

CORPORATE INFORMATION

Board of Directors	MANG KO NOH Chairman
	MILAN WAHI (from 10.10.2016) Managing Director
	SURESH SESHADRI IYER (till 30.09.2016) Managing Director
	YOUNG TAE MOON Executive Director
	MOO SUN SONG Whole Time Director
	MYUNG KI MIN (till 10.07.2015) Director
	D.G. RAJAN Independent Director
	YOUNG MI LEE 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. ROHTAK (HARYANA)
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

	2007-08	2008-09	2009-10	2010 (9 Months Apr-Dec) @	2011	2012	2013	2014	2016 (15 months Jan 2015- March 2016)
OPERATING RESULTS:									
GROSS INCOME	16,815	18,342	19,703	17,386	28,874	31,932	35,866	37,448	48,132
PROFIT/(LOSS) BEF DEPN., INTEREST & TAX	83	612	983	1,020	2,337	2,389	2,419	2,061	2,815
PROFIT/(LOSS) BEF INTEREST & TAX	(446)	81	519	68	623	842	661	319	(919)
PROFIT/(LOSS) BEFORE TAX (PBT)	(770)	(272)	501	56	615	837	649	272	(2,351)
PROFIT/(LOSS) AFTER TAX (PAT)	(579)	(214)	254	(618)	485	666	512	131	(2,251)
DIVIDENDS	-	-	-	-	-	-	-	-	-
DIVIDEND TAX	-	-	-	-	-	-	-	-	-
RETAINED PROFITS	(579)	(214)	254	(618)	485	666	512	131	(2,251)
SOURCES AND APPLICATION OF FUNDS:									
SOURCES OF FUNDS:									
SHARE CAPITAL	377	377	377	956	956	956	956	956	1,086
RESERVES AND SURPLUS	3,847	3,633	3,888	43,087	43,572	44,238	44,750	44,881	49,106
TOTAL SHAREHOLDERS' FUNDS	4,225	4,010	4,265	44,043	44,528	45,194	45,706	45,837	50,192
BORROWINGS	3,543	34	-	-	-	-	-	12,666	30,945
DEFERRED TAX LIABILITY	-	-	-	-	-	-	5	111	-
FUNDS EMPLOYED	7,768	4,045	4,265	44,043	44,528	45,194	45,711	58,615	81,137
APPLICATION OF FUNDS:									
GROSS FIXED ASSETS	12,616	12,746	12,767	48,390	47,943	48,138	55,166	55,388	93,863
DEPRECIATION	6,473	6,968	7,315	8,265	9,070	10,616	12,255	13,998	17,718
NET FIXED ASSETS	6,143	5,778	5,452	40,125	38,874	37,522	42,911	41,390	76,146
CAPITAL WORK-IN-PROGRESS	85	77	1	27	842	3,203	141	7,425	151
INVESTMENTS	-	-	-	-	-	-	0.26	0.26	0.26
DEFERRED TAX ASSET (NET)	739	824	663	-	-	-	-	-	-
DEFERRED TAX LIABILITY (NET)	-	-	-	-	-	-	-	-	-
GROSS CURRENT AND NON-CURRENT ASSETS	3,319	3,501	4,470	7,827	9,614	10,120	7,849	15,580	18,022
CURRENT & NON CURRENT LIABILITIES & PROVISIONS	2,518	6,135	6,320	3,935	4,802	5,651	5,190	5,781	13,182
NET CURRENT & NON CURRENT ASSETS	801	(2,634)	(1,851)	3,892	4,812	4,469	2,659	9,799	4,840
DEFERRED REVENUE EXPENDITURE	-	-	-	-	-	-	-	-	-
DEBIT BALANCE IN P & L	-	-	-	-	-	-	-	-	-
NET ASSETS EMPLOYED	7,768	4,045	4,265	44,043	44,528	45,194	45,711	58,615	81,137
RATIOS:									
ROCE (%)	(5.72)	1.38	12.49	0.28	1.41	1.88	1.47	0.61	(1.31)
PBDIT TO GROSS INCOME(%)	0.50	3.33	4.99	5.87	8.09	7.48	6.75	5.50	5.85
PAT ON SHAREHOLDERS' FUNDS(%)	(13.71)	(5.34)	5.96	(1.40)	1.09	1.47	1.12	0.29	(4.48)
EARNINGS PER EQUITY SHARE(Rs)	(15.36)	(5.68)	6.74	(6.95)	5.07	6.97	5.35	1.37	(22.85)
DIVIDEND PER EQUITY SHARE(Rs)	-	-	-	-	-	-	-	-	-
NET WORTH PER EQUITY SHARE(Rs)	112.02	106.34	113.08	495.76	465.77	472.74	478.09	479.47	462.71
DEBT: EQUITY RATIO	0.84	0.01	-	-	-	-	-	0.28	0.62

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

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

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 Sixty first Annual General Meeting of the Company will be held on Thursday, the 15th December, 2016 at 10.30 A.M. at M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai -600 108, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report and the audited Statement of Profit and Loss for the 15th months period ended 31st March, 2016 and the Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in the place of Mr. Mang Ko Noh, who retires by rotation and is eligible for reappointment.
3. To consider the appointment of M/s. Price Waterhouse Chartered Accountants LLP, Chennai as Statutory Auditors of the Company to hold office from the conclusion of the 61st Annual General Meeting till the conclusion of the 66th Annual General Meeting subject to ratification as per the provisions of Companies Act, 2013 and to fix their remuneration.

SPECIAL BUSINESS

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

RESOLVED THAT Mr.Milan Wahi (DIN : 05242884), who was appointed as an Additional Director of the Company with effect from 12th September, 2016, 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 be liable to retire by rotation.

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

RESOLVED THAT pursuant to the provisions of Sections 196, 197 and 203 read with schedule V and all other applicable provisions, if any, of the Companies Act, 2013 including any statutory modification or re-enactment thereof, the approval of the members of the company be and is hereby accorded to the appointment of Mr.Milan Wahi (DIN : 05242884) as Managing Director of the company for a period of 3 years with effect from 10th October, 2016 upon the terms and conditions including remuneration as set out in this Resolution

(a) Salary

- (i) Rs.2,86,667 per month as basic salary.
- (ii) Rs.2,69,694 per month towards allowances such as House rent allowance, special allowance and leave travel allowance.

(b) Benefits

- (i) Rs.68,000 per month towards Maintenance of car, fuel, driver's salary, telephone and mobile charges.
- (ii) Performance incentive subject to a maximum of Rs.9,00,000 per annum as per Company' policy
- (iii) medical insurance and other benefits as applicable to the senior management personnel of the company, will be provided in accordance with the rules and regulations of the company

NOTICE TO SHAREHOLDERS (Contd)

- (iv) Rs.25,000 per annum in aggregate towards Club subscription fee.
- (c) Gratuity and Contribution to Provident fund shall be payable as per applicable Acts. Superannuation fund payment shall be in accordance with Company's policy in force.

RESOLVED FURTHER THAT Mr.Milan Wahi shall be governed by all service conditions of the Company as applicable to Senior Management personnel and directors.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to alter or vary the terms and conditions of the said appointment in such manner as the Board may deem fit subject to complying applicable provisions of law at that point of time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution.

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

RESOLVED THAT pursuant to the provisions of Section 196, 197 and 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 and the rules made thereunder including any statutory modifications or re-enactment thereof, the following revised remuneration be paid to Mr.Young Tae Moon, (DIN : 07235966) Executive Director of the Company with effect from 1st April, 2016

(a) Salary

- i. Rs.60,000 per month as basic salary

- ii. Rs.4,23,915 per month towards allowances such as personal allowance and grade allowance.

(b) Benefits

- i) Rent free furnished accommodation expenses subject to a maximum of Rs.2,62,500 per month and if required with an increase upto 15% p.a.
- ii) Rs.46,000 per month towards maintenance of car, fuel and driver's salary.
- iii) Medical insurance premium and medical reimbursements subject to a maximum of Rs.118,000 in aggregate per annum and company's policy.
- iv) Rs.2,00,000 per annum in aggregate towards club membership / subscription fee.
- v) Reimbursement of cost of repairs, maintenance and utilities (eg. gas, electricity and water charges), and repairs for the said housing accommodation on actual.
- vi) Leave travel concession expenses on actual for one trip from India to Korea and return for him and his family subject to a maximum of Rs. 7.00 lacs in aggregate per annum.

- (c) Gratuity and Contribution to Provident fund shall be payable as per applicable Acts. Superannuation fund payment shall be in accordance with Company's policy in force.

RESOLVED FURTHER THAT Mr. Young Tae Moon shall be governed by all service conditions of the Company as applicable to Senior Management personnel and directors.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby

NOTICE TO SHAREHOLDERS (Contd)

authorised to alter or vary the terms and conditions of the said appointment in such manner as the Board may deem fit subject to complying applicable provisions of law at that point of time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution.

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

RESOLVED THAT pursuant to the provisions of Section 196, 197 and 203 read with Schedule V and other applicable provisions of the Companies Act, 2013 and the rules made thereunder including any statutory modifications or re-enactment thereof, the following revised remuneration be paid to Mr.Moo Sun Song (DIN : 06891507), Whole Time Director of the Company with effect from 1st April, 2016

(a) Salary

- i. Rs.55,000 per month as basic salary
- ii. Rs.1,62,761 per month towards allowances such as personal allowance and grade allowance.

(b) Benefits

- i) Rent free furnished accommodation expenses subject to a maximum of Rs.1,16,000 per month and if required with an increase upto 15% p.a.
- ii) Rs.28,000 per month towards maintenance of car, fuel, driver's salary.
- iii) Medical insurance premium and medical reimbursements subject to a maximum of

Rs.118,000 in aggregate per annum and company's policy.

- iv) Rs.2,00,000 per annum in aggregate towards club membership / subscription fee.
- v) Reimbursement of cost of repairs, maintenance and utilities (eg. gas, electricity and water charges), and repairs for the said housing accommodation on actual.
- vi) Leave travel concession expenses on actual for one trip from India to Korea and return for him and his family subject to a maximum of Rs. 3,50,000 in aggregate per annum.
- (c) Gratuity and Contribution to Provident fund shall be payable as per applicable Acts. Superannuation fund payment shall be in accordance with Company's policy in force.

RESOLVED FURTHER THAT Mr. Moo Sun Song shall be governed by all service conditions of the Company as applicable to Senior Management personnel and directors.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to alter or vary the terms and conditions of the said appointment in such manner as the Board may deem fit subject to complying applicable provisions of law at that point of time.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to do all acts, deeds and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution.

8. To consider and if thought fit, to pass with or without modification(s) the following resolution

NOTICE TO SHAREHOLDERS (Contd)

as Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 13 and all other applicable provisions of the Companies Act, 2013 read with Companies (Incorporation) Rules, 2014 (including any statutory modification or re-enactment thereof for the time being in force), the draft clauses contained in the Memorandum of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the clauses contained in the existing Memorandum of Association of the Company with immediate effect;

“RESOLVED FURTHER THAT any one Director of the company and the Company Secretary be and are hereby severally authorised to do all such acts, deeds and actions as may be necessary, proper or expedient to give effect to this resolution.”

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

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions of the Companies Act, 2013 read

with Companies (Incorporation) Rules, 2014 (including any statutory modification or re-enactment thereof for the time being in force), the draft regulations contained in the Articles of Association submitted to this meeting be and are hereby approved and adopted in substitution, and to the entire exclusion, of the regulations contained in the existing Articles of Association of the Company with immediate effect;

“RESOLVED FURTHER THAT any one Director of the company and the Company Secretary be and are hereby severally authorised to do all such acts, deeds and actions as may be necessary, proper or expedient to give effect to this resolution.”

By Order of the Board
For Lotte India Corporation Limited

Chennai
November 12, 2016

T.G. Karthikeyan
Company Secretary

Notes

1. The relevant explanatory statement pursuant to Section 102 of the Companies Act, 2013 in respect of item Nos.4 to 9 and statement pursuant to the provisions of Part-II of Section –II (iv) of Schedule V of the Companies Act, 2013 are annexed.
2. 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.
3. Proxy to be valid, shall be deposited with the Company's Registered office 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.
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 9th December, 2016 to 15th December, 2016 (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 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.
9. The Company has appointed Mr. K.Mohan, Company Secretary in Practice of JKM Associates, as Scrutinizer for conducting the e-voting process in a transparent manner.
10. Members who did not cast their vote through e-voting during the e-voting period shall be allowed to cast their vote at the AGM through ballot paper. Members who have voted through e-voting cannot vote again through ballot paper at AGM.
11. The Scrutinizer shall, immediately after the conclusion of voting at the Annual general meeting, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the company and make, not later than 48 hours of conclusion of the meeting, a consolidated Scrutiniser's report of the total votes cast in favour or against, if any, to the Chairman or a person authorised by him who shall countersign the same. The Chairman or a person authorised by him shall declare the result of the voting forthwith. The results declared along with the Scrutiniser's report shall be placed on the Company's website www.lotteindia.com.

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 through CDSL.

Notes (Contd)

The instructions for shareholders voting electronically are as under:

- i) The voting period begins on Saturday, the 10th December, 2016 at 10 A.M and ends on Wednesday, the 14th December, 2016 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 8th December, 2016, 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.
- vii) If you are a first time user follow the steps given below:
 - 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.

	For Members holding shares in Demat Form and Physical Form
PAN	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <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 and the 8 digits of the sequence number in the PAN field. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
Dividend Bank details(or) Date of Birth (DOB)	Enter the dividend bank details (or) DOB (in dd/mm/yyyy) format as recorded in your demat account (or) in the company records in order to login. If both the details or not recorded with the depository /company, please enter the member id/folio number in the dividend bank details field as mentioned in the instruction (iv)

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

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.

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

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

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

Notes (Contd)

as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.

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.

Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.

You can also take out print of the voting done by you by clicking on “Click here to print” option on the Voting page.

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

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 linked in the login 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.

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.

Shareholders who have already voted prior to AGM through e-voting, would not be entitled to vote again at AGM.

ANNEXURE TO THE NOTICE

A) PROFILE OF DIRECTORS SEEKING APPOINTMENT / REAPPOINTMENT

Mr.Milan Wahi is a post graduate in Science with PG Diploma and has about 25 years of rich experience in the fields of Marketing and sales and worked as senior management personnel in various reputed Companies such as Cavin Kare, VST Industries, Whirlpool India, Lotte India Corporation Ltd, JK Dairy and Kenstar etc.

He is a member of CSR Committee and Stakeholders Relationship Committee of the Board of Directors of the Company.

