



Lumax Industries Limited



Lumax Industries Limited

BOARD OF DIRECTORS

Mr. S. C. Jain	(Chairman & Sr. Mg. Director)	
Mr. D. K. Jain	(Vice Chairman & Mg. Director)	
Mr. Mahesh K. Jain	(Director)	
Mr. U. K. Jain	(Executive Director)	
Mr. Rajan Jain	(Executive Director)	
Mr. Deepak Jain	(Executive Director)	
Mr. Y. Muraga	(Executive Director)	} Nominees of Stanley, Japan
Mr. A. Nakamura	(Director)	
Mr. S. Watanabe	(Director)	
Mr. H. D. Maheshwari	(Director)	Nominee of IDBI
Mr. A. P. Gandhi	(Director)	
Mr. Deep Kapuria	(Director)	

SECRETARY

Mr. K. V. Vijayan

AUDITORS

M/s K. S. Gupta & Company
Chartered Accountants, Delhi

M/s D. R. Barve & Company
Chartered Accountants, Pune (Branch Auditors)

BANKERS

Syndicate Bank
Punjab National Bank
ICICI Bank Ltd.
State Bank of India

REGISTERED OFFICE & SHARE DEPT.

2nd Floor, Harbans Bhawan-II
Nangalraya Business Centre, New Delhi-110 046
Tele : 5500010, 5541975
Fax : 5501233
E-mail : lumxshre@ndf.vsnl.net.in

CORPORATE OFFICE

B-86, Mayapuri Industrial Area,
New Delhi-110 064

WORKS

- D-2/43 & D-2/44, MIDC Industrial Area, Chinchwad, Pune
- 29, DLF Industrial Estate, Phase-II, Faridabad
- Plot No. 16, Sector 18, Maruti Complex, Gurgaon
- Plot No. 78, Sector 6, Faridabad
- C-10, MIDC Indl. Area, Aurangabad
- 131, Roz-Ka-Meo Industrial Estate, Sohna
- Plot No. 6, Indl. Area, Dharuhera



Lumax Industries Limited

Regd. Office : 2nd Floor, Harbans Bhawan-II,
Nangalraya Business Centre, New Delhi-110 046

NOTICE TO MEMBERS

Notice is hereby given that the 21st Annual General Meeting of the Shareholders of the Company will be held on **THURSDAY THE 12TH SEPTEMBER 2002 AT 11.00 A.M. AT FICCI GOLDEN JUBILEE AUDITORIUM, TANSEN MARG, NEW DELHI-110001** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March 2002 and the Directors' and Auditors' Report thereon.
2. To declare the Dividend on Equity Shares.
3. To appoint a Director in place of Mr. U.K. Jain who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors M/s K.S. Gupta & Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification the following as an ordinary resolution :-
"Resolved that M/s D.R. Barve & Company, Pune be and is hereby re-appointed as Branch Auditors for the audit of the accounts of Pune and Aurangabad branches of the Company, and the Company hereby authorise the Board of Directors to fix the terms and conditions of their appointment including the remuneration payable to them".
6. To consider and if thought fit, to pass with or without modification the following as an ordinary resolution :-
"Resolved that Mr. Deepak Jain who was appointed as a Director and designated as Executive Director under Section 262(1) of the Companies Act, 1956 read with Clause 120 of the Articles of Association of the Company and who holds the office up to the date of this AGM, and in respect of whom the company has received a notice in writing from a member as required under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company."
7. To consider and if thought fit, to pass with or without modification the following as an ordinary resolution :-
"Resolved that Mr. A.P. Gandhi who was appointed as a Director under Section 262(1) of the Companies Act, 1956 read with Clause 120 of the Articles of Association of the Company and who holds the office up to the date of this AGM, and in respect of whom the company has received a notice in writing from a member as required under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company."
8. To consider and if thought fit, to pass with or without modification the following as an ordinary resolution :-
"Resolved that Mr. S.Watanabe (Nominee of Stanley) who was

appointed as a Director under Section 262 (1) of the Companies Act, 1956 read with Clause 120 of the Articles of Association of the Company and who holds the office up to the date of this AGM, and in respect of whom the company has received a notice in writing from a member as required under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company."

