquisition of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are accounted as expense in the statement of profit and loss.

Tangible fixed assets under construction are disclosed as capital work-in-progress.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

Depreciation is provided on the straight line method at the rates of depreciation prescribed in Schedule XIV to the Companies Act, 1956. If the management's estimate of the useful life of a tangible fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid Schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life / remaining useful life. Pursuant to this policy, based on the estimated useful life of the assets, depreciation is provided in respect of certain assets at the rates which are higher than the corresponding rates prescribed in Schedule XIV to the Companies Act, 1956. The estimated useful life of various tangible fixed assets are as under:

Description	Estimated useful life (in years)
Building	28
Plant and machinery	5 - 13
Computer and accessories	5
Furnitures and fixtures	5 - 10
Office equipments	5 - 10
Vehicles	5

All tangible fixed assets individually costing Rs. 5,000 or less are fully depreciated in the year of purchase.

Leasehold improvements are amortised on a straight line basis over the useful / remaining useful life of the asset or the lease period whichever is lower.

e Intangible fixed assets and amortisation

Intangible fixed assets are amortized over their economic useful lives. Management's estimate of useful life of intangible fixed assets is as under:

Description	Estimated useful life (in years)
Software	5

f Leases

Assets taken on lease where the Company acquires substantially the entire risks and rewards incidental to ownership are classified as finance leases. The amount recorded is the lesser of the present value of the minimum lease rental and other incidental expenses during the lease term or the asset's fair value.

The rental obligations, net of interest charges, are reflected in secured loan. Leases that do not transfer substantially all of the risks and rewards of ownership are classified as operating leases and recorded as expenses as and when payments are made over the lease term.

g Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount (higher of net realizable value and value in use) of the asset. If such recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the statement of profit and

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

h Inventories

Inventories are valued at lower of cost and net realisable value. Cost of raw materials and stock-in-trade is ascertained using the moving weighted average method and includes purchase cost, taxes and duties and all expenses incurred in bringing the inventory to its present location and condition, but excludes duties and taxes that are subsequently recoverable from revenue authorities. Cost of work-in-progress includes material cost and share of production overheads. The valuation of finished goods includes material cost, share of production overheads and excise duty.

i Employee benefits

i) Defined contribution plan

Provident Fund: Eligible employees receive benefits from the provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to specified percentage of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions. Contributions to provident fund are charged to the statement of profit and loss on accrual basis.

Superannuation: Contribution to superannuation is made in accordance with the terms of employment contracts for eligible employees and is charged to the statement of profit and loss. The Company makes monthly contributions to the superannuation fund administered by the trustees and managed by Life Insurance Corporation ("LIC") and Reliance Insurance. The Company has no further obligations beyond its monthly contributions.

ii) Defined benefit plan

Gratuity: The Company provides gratuity, a defined benefit retirement plan covering eligible employees. The Company provides the gratuity benefit through annual contribution to Life Insurance Corporation ("LIC"). Liabilities related to the gratuity plan are determined by actuarial valuation using projected unit credit method carried out by an independent actuary as at balance sheet date. Actuarial gain or loss is recognized in the statement of profit and loss.

Compensated absences: Short-term compensated absences are provided for based on estimates. Long-term compensated absences are provided for based on actuarial valuation using projected unit credit method carried out at by an independent actuary as at the balance sheet date.

j Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign currency transactions settled during the period are recognised in the statement of profit and loss for the year, except that exchange differences arising on a long term foreign currency monetary liability related to acquisition of

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

depreciable capital assets are adjusted in the carrying amount of the related fixed assets in accordance with the option exercised by the Company as per amendment to Companies (Accounting Standard) Rules, 2006 through notification of Ministry of Corporate Affairs dated March 31, 2009.

k Taxation

Income tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of the timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

l Research and development

All research and development cost, excluding capital expenditure, is charged off in the year in which it is incurred.

m Provisions, contingent liabilities and contingent assets

Provision is recognized when there is a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources. When there is possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are neither recognised nor disclosed in the financial statements.

n Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed after adjusting the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

o Cash flow statements

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the Company is segregated.