Mr.Mang Ko Noh is a Master of Business Administration from Yon-Sei University, Seoul, Korea and has over 33 years of experience in various areas such as product managing, purchase and outsourcing etc. He joined in Lotte Group in the year 1983 and currently serving as Chief Globalisation officer of Lotte Confectionery Co.Ltd.

He is a member of Remuneration & Nomination Committee and CSR Committee of the Board of Directors of the Company.

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

The documents mentioned in Explanatory Statement are available for inspection at the Head office of Company at 4/169, Rajiv Gandhi Salai, Kandanchavadi, Chennai – 600096 from Monday to Friday (except on holidays) from 11 A.M to 5 P.M till the previous day before the AGM.

Item No. 4 & 5

Mr.Suresh Seshadri Iyer, vide his letter dated 9th Sepetember, 2016 submitted his resignation from the post of Managing Director and Directorship of the Company with effect from 30th September, 2016. Consequent

to his resignation, the Remuneration and Nomination Committee at its Meeting held on 12th September, 2016 recommended the appointment of Mr.Milan Wahi to the Board. The Board of Directors at their meeting of even date appointed Mr.Milan Wahi as an Additional Director who will hold office of Additional Director till the ensuing Annual General Meeting. Further, the Board at the same meeting appointed Mr.Milan Wahi as Managing Director for a period of 3 years with effect from 10th October, 2016 subject to the approval of Shareholders.

Further, your company incurred a loss for the 15 months period ended 31st March, 2016. In the event of inadequacy or absence of profits, payment of remuneration to managerial persons requires the approval of Shareholders as per Schedule V of Companies Act, 2013. This has been already approved by the Remuneration and Nomination Committee and Board of Directors at their meeting held on 12th September, 2016.

Mr.Milan Wahi is a post graduate in Science with PG Diploma and has about 25 years of rich experience in the fields of Marketing and sales and worked as senior management personnel in various reputed Companies such as Cavin Kare, VST Industries, Whirlpool India, Lotte India Corporation Ltd, JK Dairy and Kenstar etc.

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

Item No. 6

Mr.Young Tae Moon was appointed as Executive Director of the Company on 14th July, 2015 for a period of 3 years. The shareholders have approved the appointment & remuneration

ANNEXURE TO THE NOTICE (Contd)

of Mr.Young Tae Moon as Executive Director vide Special Resolution passed through postal ballot process held on 5th December, 2015. The Ministry of Corporate Affairs, Government of India, vide its letter dated 24th August, 2016 granted its approval for the said appointment.

Considering the valuable contribution of Mr.Young Tae Moon to the Company and based on recommendation of Remuneration & Nomination Committee, the Board had increased the remuneration payable to Mr.Young Tae Moon, Whole Time Director with effect from 1st April, 2016 subject to the approval of shareholders.

Your company incurred a loss for the 15 months period ended 31st March, 2016. In the event of inadequacy or absence of profits, payment of remuneration to managerial persons requires the approval of Shareholders as per Schedule V of Companies Act, 2013. This has been already approved by the Remuneration and Nomination Committee and Board of Directors at their meeting held on 12th September, 2016.

Mr.Young Tae Moon is a post graduate in Business Administration from Chung-Ang University, Korea with specialisation in Business & Marketing. He has about 26 years of rich experience in the field of sales and marketing. Before his appointment as Executive Director, he had worked in Lotte India as Vice President (Sales & Marketing).

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

Item No.7

Mr.Moo Sun Song was appointed as Whole Time Director of the Company on 19th August, 2014 for a period of 3 years. The shareholders

have approved the appointment & remuneration of Mr.Moo Sun Song as Whole Time Director vide Special Resolution passed through postal ballot process on 28th November, 2014.

The Ministry of Corporate Affairs, Government of India, vide its letter dated 27th April, 2015 granted its approval for the said appointment.

Considering the valuable contribution of Mr.Moo Sun Song to the Company and based on recommendation of Remuneration & Nomination Committee, the Board had increased the remuneration payable to Mr.Moo Sun Song, Whole Time Director with effect from 1st April, 2016 subject to the approval of shareholders.

Your company incurred a loss for the 15 months period ended 31st March, 2016. In the event of inadequacy or absence of profits, payment of remuneration to managerial persons requires the approval of Shareholders as per Schedule V of Companies Act, 2013. This has been already approved by the Remuneration and Nomination Committee and Board of Directors at their meeting held on 12th September, 2016.

Mr.Moo Sun Song is a Master of Business Administration with specialization in Finance. Prior to his appointment as Whole Time Director, he was working in your Company as Vice President (Supporting Services) & CFO. He is a Korean National.

He is a member of Audit Committee, Remuneration & Nomination Committee, CSR Committee and Stakeholders Relationship Committee of the Board of Directors of the Company.

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 special resolution.

ANNEXURE TO THE NOTICE (Contd)

Item No.8

The Companies Act, 2013 (the Act), has prescribed a new format of Memorandum of Association ("MOA") for public companies limited by shares. Accordingly, with a view to align the existing MOA of the Company in accordance with Table 'A' of Schedule-I, Section 4 and 13 of the Act, it is proposed to alter the MOA of the Company.

The Board at its meeting held on 11.11.2016 has approved alteration of the MOA of the Company and the Board now seek Members' approval for the same.

Pursuant to Section 13 of the Act, the consent of the Members by way of Special Resolution is required for alteration of MOA of the Company.

The proposed new draft MOA is being uploaded on the Company's website: www.lotteindia.com for perusal by the Members. Further, a copy of the proposed set of new MOA of the Company would be available for inspection for the Members at the Head Office of the Company during the office hours on any working day, except Saturdays, Sundays and public holidays, between 11.00 a.m. to 5.00 p.m. till the previous date of Annual General Meeting (AGM). The aforesaid documents are also available for inspection at the AGM.

None of the Directors (other than Mr. Young Tae Moon), key managerial personnel and relatives of them is interested or concerned in the above resolution.

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

Item No. 9

The Articles of Association of the Company as currently in force was originally adopted when the Company was incorporated under the Companies Act, 1913 and further amendments were adopted pursuant to the provisions under the Companies

Act, 1956, from time to time, over the past several years. The references to specific sections of the Companies Act, 1956 in the existing Articles of Association may no longer be in conformity with the Companies Act, 2013 (the Act).

Considering that substantive sections of the Act which deal with the general working of the companies stand notified, it is proposed to amend the existing Articles of Association to align it with the provisions of Companies Act, 2013 including the Rules framed thereunder and adoption of specific sections from Table "F" to Schedule I to the Companies Act, 2013 which sets out the model articles of association for a company limited by shares.

The Board at its meeting held on 11.11.2016 has approved alteration of the MOA of the Company and the Board now seek Members' approval for the same.

Pursuant to Section 14 of the Act, the consent of the Members by way of Special Resolution is required for alteration of AOA of the Company.

The proposed new draft AOA is being uploaded on the Company's website: www.lotteindia.com for perusal by the Members. Further, a copy of the proposed set of new AOA of the Company would be available for inspection for the Members at the Corporate Office of the Company during the office hours on any working day, except Saturdays, Sundays and public holidays, between 11.00 a.m. to 5.00 p.m. till the previous date of Annual General Meeting (AGM). The aforesaid documents are also available for inspection at the AGM.

None of the Directors (other than Mr. Young Tae Moon), key managerial personnel and relatives of them is interested or concerned in the above resolution.

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

ANNEXURE TO THE NOTICE (Contd)

The following information pertaining to Mr. Milan Wahi is furnished pursuant to the provisions of Part-II of Section –II (iv) of Schedule V of the Companies Act, 2013

General Information	Particulars
Nature of Industry	Confectionery
Date or expected date of commencement of commercial production.	The Company is in existence since 1954 (The name of the Company has since been changed from Parys Confectionery Limited to Lotte India Corporation Limited)
In case of new companies, expected date of commencement of activities as per Project approved by financial institutions appearing in the prospectus	Not applicable
Financial performance based on given indicators.	As per the Audited Profit & Loss account for the 15 months period ended 31 st March, 2016, the sales achieved was Rs.48,131.68 lakhs and loss after tax was Rs. 2,251.05 lakhs.
Foreign investments or collaborators, if any.	98.57 % of the paid up capital of the Company is held by M/s Lotte Confectionery Co., Ltd. Republic of Korea (Lotte) with approvals from FIPB / RBI.
Information about the appointee	Particulars
Background details	Mr.Milan Wahi is a post graduate in Science with PG Diploma and has about 25 years of rich experience in the fields of Marketing and sales and worked as senior management personnel in various reputed Companies such as Cavin Kare, VST Industries, Whirlpool India, Lotte India Corporation Ltd, JK Dairy and Kenstar etc
Past remuneration	Mr. Milan Wahi was previously drawing a remuneration of Rs.95 lakhs (per annum) during his last employment.
Recognition or awards	He has received awards in recognition of his service from his earlier employers.
Job Profile and Suitability	Mr. Milan Wahi is a Post Graduate in Science with Post Graduate Diploma and has about 25 years of rich experience in Sales & Marketing and served in leading Corporates in Senior Management level. His experience and expertise in the field will benefit the Company to achieve its desired goal.
Remuneration proposed	The terms of the remuneration proposed are detailed in the resolution.

ANNEXURE TO THE NOTICE (Contd)

General Information	Particulars
Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details should be w.r.t. the country of his origin.	The Confectionery industry perse has few companies which are listed and many comparable companies are in private limited category like Perfetti Van Melle India P. Ltd., Parle Products Pvt. Ltd. etc. and information relating to the remuneration profile of the Managing Director appointed under the Company law is not available.
Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	There were no pecuniary relationship directly or indirectly with the Company. There are no relationships with the managerial personnel.
Other information	
Reasons of loss or inadequacy of profits	<ul style="list-style-type: none"> (i) Due to inflation and market conditions, the cost of raw materials and other inputs has been increased. The company is unable to pass on the above increase fully to the customers as the company deals mostly with MRP based product categories linked with coinage. (ii) The impact of interest on ECB loan obtained for investment in new plant at Rohtak. (iii) The impact of depreciation cost associated with Rohtak factory, which is just started and operating below the break-even level. (iv) The Company continues to invest in brand building for the future as well as focusing on promotional activities to counter the impact of increasing competition in the market.
Steps taken or proposed to be taken for improvement.	<ul style="list-style-type: none"> (i) Effective cost management and effective utilization of common resources. (ii) Increase sales in Exports / focus markets. (iii) Focus on increasing the sale of higher price point products and products with higher margin. (iv) Introduction of new product variants in the existing brands from Rohtak plant to take advantage of the brand awareness.
Expected increase in productivity and profits in measurable terms	The company is increasing its focus on higher margin products and new export markets in Africa. The company is also restructuring end to end cost structures to enhance profitability. Effective cost spends is the focus to enhance better profitability.

ANNEXURE TO THE NOTICE (Contd)

The following information pertaining to Mr. Young Tae Moon is furnished pursuant to the provisions of Part-II of Section –II (iv) of Schedule V of the Companies Act, 2013

General Information	Particulars
Nature of Industry	Confectionery
Date or expected date of commencement of commercial production.	The Company is in existence since 1954 (The name of the Company has since been changed from Parrys Confectionery Limited to Lotte India Corporation Limited)
In case of new companies, expected date of commencement of activities as per Project approved by financial institutions appearing in the prospectus	Not applicable
Financial performance based on given indicators.	As per the Audited Profit & Loss account for the 15 months period ended 31 st March, 2016, the sales achieved was Rs.48,131.68 lakhs and loss after tax was Rs. 2,251.05 lakhs.
Foreign investments or collaborators, if any.	98.57 % of the paid up capital of the Company is held by M/s Lotte Confectionery Co., Ltd. Republic of Korea (Lotte) with approvals from FIPB / RBI.
Information about the appointee	Particulars
Background details	Mr.Young Tae Moon is a post graduate in Business Administration from Chung-Ang University, Korea with specialisation in Business & Marketing. He has about 26 years of rich experience in the field of sales and marketing. Before his appointment as Executive Director, he had worked in Lotte India as Vice President (Sales & Marketing).
Past remuneration	Mr. Young Tae Moon was previously drawing a remuneration of Rs.96.69 lakhs per annum.
Recognition or awards	He has received awards in recognition of his service from his earlier employers.
Job Profile and Suitability	Mr.Young Tae Moon is a post graduate in Business Administration from Chung-Ang University, Korea with specialisation in Business & Marketing. He has about 26 years of rich experience in the field of sales and marketing. Before his appointment as Executive Director, he had worked in Lotte India as Vice President (Sales & Marketing). His experience and expertise in the field will benefit the Company to achieve its desired goal.
Remuneration proposed	The terms of the remuneration proposed are detailed in the resolution.

ANNEXURE TO THE NOTICE (Contd)

General Information	Particulars
Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details should be w.r.t. the country of his origin.	The Confectionery industry perse has few companies which are listed and many comparable companies are in private limited category like Perfetti Van Melle India P. Ltd., Parle Products Pvt. Ltd. etc. and information relating to the remuneration profile of the Managing Director appointed under the Company law is not available.
Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	There were no pecuniary relationship directly or indirectly with the Company. There are no relationships with the managerial personnel.
Other information	
Reasons of loss or inadequacy of profits	<ul style="list-style-type: none"> (i) Due to inflation and market conditions, the cost of raw materials and other inputs has been increased. The company is unable to pass on the above increase fully to the customers as the company deals mostly with MRP based product categories linked with coinage. (ii) The impact of interest on ECB loan obtained for investment in new plant at Rohtak. (iii) The impact of depreciation cost associated with Rohtak factory, which is just started and operating below the break-even level. (iv) The Company continues to invest in brand building for the future as well as focusing on promotional activities to counter the impact of increasing competition in the market.
Steps taken or proposed to be taken for improvement.	<ul style="list-style-type: none"> i) Effective cost management and effective utilization of common resources. (ii) Increase sales in Exports / focus markets. (iii) Focus on increasing the sale of higher price point products and products with higher margin. (iv) Introduction of new product variants in the existing brands from Rohtak plant to take advantage of the brand awareness.³
Expected increase in productivity and profits in measurable terms	The company is increasing its focus on higher margin products and new export markets in Africa. The company is also restructuring end to end cost structures to enhance profitability. Effective cost spends is the focus to enhance better profitability.