9. To consider and if thought fit, to pass with or without modification the following as an ordinary resolution :-

"Resolved that Mr. Deep Kapuria who was appointed as a Director under Section 262(1) of the Companies Act, 1956 read with Clause 120 of the Articles of Association of the Company and who holds the office up to the date of this AGM, and in respect of whom the company has received a notice in writing from a member as required under Section 257 of the Companies Act, 1956 proposing his candidature for the office of the Director, be and is hereby appointed as Director of the Company."

10. To consider and if thought fit, to pass with or without modification the following as an ordinary resolution :-

"Resolved that in accordance with the provisions of Section 198, 269, 309, 310 & 311 read with Schedule XIII and all other relevant provisions of the companies Act 1956, the consent of the members is hereby accorded to the re-appointment of Mr. U.K. Jain, as Executive Director for a period of 2 years w.e.f. 01-08-2002 on a salary of Rs.27,500/- p.m. in the scale of Rs. 20,000-40,000 plus other allowances and perquisites as approved by the Board and the brief details of which are set out in the explanatory statement annexed to this notice."

"Resolved that in the absence of or inadequacy of Net Profit during any financial year, Mr. U.K. Jain be paid the above mentioned salary and other perquisites as minimum remuneration."

"Resolved further that the Board of Directors be and is hereby authorised to increase, vary or amend the salary, perquisites, minimum remuneration and other terms and conditions of his appointment from time to time as deemed fit and necessary subject to the relevant provisions of the Companies Act, 1956 and amendments thereof."

11. To consider and if thought fit, to pass with or without modification the following as an ordinary resolution :-

"Resolved that in accordance with the provisions of Section 198, 269, 309, 310 & 311 read with Schedule XIII and all other relevant provisions of the companies Act 1956, the consent of the members is hereby accorded to the re-appointment of Mr. Rajan Jain, as Executive Director for a period of 2 years w.e.f. 01-08-2002 on a salary of Rs.22,000 p.m in the scale of Rs. 15,000- 30,000 plus other allowances and perquisites as approved by the Board and the brief details of which are set out in the explanatory statement annexed to this notice."



"Resolved that in the absence of or inadequacy of Net Profit during any financial year, Mr. Rajan Jain be paid the above mentioned salary and other perquisites as minimum remuneration."

"Resolved further that the Board of Directors be and is hereby authorised to increase, vary or amend the salary, perquisites, minimum remuneration and other terms and conditions of his appointment from time to time as deemed fit and necessary subject to the relevant provisions of the Companies Act, 1956 and amendments thereof."

BY ORDER OF THE BOARD

Place: New Delhi
Date : 31st July 2002

K.V. VIJAYAN
COMPANY SECRETARY

NOTES

1. **Proxies** : A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf and proxy need not be a member of the company. The Proxy Form duly filled up and signed should reach to the Company's Regd. Office atleast 48 hours before the scheduled time of the meeting. Proxy form is attached.

2. **Book Closure** : The Register of Members and Share Transfer Books of the Company will remain closed from 02-09-02 to 12-09-02 (both days inclusive).

3. **Dividend Entitlement** : Dividend (subject to TDS) on shares, as recommended by the Directors, if declared at the meeting will be payable to those members whose names appear on the Register of Members of the Company as on 12-09-02 and the Statement of beneficial ownership (in the case of Demat shareholders) furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the purpose of dividend payment.

Dividend amount to the Demat Shareholders and those physical shareholders who have given their bank details, will be credited to their respective bank account through electronic clearing service (ECS), wherever such facilities are available, immediately after the declaration of the Dividend in the AGM. Dividend Warrants in respect of other shareholders will be sent by post by 20th of September 2002.