3 Share capital

The details of authorised, issued, subscribed and paid up share capital is as under:

Particulars	As at	
	December 31, 2013	December 31, 2012
Authorised		
370,000,000 (December 31, 2012: 370,000,000) equity shares of Rs.10 each	37,000.00	37,000.00
	<u>37,000.00</u>	<u>37,000.00</u>
Issued, Subscribed and Paid up		
9,560,021 (December 31, 2012: 9,560,021) equity shares of Rs.10 each fully paid up	956.00	956.00
	<u>956.00</u>	<u>956.00</u>

a Reconciliation of shares outstanding at the beginning and at the end of the year is as under:

Particulars	As at December 31, 2013		As at December 31, 2012	
	No. of shares	Amount	No. of shares	Amount
Equity shares of Rs. 10 each fully paid up				
At the beginning of the year	9,560,021	956.00	9,560,021	956.00
Add: Shares issued during the year	-	-	-	-
Less: Shares bought back during the year	-	-	-	-
At the end of the year	<u>9,560,021</u>	<u>956.00</u>	<u>9,560,021</u>	<u>956.00</u>

b Rights, preferences and restrictions attached to equity shares

- i) The Company has only one class of shares referred to as equity shares having a par value of Rs. 10 each. Each holder of equity share is entitled to one vote per share.
- ii) The Company declares dividend in Indian Rupees and pays dividend to shareholders outside India in foreign currency based on the rates prevailing on the date of such remittances, with respect to other shareholders, dividend is paid in Indian Rupees. During the year ended December 31, 2013, the Company has not declared any dividend.
- iii) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

c Shares held by holding company and / or their subsidiaries / associates

Particulars	As at	
	December 31, 2013	December 31, 2012
Holding company		
9,404,693 equity shares (December 31, 2012: 9,404,693 shares) held by Lotte Confectionery Company Limited, South Korea, the holding company	940.47	940.47

d Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As at December 31, 2013		As at December 31, 2012	
	No. of shares	Percentage	No. of shares	Percentage
Equity shares of Rs. 10 each fully paid up				
Lotte Confectionery Company Limited, South Korea, the holding company	9,404,693	98.38%	9,404,693	98.38%

e Shares allotted as fully paid up pursuant to contracts without payment being received in cash

Particulars	As at	
	December 31, 2013	December 31, 2012
	No of shares	No of shares
Equity shares allotted as fully paid up pursuant to contract without payment being received in cash	5,788,732	5,788,732

4 Reserves and surplus

Particulars	As at	
	December 31, 2013	December 31, 2012
Capital reserve		
At the commencement and at the end of the year	464.47	464.47
Securities premium account		
At the commencement and at the end of the year	966.18	966.18
General reserve*		
At the commencement and at the end of the year	42,357.39	42,357.39
Surplus in the statement of profit and loss		
Balance at the beginning of the year	450.30	(216.05)
Profit for the year	511.57	666.35
Net surplus in the statement of profit and loss	961.87	450.30
	44,749.91	44,238.34

* Balance in General Reserve includes an amount of Rs. 39,817.73 lakhs arising from merger of Lotte Foods India Pvt. Ltd. with the Company in the year 2010.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

5 Deferred tax liability (net)

Particulars	As at December 31, 2013	As at December 31, 2012
Deferred tax liability		
Excess of depreciation / amortisation on fixed assets under income tax law over depreciation / amortisation provided in accounts	(2,211.26)	(1,925.45)
	<u>(2,211.26)</u>	<u>(1,925.45)</u>
Deferred tax assets		
Provision for doubtful debts/ advances	54.30	54.30
Expenditure covered by section 43B of the Income-Tax Act, 1961	150.90	166.97
Disallowance u/s 40a(ia)	7.49	34.56
Unabsorbed business and depreciation losses	1,993.86	1,669.62
	<u>2,206.55</u>	<u>1,925.45</u>
Net Deferred tax Liability / (Asset)	<u>4.71</u>	<u>-</u>

6 Other long term liabilities

Particulars	As at December 31, 2013	As at December 31, 2012
Security deposits	123.43	59.42
	<u>123.43</u>	<u>59.42</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

7 Provisions

Particulars	Non-current		Current	
	As at December 31, 2013	As at December 31, 2012	As at December 31, 2013	As at December 31, 2012
Provision for employee benefits				
Gratuity (Also refer note 37)	-	-	61.79	20.06
Compensated absences	8.31	1.10	70.82	46.87
	8.31	1.10	132.61	66.93
Other provisions				
Provision for current tax	-	-	7.65	12.36
	-	-	7.65	12.36
	8.31	1.10	140.26	79.29

8 Trade payables

Particulars	As at December 31, 2013	As at December 31, 2012
Dues to micro and small enterprises (see note below)	-	-
Dues to others	3,605.34	3,849.05
	3,605.34	3,849.05

Dues to micro, small and medium enterprises :

Based on the information received and available, the management believes that there are no enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amounts payable, if any to such enterprises as at December 31, 2013 has been made in the financial statements based on information received and available with the Company, to the extent identified by the management and relied upon by the auditors.

