

LUMAX
AUTO TECHNOLOGIES

ANNUAL REPORT 2009
Lumax Auto Technologies Limited



Weaving Success with
ever growing customer base.

CHAIRMAN'S MESSAGE

The last financial year has been a roller coaster ride for all economies across the globe. The western world saw companies, banks file for bankruptcy, leading to many professionals losing their jobs. The Indian economy has been, more or less, able to withstand tremors of the global financial meltdown. Even though its rate of growth has slowed down considerably, there are hopes of an economic revival. Due to our cautious and conservative approach, India is still talking of about 6% GDP growth, whereas the Western economies are at best flat if not negative.

The recent general election resulted in a stable government in form of the UPA at the center, which in turn will lead the government to focus on real issues of governance rather than worrying about their chairs. The Government is expected to take requisite steps to put the country on a healthy GDP growth path and is also expected to focus on specific policies towards the Auto Sector in order to raise the demand of vehicles in the domestic market.

As far as the Indian Auto Industry is concerned, there is still hope in 2009 as there are various factors working in its favor. India is blessed with a large middle class, which is getting economically stronger with every passing day. This class is being touted as potential consumers for Indian auto industry in years to come. The work force of the auto industry in India is relatively well trained. All these factors, together along with the low penetration levels of vehicle population indicate towards a better future for Indian auto industry in the coming times.

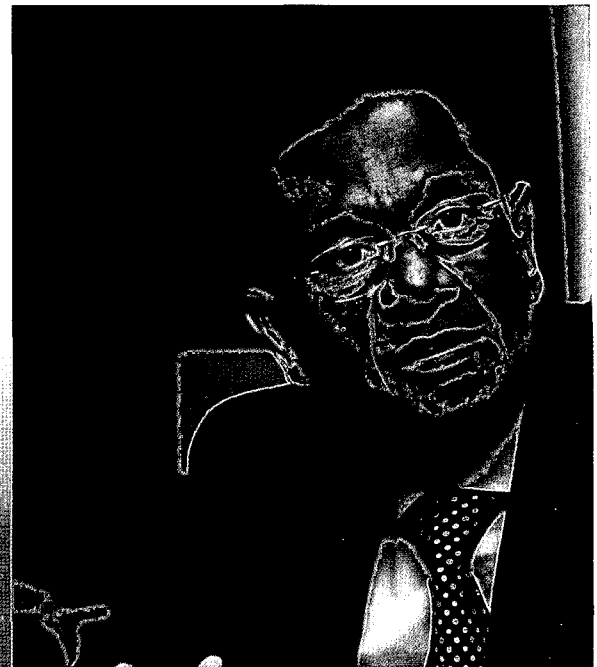
Some of the key highlights of the Automotive Industry which made news are:

- Maruti Suzuki/Hyundai/Nissan are looking at India as a small car manufacturing hub.
- TATA "Nano", the 1 lac car is set to fulfill the dreams of many first time vehicle owners.
- Major auto companies such as General Motors, Skoda Auto and Mercedes-Benz have major plans lined up for expansion in India and are likely to invest huge sums of money in the near future.
- Maruti Suzuki plans to put substantial investments on people and R&D.
- Large number of new players such as PSA (PEUGEOT CITROEN) plan to enter the Indian Auto market.

However, we need to be cautious in these tough times and should ensure utmost focus on all aspects of our operations. We as a company have taken various Out of the Box & Innovative initiatives towards cost cutting; monitoring at plant level, cash flow and expenses to make sure that our resources are being utilized to the maximum without any compromise on our quality. At Lumax Auto Technologies, the focus has been on diversifying our product portfolio thereby de-risking our overall business model.

The Pantnagar plant of Lumax DK (100% subsidiary of Lumax Auto Technologies) inaugurated in 2007, has challenged the JIPM (Japanese Institute of Production Management) award by the year 2011, which is a benchmark for the Auto Ancillaries in India. This award focuses on excellence in TPM (Total Productive Maintenance).

At the end, I would like to sincerely thank all our shareholders for their continued support to Lumax Auto Technologies. We remain committed towards enhancing our shareholders value.



D.K. Jain
Chairman



Lumax Auto Technologies Ltd.