ANNEXURE TO THE NOTICE (Contd)

The following information pertaining to Mr. Moo Sun Song is furnished pursuant to the provisions of Part-II of Section –II (iv) of Schedule V of the Companies Act, 2013

General Information	Particulars
Nature of Industry	Confectionery
Date or expected date of commencement of commercial production.	The Company is in existence since 1954 (The name of the Company has since been changed from Parrys Confectionery Limited to Lotte India Corporation Limited)
In case of new companies, expected date of commencement of activities as per Project approved by financial institutions appearing in the prospectus	Not applicable
Financial performance based on given indicators.	As per the Audited Profit & Loss account for the 15 months period ended 31 st March, 2016, the sales achieved was Rs.48,131.68 lakhs and loss after tax was Rs. 2,251.05 lakhs.
Foreign investments or collaborators, if any.	98.57 % of the paid up capital of the Company is held by M/s Lotte Confectionery Co., Ltd. Republic of Korea (Lotte) with approvals from FIPB / RBI.
Information about the appointee	Particulars
Background details	Mr.Moo Sun Song is a post graduate in Business Administration with specialization in Finance. Before his appointment as WTD, he was working in your company as Vice President(Supporting Services). Befor that, he was working in Lotte Confectionery Co.Ltd, Korea as a Member of Finance & Accounting team since the year 2001.
Past remuneration	Mr. Moo Sun Song was previously drawing a remuneration of Rs.47.12 lakhs per annum.
Recognition or awards	He has received awards in recognition of his service from his earlier employers.
Job Profile and Suitability	Mr.Moo Sun Song is a post graduate in Business Administration with specialization in Finance. Before his appointment as WTD, he was working in your company as Vice President(Supporting Services). Befor that, he was working in Lotte Confectionery Co.Ltd, Korea as a Member of Finance & Accounting team since the year 2001. His experience and expertise in the field will benefit the Company to achieve its desired goal.
Remuneration proposed	The terms of the remuneration proposed are detailed in the resolution.

ANNEXURE TO THE NOTICE (Contd)

General Information	Particulars
Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details should be w.r.t. the country of his origin.	The Confectionery industry perse has few companies which are listed and many comparable companies are in private limited category like Perfetti Van Melle India P. Ltd., Parle Products Pvt. Ltd. etc. and information relating to the remuneration profile of the Managing Director appointed under the Company law is not available.
Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	There were no pecuniary relationship directly or indirectly with the Company. There are no relationships with the managerial personnel.
Other information	
Reasons of loss or inadequacy of profits	<ul style="list-style-type: none"> (i) Due to inflation and market conditions, the cost of raw materials and other inputs has been increased. The company is unable to pass on the above increase fully to the customers as the company deals mostly with MRP based product categories linked with coinage. (ii) The impact of interest on ECB loan obtained for investment in new plant at Rohtak. (iii) The impact of depreciation cost associated with Rohtak factory, which is just started and operating below the break-even level. (iv) The Company continues to invest in brand building for the future as well as focusing on promotional activities to counter the impact of increasing competition in the market.
Steps taken or proposed to be taken for improvement.	<ul style="list-style-type: none"> i) Effective cost management and effective utilization of common resources. (ii) Increase sales in Exports / focus markets. (iii) Focus on increasing the sale of higher price point products and products with higher margin. (iv) Introduction of new product variants in the existing brands from Rohtak plant to take advantage of the brand awareness.
Expected increase in productivity and profits in measurable terms	The company is increasing its focus on higher margin products and new export markets in Africa. The company is also restructuring end to end cost structures to enhance profitability. Effective cost spends is the focus to enhance better profitability.

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS

Your Directors have pleasure in presenting the 61st Annual Report of your Company together with the audited financial statements for the 15 months period ended 31st March, 2016.

Your Company had been following calendar year (January to December) as its accounting year till 31st December 2014.

However, to comply with the provisions of Section 2(41) of the Companies Act, 2013, your Company has extended its accounting period to 15 months from 1st January, 2015 to 31st March, 2016 so as to follow April to March as its accounting year from 1st April, 2016.

Accordingly, the accounts are prepared for 15 months period ended 31st March, 2016 and presented

Financial Results

Rs. In lakhs

Particulars	For the period ended	
	March 31, 2016 (15 months)	December 31, 2014 (12 months)
Sales	48,131.68	37,448.12
Less : Excise duty	2,923.06	2,339.15
Less : Discount	2,870.03	2,280.98
Net Sales	42,338.59	32,827.99
Add : Other Income	664.91	342.21
Total Income	43,003.50	33,170.20
Profit before depreciation, interest & finance charges	2,814.63	2,061.02
Less : Depreciation, Interest & finance charges	5,165.41	1,789.36
Profit / (Loss) before tax	(2,350.78)	271.66
Less : Provision for Taxes :		
– Current / Minimum Alternate Tax	11.53	33.89
– Deferred	(111.26)	106.55
Profit / (Loss) after tax	(2,251.05)	131.22
Add : Balance brought forward from previous year	1,093.09	961.87
Less : Transitional adjustments as per schedule 11 to the Companies Act, 2013	3.86	
Balance profit / Loss transferred to Balance Sheet	(1,161.82)	1,093.09

The Board of Directors has decided not to recommend any dividend for the 15 months period ended 31st March, 2016.

Performance Highlights

For the 15 months period ended 31st March, 2016, the Company achieved a gross sales of Rs.48,131.68 lakhs as against Rs. 37,448.12 Lakhs for the (12 months) year ended December 31, 2014. During the year under review, the Company has incurred a loss after tax of Rs.2,251.05 lakhs as against the profit of Rs.131.22 lakhs for the (12 months) year ended December 31, 2014.

During the period Jan 2015 to March 2016, the prices of raw / base materials like Milk and Milk

products and other packing materials etc., have gone up. However, due to the various cost reduction measures and material substitution strategies adopted by the Company, the company was able to mitigate the loss to some extent and manage the working capital and regular investments with internal accruals.

Further, during the period under review, the Company had invested in a new plant at Rohtak (Haryana), which was mostly funded by External commercial borrowing (ECB loan) at interest lower than INR loans. The interest and depreciation incurred on the above project had an impact on Company's financial statement.

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd)**Industry trends**

The confectionery market has grown by 13% with growths fundamentally from Hard Boiled Candies, Mints & Lollipops. Growths fundamentally have happened due to top players vacating 50p price points & moving upwards to higher price points. North & East markets are growing faster than other zones, considering high rural salience in these markets. Disruptive innovations is the order of the day with companies experimenting with novel formats & flavours. Packaging is also seen as a key driver – with companies driving penetration with easy-to-carry packaging at attractive price points.

At the same time, we see new regional players gaining share in respective zones, considering their low cost of production and therefore ability to offer better channel margins. These players have also the ability to copy-cat innovate and the necessary nimbleness to scale faster, where a particular innovation holds promise.

Large branded players are also looking at consolidating their brand portfolios to squeeze out advertising efficiencies and also with a view to build select strong brands for the future. Large MNCs are also importing products from their parent's kitty so as to test potential in the market place.

Outlook

The company is single-mindedly building its confectionery product portfolio for the future, considering the changes in the market place. The company has also identified 2-3 critical brands for investments within the confectionery portfolio, which will serve the company in good stead.

Considering significant investments in the Pie line, your company will continue to drive penetration in the market place with multiple strategies such as launching new SKUs at different price points, look at offering higher value added 'Pie'. These will be launched in the months to come.

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.

Extracts of Annual Return

As per the requirements of the Companies Act, 2013, the extract of Annual Return in the prescribed Form MGT 9 is annexed hereto as **Annexure 1** forming part of the report.

Particulars of Employees

The statement concerning particulars of employees as required under section 197 Companies Act, 2013 read with Rules 5(2) & 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is given in **Annexure 2** to this report.

Board Meetings

Details of number of meetings of Board of Directors and its committees thereof and attendance of the Directors in such meetings are provided under the Corporate Governance Report.

Directors' Responsibility Statement

Pursuant to sub-section (5) of Section 134 of the Companies Act, 2013, your Directors, based on representations from the Operating Management, confirm that:

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd)

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made 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 at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Declaration from Independent Directors

Mr. D.G.Rajan and Ms.Young Mi Lee, Independent Directors have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Act.

Nomination & Remuneration Policy:

The Policy provides for appointment, remuneration and removal of Directors, KMP & Senior Management Personnel and criteria for the same.

- I. Appointment of Director, KMP and Senior Management Personnel: The Nomination and Remuneration Committee (NRC) shall identify and ascertain the qualification, expertise and experience of the persons being considered for appointment as a Director, KMP and Senior Management level and recommend

the appointment to the Board. At the time of appointment of an Independent Director, the NRC shall ensure that the appointee shall meet with the requirements of the Companies Act, 2013 and conditions stipulated in the Policy from time to time, for determining independence of a director. Further, the continuity of such Independent Director shall be on the basis of a yearly review process. While appointing, the company will have regard to diversity, qualification, skill, integrity, industry experience, expertise and other distinctions. In case of appointment of members of the Board, the term of appointment shall be in accordance with Companies Act, 2013 and rules made thereunder. The Managing Director and Whole Time Director are authorised to identify and appoint suitable persons for the post of KMP and Senior Management personnel (other than members of board) for administrative convenience and if need be after consulting the NRC / Board for guidance.

2. Evaluation: Once a year, the Board shall conduct a self evaluation. Further, the Independent Directors shall carry out evaluation of performance of every Director including independent director. The evaluation process / criteria for the Board and the Independent Directors shall be broadly based on Knowledge to perform the role, time and level of participation, Performance of duties and Professional conduct and independence. The Board / Independent Directors shall be asked to complete the evaluation forms and submit the same to the Chairman. The evaluation of KMP and Senior Management personnel shall be in accordance with HR policies of the Company in force.
3. Remuneration of Directors, KMP and Senior Management Personnel:
 - a. Non-Executive Directors (Including Independent Directors): The sitting fee / remuneration payable to directors shall be in accordance with Companies Act, 2013, and the Rules made thereunder

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd)

for the time being in force. Review of remuneration of non executive directors shall be made by NRC and shall be recommended to the Board for approval, if required. An Independent Director shall not be entitled to any stock option of the Company.

- b. Managing Director, Executive Director and Whole-time director (including revisions & alterations) shall be in accordance with Companies Act, 2013 and Rules framed thereunder as well as the HR Policy of the Company. The remuneration is on the basis of the Company's overall performance, individual's contribution towards Company's performance and trends in the industry in general and comprises a fixed salary, allowances, reimbursements, perquisites and performance incentive.
 - c. Key Managerial Personnel and Senior Management Personnel: Remuneration comprises of fixed salary, allowances, reimbursements, perquisites, performance incentive as per HR policy of the Company and is also subject to NRC / Board approval wherever required statutorily. The remuneration is related to the desired skill set, experience, expertise and long term relationships.
4. Removal: Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations or amendments thereunder and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management personnel.

Loans/Guarantee/Investments

The Company has no Inter-Corporate Loans/Guarantees. Investments of the Company in the shares of other companies are provided under

notes to Balance Sheet appearing elsewhere in this Annual Report.

Related Party Transactions:

All the transactions of the Company with related parties are at arm's length and have taken place in the ordinary course of business. Details of material transactions with related parties are annexed hereto as **Annexure 3**.

Deposits

The company has not accepted any deposits and as such, no amount towards principal or interest on same has been outstanding as on date

Material Changes

There is no material change or commitments after closure of the accounting year till the date of this report.

Conservation of energy, technology absorption and foreign exchange earnings and outgo

(A) Conservation of energy

- (i) the steps taken or impact on conservation of energy:
 - (a) Replaced fluorescent lamps with CFL / LED lamps. Solar power generation (124 KW) plant installed at Rohtak factory
 - (b) Wherever possible, energy saving equipments, motors and transformers have been installed
 - (c) Obtained dedicated electricity power supply line for Nemam factory to avoid /reduce power generation through generators and
 - (d) Utilised Windmill power partially at Nemam and Nellikuppam factories.
In view of the above, your Company was able conserve energy and saved Rs.123 lakhs during the year 2015-16.
- (ii) the steps taken or impact on conservation of energy:
 - (a) Already, the company has been utilising wind power partially from the year 2013 for its factories at Nemam and Nellikuppam and

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd)

- (b) the Company is studying the feasibility of using solar power for lighting etc at its factory at Nemam.
- (iii) the capital investment on energy conservation equipments: Rs.125 lakhs.

(B) Technology absorption

(i) the efforts made towards technology absorption;

1. Continued efforts of quality control/ quality assurance procedures to enhance and maintain quality.
2. Installation of machineries for Gum Manufacturing for enhancement of Gum quality .

(ii) the benefits derived like product improvement, cost reduction, product development or import substitution;

The above resulted in enhancement of quality and reduction in cost of manufacture.

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-

Your Company has the advantage of availing advanced technology and constant upgradation of the same from its holding company viz., Lotte Confectionery Co.Ltd, Seoul, Korea.

Details of technology imported : Technology required for manufacturing basic raw materials

- a) Year of import : 2015
- b) Whether the technology been fully absorbed : Yes, fully absorbed
- c) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof : Not applicable

(C) Foreign exchange earnings and Outgo:

Earnings	Rs.1,848.28 lacs
Outgo	Rs. 441.50 lacs

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.

Corporate Social Responsibility

Your Company has constituted a CSR committee of Board of Directors and has adopted a CSR Policy. The same is posted in the Company's website www.lotteindia.com. A report in prescribed format detailing the CSR spent for the period under review is attached herewith as **Annexure 4**.

According to the provisions of Section 135, your company was to spend Rs.11.45 lacs towards CSR expenses for the 15 months period ended 31st March, 2016. Identification and study of deserving projects, heavy damage due to floods and consequent restoration of Company's Registered office delayed the implementation of CSR activities in time. However, the Company has finalised few projects for CSR Activity and the unspent amount of Rs.10.16 lacs will be spent in few months time.

DIRECTORS' REPORT & MANAGEMENT DISCUSSION AND ANALYSIS (Contd)**Directors**

During the period under review, Mr. Myung Ki Min, Director resigned with effect from 10th July, 2015. Mr. Suresh Seshadri Iyer was appointed as Managing Director for 3 years from 14th July, 2015. However, he resigned with effect from 30th September, 2016. Your Directors wish to place on record their deep appreciation of the valuable contribution made by Mr. Myung Ki Min and Mr. Suresh Seshadri Iyer to the Company.

Mr. Young Tae Moon was appointed as Executive Director for 3 years from 14th July 2015.

Mr. Milan Wahi was appointed as Managing Director with effect from 10th October, 2016.

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

Key Managerial Personnel

The Company designated Mr. Suresh Seshadri Iyer (MD till 30th September, 2016), Mr. Milan Wahi (MD from 10th October, 2016) Mr. Young Tae Moon, Executive Director, Mr. Moo Sun Song (Whole Time Director) and Mr. T.G. Karthikeyan, Company Secretary as Key Managerial Personnel.

Statutory Auditors

M/s. B S R & Co. LLP, Chartered Accountants, Chennai, was appointed as Statutory auditors of the Company at the AGM held on 12th June, 2014 for a period of 5 years to hold office from the conclusion of 59th AGM till the conclusion of 64th AGM subject to ratification as per the provisions of the Companies Act, 2013.