9 Other current liabilities

Particulars	As at December 31, 2013	As at December 31, 2012
Employee benefits payable	331.07	365.80
Advance from customers	163.25	112.03
Dues to related parties	173.13	347.50
Capital liabilities for purchase of fixed assets	16.92	208.74
Statutory dues payable	624.44	608.03
Others	3.89	20.00
	1,312.70	1,662.10

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

10 Tangible fixed assets

Particulars	Freehold land	Buildings on leasehold land	Buildings	Leasehold improvements	Plant and machinery	Furniture / fittings and office equipments	Vehicles	Total
Gross block								
Balance as at January 1, 2012	13,059.60	143.42	16,646.00	45.00	17,373.03	408.13	72.73	47,747.91
Additions	-	-	-	-	180.31	13.47	6.30	200.08
Deletions / write off	-	-	-	-	-	4.75	-	4.75
Balance as at December 31, 2012	13,059.60	143.42	16,646.00	45.00	17,553.34	416.85	79.03	47,943.24
Additions	3,589.35	-	2,275.22	-	669.39	620.97	-	7,154.93
Deletions / write off	-	-	-	45.00	3.72	66.60	11.96	127.28
Balance as at December 31, 2013	16,648.95	143.42	18,921.22	-	18,219.01	971.22	67.07	54,970.89
Accumulated depreciation								
Balance as at January 1, 2012	-	116.01	978.32	42.75	7,461.57	314.08	51.91	8,964.64
Additions	-	15.48	564.36	-	902.10	31.15	7.97	1,521.06
Deletions / write off	-	-	-	-	-	0.68	-	0.68
Balance as at December 31, 2012	-	131.49	1,542.68	42.75	8,363.67	344.55	59.88	10,485.02
Additions	-	2.40	632.03	-	966.68	125.51	7.87	1,734.49
Deletions / write off	-	-	-	42.75	3.49	63.24	9.58	119.06
Balance as at December 31, 2013	-	133.89	2,174.71	-	9,326.86	406.82	58.17	12,100.45
Net block								
As at December 31, 2012	13,059.60	11.93	15,103.32	2.25	9,189.67	72.30	19.15	37,458.22
As at December 31, 2013	16,648.95	9.53	16,746.51	-	8,892.15	564.40	8.90	42,870.44

The Company has leased out some of its plant and machinery under operating leases. The gross and net carrying amount of such assets is as follows:

Particulars	As at December 31, 2013		As at December 31, 2012	
	Gross block	Accumulated depreciation	Gross block	Accumulated depreciation
Building- OMR	512.94	14.50	-	-
Furniture/Fittings and Office equipments	130.13	20.19	-	-
Plant and machinery	633.74	380.93	561.37	335.87
	1,276.81	415.62	561.37	335.87
		861.19		225.50
				225.50

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

10 Tangible fixed assets (continued)

Capital Work-in-progress

Particulars	Total
Balance as at January 01, 2012	810.42
Additions	2,392.23
Assets capitalized during the year	-
Balance as at December 31, 2012	3,202.65
Balance as at January 01, 2013	3,202.65
Additions	158.25
Assets capitalized during the year	3,220.39
Balance as at December 31, 2013	140.51

11 Intangible fixed assets

Particulars	Computer software	Total
Gross block		
Balance as at January 1, 2012	195.18	195.18
Additions	-	-
Deletions / write off	-	-
Balance as at December 31, 2012	195.18	195.18
Additions	-	-
Deletions / write off	-	-
Balance as at December 31, 2013	195.18	195.18
Accumulated amortisation		
Balance as at January 1, 2012	104.88	104.88
Additions	26.22	26.22
Deletions / write off	-	-
Balance as at December 31, 2012	131.10	131.10
Additions	23.65	23.65
Deletions / write off	-	-
Balance as at December 31, 2013	154.75	154.75
Net block		
As at March 31, 2012	64.08	64.08
As at March 31, 2013	40.43	40.43