BOARD OF DIRECTORS

Mr. D. K. Jain
Mrs. Usha Jain
Mr. Anmol Jain
Mr. Manmohan Sachdev
Mr. Sandeep Dinodia
Mr. A. V. Alexander
Mr. Dhiraj Dhar Gupta

(Chairman)
(Managing Director)
(Director)
(Independent Director)
(Independent Director)
(Independent Director)
(Independent Director)

HEAD FINANCE

Mr. Ashish Dubey

COMPANY SECRETARY

Ms. Milita Bhar

REGISTRAR & SHARE TRANSFER AGENT

Big Share Services Pvt. Ltd.
E/2, Ansa Industrial Estate,
Saki Vihar Road, Sakinaka,
Andheri (E) Mumbai - 400 072.

E-mail : flavia@bigshareonline.com

AUDITORS

D. R. Barve & Co.
Chartered Accountants
4th Floor, Above. Dr. Phatak Hospital,
Opp. New English High School,
Tilak Road, Pune-411030

REGISTERED OFFICE

W-230, 'S' Block, M.I.D.C. Bhosari,
Pune, Maharashtra - 411026

E-mail : militabhar@lumaxautotech.com
Website : www.lumaxautotech.com

BANKERS

ABN Amro Bank NV
Corporation Bank
HDFC Bank Ltd.
ICICI Bank
State Bank of India
Syndicate Bank

WORKS

- 1) W-230, 'S' Block, M.I.D.C. Bhosari, Pune, Maharashtra.
- 2) Plot No. 70, Sector-10, PCNTDA, Bhosari, Pune, Maharashtra.
- 3) Gat No. 156/1, Mahalunge, Chakan, Pune, Maharashtra.
- 4) Plot No. 54/8, D-II, Block-2, M.I.D.C. Chinchwad, Pune, Maharashtra.
- 5) W-28, M.I.D.C., Waluj, Industrial Area Aurangabad, Maharashtra.
- 6) A-8, M.I.D.C., Waluj, Industrial Area Aurangabad, Maharashtra.
- 7) B-86, Mayapuri Industrial Area, Phase-I, New Delhi (Marketing Division).



28th Annual Report 2008-2009

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ANNUAL GENERAL MEETING ON WEDNESDAY 16th SEPTEMBER, 2009.

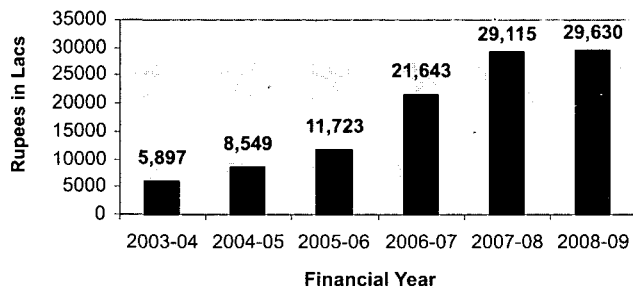
Lumax Auto Technologies Ltd.

FINANCIAL DATA AT A GLANCE

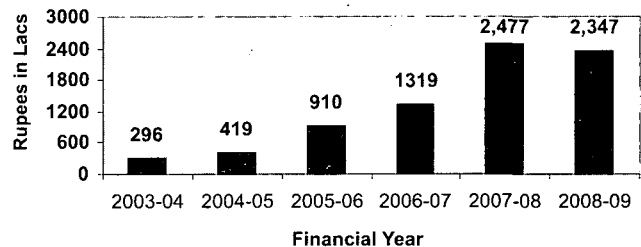
(Rs. in Lacs)

