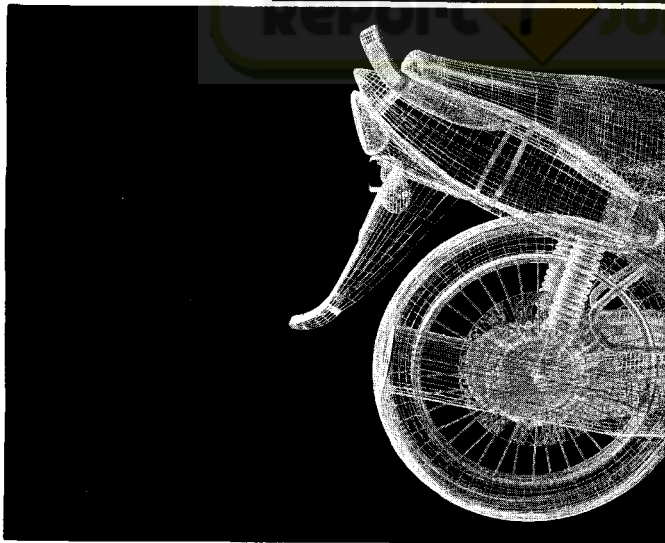


**re
invention!**



LML Limited
annual report 2003-05 (18 months)

Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate',

'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or

unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.



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During their lifecycle, some businesses
cease to be profitable.

Due to circumstances beyond one's
control. Constrained liquidity.
Technological barriers. Market shifts.

At such points, they are faced with a choice:
to reconcile with adversity and be
erased from public consciousness
or to defy the odds and regain respect.

At LML, we are this point.

Rather than reconcile
with adversity,
we have resolved
to respond
with the one word
that encapsulates
our spirit and intention.

reimve

ntion!



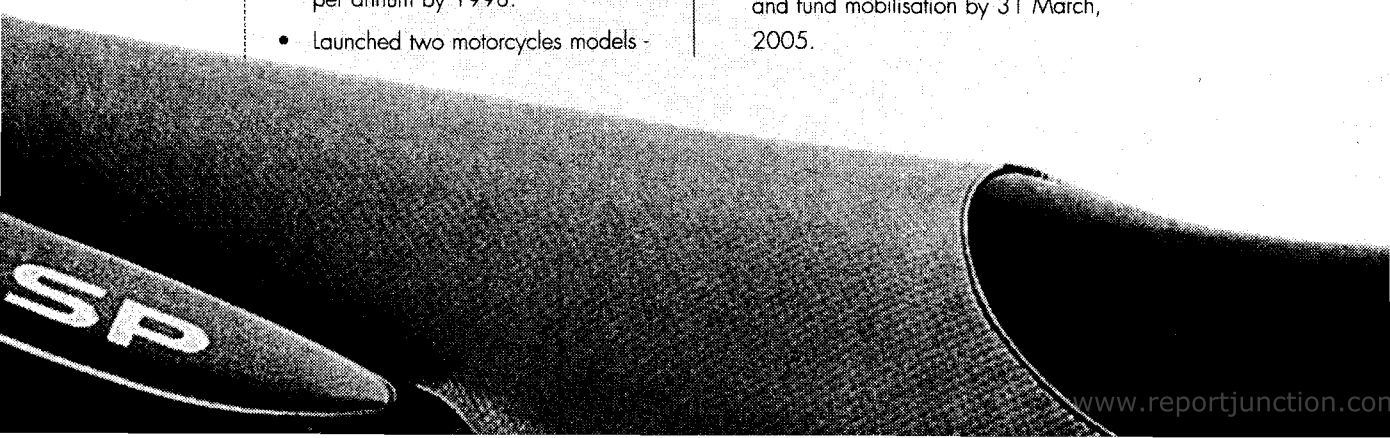
LML Limited is a leading manufacturer and geared scooters] in India, the second