4. **Unpaid Dividend**: Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividends for the financial year ended 31st March, 1996 and thereafter, which remain unclaimed in the unpaid dividend account for a period of seven years from the date of transfer of the same, will be transferred to the Investor Education and Protection Fund established by the Central Government. Shareholders who have not encashed their dividend warrant(s) so far for the financial year ended 31st March, 1996 or any subsequent financial years are requested to write to the share department of the Company. According to the provisions of the Act, no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.

5. **Tax Deducted at Source (TDS)** : Tax will not be deducted at source if the dividend amount does not exceed Rs.2500/- (only for Resident Individual Shareholders.)

Shareholders whose estimated total income for the current financial year is less than the taxable limit and whose dividend amount exceeds Rs.2500/- shall submit Form-15G in duplicate to the Regd. office of the Company by 31st August 2002, for the payment of dividend without deduction of tax.

6. **Change of Address** : The members holding shares in physical mode are requested to intimate the company immediately, any change in their registered address. Demat Share holders should inform the change of address to their respective Depository Participants.

7. **AGM-Attendance Slip** : Members/Proxies should bring the Attendance Slip duly filled in for attending the meeting. Under no circumstance duplicate attendance slip will be issued at the AGM venue.

8. **Explanatory Statement** : Pursuant to Section 173(2) of the Companies Act, 1956 Explanatory Statement in respect of special business is furnished here under.

EXPLANATORY STATEMENT :

Item No. 5 :

As per Section 228(3) of the Companies Act, 1956, approval of the Members in the Annual General Meeting is required for the audit of Branch Accounts by an Auditor other than the Statutory Auditor. M/s D.R. Barve & Company, Pune has been the Branch Auditors in respect of Pune and Aurangabad Units of the Company since their inception. It is therefore, considered desirable to continue their service as Auditors of the above said units. It is further recommended that the Board of Directors may be authorised to decide the terms and conditions of their appointment including their remuneration.

Item No. 6 :

Mr. Deepak Jain was appointed and designated as Executive Director against the casual vacancy of Mr. P.C. Jain on 23-01-2001. His appointment as Executive Director for a period of 5 years was approved by the members in the last AGM. As per Section 262 (2) of the Companies Act, he holds the post of Director up to the end of this AGM and therefore his appointment as Director requires the approval of members.

Mr. Deepak Jain (27 years), after qualifying his B.B.A. from Illinois Institute of Technology, U.S., has undergone extensive training at I.I.Stanley Co. Ltd., U.S. and Stanley Electric Co. Ltd., Japan (Collaborator Company). He joined the company as Management Trainee on 01-12-1996 and after that held the post of GM/VP and on 23-01-2001 he was taken on the Board and designated as Executive Director. Mr. Deepak Jain is looking after Gurgaon Unit operations and involved in interactions with customers with regard to development of new products.

Notice under Section 257 of the Companies Act proposing his candidature as Director has been received. He is related to other Promoter Directors and therefore all the Promoter Directors may be considered as concerned or interested in the resolution. The Board recommends his appointment as Director in the company.

Item No. 7 :

Mr. A.P. Gandhi was appointed as Director of the Company on 31-07-02 against the casual vacancy caused by the resignation of



Mr. B.B. Gupta. He will continue in the post only upto this AGM. Therefore, members' approval is required for his appointment.

Mr. A.P. Gandhi (64 years) has done his B.E. Mechanical Engineering and has held top leadership positions in prestigious organisations for over two decades out of 40 years of professional working. His last assignment was at Hyundai Motors India Ltd. (HMIL) as President. He joined HMIL in 1998 at project stage and under his leadership HMIL was established as a second largest passenger car manufacturer in India. Before that, for about 10 years he was in Escorts as Chief Executive of Corporate Research and Development. He has also worked in Telco for about 15 year holding various senior positions in the area of manufacturing, operations etc. Apart from that he is also actively involved in various professional bodies.

Notice under Section 257 of the Companies Act proposing his candidature to the Post of Director has been received from a member of the Company. The board considers that his appointment is beneficial to the company considering his abundant wealth of knowledge and experience. Therefore, the board recommends his appointment. None of the Directors except Mr. Gandhi himself is concerned or interested in this resolution.