PARTICULARS	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
Net Sales	29,629.76	29,114.90	21,642.57	11,723.18	8,549.29	5,897.28	4,032.57	4,824.03
% Growth	1.77	34.53	84.61	37.12	44.97	46.24	(16.41)	21.54
Other Income	69.95	103.70	25.92	15.33	13.49	9.88	10.95	9.54
Total Income	29,699.71	29,218.60	21,668.49	11,738.51	8,562.78	5,907.16	4,043.52	4,833.57
EBDIT	2,347.26	2,477.27	1,318.89	910.40	418.72	295.55	219.54	319.57
Interest	276.07	264.88	128.91	120.43	45.47	38.51	56.28	75.69
Cash Profit	2,071.19	2,212.39	1,189.98	789.97	373.25	257.04	163.26	243.88
% Rise In Cash Profits	(6.38)	85.92	50.64	111.65	45.21	57.44	(33.06)	135.52
Depreciation	433.27	407.14	236.30	166.53	88.52	86.10	74.31	67.94
EBT	1,637.90	1,805.25	953.68	623.44	284.73	170.94	88.95	175.94
% of EBT To Total Income	5.51	6.18	4.40	5.31	3.33	2.89	2.20	3.64
Earning After Tax (EAT)	1,139.60	1,190.59	613.66	383.53	192.07	104.10	64.16	175.64
% of EAT To Total Income	3.83	4.07	2.83	3.27	2.24	1.76	1.59	3.63
Equity Share Capital	1,163.15	1,163.15	1,163.15	714.46	343.53	343.53	343.53	396.03
Net Worth	6,377.50	5,435.61	4,481.80	1,326.53	480.73	359.12	349.51	499.77

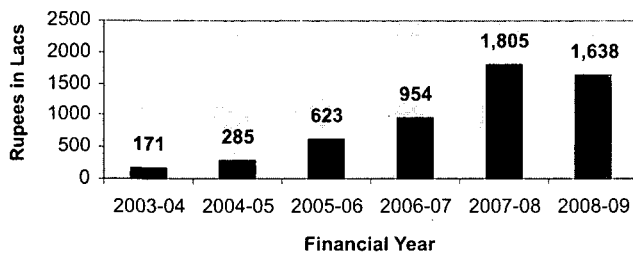
Turnover



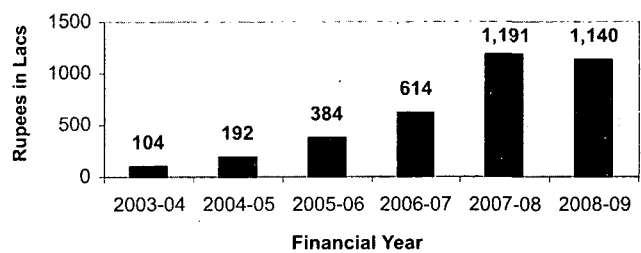
Earning Before Depreciation, Interest and Tax



Earning Before Tax



Earning After Tax



Figures from Financial year 2005-06 onwards are given on Consolidated Basis.



DIRECTORS' REPORT

To The Members,

Your Directors are delighted to present the 28th Annual Report on the business and operations together with Audited Balance Sheet and Profit & Loss Account of your Company for the year ended 31st March, 2009.

FINANCIAL RESULTS

Your Company's performance during the year as compared with the previous year is summarized below:

		(Rs. in Lacs)
PARTICULARS	2008-09	2007-08
Sales (Excluding Excise Duty)	16,126.43	17,719.26
Gross Profit (GP)	398.68	778.84
(-) Finance Expenses	139.83	133.85
(-) Depreciation	203.45	209.97
Profit Before Taxation (PBT)	55.40	435.02
(-) Provision for Taxation, Deferred Tax Adjustment and FBT	(1.77)	158.10
Profit After Tax (PAT)	57.17	276.92
(+) Balance in the P&L A/c b/f	221.72	225.93
(-) Prior Period Adjustment	2.45	50.01
Profit for Appropriation	276.44	452.84
Appropriation :		
Proposed Equity Dividend	174.47	174.47
Tax on Dividend	29.65	29.65
Transfer to General Reserve	3.00	27.00
Balance retained in P & L A/c	69.32	221.72

DIVIDEND

Your Directors are pleased to recommend a Dividend of 15% (Rs. 1.50 per share) for the year ended 31st March, 2009 which is at the same rate as declared in the previous year. The dividend is being declared out of the current as well previous year profits. The total amount of Dividend proposed to be distributed is Rs. 174.47 Lacs (excluding Dividend Tax). An amount of Rs. 3.00 Lacs is proposed to be transferred to General Reserve.