O.V.E.R.V.I.E.W

- The Company has five models in the marketplace, technically and aesthetically superior than competition.
- It has a strong reputation for designing and manufacturing high-quality vehicles supported by an extensive dealer and supplier network.
- It enjoys a strong reputation for consumer satisfaction and pro-active research-led identification of evolving consumer preferences.
- It presently employs around 5196 people.
- Its shares are listed on the Mumbai, U.P. and National stock exchanges.

b.a.c.k.g.r.o.u.n.d

- Originally incorporated as Lohia Machines Private Limited in 1972, its principal activity being manufacture of industrial machinery for the synthetic fibre industry.
- Entered into a technology agreement with Piaggio & CspA in 1982, the Italian scooter manufacturer, to produce and sell 100cc scooters under the Vespa XE brand.
- Was the second largest scooter manufacturer in India with a market share of approximately 28 per cent and output of around 325,000 units per annum by 1998.
- Launched two motorcycles models - Adreno and Energy - in the lifestyle segment followed by Freedom in the 100 - 110 cc segment in July 2002.
- Launched two upgraded Freedom models - Freedom Prima 110 and Freedom Prima 125 - as well as the new 150cc Graptor in May 2004.
- Introduced the remodeled Freedom Topper in August 2004 and a lifestyle model Beamer in October 2004.
- Steep downside due to circumstances beyond control finally ended with the completion of a financial restructuring and fund mobilisation by 31 March, 2005.



of motorised two-wheelers (motorcycles largest two-wheeler market globally.

F.a.c.i.l.i.t.i.e.s

- Located in the prime industrial belt of Kanpur (Uttar Pradesh) across 80 acres of land and built-up area of 133,000 square metres.
- Installed capacity of 450,000 two-stroke geared scooters and 200,000 four-stroke motorcycles.
- Integrated in-plant component manufacture like of cylinder heads, cylinder blocks, crankshafts, crankcases, camshafts, con rods, clutches, gears and shafts and welding of critical assemblies (mainframe, fuel tank and chassis).
- State-of-the-art engine assembly, painting, vehicle assembly and final product testing.
- Excellent R&D facilities with CAD center equipped with sophisticated equipment, prototyping and testing facilities, including a modern generation test track.
- An outstanding CAD-CAM linked tool room engaged in the manufacture of dies and moulds, reinforced with technically advanced high-speed CNC machining centres, EDM and wire-cutting machines and other equipment.
- An automotive electronics division, which is an ISO/TS 16949 certified unit, supplying ignition systems, voltage regulators, instrumentation panels and cable harnesses.
- Captive power generation capacity of 8 MW.

C.O.R.P.O.R.A.T.E

- Shares listed on the Mumbai, U.P. and National stock exchanges.
- Market capitalisation of Rs. 215 cr as on 31 March, 2005.

FREED

vision

To provide the best two-wheelers & two-wheeler ownership experience based on Quality, Customer Service and Innovation.

mission

IML aspires to:

- Become a significant player in the two-wheeler industry.
- Create and sustain stakeholder value.

