

LUMAX
AUTOMOTIVE PARTS

Lumax Automotive Systems Limited

6th ANNUAL REPORT
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LUMAX AUTOMOTIVE SYSTEMS LTD.**BOARD OF DIRECTORS**

Mr. U. K. Jain- Chairman & Managing Director
 Mr. Nitin Jain- Executive Director
 Mrs. Kamlesh Jain
 Mr. Jagdeep Kapoor
 Mr. Vinay Panchmiya
 Mr. Virender Ganda

COMPANY SECRETARY

Ms. Monika Gupta

AUDITORS

M/s R. Jain & Sanjay Associates
 Chartered Accountants, Delhi

REGISTRAR & TRANSFER AGENT

Intime Spectrum Registry Limited
 A-31, 3rd Floor, Naraina Industrial Area,
 Phase-I, Near PVR Naraina,
 New Delhi-110028
 Tel. No. : 4141592-94
 Fax No. : 41410591
 e-mail : delhi@intimespectrum.com

BANKERS

Syndicate Bank

CORPORATE OFFICE

A-116/117, DDA Sheds, Okhla
 Industrial Area, Phase-II,
 New Delhi-110020
 Tel. No. : 40500400
 Fax No. : 40500429
 e-mail : ho@lumaxauto.com

REGISTERED OFFICE

63-64, Gokhale Market,
 New Delhi-110054
 Tel. No. : 23915364, 23984652
 Fax No. : 23916350
 e-mail : cs@lumaxauto.com

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WORKS

- Plot No.29, DLF Industrial Estate, Phase-II, Faridabad (Haryana)
- 10, Indraprastha Estate, 12/2, Mathura Road, Faridabad (Haryana)
- Plot No.78, Sector-6, Faridabad (Haryana)
- Plot No.46, Sector-3, IMT, Manesar, Gurgaon (Haryana)- Filter Unit
- Plot No.46, Sector-3, IMT, Manesar, Gurgaon (Haryana)- Plastic Unit
- Plot No.99, Phase-IV, Udyog Vihar, Gurgaon (Haryana)
- D-2/44, MIDC Industrial Area, Chinchwad, Pune
- D-2 Block, Plot No.29/5, MIDC Industrial Area, Chinchwad, Pune.
- C-10, MIDC Industrial Area, Waluj, Aurangabad

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LUMAX AUTOMOTIVE SYSTEMS LTD.

NOTICE

NOTICE is hereby given that the 6th Annual General Meeting of Lumax Automotive Systems Limited will be held on Monday the 25th Day of September 2006 at 3.30 P.M. at Air Force Auditorium, Subroto Park, New Delhi 110 010 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March 2006 and the Balance Sheet as at that date together with the Directors' and Auditors' Reports thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Vinay Panchmiya, a Director liable to retire by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Jagdeep Kapoor, a Director liable to retire by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors of the Company and fix their remuneration.

NOTES:

1. A member entitle to attend and vote at the meeting is also entitled to appoint a proxy to attend and on a poll, vote instead of himself and the Proxy need not be a member of the Company. Proxies in order to be effective must reach the company at its registered office at least 48 hours before the time fixed for the meeting. A Proxy form is attached herewith.
2. The Register of Members and the Share Transfer Books of the Company will remain closed from 28th August 2006 to 25th September 2006 (both days inclusive)
3. Members/Proxies should bring the attendance slip sent herewith, duly filled in and signed and handover the same at the entrance of the hall. **Under no circumstance duplicate attendance slip will be issued at the AGM venue.**
4. Members should bring their copies of Annual Report, as no separate copy would be provided at the venue of the Annual General Meeting.
5. **Members are advised that no gift/gift coupons will be distributed at the Annual General Meeting of the Company.**

By Order of the Board
For Lumax Automotive Systems Limited

Place: New Delhi
Date: 23rd August, 2006

Monika Gupta
Company Secretary

LUMAX AUTOMOTIVE SYSTEMS LTD.**DIRECTORS' REPORT**

To the Members of

LUMAX AUTOMOTIVE SYSTEMS LIMITED

Your Directors have pleasure in presenting the 6th Annual Report together with audited accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS

The performance of the company for the financial year is summarized as under:

| | Rs in million | |
|---------------------------------------|----------------------|------------------|
| FINANCIAL RESULTS | 2005-2006 | 2004-2005 |
| SALES (Excluding Excise Duty) | 895.33 | 815.93 |
| Profit (before Interest, Dep. & Tax) | 101.76 | 83.08 |
| (-) Interest | 23.68 | 20.77 |
| (-) Depreciation | 35.89 | 33.58 |
| PROFIT /(LOSS) : | 42.19 | 28.73 |
| (-) Tax provision | 4.78 | 3.55 |
| (+) Deferred tax credit | (8.94) | 1.41 |
| (+) Balance in the P&L A/c b/f | 9.82 | (5.72) |
| (+) Transfer from Revaluation Reserve | 0.33 | 0.33 |
| PROFIT - for appropriation | 38.62 | 21.20 |
| Appropriation : | | |
| Proposed Equity Dividend | 8.88 | 8.88 |
| Transfer to General Reserve | 2.50 | 2.50 |
| Balance retained in P&L A/c | 27.24 | 9.82 |

DIVIDEND:

In view of the Company's profitable performance, the Directors are pleased to recommend for approval of the dividend of 12% on 7404106 equity shares of the Company in respect of the financial year 2005-06. The Dividend, if declared as above, would involve an outflow of Rs.88.85 Lac towards dividend and Rs.12.46 Lac towards dividend tax, resulting in a total outflow of Rs.1.01 Crore.

TRANSFER TO RESERVES:

The Company proposes to transfer Rs.25 Lac to the General Reserve out of the amount available for appropriations. An amount of Rs.272.43 Lac is proposed to be retained in the Profit and Loss Account.

OPERATIONS:

Your company's total turnover during the year under review was Rs.895.33 million as compared to Rs.815.93 million during the previous year, showing a rise of Rs.79.4 million.

JOINT VENTURE AGREEMENT:

In, May 2005, the Company entered into the Joint Venture Agreement with Magna Donnelly Corporation and formed a JV Company by the name Lumax Magna Donnelly Automotive Mirrors Private Limited on 11th August 2005 to manufacture mirror/mirror components with a proposed equity participation of 26% by Magna Donnelly and 74% by Lumax in the equity share capital of Rs.4.5 Crore. The joint venture company will manufacture new passenger car mirrors like motorized and electric operated and electro chromatic mirrors. Magna Donnelly is a USA based and the world's fourth largest mirrors manufacturing company.



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DIRECTORS:

In accordance with the requirement of the Companies Act, 1956 and Articles of Association of the company, Mr. Vinay Panchmiya and Mr. Jagdeep Kapoor are liable to retire by rotation and are eligible for reappointment.

AUDITORS:

M/s R. JAIN & SANJAY ASSOCIATES, Auditors of the Company, are retiring at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.

AUDITORS' REPORT:

The observations made by the Auditors with reference to notes on the accounts for the year under report are self-explanatory and need no further comments from the Directors.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A report on Management Discussion and Analysis as required under clause 49 of the Listing Agreement is annexed as part of this report separately

CORPORATE GOVERNANCE:

A separate section on Corporate Governance forming part of the Directors' Report and the Certificate from the Company's Auditors confirming the compliance of conditions on Corporate Governance as stipulated in Clause 49 of Listing Agreement is produced in the annual report.

DEPOSITS:

During the year the Company has not accepted or invited any deposit from Public within the meaning of section 58A of the Companies Act, 1956 and the rules made there under.

PARTICULARS OF EMPLOYEES:

There was no employee throughout the financial year who was in receipt of remuneration in aggregate of Rs.24, 00,000/- or more per annum or employed for part of the year who was in receipt of remuneration at the rate of Rs.2, 00,000/- or more per month and therefore no particulars are given under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

LISTING OF SECURITIES:

The Company is listed with Bombay Stock Exchange and National Stock Exchange. The company has been complying with all the clauses of the listing agreement and the company has paid the requisite listing fees to both the Stock Exchanges.

CHANGE OF REGISTRAR AND TRANSFER AGENT:

The company has changed its Registrar and Transfer Agent from Skyline Financial Services Private Limited to Intime Spectrum Registry Limited.

DISCLOSURE U/S 217(1)(e):

Information as per section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Directors) Rule, 1988, are given below:

Conservation of energy:

The Company has always been conscious about the need for conservation of energy. Energy saving is one of the factor for the economic growth of the economy it remained an area of high priority for the company.

Technology absorption:

In filter segment the company has obtained technical assistance from Toyo-Roki Manufacturing Company Ltd., Japan.