BUSINESS PERFORMANCE

The last financial year 2008-09 has been one of the worst years for Global Economy. It not only encompasses all sectors of the Economy but infects geographies, all asset classes. Globally, the impact of slowdown is worst in Automotive Industry. The Companies such as Ford and General Motors are producing less than 40% of their capacity. The USA and European countries have also been hit hard. As against the initial optimism that Indian Economy would remain unaffected, we have also witnessed a sharp slowdown in most of the sectors of the Economy.

The Indian Automotive sector which recorded a flat growth of 2.96% in the production of Automobiles during 2008-09, has been hard hit by the combined effect of a severe credit crunch and fall in demand growth. The third quarter of 2008-09 was particularly fierce. Average monthly sales of motorcycles in India fell by over 17% in Q3 2008-09 versus Q2. The two wheeler sales came under intense pressure in the last financial year due to the sudden slowdown in lending to this segment by big private finance companies. This, coupled with weak consumer sentiment, has seen a segment report a meager 2.60% growth during 2008-09.

In this background, for the Financial Year 2008-2009, your Company has achieved a Sales Turnover (Net of Excise) of Rs. 16,126.43 Lacs (on Standalone Basis) as against Rs. 17,719.26 Lacs (on Standalone Basis) in the previous year, down by 9 %. The main reason of decrease in sale of the Company is drop in orders from Bajaj Auto - one of the main customers of the Company, as the sales to them has decreased by 34% in this year as compared to the previous year. However, the After Market sales of the Company have grown by 20% over the previous year.

Lumax Auto Technologies Ltd.

The Profit After Tax (PAT) for the current year has decreased to Rs. 57.17 Lacs (on Standalone Basis) from Rs. 276.92 Lacs (on Standalone Basis) as compared to previous year, down by 79% as compared to the previous year. The reasons for such decrease include the impact of price reductions of Rs. 72 lacs from the customers pertaining to the earlier period, Bad debts of Rs. 93 Lacs written off among others.

In this difficult year, there has been some positive news also. Your company has been successful in adding three new customers, including two for supply of Car Seating Frame and one for export business which will add to the business in future. Further, during the last year your company has successfully started commercial production of leveling motors unit at Chakan, Pune.

On Consolidated Basis, for the Financial Year 2008-2009, your Company has achieved a Sales Turnover (net of excise) of Rs. 29,629.76 Lacs as against Rs. 29,114.90 Lacs in the previous year, showing a marginal growth of around 1.77%. The Profit after Tax (PAT) for the current year has decreased to Rs. 1,139.60 Lacs (on Consolidated Basis) from Rs. 1,190.59 Lacs (on Consolidated Basis) of the previous year having a reduction of 4.28% in the Consolidated Profit after Tax of the Company as compared to last Financial Year.

During the year, Lumax DK Auto Industries Limited (LDK) -100% subsidiary of your company has got recognition of In-house Research and Development from Department of Science & Industrial Research, Ministry of Science & Technology, and Government of India for its unit at Manesar for Gear Shifter. In the very first year, the unit has got an excellence award in Design & Development from M/s Maruti Suzuki India Limited. This In-house R & D will enhance the capability of the LDK to secure more business in future.

A detailed discussion on the business performance and future outlook is provided in the Chapter on Management Discussion and Analysis Report (MDA).

JOINT VENTURE COMPANY-LUMAX CORNAGLIA AUTO TECHNOLOGIES PRIVATE LIMITED.

The financial year ended 31st March, 2009 was the first 12 months operations of the Joint Venture Company, during which it has achieved Turnover of Rs. 177.75 Lacs and Profit before Tax of Rs. 21.14 Lacs.

During the year under review, the Joint Venture Company, who is supplying Air Intake systems to Tata Motors and Fiat India, now has acquired prestigious orders for Air Intake System from VOLKS WAGEN & SKODA INDIA, making it the single source catering to all the vehicle platforms of these customers. In its endeavour to increase the localisation of parts, the Joint Venture Company has planned to setup a new facility to produce Air Intake System Elements locally that are being currently imported from Cornaglia SPA, Italy - the other Joint Venture Partner. During the year under review both the Joint Venture Partners have infused additional Equity amounting to Rs. 125.40 Lacs each in the ratio of 50:50.

