

CORPORATE INFORMATION

Board of Directors	MANG KO NOH Chairman
	MILAN WAHI (till 25.11.2014) Managing Director
	KYO HEE KIM (till 20.05.2014) Whole Time Director
	MOO SUN SONG (from 19.08.2014) Whole Time Director
	MYUNG KI MIN Director
	D.G. RAJAN Independent Director
	YOUNG MI LEE (from 19.08.2014) Independent 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 - 600 096.
Factories	NELLIKUPPAM (CUDDALORE DIST.), TAMIL NADU. POONAMALLEE-THIRUVALLUR ROAD, CHENNAI, TAMIL NADU.
Auditors	B S R & Co. LLP CHARTERED ACCOUNTANTS CHENNAI
Bankers	STANDARD CHARTERED BANK HDFC BANK LTD.

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TEN YEARS AT A GLANCE

Rs. Lakh

	2005-06	2006-07	2007-08	2008-09	2009-10 (9 Months Apr-Dec) [®]	2010	2011	2012	2013	2014
OPERATING RESULTS:										
GROSS INCOME	14607.59	16217.48	16815.48	18341.68	19703.19	17386.01	28,873.79	31,931.62	35,865.91	37448.12
PROFIT/(LOSS) BEF DEPN., INTEREST & TAX	831.71	867.55	83.25	611.55	982.75	1020.33	2,337.00	2,389.08	2,419.37	2061.02
PROFIT/(LOSS) BEF INTEREST & TAX	300.01	351.54	(445.68)	81.44	518.87	67.58	623.00	841.80	661.22	318.64
PROFIT/(LOSS) BEFORE TAX (PBT)	306.93	281.48	(769.62)	(272.19)	501.21	56.29	615.00	837.22	648.58	271.66
PROFIT/(LOSS) AFTER TAX (PAT)	140.98	120.55	(579.33)	(214.13)	254.21	(617.79)	484.53	666.35	511.57	131.22
DIVIDENDS	-	-	-	-	-	-	-	-	-	-
DIVIDEND TAX	-	-	-	-	-	-	-	-	-	-
RETAINED PROFITS	140.98	120.55	(579.33)	(214.13)	254.21	(617.79)	484.53	666.35	511.57	131.22
SOURCES AND APPLICATION OF FUNDS:										
SOURCES OF FUNDS:										
SHARE CAPITAL	377.13	377.13	377.13	377.13	377.13	956.00	956.00	956.00	956.00	956.00
RESERVES AND SURPLUS	4306.22	4426.77	3847.44	3633.31	3887.52	43087.46	43,571.99	44,238.35	44,749.91	44881.13
TOTAL SHAREHOLDERS' FUNDS	4683.35	4803.90	4224.57	4010.44	4264.65	44043.46	44,527.99	45,194.35	45,705.91	45837.13
BORROWINGS	38.53	3000.00	3543.07	34.10	-	-	-	-	-	12676.47
DEFERRED TAX LIABILITY (NET)	-	-	-	-	-	-	-	-	4.71	111.26
FUNDS EMPLOYED	4721.88	7803.90	7767.64	4044.54	4264.65	44043.46	44,527.99	45,194.35	45,710.62	58624.86
APPLICATION OF FUNDS:										
GROSS FIXED ASSETS	9103.34	9233.27	12615.94	12746.43	12766.84	48390.21	47,943.13	48,138.42	55,166.07	55387.81
DEPRECIATION	5674.88	6092.48	6473.24	6968.48	7314.69	8265.38	9,069.52	10,616.12	12,255.20	13997.51
NET FIXED ASSETS	3428.46	3140.79	6142.71	5777.95	5452.15	40124.83	38,873.61	37,522.30	42,910.87	41,390.29
CAPITAL WORK-IN-PROGRESS	4.30	3098.82	85.09	77.03	0.50	26.67	842.01	3,202.65	140.51	7424.91
INVESTMENTS	-	-	-	-	-	-	-	-	0.26	0.26
DEFERRED TAX ASSET (NET)	616.02	520.59	738.52	823.58	662.58	-	-	-	-	-
GROSS CURRENT ASSETS	2533.08	3367.23	3319.12	3501.39	4469.67	7826.96	9,614.10	10,120.35	7,849.02	15580.45
CURRENT LIABILITIES & PROVISIONS	1859.98	2323.53	2517.80	6135.41	6320.25	3935.00	4,801.73	5,650.96	5,190.04	5771.05
NET CURRENT ASSETS	673.10	1043.70	801.32	(2634.02)	(1850.58)	3891.96	4,812.37	4,469.39	2,658.98	9,809.40
DEFERRED REVENUE EXPENDITURE	-	-	-	-	-	-	-	-	-	-
DEBIT BALANCE IN P & L	-	-	-	-	-	-	-	-	-	-
NET ASSETS EMPLOYED	4721.88	7803.90	7767.64	4044.54	4264.65	44043.46	44,527.99	45,194.34	45,710.62	58,624.86
RATIOS:										
ROCE (%)	6.32	5.61	-5.72	1.38	12.49	0.28	1.41	1.88	1.47	0.61
PBDIT TO GROSS INCOME(%)	5.69	5.35	0.50	3.33	4.99	5.87	8.09	7.48	6.75	5.50
PAT ON SHAREHOLDERS' FUNDS(%)	3.01	2.51	-13.71	-5.34	5.96	-1.40	1.09	1.47	1.12	0.29
EARNINGS PER EQUITY SHARE(Rs)	3.74	3.20	-15.36	-5.68	6.74	-6.95	5.07	6.97	5.35	1.37
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)	124.18	127.38	112.02	106.34	113.08	495.76	465.77	472.74	478.09	479.47
DEBT: EQUITY RATIO	0.01	0.62	0.84	0.01	0.00	0.00	0.00	0.00	0.00	0.28

* 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.

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 : compsecy@lotteindia.com
Corporate Identity Number : U15419TN1954PLC001987; Website: www.lotteindia.com

NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the Sixtieth Annual General Meeting of the Company will be held on Monday, the 22nd June, 2015 at 10.00 A.M. at M.A. Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai 600108 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, 2014 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr. Myung Ki Min, who retires by rotation and is eligible for reappointment.
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as on Ordinary Resolution:

RESOLVED that pursuant to the provisions of Section 139 and other applicable provisions of the Companies Act, 2013 read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Company hereby ratifies the appointment of M/s.BSR & Co.LLP, Chartered Accountants (Firm Registration No.101248W/W-100022), as the Statutory Auditors of the Company to hold office from the conclusion of 60th Annual General Meeting till the conclusion of 61st Annual General Meeting on such remuneration as may be determined by the Board of Directors.

SPECIAL BUSINESS

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

RESOLVED THAT Mr.Moo Sun Song, who was appointed as an Additional Director of the Company with effect from 19th August, 2014, whose term of office as an Additional Director expires at this Annual General Meeting and in respect of whom the company has received a notice under section 160 of the Companies Act, 2013 in writing, proposing his candidature for the office of Director be and is hereby appointed as Director of the Company, whose period of office shall not be liable to retire by rotation.

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

RESOLVED THAT Ms.Young Mi Lee, who was appointed as an Additional Director of the Company with effect from 19th August, 2014, whose term of office as an Additional Director expires at this Annual General Meeting and in respect of whom the company has received a notice under section 160 of the Companies Act, 2013 in writing, proposing his candidature for the office of Director be and is hereby appointed as Director of the Company, whose period of office shall not be liable to retire by rotation.

By Order of the Board
For Lotte India Corporation Limited

Chennai
May 14, 2015

T.G. Karthikeyan
Company Secretary

ANNEXURE TO THE NOTICE

A) PROFILE OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT

Mr. Moo Sun Song holds Masters degree in Business Administration with specialization in Finance. Before his appointment as Whole Time Director of the Company, he was working in our Company as Vice President (Supporting Services) & CFO. He is a member of Audit Committee, Remuneration & Nomination Committee, CSR Committee and Stakeholders Relationship Committee of the Board of Directors of the Company. Earlier, he was working in Lotte Confectionery Co.Ltd, Korea as a Member of Finance & Accounting team since the year 2001.