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

12 Non - current investments

Particulars	As at December 31, 2013	As at December 31, 2012
Unquoted investments		
Investment in equity instruments		
2,600 equity shares of Aadhav Green Power P. Ltd. (December 31, 2012: Nil), of Rs. 10 each, fully paid up	0.26	-
Aggregate value of unquoted non current investment	0.26	-

13 Loans and advances

Particulars	Non-current		Current	
	As at December 31, 2013	As at December 31, 2012	As at December 31, 2013	As at December 31, 2012
To other than related parties				
I. Capital advances				
Unsecured - Considered good	17.82	35.95	-	-
	17.82	35.95	-	-
II. Security deposits				
Unsecured - Considered good				
Rental deposits	68.30	70.42	-	21.38
Other deposits	73.42	67.67	6.34	8.17
	141.72	138.09	6.34	29.55
III. Advance recoverable in cash or in kind				
Unsecured - Considered good				
Advance to suppliers	-	-	143.09	97.92
Advance to employees	-	-	30.40	36.34
Others	66.21	83.47	-	-
	66.21	83.47	173.49	134.26
IV. Other loans and advances				
Unsecured - Considered good				
Prepaid expenses	9.19	12.26	67.73	55.73
Advance income taxes	64.00	81.44	-	-
Balance with government authorities	-	-	543.75	639.59
	73.19	93.70	611.48	695.32
	298.94	351.21	791.31	859.13

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

14 Other non-current assets

Particulars	As at December 31, 2013	As at December 31, 2012
Bank deposits due to mature after 12 months from the reporting date included under "other non-current assets" *(Also refer note 17)	233.60	224.65
	<u>233.60</u>	<u>224.65</u>
* Represents deposits under lien with government authorities.		

15 Inventories

Particulars	As at December 31, 2013	As at December 31, 2012
Raw material and packing material	1,330.20	1,311.81
Work in progress	116.48	117.78
Stock-in-trade	44.42	-
Finished goods	2,028.25	1,824.21
Stores and consumables	85.95	76.58
	<u>3,605.30</u>	<u>3,330.38</u>
Details of raw material and packing material closing		
Sugar	240.19	347.49
Glucose	80.39	67.87
Vanaspathi	68.96	29.84
Wrapping materials	191.20	199.73
Packing materials	278.18	242.97
Others	471.28	423.91
	<u>1,330.20</u>	<u>1,311.81</u>

16 Trade Receivables

Particulars	As at December 31, 2013	As at December 31, 2012
<i>Unsecured:</i>		
Debts outstanding for a period exceeding six months from the date they became due for payment		
- considered good	186.19	150.52
- considered doubtful	145.80	145.80
	<u>331.99</u>	<u>296.32</u>
Other debts		
- considered good	584.09	856.91
	<u>584.09</u>	<u>856.91</u>
	<u>916.08</u>	<u>1,153.23</u>
Less: Provision for doubtful debts	145.80	145.80
	<u>770.28</u>	<u>1,007.43</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)
(All amounts are in Indian Rupees in lakhs, except share data and as stated)

17 Cash and bank balances

Particulars	As at December 31, 2013	As at December 31, 2012
Cash and cash equivalents:		
Cash on hand	0.49	0.49
Cheques on hand	283.37	195.24
Balance with banks		
- on current accounts	440.94	938.61
- on deposit accounts	716.70	1,547.72
	<u>1,441.50</u>	<u>2,682.06</u>
Other bank balances	700.75	1,642.96
	<u>2,142.25</u>	<u>4,325.02</u>

Details of bank balances / deposits

Particulars	As at December 31, 2013	As at December 31, 2012
Bank balances available on deposits with original maturity of 3 months or less included under "Cash and cash equivalents"	716.70	1,547.71
Bank deposits due to mature within 12 months of the reporting date included under "Other bank balances"	700.75	1,642.96
Bank deposits due to mature after 12 months of the reporting date included under "Other non-current assets" (refer note 14)	233.60	224.65
	<u>1,651.05</u>	<u>3,415.32</u>

18 Other current assets

Particulars	As at December 31, 2013	As at December 31, 2012
Interest accrued on fixed deposits with banks	7.34	22.53
	<u>7.34</u>	<u>22.53</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

19 Revenue from operations

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Sale of products (gross)		
Sale of goods	35,865.91	31,931.62
Less: Excise duty	2,243.34	1,967.14
Less: Discounts	2,178.49	1,749.75
Sale of products (net)	31,444.08	28,214.73
Other operating revenues		
Scrap sales	9.80	21.88
	9.80	21.88
Total revenue from operations	31,453.88	28,236.61
Details of Products sold		
Finished goods sold		
Toffees	21,407.22	20,068.38
Other than toffees	14,458.69	11,863.24
	35,865.91	31,931.62