Item No. 8 :

Mr. S. Watanabe, Nominee of Stanley was appointed as a casual Director w.e.f. 31-07-02 against the vacancy of Mr. K. Orii. Mr. Watanabe has to be appointed as a regular Director in the AGM with the approval of the members.

Mr. Watanabe (56 years), after his high school education from Fukushima (specialisation in Electrical) joined at Stanley Electric Co. Ltd., Japan (Collaborator) in April 1965. He has held various positions in that company and became the unit head of Kumamoto plant of Stanley.

Notice under Section 257 of the Companies Act proposing his candidature to the Post of Director has been received from a member of the Company. His nomination by Stanley as a Director of the Company will further strengthen the business relations with Stanley. The Board recommends his appointment. None of the Directors except Mr. S. Watanabe himself and other two Nominee Directors of Stanley, Japan (Collaborator) may be considered as concerned or interested in this resolution.

Item No. 9 :

The appointment of Mr. Deep Kapuria on 31-07-02 is in place of Mr. Anil Bhalla who was appointed against the casual vacancy of Mr. R. P. Aggarwal and resigned on 22-07-02. Had Mr. R.P. Aggarwal or Mr. Anil Bhalla continued in the office of Director, they would have retired by rotation at the ensuing AGM and as such as per Section 262(2) of the Companies Act, Mr. Deep Kapuria holds the office only upto the date of the ensuing AGM. Therefore, he is proposed to be appointed as a Director for the approval of the members.

Mr. Deep Kapuria (51 years) has done B.E. (Honours) from BITS, Pilani. In addition to that he has also completed his Advance Management Programme from IIM, Ahmedabad and Owner Management Programme from Harvard Business School, Boston. He has 3 decades of Business and Industrial experience to his credit in the Auto Component Manufacturing Business. Presently he is the M.D. of M/s Hi-Tech Gears Ltd. (HGL) a listed Public Limited Company, Manufacturing precision Gears and Transmission Components with

Japanese technical collaboration. He is also associated with various industrial/professional organisations like ACMA, CII, AIMA and held various positions.

Notice under Section 257 of the Companies Act proposing his candidature to the post of Director has been received. Considering his rich experience in the Auto Ancillary Industry, his appointment as an Independent Director will be helpful to the company. Therefore, the Board recommends his appointment. None of the Directors except Mr. Deep Kapuria himself is concerned or interested in this resolution.

Item No. 10 & 11 :

The current tenure of Mr. U.K. Jain and Mr. Rajan Jain as Executive Directors expired on 31-07-2002. Their appointment as Executive Directors are to be renewed for a period of 2 years on the existing terms and conditions recommended by the Remuneration Committee as required under Schedule XIII of the Companies Act, 1956.

Mr. U.K. Jain, B.A. (52 years) is one of the Promoter Directors of the Company. His first appointment as Director in the Company was on 25-04-1989. He is associated with the Company from the very beginning. He is looking after the Mirror Division of the Company.

Mr. Rajan Jain, B.A. (30 years) is also a Promoter Director of the Company. His first appointment in the Board was on 17-11-1995. He is looking after the after market operations.

Considering their experience in the business the Board recommends their appointment as Executive Directors for the approval of the Members. All the Promoter Directors are deemed to be concerned or interested in these resolutions.

The proposed remuneration package and other terms and conditions of the appointment of Mr. U.K. Jain and Mr. Rajan Jain are as follows :

Remuneration :

	<u>Mr.U.K. Jain</u> (Rs.)	<u>Mr. Rajan Jain</u> (Rs.)
a) Salary	27,500/- per month (in the Scale of 20,000-40,000 with annual increment as decided by the Board effective from April)	22,000/- per month (in the Scale of 15,000-30,000 with annual increment as decided by the Board effective from April)
b) Dearness Allowance	1,500 p.m.	1,500 p.m.
c) House Rent Allowance	50% of the Basic Salary	50% of the BasicSalary
d) Entertainment Allowance	1,000/-	1,000/-
e) Magazine Allowance	500/-	500/-
f) Expenses on Gas, Electricity, Water charges and Furnishing Allowances,	1,000/-	1,000/-
g) Servant Allowance	750/-	750/-