Ms. Youngmi Lee is a Certified Public Accountant practicing in Korea and having about 10 years experience in the field of finance and accounts. Currently, she is working as Manager in E-chon Accounting Firm, Korea since 1st October, 2013.

Mr. Myung Ki Min is a Graduate in Commerce and holds Masters degree in Marketing from Korea University. He possesses rich experience spanning more than two decades in Sales in Lotte Confectionery Co Ltd., Korea. He resigned from the post of Managing Director w.e.f. 12th July, 2012 and is continuing as Director in our Company.

B) Explanatory statement pursuant to section 102 of the Companies Act, 2013.

Item No. 4

Following the resignation of Mr.Kyo Hee Kim, Whole Time Director with effect from 20.05.2014, the Remuneration and Nomination Committee at its meeting held on 19.08.2014 considered and recommended the appointment of Mr.Moo Sun Song to the Board. The Board of Directors at their meeting of even date appointed Mr.Moo Sun Song as an Additional Director, who will hold office of Additional Director till this Annual General Meeting.

Further, the Board at the same meeting appointed Mr.Moo Sun Song as Whole Time Director for a period of 3 years from 19.08.2014 subject to the approval of shareholders and Central Government. The Shareholders have approved the said appointment vide their resolution passed through postal ballot on

28th November, 2014. The Central Government has also vide its letter dated 27th April, 2015 granted its approval for the said appointment. His experience and expertise in the fields of Finance, Planning, HR will benefit the Company to achieve its desired goal.

The Company has received a notice under section 160 of the Companies Act, 2013 in writing from a shareholder along with requisite deposit proposing the appointment of Mr. Moo Sun Song as Director.

Documents referred to in the Explanatory Statement shall be open for inspection by members at the head office of the Company from 10.00 a.m. to 4.00 p.m. on all working days except Saturdays, Sundays upto the date of AGM.

None of the Directors (other than Mr. Moo Sun Song), key managerial personnel and relatives of them is interested or concerned in the above resolution. The Board of Directors recommends the passing the above resolution.

Item No. 5

The Board of Directors, based on the recommendation of Remuneration and Nomination Committee, at its meeting held on 19.08.2014 appointed Ms.Youngmi Lee as an Additional Director, who will hold office of Additional Director till the ensuing Annual General Meeting.

Pursuant to Section 149 of the Companies Act, 2013, the Board at the same meeting appointed her as an Independent Director for a term of five consecutive years from 19th August, 2014 to 18th August 2019 subject to the approval of shareholders. The Shareholders have approved the said appointment vide their resolution passed through postal ballot on 28th November, 2014. Her association with the company will help in bringing an independent judgement on issues relating to strategy, risk management, performance of the company.

The Company has received a notice under section 160 of the Companies Act, 2013 in writing from a shareholder along with requisite deposit proposing the appointment of Ms.Youngmi Lee as Director.

Documents referred to in the Explanatory Statement shall be open for inspection by members at the head office of the Company from 10.00 a.m. to 4.00 p.m. on

all working days except Saturdays, Sundays upto the date of AGM.

None of the Directors (other than Ms.Youngmi Lee), key managerial personnel and relatives of them is interested or concerned in the above resolution. The Board of Directors recommends the passing of above resolution.

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 him / her. The Proxy need not be a Member of the Company.
2. 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.
3. The relevant explanatory statement pursuant to Section 102 of the Companies Act, 2013 in respect of item Nos.4 & 5 is annexed.
4. 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.
5. 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.
6. Book closure: The Register of Members and Share Transfer books of the Company shall remain closed from 16th June, 2015 to 22nd June, 2015 (both days inclusive).
7. **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 "compsecy@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.**
8. 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 had entered into an agreement with CDSL for facilitating e-voting to enable the Shareholders to cast their votes electronically.

The Company has appointed Mrs. Sucharitra, Company Secretary in Practice of JKM Associates, 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:-

- i) The voting period begins on Thursday, the 18th June, 2015 at 10 A.M and ends on Sunday, the 21st June, 2015 at 5 P.M. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 15th June, 2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- ii) The shareholders should log on to the e-voting website www.evotingindia.com
- iii) Click on Shareholders.
- iv) Now Enter your User ID.
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.

(vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> Members who have not updated their PAN with the Company/ Depository Participant are requested to use the first two letters of their name followed by 8 digits serial number (printed on the first line of address label affixed on envelope carrying the Annual Report) in the PAN field. <p>For example: Your name : RAMESH KUMAR 8 digits serial No. : 00002800 Then type in the PAN field : RA00002800</p>
DOB#	<p>Enter the Date of Birth/Date of Incorporation as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.</p>
Dividend Bank Details#	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iv).

please enter any one of the details in order to login

(viii) After entering these details appropriately, click on "SUBMIT" tab.

(ix) Members holding shares in physical form will then directly reach the Company selection screen.

However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. 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.

(x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(xi) Click on the EVSN for LOTTE INDIA CORPORATION LIMITED on which you choose to vote.

(xii) 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.

(xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.

(xiv) 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.

(xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.

(xvii) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xviii) Note for Non - Individual Shareholders and Custodians

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any,

should be uploaded in PDF format in the system for the scrutinizer to verify the same.

- (xix) 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.

Members who did not cast their vote through e-voting during the evoting period shall be allowed to cast their vote at the AGM through ballot paper. Members who have voted through evoting can attend the meeting but cannot vote again through ballot paper at AGM.

The result of voting will be announced at M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai - 600108, by the Chairman of the Meeting at the AGM. Further, the result of the voting will be placed on the website of the Company www.lotteindia.com and website of CDSL www.evotingindia.com.

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors have pleasure in presenting the 60th Annual Report of your Company together with the audited financial statements for the year ended 31st December 2014.

The Board of Directors has decided not to recommend any dividend for the year ended 31st December 2014.

Financial Results

	(Rs. in lakhs)	
	For the year ended December 31, 2014	For the year ended December 31, 2013
Sales	37,448.12	35,865.91
Less : Excise duty	2,339.15	2,243.34
Less : Schemes & Discount	2,280.98	2,178.49
Net Sales	32,827.99	31,444.08
Add : Other Income	342.21	273.85
Total Income	33,170.20	31,717.93
Profit before depreciation, interest & finance charges	2,061.02	2,419.37
Less : Depreciation, Interest & finance charges	1,789.36	1,770.79
Profit before tax	271.66	648.58
Less : Provision for Taxes :		
– Current	33.89	132.30
– Deferred	106.55	4.71
Profit / (Loss) after tax	131.22	511.57
Add : Balance brought forward from previous year	961.87	450.32
Balance profit / Loss transferred to Balance Sheet	1,093.09	961.89

Performance Highlights

For the year ended December 31, 2014, the Company achieved a gross sales of Rs.37,448.12 lakhs as against Rs.35,865.91 Lakhs for the year ended December 31, 2013. During the year under review, the Company has achieved a Profit after tax of Rs.131.22 lakhs as against the profit of Rs.511.57 lakhs for the year ended December 31, 2013.

During the year 2014, the prices of raw / base materials like Milk and Milk products, (butter, milk powder), Chocomass 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 market has grown by 12% with growths fundamentally from Lollipops and Jellies. With 50 paise nearly out of circulation and with input raw material price pressures, confectionery companies have shifted focus to Re. 1+ price points. 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 and ecommerce, 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.

Outlook

The Company expects good growth in sale of its products in the short term. The Company has been

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

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 had started constructing a new factory at IMT, Rohtak, Haryana, at a project cost of Rs.390 crores, which will become operational during August, 2015.