20 Other income

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Interest income on fixed deposits	140.80	250.83
Insurance claim received	15.47	5.27
Rental income	91.36	13.20
Profit on sale of assets	6.08	-
Foreign exchange gain, net	7.24	24.42
Miscellaneous income	3.10	13.80
	264.05	307.52

21 Cost of materials consumed

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Opening stock of raw materials and packing materials	1,311.81	1,472.77
Add: Purchases	18,222.83	15,929.28
	19,534.64	17,402.05
Less: Closing stock of raw materials and packing materials	1,330.20	1,311.81
Cost of raw materials consumed	18,204.44	16,090.24

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

Particulars	31 March 2013			31 March 2012		
	Opening inventory	Closing inventory	(Increase)/ Decrease in inventory	Opening inventory	Closing inventory	(Increase)/ Decrease in inventory
Semi-finished goods	117.78	116.48	1.30	91.67	117.78	(26.11)
Finished goods						
Toffees	1,134.05	1,305.70	(171.65)	1,243.31	1,134.05	109.26
Other than Toffees	690.16	722.55	(32.39)	953.47	690.16	263.31
	1,824.21	2,028.25	(204.04)	2,196.78	1,824.21	372.57
Stock-in-trade	-	44.42	(44.42)	13.80	-	13.80

22 Purchase of stock-in-trade

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Purchase of stock-in-trade	82.18	-
	82.18	-

23 Changes in inventories of finished goods and work-in-progress

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Opening stock		
- Work-in-progress	117.78	91.67
- Finished goods	1,824.21	2,196.78
- Stock in trade	-	13.80
	1,941.99	2,302.25
Less: Closing stock		
- Work-in-progress	116.48	117.78
- Finished goods	2,028.25	1,824.21
- Stock in trade	44.42	-
	2,189.15	1,941.99
Add: Movement in excise duty	(7.63)	38.94
	(239.53)	399.20

24 Employee benefits expense

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Salaries, wages and bonus	1,944.65	1,707.48
Contribution to provident and other funds	191.79	134.77
Staff welfare expenses	255.62	237.34
	2,392.06	2,079.59

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

25 Finance costs

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Interest expense	12.64	4.58
	<u>12.64</u>	<u>4.58</u>

26 Depreciation and amortisation expense

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Depreciation of tangible fixed assets (refer note 10)	1,734.50	1,521.06
Amortisation of intangible fixed assets (refer note 11)	23.65	26.22
	<u>1,758.15</u>	<u>1,547.28</u>

27 Other expenses

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Raw material conversion charges	1,793.78	1,477.84
Consumption of stores and spare parts	62.39	44.76
Rent	217.75	251.49
Rates and taxes	234.57	226.36
Power and fuel	1,078.50	998.44
Repairs and maintenance		
- Buildings	1.94	1.58
- Plant and machinery	175.23	186.27
- Others	146.70	87.08
Packing, despatching and freight	2,319.42	2,223.78
Clearing forwarding and other charges	131.70	144.93
Insurance	36.87	36.57
Travelling and conveyance	456.40	402.77
Communication expenses	65.03	62.86
Professional and legal charges (Refer note 29)	73.93	68.10
Director's sitting fees	2.00	1.40
Advertisement	773.40	242.43
Sales promotion and development expenditure	837.53	668.90
Bank charges	6.52	3.47
General expenses	445.75	456.99
	<u>8,859.41</u>	<u>7,586.02</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

28 Capital commitments and contingent liabilities

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
(i) Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	40.84	185.91
(ii) Commitments in respect of bank guarantees and letters of credit issued by Company's bankers	229.45	247.78
(iii) Disputed sales tax / income tax / service tax / excise duty		
(a) Stay granted in favour of Company	93.35	93.35
(b) Other cases	22.47	264.00

Export obligations

In respect of capital goods imported at concessional rate of duties and under Export Promotion Capital Goods scheme, as at the balance sheet date, the Company has outstanding export obligation of Rs. 9,780.30 (Previous year - Rs. 10,306.28). The aforesaid export obligation has to be met over eight years. The Company is confident of meeting its revenue commitments / obtaining extensions, if necessary.