Other Perquisites (Common to both the appointees)

h) Medical Reimbursement : Expenses incurred for self and the family subject to a ceiling of one month salary in a year or three months salary over a period of three years. The Company shall also pay annual premium on mediclaim, as per the rules of the Company.

i) Leave Travel Concession : For self and family subject to a ceiling of one month salary in a year.

j) Club fees : Fees of the Clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

k) Personal Accident Insurance: Annual premium not to exceed Rs.1000 per annum.

Apart from the above, appointees will be entitled to the Company's contribution to Provident Fund, Superannuation Fund and other benefits as per the rules of the Company.

Other Terms and Conditions :

a) Use of Company's Car with Driver and Telephone at the residence. The perquisite value of these items, will be valued as per the Income Tax Act, if applicable.

b) Leave at the rate allowable as per the rules of the Company and encashment at the end of the tenure.

c) Reimbursement of expenses incurred in connection with the business of the Company including entertainment expenses.

d) Appointees shall not be entitled to any sitting fee for attending the meeting of Board of Directors or Committee thereof.

BY ORDER OF THE BOARD

Place: New Delhi
Date : 31st July 2002

K.V. VIJAYAN
COMPANY SECRETARY



21st Annual Report 2001-2002

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ANNUAL GENERAL MEETING ON 12TH SEPTEMBER 2002



Lumax Industries Limited

DIRECTORS' REPORT

To the Shareholders

Your Directors are happy to present the 21st Annual Report together with audited financial results of the company for the year 2001-02.

FINANCIAL RESULTS:

	2001-2002	2000-2001
	Rs. in million	
SALES (Excluding Excise Duty)	1913.12	1678.46
Gross Profit (before Interest, Dep. & Tax)	219.60	167.81
(-) Interest	82.89	85.12
(-) Depreciation	125.40	119.59
NET PROFIT :	11.31	(36.90)
(+) Balance in the P&L A/c b/f	0.07	6.49
(+) Transfer from Revaluation Reserve	0.01	0.32
(+) Transfer from General Reserves	-	40.10
PROFIT - for appropriation	11.39	10.01
Appropriation :		
Provision for Taxation	1.05	1.59
Proposed Equity Dividend	10.01	8.35
Transfer to General Reserve	0.30	-
Balance retained in P&L A/c	0.03	0.07
	11.39	10.01

DIVIDEND:

The Board recommends a dividend of 12% on Equity Shares, after transferring a sum of Rs.0.30 million to General Reserves as per the Companies (Transfer of Profits to Reserve) Rules 1975. Your Company has been maintaining an uninterrupted dividend history, right from 1986 inspite of the fact that it has been facing difficult times for the Past 2 years due to the overall depressed Automobile Industry scenario.

MANAGEMENT DISCUSSION AND ANALYSIS

a. Industry structure and development:

Auto Industry has started showing indications of growth in demand since the later half of 2001. A feel good factor in the economy coupled with increased consumerism has led the industry towards higher growth. The Two Wheeler Segment was the star performer recording a 15% growth followed by 9% in Passenger Cars and 7% growth in Multi Utility Vehicles (MUVs). Commercial Vehicles Segment was in negative zone during the last financial year. However, for the current year all the auto segments are in the positive zone. The growth in auto ancillaries is directly related to the growth of Auto Industry in the country. During the year under review most of the auto ancillary companies have turned around.

Since the economy is looking up and it is expected that the growth in GDP will be 6% during the current financial year, the auto industry is expecting an overall growth of above 10%.

b. Opportunities and threats:

"Lumax" is an already established brand in the auto industry, with continuous upgradation of technology. Your company has created a niche for its products in the industry. Due to this, your company has been able to get business for most of the new vehicles which have flooded the Indian roads in the recent past. To cater to the needs of customers having access to different types of technology (Japanese, European and Korean) your Company has also entered into matching Technical Assistance Agreement.