Foreign Exchange Earning and Outgo:

This information is given in notes to accounts at Point No.10 and 11.

DIRECTORS' RESPONSIBILITY STATEMENT U/S 217(2AA):

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors based on the representation received from the operative management, confirm that:

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- i) in the preparation of the annual accounts, all the applicable accounting standards have been followed and there are no material departures (Subject to point no. 4 (d) of the Auditors Report) ;
- ii) they have, in the selection of the accounting policies, consulted the statutory auditors and have 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 of the company for that period;
- iii) they have taken proper and sufficient care, to the best of their knowledge and ability, for the maintenance of 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; and
- iv) they have prepared the annual accounts on a going concern basis.

PERSONNEL:

The employer-employee relations throughout the year were very cordial. The Company enjoys a healthy working atmosphere that inspires the employees to put their best foot forward in achieving a high-sustained growth. The Directors also wish to place on record the support and confidence reposed in the management by the employees. Total quality in every sphere of activities, employee training and development continues to be on the top priority of your management.

ACKNOWLEDGEMENT:

Directors place on record their thanks for the support extended to the company by its customers, dealers, suppliers, bankers, investors and other government and local authorities.

Your Directors also acknowledge the contribution made by the Company's personnel, who by dedication and drive for excellence have helped your company to achieve the desired performance and sustained growth in the year under review.

Place: New Delhi
Date: 23rd August, 2006

For & On behalf of the Board of Directors

U.K. JAIN
Chairman & Managing Director



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CORPORATE GOVERNANCE REPORT

COMPANY'S PHILOSOPHY:

The company firmly believes that any meaningful policy on the Corporate Governance must provide empowerment to the executive management of the company, and simultaneously create a mechanism of checks and balances which ensures that the decision making power vested in the executive management are used with care and responsibilities to meet shareholders and stakeholders aspirations. The company recognizes the importance of Corporate Governance for the efficient conduct of business and committed to attain the Corporate Governance of the high standards and maximize the long-term shareholder value in a legal and ethical manner, ensuring fairness, courtesy and dignity in all transactions of the company.

BOARD OF DIRECTORS:

The Board of Directors comprises of Six Directors out of which four are Non-Executive Directors. The Board consists of three promoter Directors, being one Managing Director, one Executive Director and one Non-executive Director. The Company has an Executive Chairman and half of the total number of Directors comprises of Independent Director.

During the year under review 7 Board Meetings were held on 20th April 2005, 28th June 2005, 29th July 2005, 30th September 2005, 30th November 2005, 30th January 2006, 10th February 2006. Details of composition and category of the Board, attendance of Directors in the Board Meetings and last AGM, number of directorships and chairmanships/memberships of committee of each director held in other public companies are shown below

| Name of Director | Category | FY 2005-06 Attendance at | | As on August 23,2006 | | |
|------------------|------------------------------|-----------------------------|-----|------------------------|--------------------|----------|
| | | | | No. of Directorship | Committee position | |
| | | BM | AGM | | Member | Chairman |
| U.K. Jain | Executive Chairman, Promoter | 7 | Yes | 1 | - | - |
| Nitin Jain | Executive, Promoter | 7 | Yes | 1 | - | - |
| Kamlesh Jain | Non-Executive, Promoter | 7 | Yes | 1 | - | - |
| Jagdeep Kapoor* | Non-Executive, Independent | 7 | No | - | - | - |
| Vinay Panchmiya* | Non-Executive, Independent | 7 | Yes | - | - | - |
| Virender Ganda | Non-Executive, Independent | 7 | Yes | 3 | - | - |

* Mr. Vinay Panchmiya and Mr. Jagdeep Kapoor are liable to retire by rotation and are eligible for reappointment.

AUDIT COMMITTEE

The Audit Committee of Directors comprises of three independent Directors.

Composition of the Audit Committee: -

| Name of the Directors | Category |
|-------------------------------|---------------|
| Mr. Vinay Panchmiya -Chairman | Independent |
| Mr. Jagdeep Kapoor | Independent |
| Mrs. Kamlesh Jain | Non-Executive |

Mr. Jagdeep Kapoor is having the Knowledge of Accounts and Finance. The Company Secretary acts as a Secretary of the Committee.

During the year, the Committee met 4 times on 28th June 2005, 29th July 2005, 30th November 2005 and 30th January 2006.