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

According to the provisions of Section 135, your company was to spend Rs.13.93 lacs towards CSR expenses for the year 2014. As on date of this report, the Company has spent Rs.5.18 lakhs on CSR activities. Section 135 came into force from 1st April, 2014. Identification of recognized organizations, activities and study of projects took considerable time. Recently, the Company has identified few projects, the viability of which is being studied by Management for recommendation to CSR Committee. The Company is confident that the unspent amount will be spent before end of July, 2015.

Directors

During the year under review, Mr.Kyo Hee Kim, Whole Time Director resigned on May 20, 2014 . In his place, Mr.Moo Sun Song was appointed as Whole Time Director of the Company w.e.f 19th August, 2014. Mr.Milan Wahi, Managing Director resigned on 25th November, 2014. Your Directors wish to place on record their deep appreciation of their valuable contribution to the growth of the Company.

Mr. D.G. Rajan and Ms. Young Mi Lee were appointed as Independent Directors for a period 5 years from 19th August, 2014.

Mr. Myung Ki Min, 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:

1. In the preparation of annual accounts, the applicable accounting standards have been followed and there are no material departures;
2. 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 2014 and of the profit of the Company for the year ended 31st December 2014;
3. 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;
4. They have prepared the annual accounts on a going concern basis.

Statutory Auditors

The Shareholders at their 59th Annual General Meeting held on 12th June, 2014 appointed 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.

Your Directors recommend to the Shareholders to ratify the appointment of M/s.B.S.R & Co.LLP as Statutory

Auditors for the year ending 31st December, 2015 and fix the 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 2015.

Secretarial Auditor

The Secretarial Audit Report for the year 2014 given by Mr. K. Mohan, Company Secretary in Practice, Partner of J.K.M Associates is annexed to this report as Annexure "C".

Your Company is in the process of appointing a Company Secretary in Practice to do secretarial audit for the year 2015 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 2014, 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	Moo Sun Song	D.G. Rajan
May 14, 2015	Whole Time Director	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, 2014	For the year ended Dec.31, 2013
1. Electricity		
(a) Purchases		
Units	7,697,010	6,149,769
Total Amount (Rs.Lakh)	604.04	488.59
Rate/unit (Rs.)	7.85	7.94
(b) Own Generation:		
Through Diesel Generator		
Units	623,409	1,463,532
Total Amount (Rs.Lakh)	108.16	233.76
Units per Litre of Diesel Oil	3.43	3.46
Cost/Unit (Rs.)	17.35	15.97
2. (a) Furnace Oil Quantity (K.Litre)	168.33	148.33
Total Amount (Rs.Lakh)	69.91	60.94
Average Rate Per K.Litre (Rs.)	41,530.53	41,082.78
(b) Fire wood in Ton	3,534.01	3,434.71
Total Amount (Rs.Lakh)	128.67	119.11
Average Rate Per Ton (Rs.)	3,640.80	3,467.82

(c) LPG

	For the year ended Dec.31, 2014	For the year ended Dec.31, 2013
In Ton	258.93	222.97
Total Amount (Rs.Lakh)	169.80	141.16
Average Rate Per Ton (Rs.)	65,578.58	63,309.73
(II) CONSUMPTION OF ELECTRICITY PER QUINTAL OF PRODUCTION (Units)	73.48	70.81

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.624.27 lakhs
Outgo	:	Rs.354.07 lakhs

On behalf of the Board

Chennai May 14, 2015	Moo Sun Song Whole Time Director	D.G. Rajan Director
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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, 2014.

[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
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— NIL —

[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
Milan Wahni (51 years)	Managing Director (till 25.11.2014)	89,44,834	Post Graduate in Science with Post Graduate Diploma and 21 years experience in Sales & Marketing	02.04.2012	Cavin Kare Pvt.Ltd
Moo Sun Song (39 years)	Whole Time Director	8,31,784	Masters Degree in Business Administration and 15 years experience in Finance, HR etc.	19.08.2014	Lotte Confectionery Co. Ltd. (Korea)

- 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.

Chennai
May 14, 2015

On behalf of the Board
 Moo Sun Song
 Whole Time Director
 D G Rajan
 Director

ANNEXURE “C” TO DIRECTORS REPORT

SECRETARIAL AUDIT REPORT

to the Members of Lotte India Corporation Limited

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial Records is the responsibility of the management of the company. Our responsibility is to express an opinion on the Secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis of our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Wherever required, we have obtained the management representation about the Compliance of laws, rules, regulations and happening of events etc.,
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For JKM Associates
Company Secretaries

Place : Chennai
Date : May 6, 2015

K. Mohan
Partner
C.P. No. 3656

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.12.2014

[pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

To
The Members of
Lotte India Corporation Limited
Chennai.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Lotte India Corporation Limited (hereinafter called the company).

Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Lotte India Corporation Limited's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31.12.2014 complied with the statutory provisions listed hereunder and also that the company has proper Board – Processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31st December, 2014 according to the provisions of :

(i) The Companies Act, 1956 and The Companies Act, 2013 and the Rules made thereunder;

(ii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iii) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act' and the Securities Contracts (Regulation) Act, 1956) are not applicable to the Company, since it is not a Listed Company.

The Company has not issued shares under Employee Stock Option Scheme or issued Sweat Equity shares to the employees. Since, the Company is not a Listed Company, Listing Agreement is not applicable to the Company.

I have also examined compliance with the applicable clauses of Secretarial Standards for Board Meetings and General Meetings.

I have also inspected the minutes of Board and General Meetings.

I further report that the Board of Directors of the company is duly constituted with proper balance of Executive directors, Non- executive Directors and Independent Directors. The Changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all the Directors to schedule the Board meetings, Agenda were sent atleast seven days in advance, and system exists for seeking and obtaining further information and clarification on the Agenda items before the meeting for meaningful participation at the meeting. Majority decision is carried out and recorded in the minutes.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Observation: Visited the Factory at Nellikuppam and verified the safety measures, health and also welfare measures followed by the company and also verified the laws applicable and the compliances.

I further report that the Company has not carried out any

- i) Public / Right / Preferential issue of shares / debentures / sweat equity etc.;
- ii) Redemption / buy-back of shares;
- iii) Merger/amalgamation / reconstruction etc.
- iv) Foreign Technical collaborations.

For JKM Associates
Company Secretaries

K. Mohan
Partner
C.P. No. 3656

Place : Chennai
Date : May 6, 2015

REPORT ON CORPORATE GOVERNANCE (voluntary disclosures)

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Lotte India Corporation Limited (LIICL) 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 by-laws 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 one Director is Whole Time Director. The remaining four Directors are Non-Executive Directors of which two are Independent Directors.

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

Name of the Directors	Category	No. of Directorships held in other Indian Companies#	Number of Board Committees membership held in other companies	No. of shares held
Mr. Moo Sun Song *	Executive Director (WTD)	Nil	Nil	Nil
Mr. Myung Ki Min Director	Non Executive Director	Nil	Nil	Nil
Mr. D G Rajan Director	Non Executive - Independent Director	7	6	Nil
Ms. Young Mi Lee Director	Non-Executive - Independent Director	Nil	Nil	Nil

* Mr. Moo Sung Song - Appointed as Whole Time Director w.e.f. 19th August, 2014 in place of Mr. Kyo Hee Kim who resigned on 20th May, 2014.