With the takeover of the Maruti Udyog Ltd. (MUL) by Suzuki Motors,

MUL is poised for vigorous expansion and a large number of new models of cars are expected to come out in the near future. Since the company is an existing major supplier of lighting equipments to MUL and since Suzuki and our collaborator, Stanley have long standing business relations in Japan, it is expected that more orders will emerge from MUL, not only for its local requirements but may be also for its global requirements. Your company is also supplying lighting equipments to Ford India Ltd. and with their expansion activities, the company will be getting better opportunities. In the Two Wheeler Segment, Hero Honda and Bajaj Auto are our regular customers. Telco, Mahindra & Mahindra are the other major four wheeler manufacturers who have reposed confidence on our products. In replacement market, our products are in high demand and with the vast distributor network across the country, supplies to this segment are bound to go up.

With globalisation, more and more competitors are entering into the field. Day by day large number of models of cars are introduced in the market. As a result of that though the overall volume is growing up, the volumes in each model are shrinking. This affects not only the economy of scale but also increases the burden of design and development charge of new items and ultimately squeeze the profit margin of the company. Added to that, price cutting measures practiced by vehicle manufacturers have also been a threat to the profitability of the company. Liberalised import policy has encouraged import of large volume of cheap auto products from China, Taiwan and such East Asian countries and the replacement market is flooded with such cheap products. Another important factor that effects the retail market of the company is the menace of spurious and duplicate goods.

c. Product-wise performance:

The company is engaged mainly in the manufacture of 3 products namely Auto Lighting Equipments, Rear View Mirrors and Filters. In addition a large number of miscellaneous items like Sheet Metal Parts, Plastic Moulded Parts etc. are also being produced. 59% of the turnover is from Front and Rear Combination Lamps, 9% from mirrors, 7% from filters and air cleaners and the balance 25% is from other products (including other Auto Lighting Parts). While the overall growth in turnover is 13.98%, the growth in Filter Products is 20%, Combination Lamp 9% and Mirrors 7% as against the previous years figures. With regard to the bottom line, only the lighting division has shown positive figures while mirror and filter divisions continued to be in the red, though the loss has been reduced considerably during the year under review.

d. Outlook:

The company is expected to achieve better results for the current financial year. The targeted sales for the year 2002-2003 is Rs.2100 million with a net profit of Rs.31.3 million. During the first quarter it has posted a turnover of Rs.442.7 million and the net profit Rs.1.7 million.

e. Risk and concerns:

In the current competitive environment the risk element in the business is higher than ever. The technology is changing rapidly and the percentage of obsolescence is higher. Consumer attitude, political and economic conditions, greater dependence on Monsoon by Indian economy etc. are some of the factors that have direct impact on the growth of the economy which in turn have impact on the growth of the Automobile sector.

As far as your company is concerned though it has taken a strategic balanced position for the supply of products to almost all the vehicle manufacturers in OE segment and to the replacement market as well, your company is not above board to the ups and downs of the cyclical nature of the auto industry. However, being an established business house having excellent customer rapport and brand equity, your company stands on a better footing to face the risks.



Lumax Industries Limited

f. Internal control system and their adequacy:

The company has an effective internal audit department which conducts audit periodically, by visiting all units. The planning and conduct of audit is oriented towards review of adequacy of controls and adherence to laid down procedures and systems. The audit committee of the company periodically reviews the internal audit report and special attention is being given in the area of inventory control, debt recovery and accounting policies.

g. Discussion on financial performance:

The net sales of the company is Rs.1913.12 million as against Rs.1678.46 million in the previous year. Out of the total turnover, 81% is from OE supplies, 18% from replacement market and 1% is from export market. As in the past, the company's major focus is towards O.E. segment.

With regard to customer-wise sales in O.E. segment, supplies to Maruti constitute 23% of the sales, Telco and Bajaj 12% each, 6% of sales goes to Hero Honda and the balance 28% is supplied to 14 other vehicle manufacturers in India.