DIRECTORS

The Board consists of Executive and Non – Executive Directors including Independent Directors who have wide and varied experience in different disciplines of Corporate Functioning. In accordance with the provisions of Companies Act, 1956 and Articles of Association of the Company. Mr. Dhiraj Dhar Gupta and Mr. Manmohan Sachdev, Directors are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Your Directors recommend the re-appointment of the above said Directors at the ensuing Annual General Meeting.

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, the Directors state:

- (i) That in the preparation of the Annual Accounts for the Financial Year ended 31st March, 2009, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) That the Directors have 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 or Loss of the Company for that period;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the Assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the Annual Accounts on a "Going Concern" basis;

FIXED DEPOSITS

During the year under review the Company has not accepted any Deposit under Sections 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.



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AUDITORS

M/s D. R. Barve & Co, Chartered Accountants are proposed for re-appointment as Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. They have given their consent to act as Auditors of the Company and have further confirmed that their appointment would be in conformity of the provision of Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment for the approval of members in the ensuing Annual General Meeting.

During the year, all the recommendations of the Audit Committee were accepted by the Board. Hence there is no need for disclosure of the same in this Report.

SUBSIDIARY COMPANY**100% SUBSIDIARY- LUMAX DK AUTO INDUSTRIES LIMITED**

In accordance with Section 212 of the Companies Act, 1956 the Audited Statements of the Accounts of the Companies Subsidiary Lumax DK Auto Industries Limited together with the reports of the Directors and Auditors thereon for the year ended March 31, 2009 are annexed hereto and form part of this Report.

CONSOLIDATED FINANCIAL STATEMENT

The Consolidated Financial Statements of the Company and its 100% subsidiary Lumax DK Auto Industries Limited as prepared in accordance with the Accounting Standard 21 are annexed hereto and forms part of this Report.

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Pursuant to the provisions of Clause 49 of the Listing Agreement, Management Discussion & Analysis Report is annexed as part of this report separately as **Annexure - A**.

OTHER INFORMATION

Disclosure of information regarding Conservation of Energy, Research & Development, Technology Absorption and Foreign Exchange Earning and Outgo etc. under Section 217(1)(e) of the Companies Act, 1956 is annexed separately as **Annexure - B**. None of the employees were in receipt of Remuneration exceeding the limits prescribed pursuant to Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 during the year ended March 31, 2009.

CORPORATE GOVERNANCE

The report on Corporate Governance together with the Auditor's Certificate regarding the Compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is annexed and forms part of this Annual Report as **Annexure - C**.

ACKNOWLEDGEMENT

The Directors wish to place on record their sincere thanks to all its highly valued customers, its Technical Collaborators, Joint Venture Partners, all other business partners, all the Shareholders, Financial Institutions, Banks, Vendors and various Government agencies for their continued support and patronage.

The Board would also like to acknowledge the co-operation & commitment rendered by all the Associates & Employees of the Company for their unstinted support shown during these challenging times.

For and on behalf of the Board of Directors

Place: Gurgaon
Dated: June 30, 2009

D.K. JAIN
Chairman

Lumax Auto Technologies Ltd.

ANNEXURE - A

MANAGEMENT DISCUSSION & ANALYSIS REPORT

a) INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK

In April 2008, hardly anyone had predicted what the Global Economy would turn out to be by March 31, 2009. In the beginning of this financial year the world was under worst inflationary spiral since World War II. No body believed that the scourge of Global inflation would suddenly disappear to make way for the worst economic downturn since the Great Depression. The year 2008-09 has been one of the worst years for the Global Economy and India is also not immune to these tumultuous times. After three consecutive years of over 9% Gross Domestic Product (GDP) growth from 2005 to 2008, the GDP of the Indian Economy has recorded a growth rate of 6.7% in 2008-09. The economy has been adversely affected due to the impact of global financial meltdown, moderating consumption demand and depreciating currency. The adverse impact of Global Economy scenario is visible on GDP numbers especially with manufacturing sector which has recorded 2.4% growth in 2008-09 compared with 8.2% growth recorded last year.