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

During the financial year ended December 31, 2014, five Board Meetings were held on the following dates :

21st January, 2014, 29th April, 2014, 20th May, 2014, 19th August, 2014, 5th November, 2014

Name of the Directors	No. of Board Meetings attended	Attendance at last AGM held on June 12, 2014
Mr. Milan Wahi	5	Attended
Mr. Kyo Hee Kim#	3	Not applicable
Mr. Myung Ki Min	—	Not Attended
Mr. D G Rajan	4	Attended
Mr. Mang Ko Noh	2	Not attended
Mr. Moo Sun Song*	2	Not applicable
Ms. Young Mi Lee*	-	Not applicable

* Appointed on 19.08.2014

Resigned on 20.05.2014

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. Moo Sung Song - Executive Director - Member (from 19.08.2014)

Ms. Young Mi Lee - Non Executive Independent Director - Member (from 19.08.2014)

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

There were two meetings held (on 29th April, 2014 and 19th August, 2014) during the year ended December 31, 2014. 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	2
Mr. Kyo Hee Kim (resigned on 20.05.2014)	Member	1
Mr. Mang Ko Noh (till 19.08.2014)	Member	1
Mr.Moo Sun Song (appointed on 19.08.2014)	Member	1
Ms.Young Mi Lee (appointed on 19.08.2014)	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 experience and 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 including Independent Directors

Non-Executive Directors are entitled to a sitting fees for every Board / Committee Meetings attended by them within the statutory limits and if approved, also for 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. One meeting was held on 19th August, 2014.

Name of the Director	Position	No. of Meetings attended
Mr. D G Rajan	Chairman	1
Mr. Milan Wahi (resigned on 25.11.2014)	Member	1
Mr.Mang Ko Noh (inducted into the Committee on 5.11.2014)	Member	N.A
Mr.Moo Sun Song	Member	1
Ms.Young Mi Lee (inducted into the Committee on 19.08.2014)	Member	N.A

REPORT ON CORPORATE GOVERNANCE (contd.)

Details of the remuneration paid to the Executive Director for the financial year ended 31st December, 2014:

Particulars	Mr. Milan Wahi	Mr.Moo Sun Song	Mr.Kyo Hee Kim	Total
	Rs.	Rs.	Rs.	Rs.
Salary	7,937,083	539,429	872,921	10,701,216
Contribution to PF & other funds	726,864	94,359	155,541	1,213,223
Perquisites & Other allowance	280,888	197,995	425,711	1,211,225
Total	8,944,834	831,784	1,454,172	13,125,665

The details of sitting fees paid to Non Executive Directors for the financial year ended 31st December, 2014.

Name of the Director	Sitting fees	Commission
Mr. D G Rajan	Rs.1,40,000/-	Nil

5. STAKEHOLDERS RELATIONSHIP 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. Mang Ko Noh and Mr. Moo Sun Song as members. Mr. T G Karthikeyan, Company Secretary is the Compliance Officer.

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

6 CORPORATE SOCIAL RESPONSIBILITY 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 :

One meeting was held on 19th August, 2014.

Name of the Director	Position	No. of Meetings attended
Mr. D.G. Rajan	Chairman	1
Mr. Milan Wahi (resigned on 25.11.2014)	Member	1
Mr. Mang Ko Noh (inducted into the Committee on 5.11.2014)	Member	N.A.
Mr. Moo Sun Song	Member	1

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
June 12, 2014 (59th AGM)	10.30 A.M.	M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai – 600 108
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

REPORT ON CORPORATE GOVERNANCE (contd.)

Date of Meeting	Time of Meeting	Venue of the Meeting
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

Transactions with the Related Parties are disclosed in 41 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) The Company has Vigil Mechanism Policy and we affirm that no personnel have been denied access to the Audit Committee (in respect of matters involving misconduct, if any).

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.

On behalf of the Board

Chennai Moo Sun Song D G Rajan
May 14, 2015 Whole Time Director Director

CHIEF FINANCIAL OFFICER CERTIFICATION

To

The Members of Lotte India Corporation Limited

In relation to the Audited Financial Accounts of the Company as at 31st December, 2014, we hereby certify that

1. We have reviewed the financial statements and the cash flow statement for the year ended 31 March 2014 and that to the best of our knowledge and belief,
 - these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading, and
 - these statements together present a true and fair view of the Company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
2. there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct.
3. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company and have disclosed to the Auditors and the Audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies and
4. We have informed the auditors and the audit committee that there are
 - Significant changes in internal control during the year, if any.
 - Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, if any and
 - Instances of significant fraud of which we have become aware of and which involve management or an employee having a significant role in the Company's Internal Control System over financial reporting. However, there was no such instance.

For Lotte India Corporation Limited

Chennai
14th May, 2015

Moo Sun Song
CFO & Whole Time Director

CONFIRMATION

To

The Members of Lotte India Corporation Limited

We hereby confirm that, for the year ended 31st December, 2014,

- All the Board Members and the Senior Management Personnel have affirmed compliance with the code of conduct framed by the Company.
- The Company has in place Anti-Sexual harassment Policy in line with the requirements of the Sexual harassment of women at work place (Prevention, Prohibition and Redressal) Act., 2013 and all employees (Permanent, Contractual, Temporary, Trainees) are covered under this policy.
- No instance of sexual harassment of women was reported to the Internal Complaints Committee constituted under the above Act.

For Lotte India Corporation Limited

Chennai
14th May, 2015

Moo Sun Song
CFO & Whole Time 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 22, 2015
Monday at 10.00 a.m. at
M.A. Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai – 600 108
- 3 **Book Closure Dates** : June 16, 2014 to June 22, 2015 (both days inclusive).
- 4 **E-voting period** : From 10 A.M on June 18, 2015 to
5 P.M on June 21, 2015 (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
3. Rohtak, Haryana (under construction)
- 6 **Share Capital** : - 95,60,021 equity shares of Rs.10/- each
- 94,80,298 (99.16%) equity shares have been dematerialized as on December 31, 2014.

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 : compsecy@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, 2014, 94,80,256 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 31st December, 2014.

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	4150	0.04
6	Indian Public	141175	1.47
7	NRIs / OCBs	2616	0.03
8	Any other		
	- Trusts	20	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 Limited ('the Company'), which comprise the balance sheet as at December 31, 2014, 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, 2014;
- 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 of the Company as at 31 December 2014, and taken on record by the board of directors, we report that none of the directors is disqualified as at 31 December 2014, from being appointed as a director in terms of sub-section (2) of section 164 of the Companies Act, 2013.

for **BSR & Co. LLP**

Chartered Accountants

ICAI Firm's Registration number: 101248W/W-100022

Chinnsamy Ganesan

Partner

Place : Chennai

Date : May 14, 2015

Membership No. 27501

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. According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required to be maintained under section 301 of the Companies Act, 1956 / section 189 of the Companies Act, 2013. Accordingly, 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. The Company does not have any sale of services during the year. 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. According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements referred to in section 301 of the Companies Act, 1956/ section 189 of the Companies Act, 2013 that need to be entered into the register maintained under the above referred sections.
- 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, 2014 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 of income tax, sales tax, service tax and excise duty 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
Income Tax Act	Income tax	12.57	1999-2009	Pending before various forums
Sales Tax Act	Sales Tax	13.64	1999-2008	Pending before various State Tax Authorities
Finance Act, 1994	Service tax	43.85	2008	Pending before various forums
Central Excise Act, 1944	Excise duty	41.07	2010-2013	Pending before various forums
Central Excise Act, 1944	Excise duty	29.56	2000-2002	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. In our opinion and according to the information and explanations given to us, the term loans taken by the company have been applied for the purpose for which they were raised.