However, they informed that they do not wish to be appointed as the statutory auditors of the Company in the forthcoming Annual General Meeting.

M/s. Price Waterhouse Chartered Accountants LLP has given its consent to act as Statutory Auditors of the Company. The Board recommends the shareholders for the appointment of M/s. Price Waterhouse Chartered Accountants LLP as Statutory Auditors of the Company to hold office from the conclusion of 61st Annual General Meeting till the conclusion of 66th Annual General Meeting subject to ratification as per the provisions

of Companies Act, 2013, and fix their remuneration.

Internal Auditors

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

Secretarial Audit

The Secretarial Audit Report for the 15 months period ended 31st March, 2016 given by Mr. K. Mohan, Company Secretary in Practice, Partner of J.K.M Associates is annexed to this report as **Annexure 5**. Your Company has appointed Mr. K. Mohan, Company Secretary in Practice, Partner of J.K.M Associates to do Secretarial Audit for the year 2016-17 and provide the report thereon.

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

Milan Wahi
Managing Director

Moo Sun Song
Whole Time Director

Chennai
Date: 11th November, 2016

D.G. Rajan
Independent Director

ANNEXURE 1 TO BOARD'S REPORT

Extracts of Annual Return Form MGT-9

As on the 15 months period ended on 31st March, 2016
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies
(Management and Administration) Rules, 2014]

I. REGISTRATION & OTHER DETAILS:		
1	CIN	UI5419TN1954PLC001987
2	Registration Date	26th March, 1954
3	Name of the Company	LOTTE INDIA CORPORATION LIMITED
4	Category/Sub-category of the Company	Company limited by Shares / Indian - non Government Company
5	Address of the Registered office & contact details	4/111, Mount Poonamallee Road, Manapakkam, Chennai - 600 089. Phone: 044-22494444/55, Fax: 445458800, email: compsecy@ lotteindia.com
6	Whether listed company Yes/ No	No
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	M/s.Cameo Corporate Services Limited, 1, Club House Road (Off.Anna Salai), Chennai - 600 002, Phone:044-28460390, Fax: 28460129, email: murali@cameoindia.com, cameo@cameoindia.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	Sugar Boiled Confectionery	10733	53.03
2	Cakes and Biscuits	10712	43.47

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S.No	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate
1	Lotte Confectionery Co.Ltd, 10, Yangpeong – RO, 21-Gil, Yeoungdeungpo-gu, Seoul, South Korea	Business Registration No : 107-81-34848	Holding Company (holds 98.57% of shares)

The Company does not have any subsidiary or associate companies.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(Category wise Shareholding)

Category code	Category of Shareholder	No. of shares held at the beginning of the period				No. of shares held at the end of the period				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A.	PROMOTER									
1.	INDIAN INDIVIDUALS/HINDU UNDIVIDED FAMILY, GOVERNMENT/ BODIES CORPORATES/ FINANCIAL INSTITUTINS/ BANKS ETC	0	0	0	0	0	0	0	0	0
	SUB - TOTAL (A) (1)	0	0	0	0	0	0	0	0	0
2.	FOREIGN									
a.	INDIVIDUALS (NRI / FOREIGN INDIVIDUALS) / INSTITUTIONS/ QUALIFIED FOREIGN INVESTORS ETC	0	0	0	0	0	0	0	0	0
b.	BODIES CORPORATE	9404693	0	9404693	98.38	9404693	1303747	10708440	98.57	13.63
	SUB - TOTAL (A) (2)	9404693	0	9404693	98.38	9404693	1303747	10708440	98.57	13.63
	TOTAL SHARE HOLDING OF PROMOTER AND PROMOTER GROUP (A) = (A)(1)+(A)(2)	9404693	0	9404693	98.38	9404693	1303747	10708440	98.57	13.63
B.	PUBLIC SHAREHOLDING									
1.	INSTITUTIONS									
a.	MUTUAL FUNDS/UTI / GOVERNMENTS/ VENTURE CAPITAL FUNDS/INSURANCE COMPANIES / FII/ FOREIGN VENTURE FUNDS / QUALIFIED FOREIGN INVESTOR ETC	0	0	0	0	0	0	0	0	0
b.	FINANCIAL INSTITUTIONS/ BANKS	350	1217	1567	0.02	350	1217	1567	0.01	0.00
	SUB - TOTAL (B)(1)	350	1217	1567	0.02	350	1217	1567	0.01	0.00
2.	NON-INSTITUTIONS									
a.	BODIES CORPORATE	1896	2254	4150	0.04	1968	2254	4222	0.04	0.00
b.	INDIVIDUALS - I INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL UPTO RS. 1 LAKH	71105	69606	140711	1.47	72488	69169	141657	1.30	0.01
	II INDIVIDUAL SHAREHOLDERS HOLDING NOMINAL SHARE CAPITAL IN EXCESS OF RS. 1 LAKH	0	0	0	0.00	0	0	0	0.00	0
c.	OTHERS									
	FOREIGN NATIONALS	0	5800	5800	0.06	0	5800	5800	0.05	0
	HINDU UNDIVIDED FAMILIES	464	0	464	0.00	496	0	496	0.00	0.00
	NON RESIDENT INDIANS	1728	888	2616	0.027	678	888	1566	0.014	-0.014
	TRUSTS	20	0	20	0.00	20	0	20	0.00	0
	SUB - TOTAL (B)(2)	75213	78548	153761	1.61	75650	78111	153761	1.42	0
	TOTAL PUBLIC SHAREHOLDING (B) = (B)(1)+(B)(2)	75563	79765	155328	1.62	76000	79328	155328	1.43	0
	TOTAL (A)+(B)	9480256	79765	9560021	100	9480693	1383075	10863768	100.00	13.61
C.	SHARES HELD BY CUSTODIANS AND AGAINST WHICH DEPOSITORY RECEIPTS HAVE BEEN ISSUED	0	0	0		0	0	0	0	0
	GRAND TOTAL (A)+(B)+(C)	9480256	79765	9560021	100	9480693	1383075	10863768	100.00	

IV. (ii) Shareholding of promoters

SI No	Promoter Name	Shareholding at the beginning of the period		Shareholding at the end of the period		% change in shareholding during the period	FOLIO/DP_CL_ID	PAN
		No of shares	% of total shares of the company	No of shares	% of total shares of the company			
1	Lotte Confectionery Co Ltd	9404693	98.38	10708440	98.57	13.63	00100477 & 'IN30047642849412	AABCL5269N

IV. (iii) Change in Promoters' Shareholding

SI No	Name of the Share holder	Shareholding at the beginning of the period		Cumulative Shareholding during the period	
		No of shares	% of total shares of the company	No of shares	% of total shares of the company
1	Lotte Confectionery Co Ltd	9404693	98.38	9404693	98.38
	At the beginning of the period 01-JAN-2015	1303747	13.63	10708440	98.57
	Shares allotted on 21-Dec-2015			10708440	98.57
	At the end of the period 31-Mar-2016			10708440	98.57

Note :

Pursuant to the approval accorded by shareholders by postal ballot on 5th December, 2015, your company had allotted 13,03,747 equity shares of Rs.10 each at a premium of Rs.497 per share to Lotte Confectionery Co.Ltd (Holding Company) towards part finance of the factory constructed at Rohtak (Haryana)

IV. (iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl No	Name of the Share holder	Shareholding at the beginning of the period		Cumulative Shareholding during the period	
		No of shares	% of total shares of the company	No of shares	% of total shares of the company
1	C KANNAMMAI JT1 : R MUTHAYEE				
	At the beginning of period 1st Jan - 2015	3112	0.033	3112	0.029
	At the end of period 31-Mar-2016	3112	0.033	3112	0.029
2	HAUDER TRADING CO				
	At the beginning of period 1st Jan - 2015	1800	0.019	1800	0.017
	At the end of period 31-Mar-2016	1800	0.019	1800	0.017
3	ANJUL				
	At the beginning of period 1st Jan - 2015	1798	0.019	1798	0.017
	At the end of period 31-Mar-2016	1798	0.019	1798	0.017
4	GRACIE BORGES JT1 : ANITA MARIA BORGES JT2 : NINA MARIA BORGES				
	At the beginning of period 1st Jan - 2015	1742	0.018	1742	0.016
	At the end of period 31-Mar-2016	1742	0.018	1742	0.016
5	ARMSTRONG H F				
	At the beginning of period 1st Jan - 2015	1609	0.017	1609	0.015
	At the end of period 31-Mar-2016	1609	0.017	1609	0.015
6	G VAIRAVAN JT1 : VE UNNAMALAI				
	At the beginning of period 1st Jan - 2015	1461	0.015	1461	0.013
	At the end of period 31-Mar-2016	1461	0.015	1461	0.013
7	S. RAMASWAMI .				
	At the beginning of period 1st Jan - 2015	1440	0.015	1440	0.013
	At the end of period 31-Mar-2016	1440	0.015	1440	0.013
8	S. RAMASWAMI . JT1 : UMA RAMASWAMI .				
	At the beginning of period 1st Jan - 2015	1440	0.015	1440	0.013
	At the end of period 31-Mar-2016	1440	0.015	1440	0.013
9	MEYYAMMAI VENKATACHALAM				
	At the beginning of period 1st Jan - 2015	1380	0.014	1380	0.013
	At the end of period 31-Mar-2016	1380	0.014	1380	0.013
10	LATHA KRISHNAIYER				
	At the beginning of period 1st Jan-2015	1250	0.013	1250	0.012
	Sale 25-Dec-2015	-1250	-0.013	0	0.0000
	At the end of period 31-Mar-2016	0	0.000	0	0.0000
10	LATHA KRISHNAIYER				
	At the beginning of period 1st Jan-2015	0	0.000	0	0.0000
	Purchase 25-Dec-2015	1250	0.013	1250	0.012
	At the end of period 31-Mar-2016	1250	0.013	1250	0.012

IV. (v) Shareholding of Directors and Key Managerial Personnel : Nil

Directors and Key Managerial Personnel do not hold any shares in the Company

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(Rs.in lakhs)

Indebtedness at the beginning of the period	Secured loans excluding deposits	Unsecured loans	Total indebtedness
(i) Principal Amount	12,666.30	-	12,666.30
(ii) Interest due but not paid	-	-	-
(iii) Interest accrued but not due	88.57	-	88.57
Total (i+ii)	12,754.87	-	12,754.87
Change in indebtedness during the period		-	
(i) Addition	20,500.15	-	20,500.15
(ii) Reduction	-	-	-
Net change	-	-	-
Indebtedness at the end of the period		-	
(i) Principal Amount	33,166.45	-	33,166.45
(ii) Interest accrued but not due	393.43	-	393.43
Total (i+ii)	33,559.88	-	33,559.88

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. REMUNERATION TO MANAGING DIRECTOR, EXECUTIVE DIRECTOR AND WHOLE TIME DIRECTOR

Sl. NO	Particulars of remuneration	Name of MD / ED / WTD)			Total
		Mr.Suresh Seshadri Iyer	Mr.Young Tae Moon	Mr.Moo Sun Song	
		Managing Director (*)	Executive Director (*)	Whole Time Director	
1	Gross salary	(Rs. in Lakhs)			
	(a) Salary as per provisions contained in Section 17(1) of Income Tax Act, 1961	41.58	37.50	30.72	109.82
	(b) Value of perquisites u/s.17(2) of Income Tax Act,1961	0.30	5.92	5.10	11.32
	(c) Profits in lieu of salary under section 17(3) of Income Tax Act, 1961				
2	Stock option	--	--	--	
3	Sweat equity	--	--	--	
4	Commission - as % of profit	--	--	--	
	- Others, specify	--	--	--	
5	Others	--	--	--	
	TOTAL (A)	41.88	43.43	35.83	121.14
	Ceiling as per the Act				475.13

Note: (*) Mr.Suresh Seshadri Iyer and Mr.Young Tae Moon appointed on Board on 14th July, 2015

B. REMUNERATION TO OTHER DIRECTORS :

Rs.in Lakhs

		Mr.D.G.Rajan	Mr.Young Mi Lee	Total
SL.No	Particulars of remuneration			
	Independent Directos			
	Sitting fees	4.00	0.80	4.80
	Commission	--	--	--
	TOTAL (B)	4.00	0.80	4.80
	Ceiling as per the Act			N.A

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD, ED, WTD) :

Rs.in Lakhs

SL.NO	Particulars of remuneration	Mr.Karthikeyan Company Secretary
1	Gross salary	
	(a) Salary as per provisions contained in Section 17(1) of Income Tax Act, 1961	13.3
	(b) Value of perquisites u/s. 17(2) of Income Tax Act, 1961	--
	(c) Profits in lieu of salary under section 17(3) of Income Tax Act, 1961	--
2	Stock option	--
3	Sweat equity	--
4	Commission - as % of profit	--
	- Others, specify	--
5	Others	
	TOTAL	13.3

VII. PENALTIES / PUNISHMENTS / COMPOUNDING OF OFFENCES : NIL

Chennai
11th November, 2016

Milan Wahi
Managing Director

Moo Sun Song
Whole Time Director

D.G.Rajan
Independent Director

ANNEXURE 2 TO DIRECTORS' REPORT

Information as per Section 197(12) of Companies Act, 2016 read with Rule 5 (2) and 5(3) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

[A] EMPLOYED THROUGHOUT THE PERIOD AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN RS.60,00,000 FOR THE 15 MONTHS PERIOD ENDED 31.03.2016

NAME & AGE	DESIGNATION / (Nature of duties)	REMUNERATION RECEIVED (Rs.)	QUALIFICATION AND EXPERIENCE	DATE OF COMMENCEMENT OF EMPLOYMENT	PREVIOUS EMPLOYMENT	% SHARES HELD
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NIL

[B] EMPLOYED FOR PART OF PERIOD AND WERE IN RECEIPT OF REMUNERATION AGGREGATING NOT LESS THAN RS.5,00,000 FOR THE 15 MONTHS PERIOD ENDED 31.03.2016

NAME & AGE	DESIGNATION / (Nature of duties)	REMUNERATION RECEIVED (Rs.)	QUALIFICATION AND EXPERIENCE	DATE OF COMMENCEMENT OF EMPLOYMENT	PREVIOUS EMPLOYMENT	% SHARES HELD
------------	-------------------------------------	--------------------------------	---------------------------------	--	------------------------	------------------

Suresh Seshadri Iyer	Managing Director (till 30.09.2016)	45,67,696	M.B.A	14.07.2015	EID Parry (India) Ltd	Nil
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Young Tae Moon	Executive Director	54,98,072	M.B.A	14.07.2015	Lotte Confectionery Co.Ltd, Korea	Nil
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Moo Sun Song	Whole Time Director	54,78,413	M.B.A	19.08.2014	Lotte Confectionery Co.Ltd, Korea	Nil
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[C] EMPLOYED THROUGHOUT THE ABOVE PERIOD OR PART THEREOF AND DRAWN REMUNERATION IN EXCESS OF REMUNERATION DRAWN BY MANAGING DIRECTOR / WHOLE TIME DIRECTOR / MANAGER AND HOLDS 2% OR ABOVE SHARES WITH HIS SPOUSE AND DEPENDENT CHILDREN

NIL

Note: 1. The nature of employment of the employee mentioned above is contractual.