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The committee, in addition to other business, reviews the quarterly/half-yearly/yearly financial results and places a report on the same to the Board for its consideration and approval.

REMUNERATION COMMITTEE

The terms of reference of the Remuneration Committee in brief pertain to determine the company's policy on and approve specific remuneration packages for Executive Directors after taking into account financial position of the company, interest of the company and shareholders etc.

During the year, the Committee met once on 15th July 2005.

Composition of the Remuneration Committee: -

| Name of the Directors | Category |
|------------------------------|-----------------|
| Mr. Virender Ganda- Chairman | Independent |
| Mr. Jagdeep Kapoor | Independent |
| Mr. Vinay Panchmiya | Independent |

None of the Non Executive Directors is drawing any remuneration.

Remuneration of whole time and Managing Directors:

| <u>Name</u> | <u>Salary (Rs.)</u> | <u>Perquisites & Allowances (Rs.)</u> | <u>Total (Rs.)</u> |
|------------------------------------|-------------------------|---|------------------------|
| Mr. U.K. Jain, Managing Director | 4,80,000 | 3,83,467 | 8,63,467 |
| Mr. Nitin Jain, Executive Director | 3,84,000 | 2,64,360 | 6,48,360 |

SHAREHOLDERS' COMMITTEE

The objective of the Committee is to monitor the redressal of shareholders and Investors complaints relating to transfer of shares, non-receipt of Annual Report, issue of duplicate shares etc.

During the period under review, 3 Shareholders' Committee meetings were held on 29th July 2005, 30th November 2005 and 10th February 2006.

Composition of the Shareholders' Committee: -

| Members | Category |
|------------------------------|-----------------|
| Mr. Virender Ganda- Chairman | Independent |
| Mr. U.K. Jain | Executive |
| Mr. Nitin Jain | Executive |

Ms. Monika Gupta, Company Secretary is the Compliance Officer of the Company.

During the year the Company received 149 requests/applications for Change of Address, queries etc. All cases have been attended and nothing is pending.

GENERAL BODY MEETING:

Details of the Annual General Meeting held during the last three years are as follows: -

| Year | Date | Time | Venue | Special Resolution Passed |
|----------------|-------------|-------------|---------------------------------|----------------------------------|
| 2004-05 | 01/08/2005 | 10.00 A.M | Air Force Auditorium, New Delhi | Further issue of shares |
| 2003-04 | 27/11/2004 | 12.30 P.M. | FICCI Auditorium, New Delhi | Further allotment of shares |
| 2002-03 | 01/09/2003 | 3.00 P.M. | Mayapuri, Delhi-64 | NIL |

The special resolution was not put to vote through postal ballot.



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DISCLOSURE

- During the year under review, the company had entered into transactions in the normal course of business with some of the entities in which some of the directors are interested and which have been disclosed adequately in the notes forming part of the accounts. There was no potential conflict of interest with that of the company.
- The company has complied with various rules and regulations prescribed by the stock exchanges, SEBI or any other statutory authority relating to the capital markets. No penalties, strictures imposed on the company by them.

MEANS OF COMMUNICATION

- The Quarterly/Half yearly Financial Results are published in the widely circulated newspapers and copies of the results are simultaneously supplied to the Stock Exchanges
- Financial details of the company are also available at Company's web site www.lumaxauto.com
- Management discussion and analysis forms the part of the Annual Report.

GENERAL INFORMATION TO SHAREHOLDERS:

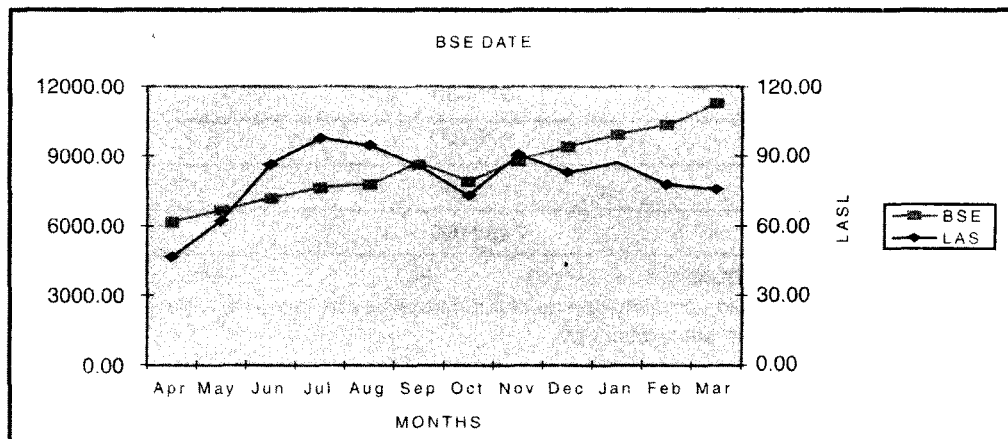
- Date and Venue of the AGM : 25th September 2006 at Air Force Auditorium, Subroto Park, New Delhi-110010
- Financial Year : 1st April to 31st March.
- Book Closure Date : 28th August to 25th September 2006
- Dividend Payment Date : 10th October 2006