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. According to the information and explanations given to us, we are of the opinion that there are no companies, firms or other parties covered in the register required to be maintained under section 301 of the Companies Act, 1956/ section 189 of the Companies Act, 2013. Accordingly, paragraph 4(xviii) of the Order is not applicable.
- 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 **BSR & Co. LLP**
Chartered Accountants
ICAI Firm's Registration number: 101248W/W-100022

Place : Chennai
Date : May 14, 2015

Chinnsamy Ganesan
Partner
Membership No. 27501

BALANCE SHEET AS AT DECEMBER 31, 2014

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

	Note	As at December 31, 2014	As at December 31, 2013
EQUITY AND LIABILITIES			
Shareholders funds			
Share capital	3	956.00	956.00
Reserves and surplus	4	44,881.13	44,749.91
		45,837.13	45,705.91
Non-current liabilities			
Long term borrowings	5	12,676.47	-
Deferred tax (net)	6	111.26	4.71
Other long-term liabilities	7	135.84	123.43
Long-term provisions	8	78.74	8.31
		13,002.31	136.45
Current liabilities			
Trade payables	9	4,103.38	3,605.34
Other current liabilities	10	1,354.71	1,312.70
Short-term provisions	8	98.38	140.26
		5,556.47	5,058.30
		64,395.91	50,900.66
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	11	41,366.31	42,870.44
Intangible assets	12	23.98	40.43
Capital work-in-progress		7,424.91	140.51
Non-current investments	13	0.26	0.26
Long-term loans and advances	14	5,950.31	298.94
Other non-current assets	15	534.18	233.60
		55,299.95	43,584.18
Current assets			
Inventories	16	3,830.69	3,605.30
Trade receivables	17	1,044.56	770.28
Cash and bank balances	18	3,378.21	2,142.25
Short-term loans and advances	14	805.74	791.31
Other current assets	19	36.76	7.34
		9,095.96	7,316.48
		64,395.91	50,900.66
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 & Co. LLP
Chartered Accountants
ICAI Firm Registration No: 101248W/W-100022
Chinnsamy Ganesan
Partner
Membership No: 27501
Chennai, May 14, 2015

For and on behalf of the Board of Directors of
Lotte India Corporation Limited
Song Moo Sun
Whole Time Director
D.G. Rajan
Director
T.G. Karthikeyan
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2014

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Revenue from operations			
Sale of products, gross	20	37,448.12	35,865.91
Less: Excise duty		(2,339.15)	(2,243.34)
Less: Schemes and discounts		(2,280.98)	(2,178.49)
Sale of products, net		32,827.99	31,444.08
Other operating revenues		16.19	9.80
		32,844.18	31,453.88
Other income	21	326.02	264.05
Total revenue		33,170.20	31,717.93
Expenses			
Cost of materials consumed	22	18,960.47	18,204.44
Purchase of stock-in-trade	23	203.13	82.18
Changes in inventories of finished goods and work-in-progress	24	11.46	(239.53)
Employee benefits expense	25	2,637.06	2,392.06
Finance costs	26	46.98	12.64
Depreciation and amortisation	27	1,742.38	1,758.15
Other expenses	28	9,297.06	8,859.41
Total expenses		32,898.54	31,069.35
Profit before tax		271.66	648.58
Tax expense:			
- Current tax		33.89	132.30
- Deferred tax		106.55	4.71
Total tax expense		140.44	137.01
Profit after tax		131.22	511.57
Earnings per share:	40		
Basic and diluted		1.37	5.35
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 & Co. LLP
Chartered Accountants
ICAI Firm Registration No: 101248W/W-100022
Chinnsamy Ganesan
Partner
Membership No: 27501
Chennai, May 14, 2015

For and on behalf of the Board of Directors of
Lotte India Corporation Limited
Song Moo Sun
Whole Time Director
D.G. Rajan
Director
T.G. Karthikeyan
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

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

	Note	Year ended December 31, 2014	Year ended December 31, 2013
Cash flow from Operating activities			
Profit before tax		271.66	648.58
<i>Adjustments for:</i>			
Depreciation and amortisation		1,742.38	1,758.15
Profit on sale of fixed assets		(0.07)	(6.08)
Interest income		(119.59)	(140.80)
Foreign exchange loss, net (unrealised)		4.95	5.58
Interest expense (Gross)		46.99	12.64
		1,946.32	2,278.07
Operating profit before working capital changes			
<i>Adjustments for:</i>			
(Increase)/decrease in inventories		(225.39)	(274.92)
Decrease/ (increase) in trade receivables		(272.46)	231.67
Decrease / (increase) in loans and advances		(5,626.87)	102.55
(Decrease)/increase in other current liabilities and provisions		492.97	(456.21)
Cash generated from operations		(3,685.43)	1,881.16
Taxes paid		(73.45)	(119.57)
Net cash (used in) / from operating activities	(A)	(3,758.88)	1,761.59
Cash flow from Investing activities			
Purchase of fixed assets		(7,114.82)	(4,092.79)
Deposits realized/(made) during the year with original maturity more than three months (net)		(801.95)	933.26
Investment made		-	(0.26)
Sale of fixed assets		0.07	14.29
Interest income received		166.96	155.99
Net cash (used in) / from investing activities	(B)	(7,749.74)	(2,989.51)
Cash flow from Financing activities			
Increase / (decrease) in loans from banks, net		12,069.00	-
Interest expense		(129.52)	(12.64)
Net cash (used in) / from financing activities	(C)	11,939.48	(12.64)
Net increase / (decrease) in cash and cash equivalents	(A+B+C)	430.86	(1,240.56)
Cash and cash equivalents at the beginning of the year		1,441.50	2,682.06
Cash and cash equivalents at the end of the year	18	1,872.36	1,441.50
		As at	As at
Components of cash and cash equivalents		31 December 2014	31 December 2013
Cash on hand		0.85	0.49
Cheques on hand		326.77	283.37
Balance with banks			
- on current accounts		730.37	440.94
- on deposit accounts		814.37	716.70
		1,872.36	1,441.50

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 & Co. LLP
Chartered Accountants
ICAI Firm Registration No: 101248W/W-100022
Chinnsamy Ganesan
Partner
Membership No: 27501
Chennai, May 14, 2015

For and on behalf of the Board of Directors of
Lotte India Corporation Limited
Song Moo Sun
Whole Time Director
D.G. Rajan
Director
T.G. Karthikeyan
Company Secretary

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

(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 at Cuddalore and Chennai.

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 assets and depreciation

Tangible assets are stated at cost of acquisition less accumulated depreciation. The cost of tangible 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 assets under construction are disclosed as Capital Work-in-Progress.

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 asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that

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)

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 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 assets and amortisation

Intangible assets are amortized over their economic useful lives. Management's estimate of useful life of intangible 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 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

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"). 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 exchange transactions are recorded into Indian rupees using the rate on the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated into Indian rupees at the closing exchange rates on that date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined. The resultant exchange differences are recognised in the statement of profit and loss.

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)

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.

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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

3 Share capital

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

Particulars	As at	
	December 31, 2014	December 31, 2013
Authorised		
370,000,000 (December 31, 2013: 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, 2013: 9,560,021) equity shares of Rs.10 each fully paid up	956.00	956.00
	<u>956.00</u>	<u>956.00</u>

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

Particulars	As at December 31, 2014		As at December 31, 2013	
	No. of shares	Amount	No. of shares	Amount
Equity shares of Rs. 10 each fully paid up				
At the beginning and at the end of the year	9,560,021	956.00	9,560,021	956.00

c Rights, preferences and restrictions attached to equity shares

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. 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.

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

Particulars	As at	
	December 31, 2014	December 31, 2013
	Amount in Rs.	
Holding company		
9,404,693 equity shares (December 31, 2013: 9,404,693 shares) held by Lotte Confectionery Company Limited, South Korea, the holding company	940.47	940.47

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)

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

Particulars	As at December 31, 2014		As at December 31, 2013	
	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%

f Aggregate number of bonus shares issued and shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:

	As at December 31, 2014	As at December 31, 2013	As at December 31, 2012	As at December 31, 2011	As at December 31, 2010
Equity shares allotted as fully paid up pursuant to contract without payment being received in cash	-	-	-	-	5,788,732

4 Reserves and surplus

Particulars	As at December 31, 2014	As at December 31, 2013
a Capital reserve		
At the commencement and at the end of the year	464.47	464.47
	464.47	464.47
b Securities premium account		
At the commencement and at the end of the year	966.18	966.18
	966.18	966.18
c General reserve*		
At the commencement and at the end of the year	42,357.39	42,357.39
	42,357.39	42,357.39
d Surplus in the statement of profit and loss		
Balance at the beginning of the year	961.87	450.30
Profit for the year	131.22	511.57
Net surplus in the statement of profit and loss	1,093.09	961.87
	44,881.13	44,749.91

* 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, 2014 (contd.)