29 Payment to auditors (excluding service tax)

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Statutory audit	13.00	12.50
Tax audit and other services	10.00	8.00
Reimbursement of expenses	1.51	0.55
	<u>24.51</u>	<u>21.05</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

30 Consumption of raw materials and packing materials

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Sugar	3,168.08	2,536.65
Glucose	2,653.22	2,207.34
Processed milk	1,703.58	2,032.74
Vanaspathi	1,256.31	927.77
Wrapping materials	2,148.87	2,028.63
Packing materials	3,399.22	2,846.05
Others	3,875.15	3,511.06
	18,204.43	16,090.24

31 Consumption of imported and indigenous raw materials, packing materials and stores and spares

Particulars	Year ended December 31, 2013		Year ended December 31, 2012	
	Amount	Percentage	Amount	Percentage
A. Raw materials and packing materials				
Imported	169.79	0.93%	115.28	0.72%
Indigenous	18,034.64	99.07%	15,974.96	99.28%
	18,204.43	100.00%	16,090.24	100.00%
B. Components and spare parts				
Imported	-	-	-	-
Indigenous	62.39	100.00%	44.76	100.00%
	62.39	100.00%	44.76	100.00%

32 C.I.F value of imports

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Raw material and stores and spares	119.35	79.33
Traded Goods	55.74	-
	175.09	79.33

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

33 Expenditure in foreign currency (on accrual basis)

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Travel	30.20	27.98
Others		
– Software usage fee	59.12	52.83
– Royalty	186.95	153.69
	<u>276.27</u>	<u>234.50</u>

34 Earnings in foreign currency (on accrual basis)

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
FOB value of exports	526.01	472.35
	<u>526.01</u>	<u>472.35</u>

35 Segment reporting

The Company is engaged into only one business namely manufacture and trading of confectionery and related products. Accordingly there are no separate reportable segments according to AS 17 'Segment Reporting' issued under the Companies (Accounting Standards) Rules, 2006.

36 Foreign currency forward contracts :

The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	December 31, 2013		December 31, 2012	
	Foreign Currency	Rs. Lakhs	Foreign Currency	Rs. Lakhs
Amount receivable in USD	63,000	39.10	1,52,000	83.26
Amount payable in USD	21,805	13.50	22,600	12.31
	<u>84,805</u>	<u>52.60</u>	<u>1,74,600</u>	<u>95.57</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

37 Employee benefits

Gratuity plan

The following table sets out the status of the gratuity plan as required under AS 15 (Revised 2005) and reconciliation of opening and closing balances of the present value of the defined benefit obligation.

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Change in projected benefit obligation		
Projected benefit obligations at the beginning of the year	225.22	189.44
Current Service cost	20.38	17.30
Interest cost	18.33	15.52
Benefits paid	(8.67)	(18.05)
Actuarial (gain) / loss	45.82	21.01
Projected benefit obligations at the end of the year	301.08	225.22

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Change in plan assets		
Fair value of plan assets at the beginning of the year	205.16	186.44
Expected return on plan assets	17.00	14.89
Employer contributions	23.53	17.30
Benefits paid	(8.67)	(18.05)
Actuarial gain / (loss)	2.27	4.58
Fair value of plan assets at the end of the year	239.29	205.16

Reconciliation of present value of obligation on the fair value of plan assets

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Present value of projected benefits at the end of the year	301.08	225.22
Funded status of the plan	239.29	205.16
Funded status amount of liability recognized in the balance sheet	61.79	20.06

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

The components of net gratuity costs are reflected below:

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Current Service cost	20.38	17.30
Interest cost	18.33	15.52
Expected returns on plan assets	(17.00)	(14.89)
Recognized net actuarial (gain) / loss	43.55	16.42
Net gratuity costs	65.26	34.35

Financial assumptions at balance sheet date:

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Discount rate	9.30%	8.30%
Long term rate of compensation increase	7.00%	5.00%
Estimated rate of return on plan assets	8.00%	8.00%
Attrition rate	1.5-3%	0.5-2%

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Note:

- (i) Plan assets comprise of contribution to Group Gratuity Scheme of Life Insurance Corporation of India.
- (ii) The gratuity expenses have been recognised in 'Contribution to provident and other funds' under note 27 of the financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

38 Related party transactions

a) Names of related parties and nature of relationship are as follows:

Nature of relationship	Name of the related party
Holding Company	Lotte Confectionery Co Limited, South Korea (Lotte Korea)
Associates	Lotte Engineering Construction India Private Ltd. (LEC India Pvt. Ltd.)
Key management personnel	Mr. Milan Wahi (from April 2, 2012) Mr. Kyo Hee Kim (from July 12, 2012)

b) Details of related party transactions.