2: Remuneration as shown above includes salary, allowances, leave travel assistance, Company's contribution to PF, 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 / manager / KMP.

Chennai	Milan Wahni	Moo Sun Song	D.G.Rajan
11th November, 2016	Managing Director	Whole Time Director	Independent Director

**ANNEXURE 3 TO BOARD'S REPORT
FORM NO. AOC.2**

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto. (Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

1. Details of contracts or arrangements or transactions not at arm's length basis : NIL
2. Details of material contracts or arrangement or transactions at arm's length basis
 - (a) Name(s) of the related party and nature of relationship:
Lotte Engineering & Construction India Private Ltd (LECIPL) and Lotte Engineering Construction Company (LECC), Korea
 - (b) Nature of contracts/arrangements/transactions: Purchase of fixed assets and services provided in relation to construction of factory at Rohtak (Haryana).
 - (c) Duration of the contracts/arrangements/transactions: May 2014 to Sept 2015
 - (d) Salient terms of the contracts or arrangements or transactions: Purchase of fixed assets and services provided in relation to construction of factory at Rohtak (Haryana).
Value of contract (with LECC) : Rs. 2,400.84 lakhs
Value of contract (with LECIPL) : Rs.21,732.75 lakhs
 - (e) Date(s) of approval by the Board, if any : 19.08.2014
 - (f) Amount paid as advances, if any : NIL

Chennai
11th November, 2016

Milan Wahi
Managing Director

Moo Sun Song
Whole Time Director

D.G.Rajan
Independent Director

ANNEXURE 4 TO BOARD'S REPORT

Annual Report on Corporate Social Responsibility (CSR) activities

1. The Company has adopted the CSR Policy approved by the Board of Directors at their Meeting held on 19th August, 2014. The same is available on Company's website. www.lotteindia.com
2. The CSR Committee consist of the following directors:
Mr.D.G.Rajan, Chairman
Mr.Suresh Seshadri Iyer, Member till 30th September, 2016
Mr.Milan Wahi, Member from 11th November, 2016
Mr.Moo Sun Song, Member
3. Average net profit of the Company for last three years : Rs.572.66 lakhs
4. Prescribed CSR expenditure (2% of average net profit as mentioned in item 3 above): Rs.11.45 lacs
5. Details of CSR spent during the financial year
 - a) Total amount to be spent for the financial year : Rs.11.45 lakhs
 - b) Amount unspent, if any: Rs.10.16 lakhs
 - c) Manner in which the amount spent during the financial year is detailed below:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S.No	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) local area or other (2) specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise (Rs. in lakhs)	Amount spent on the projects or programs (1)Direct expenditure on projects or programs (2) overheads (Rs. in lakhs)	Cumulative expenditure upto to the reporting period 01.01.2015 to 31.03.2016 (Rs. in lakhs)	Amount spent: direct or through implementing agency.
1	Distribution of rice and water bottles in flood affected areas	Clause 1 of Sch-VII	Perungudi, Kanchipuram Dist. Nellikuppam, Cuddalore Dist.	1.29	1.29	1.29	Direct

Identification and study of deserving projects, heavy damage due to floods and consequent time taken for restoration of Company's Registered office delayed the implementation of CSR activities in time. However, the Company has finalised few projects for CSR Activity and the unspent amount of Rs.10.16 lacs will be spent in few months time.

The implementation and monitoring of CSR Policy for the 15 months period ended 31st March, 2016 is in compliance with the CSR objectives and Policy of the Company.

Chennai
11th November, 2016

Milan Wahi
Managing Director

Moo Sun Song
Whole Time Director

D.G.Rajan
Independent Director

ANNEXURE 5 TO DIRECTORS' REPORT

SECRETARIAL AUDIT REPORT

To
The Members of LOTTE INDIA CORPORATION LIMITED
Chennai

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

Maintenance of Secretarial Record is the responsibility of the management of the company. Our responsibility is to express an opinion on the Secretarial records based on our audit.

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.

We have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

Wherever required, we have obtained the management representation about the Compliance of laws, rules, regulations and happening of events etc.,

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.

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

K.Mohan

Partner

C.P.No.3656

Place : Chennai

Date : 11th November, 2016

SECRETARIAL AUDIT REPORT

FOR THE 15 MONTHS PERIOD ENDED 31/03/2016

[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 15 months period ended on 31-03-2016 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 15 months period ended on 31-03-2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) 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;
- (iii) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 is not applicable to the Company, since it is not a listed Company.
- (iv) The Company has not issued shares under Employee Stock option Scheme or issued Sweat Equity Shares to the employees.
- (v) 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 is given to all directors to schedule the Board Meetings, agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and 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 Nemam 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 On 21st Dec, 2015, the Company had allotted 13,03,747 shares of Rs.10 each at a premium of Rs.497 per share, on preferential allotment basis, to its holding company viz., Lotte Confectionery Co.Ltd, Seoul, Korea to part finance the factory constructed at Rohtak, Haryana.

I FURTHER REPORT THAT the Company has not carried out any

- (i) Redemption / buy-back of securities.
- (ii) Merger / amalgamation / reconstruction, etc.
- (iii) Foreign technical collaborations.

For JKM Associates

Company Secretaries
K.Mohan
Partner
C.P.No.3656

Place: Chennai
Date : 11th November, 2016

REPORT ON CORPORATE GOVERNANCE (Voluntary Disclosures)

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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

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

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

2. BOARD OF DIRECTORS

(a) Composition

As on the date of this report, the strength of the Board is as follows:

Name of Directors	Category	No. of Directorship held in other companies	No. of Board Committee memberships held in other companies	No. of shares held
Mr.Mang Ko Noh, Chairman	Non Executive Director	Nil	Nil	Nil
Mr.Suresh Seshadri Iyer - MD (@)	Executive Director	Nil	Nil	Nil
Mr.Milan Wahi - MD (#)	Executive Director	Nil	Nil	Nil
Mr.Young Tae Moon, ED	Executive Director	Nil	Nil	Nil
Mr.Moo Sun Song, WTD	Executive Director	Nil	Nil	Nil
Mr.Myung Ki Min, Director (\$)	Non Executive Director	Nil	Nil	Nil
Mr.D.G.Rajan, Director	Non Executive Independent Director	8	5	Nil
Ms.Young Mi Lee, Director	Non Executive Independent Director	Nil	Nil	Nil

Note: @ : Mr.Suresh Seshadri Iyer has served as as MD from 14.07.2015 to 30.09.2016
: Mr.Milan Wahi was appointed as Addl. Director on 12.09.2016 and as MD w.e.f.10.10.2016
\$: Mr.Myung Ki Min, Director resigned as Director on 10.07.2015

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

During the 15 months period ended 31st March, 2016, 7 Board Meetings were held on the following dates :

14th January, 2015, 20th March, 2015, 14th May, 2015, 14th July, 2015, 28th October, 2015, 21st December, 2015, 1st February, 2016,

Name of Directors	No. of Board Meetings attended	Attended the last AGM held on 22nd June, 2015 (Yes/No)
Mr.Mang Ko Noh, Chairman	4	No
Mr.Suresh Seshadri Iyer - MD (@)	4	Not applicable

REPORT ON CORPORATE GOVERNANCE (Contd)

Name of Directors	No. of Board Meetings attended	Attended the last AGM held on 22nd June, 2015 (Yes/No)
Mr.Milan Wahi - MD (#)	Not applicable	Not applicable
Mr.Young Tae Moon, ED	4	Yes
Mr.Moo Sun Song, WTD	6	Yes
Mr.Myung Ki Min, Director (\$)	1	No
Mr.D.G.Rajan, Director	6	Yes
Ms.Young Mi Lee, Director	1	No
Note: @ : Mr.Suresh Seshadri Iyer has served as as MD from 14.07.2015 to 30.09.2016		
# : Mr.Milan Wahi was appointed as Addl. Director on 12.09.2016 and as MD w.e.f.10.10.2016		
\$: Mr.Myung Ki Min, Director resigned as Director on 10.07.2015		

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

Mr. Young Mi Lee – Non Executive Independent Director – Member

(b) Audit Committee - Meetings and Attendance

During the 15 months period ended 31st March, 2016, one meeting was held on 7th May, 2016. The attendance of each member of the Committee is given below:

Name of Directors	Position	Attended the Audit committee meeting (Yes/No)
Mr.D.G.Rajan	Chairman	Yes
Mr.Moo Sun Song	Member	Yes
Mr.Young Mi Lee	Member	No

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

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

4 REMUNERATION TO DIRECTORS

The Remuneration policy details are available in the Nomination and Remuneration policy mentioned in the Directors' Report.

Constitution:

The present Remuneration & Nomination (R & N) Committee comprises of following Directors. One meeting was held on 14th July, 2015.

Name of Directors	Position	Attended the R & N Committee meeting (Yes/No)
Mr.D.G.Rajan	Chairman	Yes
Mr.Mang Ko Noh	Member	Yes

REPORT ON CORPORATE GOVERNANCE (Contd)

Name of Directors	Position	Attended the R & N Committee meeting (Yes/No)
Mr.Moo Sun Song	Member	Yes
Mr.Young Mi Lee	Member	No

Details of the remuneration paid to the Executive Directors for the 15 months period ended 31st March, 2016

Period of service covered in Accounting yr. ->	14th July 2015 to 31st March 2016	14th July 2015 to 31st March 2016	1st Jan 2015 to 31st March 2016	Rupees
Particulars	Mr.Suresh Seshadri Iyer	Mr.Young Tae Moon	Mr.Moo Sun Song	Total
Salary	4,022,573	3,740,218	3,067,552	10,830,342
Contribution to PF & Other funds	431,868	549,817	524,679	1,506,363
Perquisites & Other allowances	113,255	1,208,037	1,886,182	3,207,474
Total	4,567,696	5,498,072	5,478,413	15,544,180

Note: Mr.Suresh Seshadri Iyer and Mr.Young Tae Moon appointed on Board on 14th July, 2015

The Independent Directors viz., Mr.D.G.Rajan and Ms.Young Mi Lee had a meeting on 1st February, 2016 without the presence of other directors and evaluated the performance of all directors and Board as a whole etc.

The details of sitting fees paid to Non Executive Directors for the 15 months period ended 31st March, 2016

Name of the Director	Sitting fees (Rs)	Commission
Mr. D G Rajan	4,00,000	Nil
Ms.Young Mi Lee	80,000	Nil

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

The Committee was mainly established to 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 Board has delegated its powers, to approve transfer, issue and sign new share certificates in case of new issue / split / consolidation / lost / mutilated / rematerialisation etc, to Directors / Company Secretary.

No complaints of material nature were received during the year under review.

The Committee consists of Mr.D.G.Rajan as Chairman, Mr.Suresh Seshadri Iyer as Member till 30.09.2016, Mr.Moo Sun Song as Member, Mr.Milan Wahi as Member from 11.11.2016. 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.

During the 15 months period ended 31st March, 2016, two meetings were held on 7th May, 2015 and 1st February, 2016.

REPORT ON CORPORATE GOVERNANCE (Contd)

Name of Directors	Position	No.of meetings attended
Mr.D.G.Rajan	Chairman	2
Mr.Suresh Seshadri Iyer	Member	1
Mr.Milan Wahi	Member	Not applicable
Mr.Moo Sun Song	Member	2

Note : @ : Mr.Suresh Seshadri Iyer has served as as MD from 14.07.2015 to 30.09.2016

: Mr.Milan Wahi was appointed as Addl. Director on 12.09.2016 and as MD w.e.f.10.10.2016

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 22, 2015 (AGM)	10.00 A.M	M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai – 600 108
June 12, 2014 (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 (58 th AGM)	11.00 A.M.	M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai – 600 108
27 th December, 2012 (EGM)	11.00 A.M.	M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai – 600 108
29 th May, 2012 (57 th AGM)	11.00 A.M.	Murugesan Complex, Second Floor, No. 84, Greams Road, Thousand Lights, Chennai 600 006

8 DISCLOSURES

- i) Related Party Transactions: There were no materially significant related party transactions with Directors/promoters/management which had potential conflict with the interest of the Company at large.
Transactions with the Related Parties are disclosed in Note no.43 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).

On behalf of the Board

Chennai
11th November, 2016

Milan Wahi
Managing Director

Moo Sun Song
Whole Time Director

D.G.Rajan
Independent Director

CHIEF FINANCIAL OFFICER CERTIFICATION

To

The Members of Lotte India Corporation Limited

In relation to the Audited Financial Accounts of the Company for the 15 months period ended 31st March, 2016, we hereby certify that

1. We have reviewed the financial statements and the cash flow statement for the 15 months period ended 31 March 2016 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.

Chennai
11th November, 2016

For Lotte India Corporation Limited
Moo Sun Song
CFO & Whole Time Director

CONFIRMATION

To

The Members of Lotte India Corporation Limited

We hereby confirm that, for the 15 months period ended 31st March, 2016

- (i) All the Board Members and the Senior Management Personnel have affirmed compliance with the code of conduct framed by the Company.
- (ii) No instance of sexual harassment of women was reported to the Internal Complaints Committee constituted under the Sexual harassment of women at work place (Prevention, Prohibition and Redressal) Act, 2013.

Chennai
11th November, 2016

For Lotte India Corporation Limited
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** : 15th December, 2016
at 10.30 A.M. at
M.A.Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai – 600 108
3. **Book Closure Dates** : 9th December, 2016 to 15th December, 2016 (both days inclusive).
4. **E-voting cut off date** : 8th December, 2016
5. **E-voting period** : From 10 A.M on 10th December, 2016 to 5 P.M on 14th December, 2016 (both days inclusive). (Detailed procedures for e-voting are given in notes appended to Notice calling Annual General Meeting.)
6. **Plant Location** :
 1. Nellikuppam (Cuddalore Dist.) Tamil Nadu
 2. Nemam, Chennai, Tamil Nadu
 3. Rohtak, Haryana
7. **Share Capital** : - 10863768 equity shares of Rs.10/- each (87.26%) equity shares have been dematerialized as on 31st March, 2016

8. 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.