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

5 Long term borrowings

Particulars	As at December 31, 2014	As at December 31, 2013
External commercial borrowing	12,676.47	-
	<u>12,676.47</u>	<u>-</u>

External commercial borrowing is a foreign currency term loan taken from Korean Exchange Bank during the current year. It is repayable in 6 equal half-yearly instalments of USD 33.33 lakhs each commencing December 2016. The loan has been guaranteed by the parent company, Lotte Confectionary Co. Ltd.

6 Deferred tax liability (net)

Particulars	As at December 31, 2014	As at December 31, 2013
Deferred tax liability		
Excess of depreciation / amortisation on fixed assets under income tax law over depreciation / amortisation provided in accounts	(2,381.78)	(2,211.26)
	<u>(2,381.78)</u>	<u>(2,211.26)</u>
Deferred tax assets		
Provision for doubtful debts/ advances	44.94	54.30
Expenditure covered by section 43B of the Income-Tax Act, 1961	168.48	150.90
Disallowance u/s 40a(ia)	7.49	7.49
Unabsorbed business and depreciation losses	2,049.61	1,993.86
	<u>2,270.52</u>	<u>2,206.55</u>
Net Deferred tax Liability / (Asset)	111.26	4.71

7 Other long term liabilities

Particulars	As at December 31, 2014	As at December 31, 2013
Security deposits	135.84	123.43
	<u>135.84</u>	<u>123.43</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)

8 Provisions

Particulars	Non-current		Current	
	As at December 31, 2014	As at December 31, 2013	As at December 31, 2014	As at December 31, 2013
Provision for employee benefits				
Gratuity (Also refer note 39)	-	-	81.29	61.79
Compensated absences	78.74	8.31	9.44	70.82
	78.74	8.31	90.73	132.61
Other provisions				
Provision for current tax	-	-	7.65	7.65
	-	-	7.65	7.65
	78.74	8.31	98.38	140.26

9 Trade payables

Particulars	As at December 31, 2014	As at December 31, 2013
Dues to micro and small enterprises (see note below)	-	-
Dues to others	4,103.38	3,605.34
	4,103.38	3,605.34

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, 2014 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.

10 Other current liabilities

Particulars	As at December 31, 2014	As at December 31, 2013
Employee benefits payable	318.02	331.07
Advance from customers	56.09	163.25
Dues to related parties	216.61	173.13
Capital liabilities for purchase of fixed assets	-	16.92
Statutory dues payable	670.82	624.44
Accrued interest on loan	88.57	-
Others	4.60	3.89
	1,354.71	1,312.70

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

11 Tangible 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, 2013	13,059.60	143.42	16,646.00	45.00	17,553.34	416.85	79.03	47,943.23
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	127.27
Balance as at December 31, 2013	16,648.95	143.42	18,921.22	-	18,219.01	971.22	67.07	54,970.89
Additions	-	-	-	-	166.25	26.21	29.35	221.81
Deletions / write off	-	-	-	-	0.07	-	-	0.07
Balance as at December 31, 2014	16,648.95	143.42	18,921.22	-	18,385.19	997.43	96.42	55,192.63
Accumulated depreciation								
Balance as at January 1, 2013	-	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
Additions	-	0.89	641.55	-	958.52	119.77	5.20	1,725.93
Deletions / write off	-	-	-	-	0.07	-	-	0.07
Balance as at December 31, 2014	-	134.78	2,816.26	-	10,285.31	526.59	63.37	13,826.32
Net block								
As at December 31, 2013	16,648.95	9.53	16,746.51	-	8,892.15	564.40	8.90	42,870.44
As at December 31, 2014	16,648.95	8.64	16,104.96	-	8,099.88	470.84	33.05	41,366.31
Capital work-in-progress								
Balance as at January 1, 2013	-	-	-	-	-	-	-	3,202.65
Additions	-	-	-	-	-	-	-	158.25
Assets capitalized during the year	-	-	-	-	-	-	-	3,220.39
Balance as at December 31, 2013	-	-	-	-	-	-	-	140.51
Additions	-	-	-	-	-	-	-	7,284.40
Assets capitalized during the year	-	-	-	-	-	-	-	-
Balance as at December 31, 2014	-	-	-	-	-	-	-	7,424.91

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

Particulars	As at December 31, 2014			As at December 31, 2013		
	Gross block	Accumulated depreciation	Net block	Gross block	Accumulated depreciation	Net block
Building	769.41	50.03	719.38	512.94	14.50	498.44
Furniture/Fittings and Office equipments	130.13	38.88	91.25	130.13	20.19	109.94
Plant and machinery	666.66	424.30	242.36	633.74	380.93	252.81
	1,566.20	513.21	1,052.99	1,276.81	415.62	861.19

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

12 Intangible assets

Particulars	Computer software	Total
Gross block		
Balance as at January 1, 2013	195.18	195.18
Additions	-	-
Deletions / write off	-	-
Balance as at December 31, 2013	195.18	195.18
Additions	-	-
Deletions / write off	-	-
Balance as at December 31, 2014	<u>195.18</u>	<u>195.18</u>
Accumulated amortisation		
Balance as at January 1, 2013	131.10	131.10
Additions	23.65	23.65
Deletions / write off	-	-
Balance as at December 31, 2013	154.75	154.75
Additions	16.45	16.45
Deletions / write off	-	-
Balance as at December 31, 2014	<u>171.20</u>	<u>171.20</u>
Net block		
As at December 31, 2013	40.43	40.43
As at December 31, 2014	<u>23.98</u>	<u>23.98</u>

13 Non - current investments

Particulars	As at December 31, 2014	As at December 31, 2013
Unquoted investments		
Investment in equity instruments		
2,600 equity shares of Aadhav Green Power P. Ltd. (December 31, 2013: 2,600), of Rs. 10 each, fully paid up	0.26	0.26
Aggregate book value of unquoted non current investment	<u>0.26</u>	<u>0.26</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

14. Loans and advances

(Unsecured - Considered good, unless otherwise stated)

Particulars	Non-current		Current	
	As at December 31, 2014	As at December 31, 2013	As at December 31, 2014	As at December 31, 2013
To other than related parties				
I. Capital advances	5,564.64	17.82	-	-
	5,564.64	17.82	-	-
II. Security deposits				
Rental deposits	82.02	68.30	-	-
Other deposits	133.77	73.42	6.34	6.34
	215.79	141.72	6.34	6.34
III. Advance recoverable in cash or in kind				
Advance to suppliers	-	-	249.04	143.09
Advance to employees	-	-	18.70	30.40
Others	50.71	66.21	-	-
	50.71	66.21	267.74	173.49
IV. Other loans and advances				
Prepaid expenses	15.61	9.19	45.65	67.73
Advance income taxes	103.56	64.00	-	-
Balance with government authorities	-	-	486.01	543.75
	119.17	73.19	531.66	611.48
	5,950.31	298.94	805.74	791.31

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

15 Other non-current assets

(Unsecured - Considered good)

Particulars	As at December 31, 2014	As at December 31, 2013
Cross currency swap	303.73	-
Bank deposits due to mature after 12 months of the reporting date included under "other non-current assets"* (Also refer note 18)	230.45	233.60
	534.18	233.60

* represents deposits under lien with government authorities.