Particulars	Holding company		Associates		Key management personnel	
	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12	31-Dec-13	31-Dec-12
Nature of transaction						
Purchases of goods						
- Lotte Confectionery Co Ltd	28.12	-	-	-	-	-
Sales						
- Lotte Korea	384.36	359.17	-	-	-	-
Remuneration	-	-	-	-	109.20	96.59
Royalty expenses						
- Lotte Korea	186.95	153.69	-	-	-	-
Software usage fee						
- Lotte Korea	59.12	52.83	-	-	-	-
Year end balances						
Payable						
- Lotte Korea	173.13	145.60	-	-	-	-
- LEC India Pvt. Ltd.	-	-	-	201.90	-	-
Receivable						
- Lotte Korea	6.00	40.25	-	-	-	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013 (contd.)

(All amounts are in Indian Rupees in lakhs, except share data and as stated)

39 Earnings per share

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Net Profit after tax	511.57	666.35
Weighted average number of shares outstanding	95,60,021	95,60,021
Basic and diluted EPS	5.35	6.97

40 Operating Lease

The company has leased out some of its buildings, furniture and fixture and plant and machinery.

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Gross carrying amount	1,277	561
Accumulated depreciation	416	336
Net carrying amount	861	225
Depreciation for the period	81	34

The future lease payments under non cancellable operating lease are as follows:

Particulars	Year ended December 31, 2013	Year ended December 31, 2012
Payable within one year	21	30
Payable between one and five years	309	347
Payable after five years	-	-

41 Transfer pricing:

The Company has international transactions with related parties for the year ended December 31, 2013. For the financial year 2011-12, the Company has obtained the Accountant's report from a Chartered Accountant as required by the relevant provisions of the Income-tax Act, 1961 and has filed the same with tax authorities. For the current period, management confirms that it maintains documents as prescribed by the Income-tax Act, 1961 to prove that these international transactions are at arm's length and believes that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

42 Prior year figures have been reclassified/regrouped wherever necessary to conform to the current year's classification.

for B S R & Company
Chartered Accountants
Firm Registration No. 128032W
Vikram Advani
Partner
Membership No. 091765
Place: Delhi
Date: April 29, 2014

For and on behalf of the Board of Directors of
Lotte India Corporation Limited

Milan Wahi Managing Director	D.G. Rajan Director
T.G. Karthikeyan Company Secretary	Kyo Hee Kim Whole Time Director