9. 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

GENERAL SHAREHOLDER INFORMATION (Contd)

- 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 8888
Fax: 91-44-4545 8800
- 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

10. Depositories Connectivity

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

11. Dematerialization 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 March, 2016, 9480693 equity shares constituting 87.26 % of the total paid up capital of the Company have been dematerialized.

12. 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.

Independent Auditor's 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 31 March 2016, the statement of profit and loss and the cash flow statement for the period from 1 January 2015 to 31 March 2016 ("period"), and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 the disclosures in the financial statements. The procedures selected depend on the auditor's 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and

Independent Auditor's Report To the members of Lotte India Corporation Limited (contd.)

give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016, its loss and its cash flows for the period from 1 January 2015 to 31 March 2016.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we enclose in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the said Order, to the extent applicable.
2. Further to our comments in the annexure referred to above, and as required by section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - (c) The balance sheet, the statement of profit and loss and the cash flow statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion, the aforesaid financial statements comply with the accounting standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of written representations received from the directors as on 31 March 2016, and taken on record by the

Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of section 164(2) of the Act.

- (f) With respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 30 to the financial statements;
 - ii The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts; and
 - iii There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022

S Sethuraman

Partner

Membership No. 203491

Place: Chennai

Date: November 11, 2016.

**Annexure to the Independent Auditor's Report of Lotte India Corporation Limited
as of 31 March 2016 and for the period from 1 January 2015 to 31 March 2016**

(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 program 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 period and as explained to us, no material discrepancies were noticed on such verification.
- (ii) (a) The inventory has been physically verified by the management during the period. In our opinion, the frequency of such verification is reasonable.
- (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 the book records were not material and these have been properly dealt with in the books of account.
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ("the Act"). Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.
- (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 an 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 period. In our opinion and according to the information and explanations given to us, we have not observed any major weaknesses in the internal control system during the course of the audit.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits from the public. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.
- (vi) The Central Government has not prescribed the maintenance of cost records under section 148 of the Act in respect of manufacture of Company's products. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.
- (vii) (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, wealth tax sales tax, service tax, duty of custom, duty of excise, cess and other material statutory dues have generally been regularly deposited during the period by the Company with the appropriate authorities.

Annexure to the Independent Auditor's Report (contd.)

(Referred to in our report of even date)

- According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth tax, sales tax, service tax, duty of customs, duty of excise, cess and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of income-tax, wealth tax, sales tax, service tax, duty of customs, duty of excise and cess which have not been deposited with the appropriate authorities on account of any dispute, other than the dues set out in Appendix I.
- (c) According to the information and explanations given to us, the Company did not have any dues on account of investor education and protection fund.
- (viii) The Company's accumulated losses at the end of the financial year did not exceed fifty percent of its net worth. The Company has not incurred cash losses during the year and in the immediately preceding financial year.
- (ix) In our opinion and according to the information and explanations given to us, the Company
- has not defaulted in repayment of dues to its bankers. The Company did not have any dues to financial institutions, or debenture holders during the period.
- (x) 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.
- (xi) In our opinion and according to the information and explanations given to us and on the basis of our examination of the books of account, the term loans taken by the Company have been applied for the purpose for which they were obtained.
- (xii) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

for **B S R & Co. LLP**

Chartered Accountants

Firm Registration Number: 101248W/W-100022

S Sethuraman

Partner

Membership No. 203491

Place : Chennai

Date : November 11, 2016.

Appendix I to the Independent Auditors' Report of Lotte India Corporation Limited as of 31 March 2016 and for the period from 1 January 2015 to 31 March 2016

Nature of the statute	Nature of dues	Amount (Rs. In lakhs) (net of payment under protest)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service Tax	3.19	2013-14	Commissioner (Appeals)
Finance Act, 1994	Service Tax	234.85	Apr 2008 to Dec 2011	CESTAT
Kerala Value Added Tax Act, 2003	Sales tax	204.44	2009-11	Commissioner (Appeals)
Central Excise Act, 1944	Excise duty	38.75	Jan 2000 to Feb 2002	CESTAT
CENVAT Credit Rules, 2004	Excise duty	1.73	Aug 2010 to Jul 2013	Commissioner (Appeals)
CENVAT Credit Rules, 2004	Service tax	37.47	Aug 2010 to Jul 2013	Commissioner (Appeals)
CENVAT Credit Rules, 2004	Service tax	12.20	Jan 2005 to Jul 2006	High Court
CENVAT Credit Rules, 2004	Excise duty	411.35	May 2003 to Mar 2014	CESTAT
CENVAT Credit Rules, 2004	Service tax	85.15	Oct 2007 to Mar 2008	CESTAT
CENVAT Credit Rules, 2004	Service tax	11.27	Aug 2013 to Feb 2014	CESTAT
CENVAT Credit Rules, 2004	Service tax	21.50	Jan 2006 to Oct 2006	Joint Commissioner of CE, Pondicherry
Income Tax Act, 1961	Income tax	217.27	2006-07	ITAT

BALANCE SHEET AS AT MARCH 31, 2016

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

	Note	As at March 31, 2016	As at December 31, 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	1,086.38	956.00
Reserves and surplus	4	49,105.83	44,881.13
		50,192.21	45,837.13
Non-current liabilities			
Long term borrowings	5	30,945.24	12,666.30
Deferred tax (net)	6	-	111.26
Other long-term liabilities	7	1096.30	135.84
Long-term provisions	9	788.51	170.20
		32,830.05	13,083.60
Current liabilities			
Short term borrowings	8	0.02	-
Trade payables	10	5,277.23	4,319.99
Other current liabilities	11	5,970.69	1,138.10
Short-term provisions	9	48.56	17.09
		11,296.50	5,475.18
		94,318.76	64,395.91
ASSETS			
Non-current assets			
Fixed assets			
Tangible fixed assets	12	76,115.50	41,366.31
Intangible fixed assets	13	30.08	23.98
Capital work-in-progress		151.07	7,424.91
Non-current investments	14	0.26	0.26
Long-term loans and advances	15	1,577.92	5,950.31
Other non-current assets	16	1,170.72	534.18
		79,045.55	55,299.95
Current assets			
Inventories	17	4,912.84	3,830.69
Trade receivables	18	1,910.56	1,044.56
Cash and bank balances	19	5,429.45	3,378.21
Short-term loans and advances	15	2,728.14	805.74
Other current assets	20	292.22	36.76
		15,273.21	9,095.96
		94,318.76	64,395.91

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

Firm Registration No. 101248W/W-100022

S Sethuraman

Partner

Membership No. 203491

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

Milan Wahi

Managing Director

DIN : 05242884

D.G. Rajan

Director

DIN : 00303060

Moo Sun Song

Whole Time Director

DIN : 06891507

T.G. Karthikeyan

Company Secretary

Place: Chennai

Date : November 11, 2016

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD JANUARY 1, 2015 TO MARCH 31, 2016

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

	Note	For the period ended March 31, 2016	For the year ended December 31, 2014
Revenue from operations			
Sale of products, gross	21	48,131.68	37,448.12
Less: Excise duty		(2,923.06)	(2,339.15)
Less: Schemes and discounts		(2,870.03)	(2,280.98)
Sale of products, net		42,338.59	32,827.99
Other operating revenues		30.65	16.19
Total		42,369.24	32,844.18
Other income	22	634.26	326.02
Total revenue		43,003.50	33,170.20
Expenses			
Cost of materials consumed	23	21,783.86	18,960.47
Purchase of stock-in-trade	24	449.02	203.13
Changes in inventories of finished goods and work-in-progress	25	72.34	11.46
Employee benefits expense	26	3,729.06	2,637.06
Finance costs	27	1,431.92	46.98
Depreciation and amortisation	28	3,733.49	1,742.38
Other expenses	29	14,154.59	9,297.06
Total expenses		45,354.28	32,898.54
Profit/ (loss) before tax		(2,350.78)	271.66
Tax expense:			
- Current tax		-	33.89
- Minimum alternate tax		11.53	-
- Deferred tax		(111.26)	106.55
Total tax expense		(99.73)	140.44
Profit/ (loss) after tax		(2,251.05)	131.22
Earnings per share:			
Basic and diluted	41	(22.85)	1.37

Significant accounting policies

2

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

As per our report of even date attached.

for B S R & Co. LLP

Chartered Accountants

Firm Registration No. 101248W/W-100022

S Sethuraman

Partner

Membership No. 203491

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

Milan Wahi

Managing Director

DIN : 05242884

D.G. Rajan

Director

DIN : 00303060

Moo Sun Song

Whole Time Director

DIN : 06891507

T.G. Karthikeyan

Company Secretary

Place : Chennai

Date : November 11, 2016

CASH FLOW STATEMENT FOR THE PERIOD JANUARY 1, 2015 TO MARCH 31, 2016

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

	Note	For the period ended March 31, 2016	For the year ended December 31, 2014
Cash flow from Operating activities			
Profit/ (loss) before tax		(2,350.78)	271.66
Adjustments for:			
Depreciation and amortisation		3,733.49	1,742.38
Mark to market loss on derivative contracts		573.71	10.17
Amortisation of premium on forward contract		80.56	-
Profit on sale of fixed assets		(0.57)	(0.07)
Interest income		(274.78)	(119.59)
Unrealised foreign exchange difference		808.00	4.95
Finance cost		1,431.92	46.99
Rental Income		(196.80)	(136.19)
Operating profit before working capital changes		3,804.75	1,820.30
Adjustments for:			
Increase in inventories		(1,082.15)	(225.39)
Increase in trade receivables		(867.93)	(272.46)
Increase in loans and advances		(2,211.12)	(80.05)
Increase in current liabilities and provisions		1,111.57	492.97
Cash generated from operations		755.12	1735.37
Income Taxes Paid (net)		(48.53)	(73.45)
Net cash used in operating activities	(A)	706.59	1,661.92
Cash flow from Investing activities			
Purchase or construction of fixed assets (tangible and intangible assets, capital work in progress, intangible assets under development) and Capital advances.		(21,944.22)	(12,661.64)
Deposits made during the year with original maturity more than three months (net)		(1,296.97)	(801.95)
Proceeds from sale of fixed assets		1.49	0.07
Rental Income received		173.92	136.19
Interest income received		315.06	166.96
Net cash used in investing activities	(B)	(22,750.72)	(13,160.37)

CASH FLOW STATEMENT FOR THE PERIOD JANUARY 1, 2015 TO MARCH 31, 2016

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

	Note	For the period ended March 31, 2016	For the year ended December 31, 2014
Cash flow from financing activities			
Proceeds on issue of equity shares		6,609.98	-
Proceeds from long-term borrowings		18,910.00	12,058.83
Proceeds from short-term borrowings (net)		0.02	
Finance Cost		(2,718.78)	(129.52)
Net cash from financing activities	(C)	22,801.22	11,929.31
Net increase in cash and cash equivalents	(A+B+C)	757.09	430.86
Cash and cash equivalents at the beginning of the year		1,872.36	1,441.50
Cash and cash equivalents at the end of the year		2,629.45	1,872.36
Cash and Cash equivalents comprise of:			
Cash on hand		1.04	0.85
Cheques on hand		291.41	326.77
Balance with banks			
- on current accounts		782.00	730.37
- on deposit accounts		1555.00	814.37
		2,629.45	1,872.36

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
Firm Registration No. 101248W/W-100022

S Sethuraman
Partner
Membership No. 203491

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

Milan Wahi
Managing Director
DIN : 05242884

D.G. Rajan
Director
DIN : 00303060

Moo Sun Song
Whole Time Director
DIN : 06891507

T.G. Karthikeyan
Company Secretary

Place : Chennai
Date : November 11, 2016

Notes to financial statements for the period January 1, 2015 to March 31, 2016

(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 Chocpie. The Company's manufacturing units are primarily located at Cuddalore Chennai and Rohtak.

2 Significant accounting policies**a. Basis of preparation of financial statements**

These financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as prescribed under section 133 of the Companies Act, 2013 ('Act') read with rule 7 of the Companies (Accounts) Rules, 2014, other pronouncements of the Institute of Chartered Accountants of India and the other relevant provisions of the Companies Act, 2013.

b. Use of estimates

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

c. Revenue recognition

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

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

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

d. Tangible fixed assets and depreciation

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

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

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

Depreciation on tangible assets is provided on the straight-line method over the useful lives of assets estimated by the Company. Depreciation for assets purchased/ sold during a period is proportionately charged. Intangible assets are amortised over their respective individual estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The Company estimates the useful lives for fixed assets as follows:

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

The Company believes that the useful lives as given above best represent the useful lives of these assets based on internal assessment and supported by technical advice where necessary which is different from the useful lives as prescribed under Part C of Schedule II of the Companies Act, 2013.

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

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

e. Intangible fixed assets and amortisation

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

Description	Estimated useful life (in years)
Software	5

f. Leases

Assets taken on lease where the Company acquires substantially the entire risks and rewards incidental to ownership are classified as finance leases. The amount recorded is the lesser of the present value of the minimum lease rental and other incidental expenses during the lease term or the asset's fair value. The rental obligations, net of interest charges, are reflected in secured loan. Leases that do not transfer substantially all of the risks and rewards of ownership are classified as operating leases and recorded as expenses as and when payments are made over the lease term.

Assets given by the Company under operating lease are included in Fixed Assets. Lease income from Operating Leases is recognised in the statement of profit and loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the lease income are recognised as expenses. Initial direct costs incurred specifically for an operating lease are deferred and recognised in the statement of profit and loss over the lease term in proportion to the recognition of lease income.

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

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.

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.

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

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.

k. Forward contracts and derivative contracts

Premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as income or as expense for the period. The Company does not use the foreign exchange forward contracts for trading or speculation purposes.

In relation to the forward contracts entered into hedge the foreign currency risk of the underlying outstanding on the balance sheet date, the exchange difference is calculated as the difference between the foreign currency amount of the contract transacted at the exchange rate at the reporting date, or the settlement date where the transaction is settled during the reporting period, and the corresponding foreign currency amount translated is settled during the reporting period, and the corresponding foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the statement of profit and loss in the reporting period in which the exchange rates change.

In accordance with the Announcement of "Accounting for Derivatives" made by the Institute of Chartered Accountants of India on March 29 2008, derivatives are marked to market and the changes in the value of such derivatives, to the extent they reflect a loss, are recognized in statement of profit and loss.

l. 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.