Gross profit margin of the company is 11.48% as against 10% in the previous year. Profit before tax for the year under review is Rs. 11.31 million (0.59% of sales) while in the previous year the net loss was Rs.36.9 million (minus 2.2% of the sales). The better results during the year under review was due to the strict control on the expenditure and enhanced productivity. The company introduced certain restructuring programme which resulted in savings on raw material consumption, personnel and administrative expenses during the last year.

h. Industrial Relations:

The overall position of Industrial Relations of the company have been cordial and satisfactory. The company has entered into Labour Agreement with workers union of each unit located at different parts of the country and both the workers and management strictly adhere to the terms of the Agreement.

The company introduced voluntary retirement scheme during the year under review in Mayapuri Unit and 92 employees availed of VRS. The rest of the employees were transferred to other units and the Mayapuri factory has been closed as a part of the restructuring programme implemented during the year.

DIRECTORS:

In accordance with the provisions of the Companies Act 1956 and the Articles of Association of the Company, Mr. U.K. Jain is retiring by rotation in the ensuing AGM and being eligible, he offers himself for re-appointment.

Mr. U.K. Jain's current tenure as Executive Director has expired on 31-07-02. He has been re-appointed by the Board for another period of 2 years w.e.f. 01-08-02 on the terms and conditions, subject to the approval of the members in the AGM.

Similarly the Service Agreement of Mr. Rajan Jain, Executive Director came to an end on 31-07-02. He has been re-appointed for another period of 2 years w.e.f. 01-08-02 on the existing terms and conditions subject to the approval of the members in the AGM.

The Board recommends the re-appointment of Mr. U.K. Jain and Mr. Rajan Jain as Executive Directors on the terms and conditions mentioned in the Notice.

Mr. Deepak Jain, Mr. A.P. Gandhi, Mr. S. Watanabe and Mr. Deep Kapuria were appointed as Directors by the Board against the casual vacancies, as per Section 262(1) of the Companies Act. It is now proposed to appoint them as Directors in the ensuing AGM and for which the Company has received notices in writing as required under Section 257 of the Act, proposing their candidature for the office of the Directors.

Mr. Deepak Jain was appointed and designated as Executive Director w.e.f. 01-02-2001 for a period of 5 years and his appointment as Executive Director was approved by the Members in the last AGM. Mr. A.P. Gandhi was appointed against the vacancy of Mr.B.B. Gupta, Mr. S. Watanabe in place of Mr. K. Orii and Mr. Deep Kapuria is appointed against the vacancy caused by resignation of Anil Bhalla. Brief details of their Bio-data are given in the notice. The Board recommends their appointment as Directors in the Company.

Mr. B.B. Gupta, Sr. Executive Director resigned from the Board w.e.f. 15-09-2001. Mr.S.S. Aggarwal, Nominee of IDBI was replaced by Mr. H.D. Maheshwari who joined the Board on 13-03-2002. The 2 year term of Mr. K.Orii, Nominee of Stanley Electric, Japan expired on 20-07-2002 and he has been relieved from the board. Mr. Anil Bhalla an Independent Director resigned from the Board on 22-07-2002 due to his personal pre-occupation. The Board places on record its appreciation for the valuable advice and service rendered by these directors to the Company.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to the requirement under Section 217(2AA) of the Companies Act 1956 with respect to Directors' Responsibilities Statement, it is stated :-

(i) that in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

(ii) that 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 or loss of the company for that period;

(iii) that 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;

(iv) that the directors had prepared the Annual Accounts on a going concern basis.

AUDITORS:

M/s K.S. Gupta & Co. (Statutory Auditors) and M/s D.R. Barve & Co., Pune (Branch Auditors) are to be re-appointed and for which the members' approval is needed. They have already given certificates pursuant to Section 224(1B) of the Companies Act, 1956.

With regard to the auditors' observations at para 2(d) and (e) in their report, it is mentioned that the relevant notes on accounts given in Schedule 20 are self explanatory.

However, with regard to the non compliance of the Accounting Standard (AS-15) relating to the provision of liability in respect of earned leave due to employees, the Board has decided to take care of this matter in future.