Chennai, April 29, 2014

TEN YEARS AT A GLANCE

Rs. Lakh

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010 (9 Months Apr-Dec) @	2011	2012	2013
OPERATING RESULTS:										
GROSS INCOME	12070.14	14607.59	16217.48	16815.48	18341.68	19703.19	17386.01	28873.79	31931.62	35865.91
PROFIT/(LOSS) BEF DEPN., INTEREST & TAX	773.91	831.71	867.55	83.25	611.55	982.75	1020.33	2336.87	2389.08	2419.37
PROFIT/(LOSS) BEF INTEREST & TAX	278.12	300.01	351.54	(445.68)	81.44	518.87	67.58	622.56	841.80	661.22
PROFIT/(LOSS) BEFORE TAX (PBT)	270.81	306.93	281.48	(769.62)	(272.19)	501.21	56.29	615.03	837.22	648.58
PROFIT/(LOSS) AFTER TAX (PAT)	116.94	140.98	120.55	(579.33)	(214.13)	254.21	(617.79)	484.53	666.35	511.57
DIVIDENDS	-	-	-	-	-	-	-	-	-	-
DIVIDEND TAX	-	-	-	-	-	-	-	-	-	-
RETAINED PROFITS	116.94	140.98	120.55	(579.33)	(214.13)	254.21	(617.79)	484.53	666.35	511.57
SOURCES AND APPLICATION OF FUNDS:										
SOURCES OF FUNDS:										
SHARE CAPITAL	377.13	377.13	377.13	377.13	377.13	377.13	956.00	956.00	956.00	956.00
RESERVES AND SURPLUS	4165.24	4306.22	4426.77	3847.44	3633.31	3887.52	43087.46	43571.99	44238.35	44749.91
TOTAL SHAREHOLDERS' FUNDS	4542.37	4683.35	4803.90	4224.57	4010.44	4264.65	44043.46	44527.99	45194.35	45,705.91
BORROWINGS	224.52	38.53	3000.00	3543.07	34.10	-	-	-	-	-
FUNDS EMPLOYED	4766.89	4721.88	7803.90	7767.64	4044.54	4264.65	44043.46	44527.99	45194.35	45,705.91
APPLICATION OF FUNDS:										
GROSS FIXED ASSETS	9000.63	9103.34	9233.27	12615.94	12746.43	12766.84	48390.21	47943.09	48138.42	55166.07
DEPRECIATION	5156.84	5674.88	6092.48	6473.24	6968.48	7314.69	8265.38	9069.52	10616.12	12255.20
NET FIXED ASSETS	3843.79	3428.46	3140.79	6142.71	5777.95	5452.15	40124.83	38873.57	37522.30	42,910.87
CAPITAL WORK-IN-PROGRESS	4.27	4.30	3098.82	85.09	77.03	0.50	26.67	810.42	3202.65	140.51
INVESTMENTS	-	-	-	-	-	-	-	-	-	-
DEFERRED TAX ASSET (NET)	716.07	616.02	520.59	738.52	823.58	662.58	-	-	-	-
DEFERRED TAX LIABILITY (NET)	-	-	-	-	-	-	-	-	-	4.71
GROSS CURRENT ASSETS	2013.22	2533.08	3367.23	3319.12	3501.39	4469.67	7826.96	10516.56	10120.35	7849.02
CURRENT LIABILITIES & PROVISIONS	1810.46	1859.98	2323.53	2517.80	6135.41	6320.25	3935.00	5672.56	5650.96	5190.04
NET CURRENT ASSETS	202.76	673.10	1043.70	801.32	(2634.02)	(1850.58)	3891.96	4844.00	4469.39	2,658.98
NET ASSETS EMPLOYED	4766.89	4721.88	7803.90	7767.64	4044.54	4264.65	44043.46	44527.99	45194.34	45,710.36
RATIOS:										
ROCE (%)	5.73	6.32	5.61	-5.72	1.38	12.49	0.28	1.41	1.88	1.45
PBDIT TO GROSS INCOME(%)	6.41	5.69	5.35	0.50	3.33	4.99	5.87	8.09	7.48	6.75
PAT ON SHAREHOLDERS' FUNDS(%)	2.57	3.01	2.51	-13.71	-5.34	5.96	-1.40	1.09	1.47	1.12
EARNINGS PER EQUITY SHARE(Rs)	3.10	3.74	3.20	-15.36	-5.68	6.74	-6.95	5.07	6.97	5.35
DIVIDEND PER EQUITY SHARE(Rs)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NET WORTH PER EQUITY SHARE(Rs)	120.45	124.18	127.38	112.02	106.34	113.08	495.76	465.77	472.74	478.09
DEBT: EQUITY RATIO	0.05	0.01	0.62	0.84	0.01	0.00	0.00	0.00	0.00	0.00

* Includes merger of Confectionery Specialities Ltd. (100 % Subsidiary)

@ Includes merger of Lotte foods India Private Ltd (Subsidiary of Lotte confectionery Co. Ltd, Korea)

Note : 2010 year figures were only for 9 months (Apr-Dec) consequent to change in financial year. Hence figures are not comparable.

Form No. MGT-11

Proxy form

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN : U15419TN1954PLC001987
Name of the company : LOTTE INDIA CORPORATION LIMITED
Registered office : NO.: 4/111, MOUNT POONAMALLEE ROAD
MANAPAKKAM, CHENNAI 600089, TAMILNADU, INDIA
Name of the member(s) :
Registered address :
E-mail Id :
Folio No/ Client Id :
DP ID :

I/We, being the member (s) of shares of the above named company, hereby appoint

1. Name :
Address :
E-mail Id : Signature:....., or failing him
2. Name :
Address :
E-mail Id : Signature:....., or failing him
3. Name :
Address :
E-mail Id : Signature:.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 59th Annual general meeting of the company, to be held on the 12th day of June, 2014 at 10.30 a.m. at M.A. Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai 600 108 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.

- 1.....
- 2.....
- 3.....

Signed this day of 20.....

Signature of shareholder :

Signature of Proxyholder(s) :

Affix
Re.1/-
Revenue
Stamp

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.