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

m. Research and development

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

n. 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.

o. 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.

p. 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.

q. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (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	As at
	March 31, 2016	December 31, 2014
Authorised 370,000,000 (December 31, 2014: 370,000,000) equity shares of Rs.10 each	37,000.00	37,000.00
	37,000.00	37,000.00
Issued, Subscribed and Paid up 10,863,768 (December 31, 2014: 9,560,021) equity shares of Rs.10 each fully paid up	1,086.38	956.00
	1,086.38	956.00

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

Particulars	As at		As at	
	March 31, 2016		December 31, 2014	
	No. of shares	Amount	No. of shares	Amount
Equity shares of Rs. 10 each fully paid up				
At the beginning of the period	9,560,021	956.00	9,560,021	956.00
Add: Shares issued during the period	1,303,747	130.37	-	-
Less: Shares bought back during the period	-	-	-	-
At the end of the period	10,863,768	1,086.37	9,560,021	956.00

c Rights, preferences and restrictions attached to equity shares

- i) The Company has only one class of shares referred to as equity shares having a par value of INR 10 each. Each holder of equity share is entitled to one vote per share.
- ii) The Company declares dividend in Indian Rupees and pays dividend to shareholders outside India in foreign currency based on the rates prevailing on the date of such remittances, with respect to other shareholders, dividend is paid in Indian Rupees. During the 15 month period ended March, 31st 2016, the Company has not declared any dividend.
- iii) In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

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

Particulars	As at March 31, 2016	As at December 31, 2014
Holding company		
10,708,440 equity shares (December 31, 2014: 9,404,693 shares) held by Lotte Confectionery Company Limited, South Korea, the holding company	1,070.84	940.47

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

Particulars	As at March 31, 2016		As at December 31, 2014	
	No. of shares	Percentage	No. of shares	Percentage
Equity shares of INR. 10 each fully paid up Lotte Confectionery Company Limited, South Korea, the holding company	10,708,440	98.57%	9,404,693	98.38%

4. Reserves and surplus

Particulars	As at March 31, 2016	As at December 31, 2014
a Capital reserve	464.47	464.47
b Securities premium account		
At the commencement and at the end of the period	966.18	966.18
Add: Additions during the period	6,479.61	-
Less: Utilisation during the period	-	-
	<u>7,445.79</u>	<u>966.18</u>
c General reserve*		
At the commencement and at the end of the period	42,357.39	42,357.39
d Surplus/ (deficit) in the statement of profit and loss		
Balance at the beginning of the period	1,093.09	961.87
Profit/ (loss) for the period	(2,251.05)	131.22
Less: Transitional adjustments as per Schedule II to the Companies Act, 2013 (Refer note 11)	(3.86)	-
Net surplus/ (deficit) in the statement of profit and loss	<u>(1,161.82)</u>	<u>1,093.09</u>
	49,105.83	44,881.13

* Balance in general reserve includes an amount of INR.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 period January 1, 2015 to March 31, 2016 (Contd.)

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

5. Long term borrowings

Particulars	Non-current		Current*	
	As at March 31,2016	As at December 31, 2014	As at March 31, 2016	As at December 31, 2014
External commercial borrowing (secured)	30,945.24	12,666.30	2,221.21	-
	30,945.24	12,666.30	2,221.21	-

* - Refer Note 11

- External commercial borrowings of USD 20,000,000 taken from Korean Exchange Bank in June 2014 is repayable in 6 equal half yearly instalments of USD 3,333,333 from December 4, 2016. The loan is guaranteed by the holding company, Lotte Confectionery Co. Ltd.
- External commercial borrowings of USD 20,000,000 taken from Shinsei Bank in March 2015 is repayable in 4 unequal half yearly instalments starting from February 28, 2019. The loan is guaranteed by the holding company, Lotte Confectionery Co. Ltd.
- External commercial borrowings of USD 10,000,000 taken from Korean Exchange Bank in November 2015 is repayable in 4 unequal half yearly instalments starting from November 1, 2019. The loan is guaranteed by the holding company, Lotte Confectionery Co. Ltd.

6. Deferred taxes

Particulars	As at March 31, 2016	As at December 31, 2014
Deferred tax liability		
Excess of depreciation / amortisation on fixed assets under income tax law over depreciation / amortisation provided in accounts	(4,177.68)	(2,381.78)
	<u>(4,177.68)</u>	<u>(2,381.78)</u>
Deferred tax assets		
Provision for doubtful debts/advances	46.67	44.94
Expenditure covered by section 43B of the Income-Tax Act, 1961	194.49	168.48
Disallowance u/s 40a(ia)	193.05	7.49
Provision for disputed excise duty cases	14.86	-
Forward premium	26.63	-
Unabsorbed depreciation (restricted upto deferred tax liability) (See note below)	3701.98	2,049.61
	<u>4,177.68</u>	<u>2,270.52</u>
Net deferred tax liability / (asset)	-	111.26

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

Pursuant to AS - 22 'Accounting for taxes on income', where there is an unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Accordingly, deferred tax asset arising out of unabsorbed depreciation as at March 31, 2016 has been restricted to the deferred tax liabilities as at that date.

7. Other long-term liabilities

Particulars	As at March 31, 2016	As at December 31, 2014
Security deposits	137.74	135.84
Forward contract payable (Net)	958.56	-
	1096.30	135.84

8. Short term borrowings

Particulars	As at March 31, 2016	As at December 31, 2014
Bank overdraft (unsecured)	0.02	-
	0.02	-

9. Provisions

Particulars	Non-current		Current	
	As at March 31, 2016	As at December 31, 2014	As at March 31, 2016	As at December 31, 2014
Provision for employee benefits				
Gratuity (also refer note 40)	77.89	81.29	-	-
Compensated absences	126.73	78.74	22.27	9.44
	204.62	160.03	22.27	9.44
Other provisions				
Provision for mark to market loss on derivative contracts	583.89	10.17	-	-
Provision for current tax	-	-	26.29	7.65
	583.89	10.17	26.29	7.65
	788.51	170.20	48.56	17.09

10. Trade payables

Particulars	As at March 31, 2016	As at December 31, 2014
Dues to micro and small enterprises (see note below)	-	-
Dues to others	5,277.23	4,319.99
	5,277.23	4,319.99

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

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 March 31, 2016 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.

11. Other current liabilities

Particulars	As at March 31, 2016	As at December 31, 2014
Current maturities of long term borrowings	2,221.21	-
Employee benefits payable	515.74	318.02
Advance from customers	74.29	56.09
Capital liabilities for purchase of fixed assets	2,200.52	-
Statutory dues payable	531.80	670.82
Accrued interest on loan	393.43	88.57
Book overdraft	33.70	-
Others	-	4.60
	5,970.69	1,138.10

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

12. Tangible fixed assets

Particulars	Freehold land	Buildings on leasehold land	Buildings	Leasehold improvements	Plant and machinery	Furniture / fittings and office equipments	Vehicles	Total
Gross block								
Balance as at January 1, 2014	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
Additions *	-	-	17,196.13	-	21,127.87	94.59	49.53	38,468.12
Deletions / write off	-	-	-	-	-	3.74	14.54	18.28
Balance as at March 31, 2016	16,648.95	143.42	36,117.35	-	39,513.06	1,088.28	131.41	93,642.47
Accumulated Depreciation								
Balance as at January 1, 2014	-	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
Additions	-	0.95	1,142.10	-	2,403.81	154.78	16.38	3,718.01
Deletions / write off	-	-	-	-	-	3.55	13.81	17.36
Balance as at March 31, 2016	-	135.73	3,958.36	-	12,689.12	677.82	65.94	17,526.97
Net block								
As at December 31, 2014	16,648.95	8.64	16,104.96	-	8,099.88	470.84	33.05	41,366.31
As at March 31, 2016	16,648.95	7.69	32,158.99	-	26,823.94	410.46	65.47	76,115.50
Capital work-in-progress								
Balance as at January 1, 2014	-	-	-	-	-	-	-	140.51
Additions	-	-	-	-	-	-	-	7,284.40
Assets capitalized during the year	-	-	-	-	-	-	-	-
Balance as at December 31, 2014	-	-	-	-	-	-	-	7,424.91
Additions	-	-	-	-	-	-	-	31,194.28
Assets capitalized during the year	-	-	-	-	-	-	-	38,468.12
Balance as at March 31, 2016	-	-	-	-	-	-	-	151.07

* Additions includes interest cost capitalised INR. 1,919.00 (December 31, 2014 : Nil)

** Pursuant to the requirements of Companies Act, 2013 ('Act'), the Company has revisited the useful life of its fixed assets so as to align them with the estimated life as specified in Schedule II of the Act. As a result, the Company has revised the useful life of Computers to 3 years from 5 years. In respect of assets, whose useful life was already over as at the transitioning date, the Company opted to account the transitional provision amounting to INR 3.86 in surplus in the statement of profit and loss. In respect of all other assets (excluding additions made during the period), the depreciation has been accounted on a prospective basis over the remaining useful life of the relevant assets. Consequently, the depreciation charge for the current period is higher by INR 0.81 with a corresponding impact in fixed assets.

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

Particulars	As at March 31, 2016			As at December 31, 2014		
	Gross block	Accumulated depreciation	Net block	Gross block	Accumulated depreciation	Net block
Building	769.41	82.67	686.74	769.41	50.03	719.38
Furniture / fittings and office equipments	305.21	152.28	152.93	305.21	93.76	211.45
Plant and machinery	635.52	475.20	160.32	666.66	424.30	242.36
	1,710.14	710.15	999.99	1,741.28	568.09	1,173.19

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

13. Intangible fixed assets

Particulars	Computer software	Total
Gross block		
Balance as at January 1, 2014	195.18	195.18
Additions	-	-
Deletions / write off	-	-
Balance as at December 31, 2014	195.18	195.18
Additions	25.43	25.43
Deletions / write off	-	-
Balance as at March 31, 2016	220.61	220.61
Accumulated amortisation		
Balance as at January 1, 2014	154.75	154.75
Additions	16.45	16.45
Deletions / write off	-	-
Balance as at December 31, 2014	171.20	171.20
Additions	19.33	19.33
Deletions / write off	-	-
Balance as at March 31, 2016	190.53	190.53
Net block		
As at December 31, 2014	23.98	23.98
As at March 31, 2016	30.08	30.08

14. Non - current investments

Particulars	As at March 31, 2016	As at December 31, 2014
Unquoted investments		
Investment in equity instruments		
2600 (31 December 2014: 2,600) equity shares of Adhav Green Power P Ltd., of INR 10 each, fully paid up	0.26	0.26
	0.26	0.26
Aggregate book value of unquoted non current investment	0.26	0.26

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

15. Loans and advances

Particulars	Non-current		Current	
	As at March 31, 2016	As at December 31, 2014	As at March 31, 2016	As at December 31, 2014
To related parties				
I. Capital advances				
Unsecured - Considered good	-	3,519.72	-	-
	-	3,519.72	-	-
To other than related parties				
I. Capital advances				
	17.28	2,044.92	-	-
	17.28	2,044.92	-	-
II. Security deposits				
Unsecured - Considered good				
Rental deposits	96.50	82.02	-	-
Other deposits	176.85	133.77	-	6.34
	273.35	215.79	-	6.34
III. Advance recoverable in cash or in kind				
Unsecured - Considered good				
Advance to suppliers	-	-	92.58	249.04
Advance to employees	-	-	39.14	18.70
Others	267.06	50.71	-	-
	267.06	50.71	131.72	267.74
IV. Other loans and advances				
Unsecured - Considered good				
Prepaid expenses	137.72	15.61	-	45.65
Unamortised premium on forward contract	723.31	-	197.34	-
Advance income taxes	159.20	103.56	-	-
Balance with government authorities	-	-	2,399.08	486.01
	1,020.23	119.17	2,596.42	531.66
	1,577.92	5,950.31	2,728.14	805.74

16. Other non-current assets

Particulars	As at March 31, 2016	As at December 31, 2014
Cross currency swap	937.45	303.73
Bank deposits due to mature after 12 months of the reporting date included under "other non-current assets"* (also refer note 19)	233.27	230.45
	1,170.72	534.18

* Represents deposits under lien with government authorities.

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

17. Inventories

Particulars	As at March 31, 2016	As at December 31, 2014
Raw material and packing material	2,673.34	1,561.53
Work in progress	78.37	149.38
Finished goods	1,968.82	1,960.19
Stock-in-trade	68.11	54.73
Stores and consumables	124.20	104.86
	4,912.84	3,830.69
Details of raw material and packing material closing		
Sugar	633.89	178.28
Glucose	75.86	75.36
Vanaspathi	38.34	54.81
Wrapping materials	263.53	223.91
Packing materials	513.85	342.80
Gum Base	360.20	89.67
Others	787.67	596.70
	2,673.34	1,561.53

18. Trade receivables

Particulars	As at March 31, 2016	As at December 31, 2014
Unsecured:		
Debts outstanding for a period exceeding six months from the date they became due for payment		
- considered good	266.89	227.11
- considered doubtful	119.59	119.59
Less: Provision for doubtful debts	(119.59)	(119.59)
	266.89	227.11
Other receivables		
- considered good	1,643.67	817.45
Less: Provision for doubtful debts	-	-
	1,643.67	817.45
	1,910.56	1,044.56

Trade receivables (other receivables) include INR. 200.31 lakhs (December 31, 2014: INR. 52.56 lakhs) receivable from parent company Lotte Confectionery Co. Ltd. Korea, on account of our export sales.