The liquidity squeeze, increased interest rates and high fuel prices started the slowdown in the Indian Automotive Market from the first half of the last year itself. The twin effect of liquidity crunch and contraction of demand from the beginning of third quarter of 2008-09 resulted in sharp de-growth across all the segments of the Indian Automotive market. A fall in demand growth translates to lower order books, lower capacity utilization and severe pressure on prices.

The outlook for the Automotive Market in 2009 is not promising at least in the first half of the year. However, it is expected that the fiscal stimulus packages announced by the Government by way of reduction in Excise Duty and Infrastructure spending as well as the Monetary measures announced by the RBI will help in stimulating the growth from the second half of 2009.

AUTO AND AUTO COMPONENT INDUSTRY

The role of Automobile Industry is very important in Indian Economy; it is the prime mover in any economy. If it does well, the economy would fare well. Though the Indian Auto Sector is passing through a critical phase, comparatively it has been less affected by the global slowdown. The said slowdown has motivated economies all over the world to increasingly resort to production cut, lay-offs, retrenchment, etc; in order to save valuable resources. The current slowdown in the USA has brought about several mega changes. Apart from offering a bailout for the three world's renowned auto majors, the US Government has adopted a new future-oriented policy for the country's auto sector. Also many US companies are planning to shift their production base to low cost countries, including India.

The short term outlook of the Indian Automotive Market is hard to forecast, due to the current Global Economic and its resultant effect on nearly all the Global Economies, including India. It is however, expected that the Indian Automotive market will see significant shrinkage in nearly all segments in the first half of 2009. The current slowdown and liquidity crisis has also forced many of the Auto OEMs to delay their investments planned in the coming years.

The Indian Automobile Sector was also adversely affected and it registered a flat growth of 2.96 percent for the year ended March 31, 2009. The Automobile production trends of last five years are as follows:

(No's. in Lacs)

Automobile Production Trends					
Category	2004-05	2005-06	2006-07	2007-08	2008-09
Passenger Vehicles	12.09	13.09	15.45	17.77	18.38
Commercial Vehicles	3.53	3.91	5.19	5.49	4.17
Three Wheelers	3.74	4.34	5.56	5.00	5.01
Two Wheelers	65.29	76.08	84.66	80.26	84.18
Grand Total	84.67	97.43	110.87	108.53	111.75
% Increase/ (Decrease)	16.90	15.06	13.80	(2.11)	2.96

(Source: SIAM)

As it is evident from above that as compared to the double digit growth till 2006-07, the last two years were worst for the Indian Auto Industry as a whole. Further, during the last year, the Commercial Vehicle Segment was the worst hit, as the same has registered a negative growth of (24%) as compared to previous year.