Shareholders who have opted for ECS, dividend amount will be credited directly to their respective bank accounts through ECS. For others, dividend warrants will be posted by 10th October 2006.

- Listing on Stock Exchanges & (Stock Code) : The Bombay Stock Exchange Ltd. (532537)
National Stock Exchange of India Ltd. (Lumaxauto)
ISIN No. "INE547G01019"
No dues are pending towards Listing Fee.

- Stock Market Data :

| Stock Exchange | The Bombay Stock Exchange | | National Stock Exchange of India Ltd. | |
|----------------|---------------------------|-----------|---------------------------------------|-----------|
| Month | High (Rs.) | Low (Rs.) | High (Rs.) | Low (Rs.) |
| Mar-06 | 75.90 | 56.40 | 78.90 | 58.15 |
| Feb-06 | 78.00 | 67.95 | 80.50 | 67.00 |
| Jan-06 | 87.00 | 75.25 | 85.50 | 77.10 |
| Dec-05 | 83.00 | 70.00 | 83.45 | 70.50 |
| Nov-05 | 90.50 | 55.00 | 90.95 | 53.00 |
| Oct-05 | 73.00 | 51.40 | 81.90 | 48.70 |
| Sep-05 | 85.95 | 62.75 | 90.00 | 63.15 |
| Aug-05 | 94.80 | 72.65 | 96.00 | 72.35 |
| Jul-05 | 97.80 | 68.00 | 98.05 | 68.15 |
| Jun-05 | 86.45 | 51.05 | 86.85 | 52.50 |
| May-05 | 62.45 | 37.00 | 63.00 | 38.55 |
| Apr-05 | 46.65 | 39.75 | 48.00 | 39.55 |

LUMAX AUTOMOTIVE SYSTEMS LTD.**Share Price Performance :**● **Registrar and Transfer Agent**

: Intime Spectrum Registry Limited
A-31, 3rd Floor, Naraina Industrial Area,
Phase-1, Near PVR Naraina, New Delhi-110028
Ph: 4141592-94, Fax: 41410591

● **Share Transfer System :**

The Company has appointed M/s Intime Spectrum Registry Limited as the common agency to handle electronic as well as physical transfer of shares. The company ensures that physical transfers are generally registered in less than 15 days, if documents are clear in all respect.

● **Distribution of Shareholding**

: As on 31st March, 2006

| No. of Shares | No. of Shareholders | | Total Amount in Rs. | % |
|------------------|---------------------|------------|---------------------|------------|
| | Number | % | | |
| Up to 5000 | 16165 | 98.32 | 7742090.00 | 10.46 |
| 5001 – 10000 | 151 | 0.92 | 1147940.00 | 1.55 |
| 10001 – 20000 | 57 | 0.35 | 800010.00 | 1.08 |
| 20001 – 30000 | 12 | 0.07 | 303890.00 | 0.41 |
| 30001 – 40000 | 6 | 0.04 | 216450.00 | 0.29 |
| 40001 – 50000 | 7 | 0.04 | 340850.00 | 0.46 |
| 50001 – 100000 | 7 | 0.04 | 517740.00 | 0.70 |
| 100001 and above | 36 | 0.22 | 62972090.00 | 85.05 |
| Total | 16441 | 100 | 74041060.00 | 100 |

● **Shareholding pattern**

: As on 31st March, 2006

| Category | No. of shares held | (%) of shareholding |
|------------------------------|--------------------|---------------------|
| Promoters/Group Companies | 5441014 | 73.49 |
| Mutual Funds & UTI | 1240 | 0.02 |
| Banks/Financial Institutions | 485 | 0.01 |