16 Inventories*

Particulars	As at December 31, 2014	As at December 31, 2013
Raw material and packing material	1,561.53	1,330.20
Work in progress	149.38	116.48
Finished goods	1,960.19	2,028.25
Stock-in-trade	54.73	44.42
Stores and consumables	104.86	85.95
* also refer note 2 (h)	3,830.69	3,605.30
Details of raw material and packing material closing		
Sugar	178.28	240.19
Glucose	75.36	80.39
Vanaspathi	54.81	68.96
Wrapping materials	223.91	191.20
Packing materials	342.80	278.18
Processed milk	48.41	63.00
Gum base	92.00	15.00
Others	545.96	393.28
	1,561.53	1,330.20

17 Trade Receivables

Particulars	As at December 31, 2014	As at December 31, 2013
<i>Unsecured:</i>		
Debts outstanding for a period exceeding six months from the date they became due for payment		
- considered good	227.11	186.19
- considered doubtful	119.59	145.80
Less: Provision for doubtful debts	(119.59)	(145.80)
	227.11	186.19
Other debts		
- considered good	817.45	584.09
Less: Provision for doubtful debts	-	-
	1,044.56	770.28

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

18 Cash and bank balances

Particulars	As at December 31, 2014	As at December 31, 2013
Cash and cash equivalents:		
Cash on hand	0.85	0.49
Cheques on hand	326.77	283.37
Balance with banks		
- on current accounts	730.37	440.94
- on deposit accounts	814.37	716.70
	<u>1,872.36</u>	<u>1,441.50</u>
Other bank balances	1,505.85	700.75
	<u>3,378.21</u>	<u>2,142.25</u>

Details of bank balances / deposits

Particulars	As at December 31, 2014	As at December 31, 2013
Bank balances available on deposits with original maturity of 3 months or less included under "Cash and cash equivalents"	1,544.74	1,157.64
Bank deposits due to mature within 12 months from the reporting date included under "Other bank balances"	1,505.85	700.75
Bank deposits due to mature after 12 months from the reporting date included under "Other non-current assets" (refer note 15)	230.45	233.60
	<u>3,281.04</u>	<u>2,091.99</u>

19 Other current assets

(Unsecured - Considered good)

Particulars	As at December 31, 2014	As at December 31, 2013
Interest accrued on fixed deposits with banks	36.76	7.34
	<u>36.76</u>	<u>7.34</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

20 Revenue from operations

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Sale of products (gross)	37,448.12	35,865.91
Less: Excise duty	(2,339.15)	(2,243.34)
Less: Discounts	<u>(2,280.98)</u>	<u>(2,178.49)</u>
Sale of products (net)	32,827.99	31,444.08
Other operating revenues		
Scrap sales	16.19	9.80
	<u>16.19</u>	<u>9.80</u>
Total revenue from operations	<u>32,844.18</u>	<u>31,453.88</u>
Details of products sold (gross)		
Toffees	20,283.49	21,407.22
Other	<u>17,164.63</u>	<u>14,458.69</u>
	<u>37,448.12</u>	<u>35,865.91</u>

21 Other income

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Interest income on fixed deposits	196.38	140.80
Less: Interest income capitalized	<u>(76.79)</u>	<u>-</u>
	119.59	140.80
Insurance claim received	4.88	15.47
Rental income	136.19	91.36
Profit on sale of assets	0.07	6.08
Foreign exchange gain, net	10.84	7.24
Miscellaneous income	<u>54.45</u>	<u>3.10</u>
	<u>326.02</u>	<u>264.05</u>

22 Cost of materials consumed

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Opening stock of raw materials and packing materials	1,330.20	1,311.81
Add: Purchases	<u>19,191.80</u>	<u>18,222.83</u>
	20,522.00	19,534.64
Less: Closing stock of raw materials and packing materials	1,561.53	1,330.20
	<u>18,960.47</u>	<u>18,204.44</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

Particulars	31 December 2014			31 December 2013		
	Opening inventory	Closing inventory	(Increase)/ Decrease in inventory	Opening inventory	Closing inventory	(Increase)/ Decrease in inventory
Semi-finished goods	116.48	149.38	(32.90)	117.78	116.48	1.30
Finished goods						
Toffees	1,305.70	411.76	893.94	1134.05	1,305.70	(171.65)
Other	722.55	1,548.43	(825.88)	690.16	722.55	(32.39)
	2,028.25	1,960.19	68.06	1824.21	2,028.25	(204.04)
Stock-in-trade	44.42	54.73	(10.31)	-	44.42	(44.42)

23 Purchase of stock-in-trade

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Purchase of stock-in-trade	203.13	82.18
	203.13	82.18

24 Changes in inventories of finished goods, work-in-progress and stock-in-trade

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Opening 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
Less: Closing stock		
- Work-in-progress	149.38	116.48
- Finished goods	1,960.19	2,028.25
- Stock-in-trade	54.73	44.42
	2,164.30	2,189.15
Movement in excise duty	13.39	(7.63)
	11.46	(239.53)

25 Employee benefits expense

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Salaries, wages and bonus	2,166.25	1,944.65
Contribution to provident and other funds	202.57	191.79
Staff welfare expenses	268.24	255.62
	2,637.06	2,392.06

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

26 Finance costs

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Interest expense	218.09	12.64
Foreign fluctuation to the extent treated as borrowing cost	297.07	-
Less: Borrowing costs capitalized during the year	<u>(468.18)</u>	<u>-</u>
	<u>46.98</u>	<u>12.64</u>

27 Depreciation and amortisation expense

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Depreciation of tangible fixed assets (refer note 11)	1,725.93	1,734.50
Amortisation of intangible fixed assets (refer note 12)	16.45	23.65
	<u>1,742.38</u>	<u>1,758.15</u>

28 Other expenses

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Raw material conversion charges	1,730.72	1,793.78
Consumption of stores and spare parts	83.78	62.39
Rent	210.91	217.75
Rates and taxes	280.51	246.87
Power and fuel	1,125.56	1,078.50
Repairs and maintenance		
- Buildings	0.83	1.94
- Plant and machinery	193.73	175.23
- Others	172.69	146.70
Packing, despatching and freight	2,803.90	2,319.42
Clearing forwarding and other charges	178.21	131.70
Insurance	36.85	36.87
Travelling and conveyance	492.09	456.40
Communication expenses	71.56	65.03
Professional and legal charges (refer note 30)	91.00	73.93
Director's sitting fees	2.85	2.00
Advertisement	251.20	773.40
Sales promotion and development expenditure	872.48	837.53
Bank charges	8.57	6.52
Provision for doubtful debts	2.62	-
Premium on currency swap	137.92	-
Royalty expenses	223.80	186.95
General expenses	<u>325.28</u>	<u>246.50</u>
	<u>9,297.06</u>	<u>8,859.41</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

29 Commitments and contingent liabilities

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Commitments		
(i) Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	19,285.19	40.84
(ii) Commitments in respect of bank guarantees and letters of credit issued by Company's bankers	225.47	229.45
Contingent liabilities		
(i) Disputed sales tax/ income tax/ service tax / excise duty		
(a) Stay granted in favour of Company	4.89	93.35
(b) Other cases	140.83	22.47

(ii) **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.9,156.03 (Previous year - Rs 9,780.30). The aforesaid export obligation has to be met over eight years. The Company is confident of meeting its revenue commitments / obtaining extensions, if necessary.