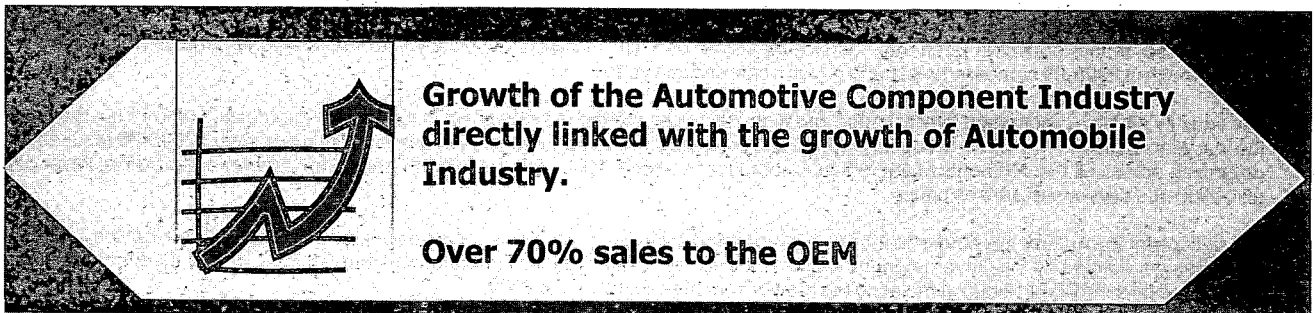
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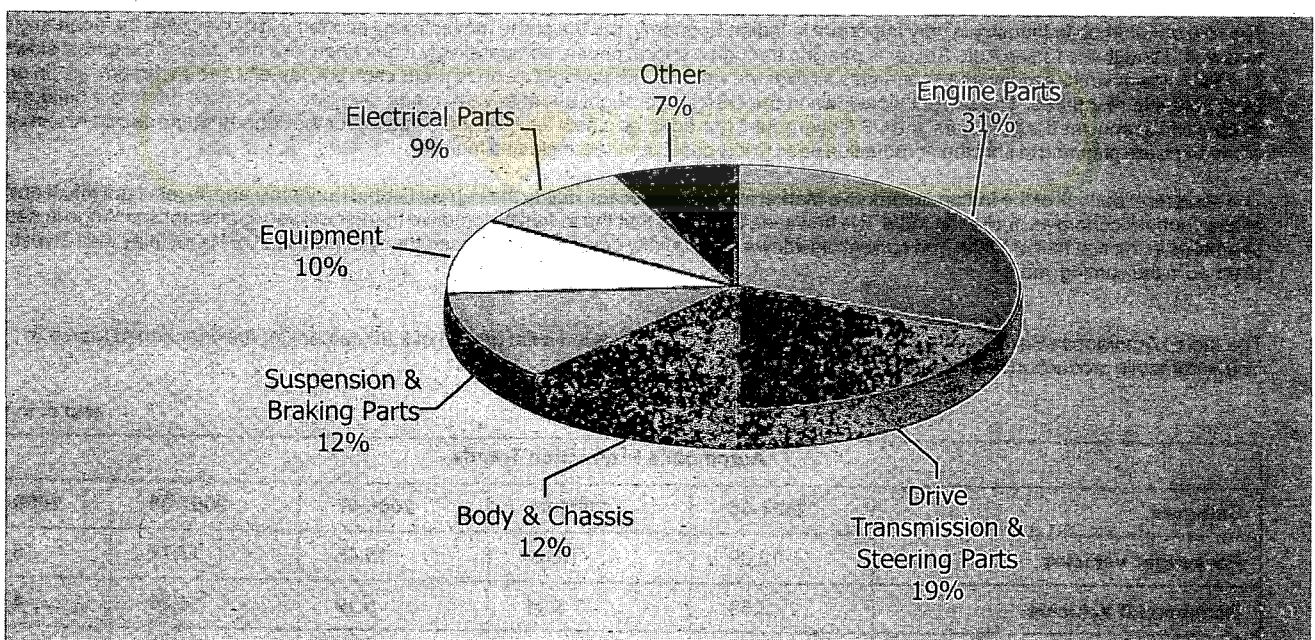
However, there are some positive factors which should aid partial recovery of the Indian Automotive Market viz. reducing inflation rates, the economic stimulus packages announced by Government and reducing interest rates. Auto OEMs are vying for customers with new models and are also looking at export market(s) to partially compensate for the fall in local demand. The growth of the Indian Automotive Market over the long term looks positive.

The Indian Automobile Industry has started showing signs of recovery from the beginning of the current financial year. The cumulative production data for April-May 2009 shows production growth of 8.28 percent over April – May 2008. In May 2009, overall production grew by 6.53% over the same month last year. In April 2009, production grew at 10.19 percent. (Source: SIAM)

AUTO COMPONENT INDUSTRY



The Auto Component Industry comprises of the following.



(Source : ACMA)

The India's Automotive Component Industry manufactures the entire range of parts required by the Automobile Industry. It is conversant in all Global Automotive Standards, has appropriate investment in Research and Development and possesses the flexibility for Small Batch production to cater the OE requirements.

The Industry is dominated by key 584 players and graduating to world class level. It has bagged 11 Deming Awards which is the most prestigious award for Quality, 15 TPM Awards, 60 OHSAS 18001 Certification and other Quality Certifications such as ISO 14001 Environmental Management, QS 9000, TS 16949 Quality Management, ISO 9000 Quality Management. Various world class Auto manufacturers such as BMW, Nissan, Mercedes Benz, Ford, General Motors, Toyota, Fiat, Volvo and Volkswagen among other are sourcing components from Indian Auto Component suppliers. (Source: ACMA).

Despite, the slowdown in the Auto Industry your Company is seeing bright future for its business. Your Company is widening its consumer base, pulling in new accounts from OEM's for their upcoming products.