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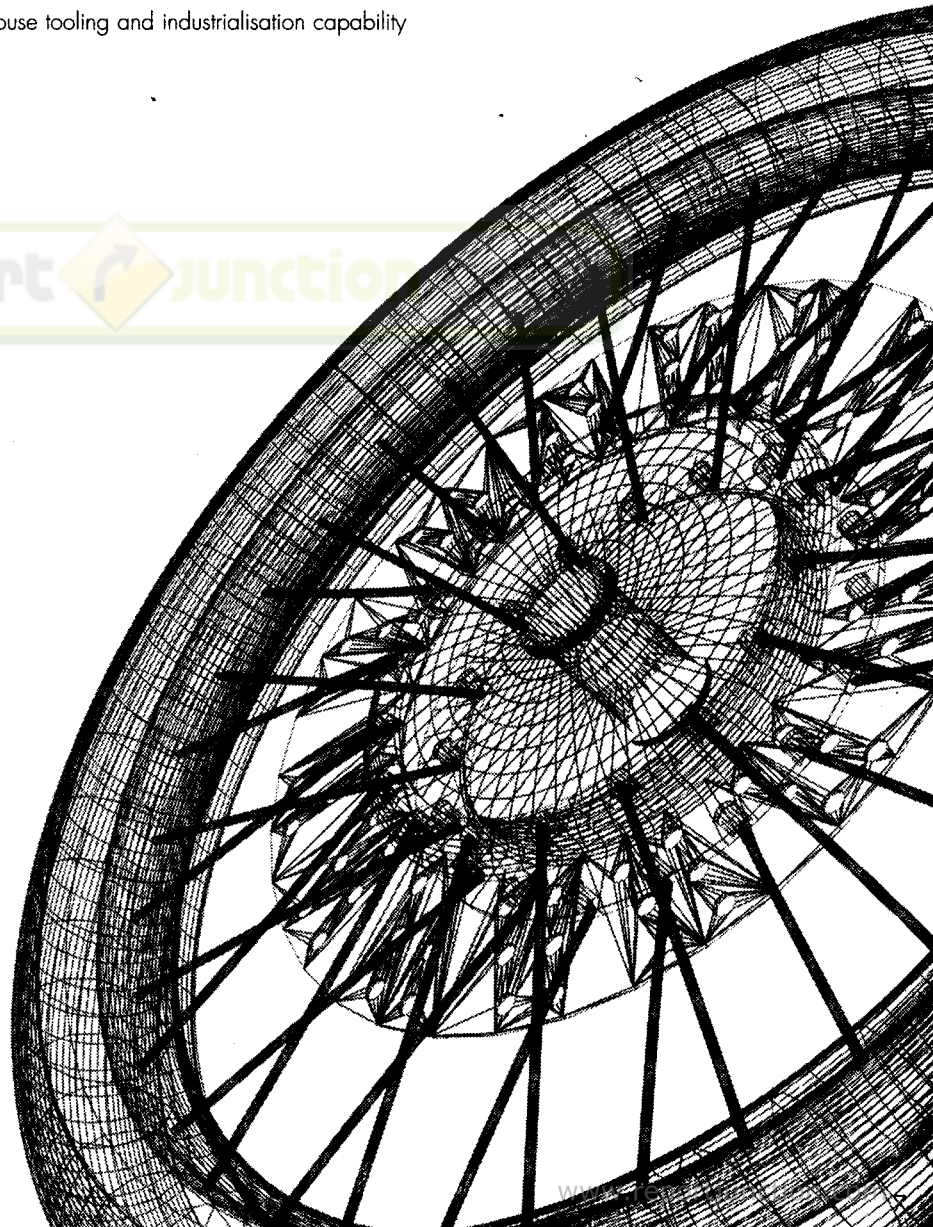
core values

- Customer satisfaction
- Concern for environment
- Commitment to quality and excellence
- Innovation

strengths

- Robust and differentiated product pipeline of state-of-the-art two-wheelers
- Rich insight into consumer and market behaviour
- R&D capability driving new product development
- Well entrenched distribution in north, central and east India
- Extensive vendor supply chain
- Strategic location of plant, proximate to the growing market of north, east and central India
- High level of in-plant manufacture of critical components
- Low turnaround time for vehicle development and manufacture
- In-house tooling and industrialisation capability

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...our mindset

Forget the past, recognise emerging realities, encash opportunities and professionalise the business.



...our product

Understand consumer needs, straddle the product range and demonstrate tangible differentiation.

Reinve

ONE OF THE FIRST THINGS THAT WE DID IN GETTING IML BACK TO THE TOP WAS TO START RIGHT AT THE BOTTOM.

IN DOING SO, WE IDENTIFIED SEVEN KEY ACTIONS TO REINVENT OURSELVES:



...our capacity

Eliminate redundant lines, invest in futuristic technology and achieve economies of scale.