30 Payment to auditors (excluding service tax)

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
For statutory audit	13.00	13.00
For tax audit and other services	14.75	10.00
Reimbursement of expenses	2.21	1.51
	<u>29.96</u>	<u>24.51</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

31 Consumption of raw materials and packing materials

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Sugar	2,354.32	3,168.08
Glucose	1,900.89	2,653.22
Processed milk	2,542.84	1,703.58
Vanaspathi	1,319.29	1,256.31
Wrapping materials	2,335.42	2,148.87
Packing materials	3,440.38	3,399.22
Others	5,067.33	3,875.16
	<u>18,960.47</u>	<u>18,204.44</u>

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

Particulars	Year ended December 31, 2014		Year ended December 31, 2013	
	Amount	Percentage	Amount	Percentage
A. Raw materials and packing materials				
Imported	191.30	1.01%	169.79	0.93%
Indigenous	18,769.17	98.99%	18,034.65	99.07%
	<u>18,960.47</u>	<u>100.00%</u>	<u>18,204.44</u>	<u>100.00%</u>
B. Components and spare parts				
Imported	6.73	8.04%	-	0.00%
Indigenous	77.05	91.96%	62.39	100.00%
	<u>83.78</u>	<u>100.00%</u>	<u>62.39</u>	<u>100.00%</u>

33 C.I.F value of imports

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Raw material and stores and spares	216.97	119.35
Traded Goods	-	55.74
	<u>216.97</u>	<u>175.09</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

34 Expenditure in foreign currency (on accrual basis)

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Travel	35.33	30.20
Others		
- Software usage fee	85.57	59.12
- Royalty	223.80	186.95
- Loan guarantee fees	9.37	-
	354.07	276.27

35 Earnings in foreign currency (on accrual basis)

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
FOB value of exports	624.27	526.01
	624.27	526.01

36 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. Further, there is no reportable secondary segment based on geographical location as the Company's operations and production facilities are mainly in India.

37 Foreign currency forward contracts :

Outstanding currency swap to hedge against fluctuations in interest rate changes

No. of contracts	As at December 31, 2014		As at December 31, 2013	
	US Dollar equivalent (in lakhs)	INR equivalent	US Dollar equivalent (in lakhs)	INR equivalent
5	100.00	6,029.42	-	-

Outstanding interest rate swap to hedge against fluctuations in interest rate changes

No. of contracts	As at December 31, 2014		As at December 31, 2013	
	US Dollar equivalent (in lakhs)	INR equivalent	US Dollar equivalent (in lakhs)	INR equivalent
10	200.00	12,666.30	-	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

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

Particulars	As at December 31, 2014		As at December 31, 2013	
	Amount (in Original currency in lakhs)	INR equivalent	Amount (in Original currency in lakhs)	INR equivalent
Amount receivable in foreign currency on account of :				
Trade receivables				
USD	1.78	112.81	0.63	39.10
Taka	28.40	23.05	0.00	-
		135.86		39.10
Amount payable in foreign currency of on account of:				
Payables				
USD	100.49	6,364.03	0.22	13.50
		6,364.03		13.50

38 Outstanding lease obligations

Lessor

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

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Receivable not later than one year	141.89	111.75
Receivable later than one year and not later than five years	316.67	386.74
Receivable later than five years	-	-

During the year, an amount of Rs 119.56 was recognised as rental income in the statement of profit and loss (Previous year Rs. 83.53).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

Lessee:

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

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Payment not later than one year	39.80	28.88
Payment later than one year and not later than five years	35.88	62.15
Payment later than five years	-	-

During the year, an amount of Rs 37.81 was recognised as rental expenses in the statement of profit and loss (Previous year Rs.27.50).

39 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, 2014	Year ended December 31, 2013
Change in projected benefit obligation		
Projected benefit obligations at the beginning of the year	301.08	225.22
Current Service cost	27.37	20.38
Interest cost	27.18	18.33
Benefits paid	(17.60)	(8.67)
Actuarial (gain) / loss	(11.23)	45.82
Projected benefit obligations at the end of the year	326.80	301.08

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Change in plan assets		
Fair value of plan assets at the beginning of the year	239.29	205.16
Expected return on plan assets	21.60	17.00
Employer contributions	32.80	23.53
Benefits paid	(17.60)	(8.67)
Actuarial gain / (loss)	(30.57)	2.27
Fair value of plan assets at the end of the year	245.52	239.29

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

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

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Present value of projected benefits at the end of the year	326.80	301.08
Funded status of the plan	245.52	239.29
Funded status amount of liability recognized in the balance sheet	81.28	61.79

The components of net gratuity costs are reflected below:

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Current Service cost	27.37	20.38
Interest cost	27.18	18.33
Expected returns on plan assets	(21.60)	(17.00)
Recognized net actuarial (gain) / loss	19.35	43.55
Past service cost	-	-
Net gratuity costs	52.30	65.26

Financial assumptions at balance sheet date:

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Discount rate	8.00%	9.30%
Long term rate of compensation increase	7.00%	7.00%
Estimated rate of return on plan assets	8.75%	8.00%
Attrition rate	1.5-3%	1.5-3%

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

Note:

Plan assets comprise of contribution to Group Gratuity Scheme of Life Insurance Corporation of India.

The gratuity expenses have been recognised in 'Contribution to provident and other funds' under note 25 of the financial statements.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

40 Earnings per share

Particulars	Year ended December 31, 2014	Year ended December 31, 2013
Profit attributable to the equity share holders	131.22	511.57
Weighted average number of shares outstanding	9,560,021	9,560,021
Basic and diluted EPS (for equity share with face value of Rs.10 each)	1.37	5.35

41 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 (resigned wef 25-Nov-2014) Mr. Kyo Hee Kim (resigned wef 20-May-2014) Mr. Moo Sun Song (appointed wef 19-Aug-2014)

b) Details of related party transactions.

Particulars	Holding company		Associates		Key management personnel	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
Nature of transaction						
Purchases of goods						
- Lotte Confectionery Co Ltd	49.56	28.12	-	-	-	-
Sales						
- Lotte Confectionery Co Ltd	402.55	384.36	-	-	-	-
Remuneration	-	-	-	-	131.26	109.20
Royalty expenses						
- Lotte Confectionery Co Ltd	223.80	186.95	-	-	-	-
Software usage fee						
- Lotte Confectionery Co Ltd	85.57	59.12	-	-	-	-
Guarantee fees						
- Lotte Confectionery Co Ltd	9.37	-	-	-	-	-
Year end balances						
Payable						
- Lotte Confectionery Co Ltd	216.61	173.13	-	-	-	-
- LEC India Pvt. Ltd.	-	-	-	-	-	-
Receivable						
- LEC India Pvt. Ltd.	-	-	3,519.72	-	-	-
- Lotte Confectionery Co Ltd	52.56	6.00	-	-	-	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (contd.)

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

42 Transfer pricing:

The Company has international transactions with related parties for the year ended December 31, 2014. For the financial year 2013-14, 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.

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

for B S R & Co. LLP
Chartered Accountants
ICAI Firm Registration No: 101248W/W-100022
Chinnsamy Ganesan
Partner
Membership No: 27501
Chennai, May 14, 2015

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

Song Moo Sun
Whole Time Director

D.G. Rajan
Director
T.G. Karthikeyan
Company Secretary

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 : compsecy@lotteindia.com
Corporate Identity Number : U15419TN1954PLC001987; Website: www.lotteindia.com

ATTENDANCE SLIP

Name and Address of the shareholder(s) :
(including Joint holders)

Registered Folio No./DPID No/CLID No. :

Number of shares held :

E-mail ID :

ELECTRONIC VOTING PARTICULARS (*)

EVSN (e-voting sequence number)	User ID	Password / PIN
150525004	Please enter your DPID / CLID or Folio No.	Use your existing password or enter your PAN with Bank A/c No. / Date of Birth

(*) Please read the e-voting instructions given in the Annual Report before exercising your e-vote.

I/we hereby certify that I/We/am/are registered Member/Proxy for the registered Member of the Company and hereby record my/our presence at the 60th Annual General Meeting of the Company held on Monday, the 22nd June, 2015 at 10.00 A.M at the M.A.Chidambaram Hall, Southern India Chamber of commerce and Industry, Esplanade, Chennai – 600108 or at any adjournment thereof in respect of such resolutions as mentioned in the Notice.

Name of Shareholder/ Proxy in Block letters	Singature of Shareholder / Proxy

- Note: 1) Members/Proxies to Members are requested to sign and handover this slip at the entrance of the venue of the Meeting.
- 2) Authorized Representatives of Corporate Members shall produce proper authorization issued in their favour.

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 60th Annual general meeting of the company, to be held on the 22nd day of June, 2015 at 10.00 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..... 4.....
2..... 5.....
3.....

Signed this day of 2015.

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.