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

19. Cash and bank balances

Particulars	As at March 31, 2016	As at December 31, 2014
Cash and cash equivalents:		
Cash on hand	1.04	0.85
Cheques on hand	291.41	326.77
Balance with banks		
- on current accounts	782.00	730.37
- on deposit accounts	1,555.00	814.37
	2,629.45	1,872.36
Other bank balances	2,800.00	1,505.85
	5,429.45	3,378.21
Details of bank balances / deposits		
Bank balances available on deposits with original maturity of 3 months or less included under "Cash and cash equivalents"	2,337.00	1,544.74
Bank deposits due to mature within 12 months of the reporting date included under "Other bank balances"	2,800.00	1,505.85
Bank deposits due to mature after 12 months of the reporting date included under "Other non-current assets" (refer note 16)	233.27	230.45
	5,370.27	3,281.04

20. Other current assets

(Unsecured, considered good)

Particulars	As at March 31, 2016	As at December 31, 2014
Cross currency swap	118.72	-
Insurance claim receivable	112.92	-
Interest accrued on fixed deposits with banks	60.58	36.76
	292.22	36.76

21. Revenue from operations

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Sale of products (gross)		
Sale of goods	48,131.68	37,448.12
Less: Excise duty	(2,923.06)	(2,339.15)
Less: Discounts	(2,870.03)	(2,280.98)
Sale of products (net)	42,338.59	32,827.99

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

Particulars	For the period ended	For the year ended
	March 31, 2016	December 31, 2014
Other operating revenues		
Scrap sales	30.65	16.19
	30.65	16.19
Total revenue from operations	42,369.24	32,844.18
Details of products sold		
Finished goods sold		
Toffees	24,177.81	20,283.49
Others	23,953.87	17,164.63
	48,131.68	37,448.12

22. Other income

Particulars	As at	As at
	March 31, 2016	December 31, 2014
Interest income on		
- fixed deposits	338.84	196.38
- others	0.04	-
Less: Interest Income capitalised	(64.10)	(76.79)
	274.78	119.59
Insurance claim	134.30	4.88
Rental income	196.80	136.19
Profit on sale of assets	0.57	0.07
Foreign exchange gain, net	-	10.84
Miscellaneous income	27.81	54.45
	634.26	326.02

23. Cost of materials consumed

Particulars	As at	As at
	March 31, 2016	December 31, 2014
Opening stock of raw materials and packing materials	1,561.53	1,330.20
Add: Purchases	22,895.67	19,191.80
	24,457.20	20,522.00
Less: Closing stock of raw materials and packing materials	2,673.34	1,561.53
Material wise breakup of consumption of material is given in note 32	21,783.86	18,960.47

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

24. Purchase of stock-in-trade

Particulars	For the period ended	For the year ended
	March 31, 2016	December 31, 2014
Purchase of stock-in-trade	449.02	203.13
	449.02	203.13

25. Changes in inventories of finished goods and work-in-progress

Particulars	As at March 31, 2016	As at December 31, 2014
Opening 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
Less: Closing stock		
- Work-in-progress	78.37	149.38
- Finished goods	1,968.82	1,960.19
- Stock-in-trade	68.11	54.73
	2,115.30	2,164.30
Movement in excise duty	(23.34)	13.39
	72.34	11.46

Particulars	March 31, 2016		(Increase) / Decrease in inventory
	Opening inventory	Closing inventory	
Work-in-progress	149.38	78.37	71.01
Finished goods			
Toffees	840.65	1,149.46	(308.81)
Others	1,119.54	819.36	300.18
	1,960.19	1,968.82	(8.63)
Stock-in-trade	54.73	68.11	(13.38)

Particulars	December 31, 2014		(Increase) / Decrease in inventory
	Opening inventory	Closing inventory	
Work-in-progress	116.48	149.38	(32.90)
Finished goods			
Toffees	1,305.70	840.65	465.05
Others	722.55	1,119.54	(396.99)
	2,028.25	1,960.19	68.06
Stock-in-trade	44.42	54.73	(10.31)

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

26. Employee benefits expense

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Salaries, wages and bonus	3,133.20	2,166.25
Contribution to provident and other funds	222.08	202.57
Staff welfare expenses	373.78	268.24
	3,729.06	2,637.06

27. Finance costs

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Interest expense	1,832.20	208.72
Guarantee Commission	186.63	9.37
Foreign fluctuation to the extent treated as borrowing cost	1,004.80	297.07
Less: Borrowing costs capitalized during the period	(1,591.71)	(468.18)
	1,431.92	46.98

28. Depreciation and amortisation expense

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Depreciation of tangible fixed assets (refer note 12)	3,714.15	1,725.93
Amortisation of intangible fixed assets (refer note 13)	19.34	16.45
	3,733.49	1,742.38

29. Other expenses

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Raw material conversion charges	2,091.17	1,730.72
Consumption of stores and spare parts	166.99	83.78
Rent	316.73	210.91
Rates and taxes	335.63	280.51
Power and fuel	1,575.78	1,125.56
Repairs and maintenance		
- Buildings	15.33	0.83
- Plant and machinery	350.24	193.73

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
- Others	250.52	172.69
Packing, despatching and freight	3,719.96	2,803.90
Clearing forwarding and other charges	236.02	178.21
Insurance	68.15	36.85
Travelling and conveyance	659.95	492.09
Communication expenses	96.19	71.56
Professional and legal charges (Refer note 31)	147.33	91.00
Director's sitting fees	5.62	2.85
Advertisement	1,398.97	251.20
Sales promotion and development expenditure	1,021.17	872.48
Mark to market loss on derivative contracts	573.71	10.17
Amoritisation of premium on forward contracts	80.56	-
Provision for doubtful debts	-	2.62
Royalty	318.85	223.80
Net foreign exchange loss	368.97	14.09
Miscellaneous expenses	356.75	447.51
	14,154.59	9,297.06

30. Capital commitments and contingent liabilities

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Commitment		
(i) Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for	21.45	19,285.19
(ii) Commitments in respect of bank guarantees and letters of credit issued by Company's bankers	224.04	225.47
Contingent Liabilities		
(i) Disputed sales tax / income tax / service tax / excise duty	637.18	145.72

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

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 INR.7,178.67 (Previous year - INR 9,156.03). The aforesaid export obligation has to be met over eight years. The Company is confident of meeting its revenue commitments / obtaining extensions, if necessary.

31. Payment to auditors (excluding service tax)

Particulars	For the period ended	
	March 31, 2016	December 31, 2014
Statutory audit	10.00	13.00
Tax audit and other services	25.72	14.75
Reimbursement of expenses	0.51	2.21
	36.23	29.96

32. Consumption of raw materials and packing materials

Particulars	For the period ended	
	March 31, 2016	December 31, 2014
Sugar	2,880.30	2,354.32
Glucose	2,506.57	1,900.89
Vanaspathi	982.59	1,319.29
Gum Base	389.49	136.31
Wrapping materials	2,860.35	2,335.42
Packing materials	3,959.47	3,440.38
Others	8,205.09	7,473.86
	21,783.86	18,960.47

33. Consumption of imported and indigenous raw materials, packing materials and stores and spares

Particulars	For the period ended		For the year ended	
	March 31, 2016		December 31, 2014	
	Amount	Percentage	Amount	Percentage
A. Raw materials and packing materials				
Imported	504.79	2.32%	191.30	1.01%
Indigenous	21,279.07	97.68%	18,769.17	98.99%
	21,783.86	100.00%	18,960.47	100.00%
B. Components and spare parts				
Imported	38.93	23.31%	6.73	8.04%
Indigenous	128.06	76.69%	77.05	91.96%
	166.99	100.00%	83.78	100.00%

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

34. C.I.F value of imports

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Raw material and stores and spares	887.79	216.97
Capital goods	11,080.52	-
	11,968.31	216.97

35. Expenditure in foreign currency (on accrual basis)

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Travel	34.73	35.33
Others		
- Software usage fee	109.09	85.57
- Royalty	297.68	223.80
- Loan guarantee fees	70.00	9.37
	441.50	354.07

36. Earnings in foreign currency (on accrual basis)

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
FOB value of exports	1,848.28	624.27
	1,848.28	624.27

37 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.

38 Outstanding lease obligations

Lessor

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

Particulars	March 31, 2016	December 31, 2014
Receivable not later than one year	149.02	141.89
Receivable later than one year and not later than five years	147.67	316.67
Receivable later than five years	-	-

During the period, an amount of INR 177.42 (December 31, 2014 : INR 119.56) was recognised as rental income in the statement of profit and loss.

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (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	March 31, 2016	December 31, 2014
Payment not later than one year	37.05	39.80
Payment later than one year and not later than five years	-	35.88
Payment later than five years	-	-

During the period, an amount of INR 55.49 (December 31, 2014 : INR.37.81) was recognised as rental expenses in the statement of profit and loss.

39. Foreign currency forward contracts

a) Outstanding connect swap

No. of contracts	As at March 31, 2016		As at December 31, 2014	
	US Dollar equivalent (in Lakhs)	INR equivalent	US Dollar equivalent (in Lakhs)	INR equivalent
18	250	16,583.23	100	6,029.42

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

No. of contracts	As at March 31, 2016		As at December 31, 2014	
	US Dollar equivalent (in Lakhs)	INR equivalent	US Dollar equivalent (in Lakhs)	INR equivalent
14	500.00	33,166.45	200	12,666.30

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

Particulars	As at March 31, 2016		As at December 31, 2014	
	Amount (in original currency in Lakhs)	INR Equivalent	Amount (in original currency in Lakhs)	INR Equivalent
Amount receivable in foreign currency on account of :				
USD	3.55	235.22	1.78	112.81
BDT	38.47	32.50	28.40	23.05
		<u>267.72</u>		<u>135.86</u>
Amount payable in foreign currency of on account of:				
Payable - USD	8.77	581.75	0.49	30.88
Loans - USD	250	16,583.23	100	6,333.15
		<u>17,164.98</u>		<u>6,364.03</u>

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

40 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	For the period ended March 31, 2016	For the year ended December 31, 2014
Change in projected benefit obligation		
Projected benefit obligations at the beginning of the period	326.81	301.08
Current Service cost	37.51	27.38
Interest cost	31.17	27.18
Benefits paid	(30.30)	(17.60)
Actuarial (gain) / loss	(1.44)	(11.23)
Projected benefit obligations at the end of the period	363.75	326.81

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Change in plan assets		
Fair value of plan assets at the beginning of the period	245.52	239.29
Expected return on plan assets	26.98	21.60
Employer contributions	32.65	32.80
Benefits paid	(30.30)	(17.60)
Actuarial gain / (loss)	11.01	(30.57)
Fair value of plan assets at the end of the period	285.86	245.52

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

Particulars	As at March 31, 2016	As at December 31, 2014
Present value of projected benefits at the end of the period	363.75	326.81
Funded status of the plan	285.86	245.52
Funded status amount of liability recognized in the balance sheet	77.89	81.29

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd.)

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

The components of net gratuity costs are reflected below:

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Current Service cost	37.52	27.37
Interest cost	31.17	27.18
Expected returns on plan assets	(26.98)	(21.60)
Recognized net actuarial (gain) / loss	(12.45)	19.35
Past service cost	-	-
Net gratuity costs	29.25	52.30

Financial assumptions at balance sheet date:

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Discount rate	7.80%	8.00%
Long term rate of compensation increase	7.00%	7.00%
Estimated rate of return on plan assets	8.75%	8.75%
Attrition rate	1.5-3%	1.5-3%

Five-year information for gratuity

Amounts for the current and previous four periods are as follows:

Particulars	March 31, 2016	December 31, 2014	December 31, 2013	December 31, 2012	December 31, 2011
Defined benefit obligation	363.75	326.81	301.08	225.22	189.44
Fair value of plan assets	285.86	245.52	239.29	205.16	186.44
(Surplus) / deficit in the plan	(77.89)	(81.29)	(61.79)	(20.06)	(3.00)
Experience adjustments arising on plan liabilities - (gain)/ loss	(1.44)	(11.23)	45.82	21.01	(0.09)
Experience adjustments arising on plan assets - (gain)/ loss	(11.01)	30.57	(2.27)	(4.59)	(21.44)

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 26 of the financial statements.

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd)

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

41. Earnings per share

Particulars	For the period ended March 31, 2016	For the year ended December 31, 2014
Profit attributable to the equity shareholders	(2,251.05)	131.22
Weighted average number of shares outstanding	9,851,649	9,560,021
Basic and diluted EPS (for equity shares with face value of INR 10 each)	(22.85)	1.37

42 Transfer pricing

The Company has international transactions with related parties for the year ended March 31, 2016. For the financial year 2014-15, 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. 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.), Lotte Engineering Construction Company. (Korea)
Key management personnel	Mr. Suresh Iyer (appointed from July 14, 2015)
	Mr. Moo Sun Song (appointed from August 19, 2014)
	Mr. Young Tae Moon (appointed from July 14, 2015)
	Mr. Milan Wahi (resigned on November 25, 2014)
	Mr. Kyo Hee Kim (resigned on May 20, 2014)

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd)

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

b) Details of related party transactions/ balances

Particulars	Holding company		Associates		Key management personnel	
	31-Mar-16	31-Dec-14	31-Mar-16	31-Dec-14	31-Mar-16	31-Dec-14
i) Transactions during the period						
Purchases of goods						
- Lotte Confectionery Co. Ltd	187.13	49.56	-	-	-	-
Sales						
- Lotte Confectionery Co. Ltd	1,724.39	402.55	-	-	-	-
Purchase of Fixed Assets and services provided in relation to construction of fixed assets						
- Lotte Engineering Construction Company	-	-	2,400.84	-	-	-
- Lotte E&C India Pvt. Ltd.	-	-	21,732.75	-	-	-
Remuneration						
- Mr. Suresh Iyer	-	-	-	-	45.68	-
- Mr. Moo Sun Song	-	-	-	-	54.78	27.27
- Mr. Young Tae Moon	-	-	-	-	54.98	-
- Mr. Milan Wahi	-	-	-	-	-	89.45
- Mr. Kyo Hee Kim	-	-	-	-	-	14.54
Royalty expenses						
- Lotte Confectionery Co. Ltd	297.68	223.80	-	-	-	-
Software usage fee						
- Lotte Confectionery Co. Ltd	109.09	85.57	-	-	-	-
Corporate Guarantee Fee						
- Lotte Confectionery Co. Ltd	186.63	9.37	-	-	-	-
ii) Year end balances						
Payable						
- Lotte Confectionery Co. Ltd	220.20	216.61	-	-	-	-
- Lotte E&C India Pvt. Ltd.	-	-	1,871.49	-	-	-
- Lotte Engineering Construction Company	-	-	253.15	-	-	-
Receivable						
- Lotte Confectionery Co. Ltd	200.31	52.56	-	-	-	-
- Lotte E&C India Pvt. Ltd.	-	-	-	3,519.72	-	-

Notes to financial statements for the period January 1, 2015 to March 31, 2016 (Contd)

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

44 Prior period comparatives

The financial statements for the previous year ended 31 December 2014 are for twelve months period whereas the current period financial statements prepared are for the period from 1 January 2015 to 31 March 2016 (15 months period). Hence, the financial statements are not comparable with that of the previous year. Previous year figures have been reclassified/ regrouped wherever necessary to conform to the current period classifications.

As per our report of even date attached.
for B S R & Co. LLP
Chartered Accountants
Firm Registration No. 101248W/W-100022

S Sethuraman
Partner
Membership No. 203491

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

Milan Wahi
Managing Director
DIN : 05242884

D.G. Rajan
Director
DIN : 00303060

Moo Sun Song
Whole Time Director
DIN : 06891507

T.G. Karthikeyan
Company Secretary

Place : Chennai
Date : November 11, 2016



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 (*)

EVS (e-voting sequence number)	User ID	Password / PIN
161118006	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 61st Annual General Meeting of the Company held on Thursday, the 15th December, 2016 at 10.30 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.



ROUTE MAP TO AGM VENUE



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 61st Annual general meeting of the company, to be held on the 15th December, 2016 at 10.30 a.m. at M.A. Chidambaram Hall, Southern India Chamber of Commerce and Industry, Esplanade, Chennai 600 108 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.

- 1..... 4.....
2..... 5.....
3.....

Signed this day of 2016.

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.